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PUBLIC SERVICE COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:	)	
	)	
APPLICATION OF LOUISVILLE GAS AND ELECTRIC COMPANY FOR AN ADJUSTMENT OF ITS ELECTRIC AND GAS BASE RATES	)	**CASE NO: 2008-00252**

VOLUME 2 OF 5

RESPONSE TO FILING REQUIREMENTS listed in 807 KAR 5:001 SECTION 10(6)(l) through 807 KAR 5:001 SECTION 10(6)(q)

Filed: July 29, 2008

Louisville Gas and Electric Company
Case No. 2008-00252
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1	Statutory Notice
	Application
	Financial Exhibit pursuant to 807 KAR 5:001 Section 6
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	Response to Filing Requirements listed in 807 KAR 5:001 Section 10(1)(a)1 through 807 KAR 5:001 Section 10(6)(k)
2	Response to Filing Requirements listed in 807 KAR 5:001 Section 10(6)(l) through 807 KAR 5:001 Section 10(6)(q)
3	Response to Filing Requirements listed in 807 KAR 5:001 Section 10(6)(r) through 807 KAR 5:001 Section 10(7)(e)
4	Direct Testimony and Exhibits
5	Direct Testimony and Exhibits

Louisville Gas and Electric Company

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Tab #	Filing Requirement	Description	Volume No(s).	Sponsoring Witness(es)
1	807 KAR 5:001 Section 10(1)(a)1	*A statement of the reason the adjustment is required.*	1	Lonnie E. Bellar
2	807 KAR 5:001 Section 10(1)(a)2	*A statement that the utility's annual reports, including the annual report for the most recent calendar year, are on file with the Commission in accordance with 807 KAR 5:006, Section 3(1).*	1	Lonnie E. Bellar
3	807 KAR 5:001 Section 10(1)(a)3	*If the utility is incorporated, a certified copy of the utility's articles of incorporation and all amendments thereto or all out-of-state documents of similar import. If the utility's articles of incorporation and amendments have already been filed with the commission in a prior proceeding, the application may state this fact making reference to the style and case number of the prior proceeding.*	1	Lonnie E. Bellar
4	807 KAR 5:001 Section 10(1)(a)4	*If the utility is a limited partnership, a certified copy of the limited partnership agreement and all amendments thereto or all out-of-state documents of similar import. If the utility's limited partnership agreement and amendments have already been filed with the commission in a prior proceeding, the application may state this fact making reference to the style and case number of the prior proceeding.*	1	Lonnie E. Bellar
5	807 KAR 5:001 Section 10(1)(a)5	*If the utility is incorporated or a is a limited partnership, a certificate of good standing or certificate of authorization dated within sixty (60) days of the date the application is filed.*	1	Lonnie E. Bellar
6	807 KAR 5:001 Section 10(1)(a)6	*A certified copy of a certificate of assumed name as required by KRS 365.015 or a statement that such a certificate is not necessary.*	1	Lonnie E. Bellar
7	807 KAR 5:001 Section 10(1)(a)7	*The proposed tariff in a form which complies with 807 KAR 5:011 with an effective date not less than thirty (30) days from the date the application is filed.*	1	Lonnie E. Bellar
8	807 KAR 5:001 Section 10(1)(a)8	*The utility's proposed tariff changes, identified in compliance with 807 KAR 5:011, shown either by: (a) Providing the present and proposed tariffs in comparative form on the same sheet side by side; or, (b) Providing a copy of the present tariff indicating proposed additions by italicized inserts or underscoring and striking over proposed deletions.*	1	Lonnie E. Bellar
9	807 KAR 5:001 Section 10(1)(a)9	*A statement that customer notice has been given in compliance with subsections (3) and (4) of this section with a copy of the notice.*	1	Lonnie E. Bellar
10	807 KAR 5:001 Section 10(2)	*Notice of Intent. Utilities with gross annual revenues greater than $1,000,000 shall file with the commission a written notice of intent to file a rate application at least four (4) weeks prior to filing their application. The notice of intent shall state whether the rate application shall be supported by a historical test period or a fully forecasted test period. This notice shall be served upon the Attorney General, Utility Intervention and Rate Division.*	1	Lonnie E. Bellar

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Tab #	Filing Requirement	Description	Volume No(s).	Sponsoring Witness(es)
11	807 KAR 5:001 Section 10(3)	*Form of notice to customers. Every utility filing an application pursuant to this section shall notify all affected customers in the manner prescribed herein. The notice shall include the following information: (a) The amount of the change requested in both dollar amounts and percentage change for each customer classification to which the proposed rate change will apply; (b) The present rates and the proposed rates for each customer class to which the proposed rates would apply; (c) Electric, gas, water and sewer utilities shall include the effect upon the average bill for each customer class to which the proposed rate change will apply; (d) Local exchange companies shall include the effect upon the average bill for each customer class for the proposed rate change in basic local service; (e) A statement that the rates contained in this notice are the rates proposed by (name of utility); however, the Public Service Commission may order rates to be charged that differ from the proposed rates contained in this notice; (f) A statement that any corporation, association, or person with a substantial interest in the m*	I	Lonnie E. Bellar
12	807 KAR 5:001 Section 10(4)(a)	*Manner of notification. Sewer utilities shall give the required typewritten notice by mail to all of their customers pursuant to KRS 278.185.*	I	Lonnie E. Bellar
13	807 KAR 5:001 Section 10(4)(b)	*Manner of notification. Applicants with twenty (20) or fewer customers affected by the proposed general rate adjustment shall mail the required typewritten notice to each customer no later than the date the application is filed with the commission.*	I	Lonnie E. Bellar
14	807 KAR 5:001 Section 10(4)(c)	*Manner of notification. Except for sewer utilities, applicants with more than twenty (20) customers affected by the proposed general rate adjustment shall give the required notice by one (1) of the following methods: 1. A typewritten notice mailed to all customers no later than the date the application is filed with the commission; 2. Publishing the notice in a trade publication or newsletter which is mailed to all customers no later than the date on which the application is filed with the commission; or 3. Publishing the notice once a week for three (3) consecutive weeks in a prominent manner in a newspaper of general circulation in the utility's service area, the first publication to be made within seven (7) days of the filing of the application with the commission.*	I	Lonnie E. Bellar
15	807 KAR 5:001 Section 10(4)(d)	*Manner of notification. If the notice is published, an affidavit from the publisher verifying the notice was published, including the dates of the publication with an attached copy of the published notice, shall be filed with the commission no later than forty-five (45) days of the filed date of the application.*	I	Lonnie E. Bellar
16	807 KAR 5:001 Section 10(4)(e)	*Manner of notification. If the notice is mailed, a written statement signed by the utility's chief officer in charge of Kentucky operations verifying the notice was mailed shall be filed with the commission no later than thirty (30) days of the filed date of the application.*	I	Lonnie E. Bellar
17	807 KAR 5:001 Section 10(4)(f)	*Manner of notification. All utilities, in addition to the above notification, shall post a sample copy of the required notification at their place of business no later than the date on which the application is filed which shall remain posted until the commission has finally determined the utility's rates.*	I	Lonnie E. Bellar

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Tab #	Filing Requirement	Description	Volume No(s).	Sponsoring Witness(es)
18	807 KAR 5:001 Section 10(4)(g)	*Manner of notification. Compliance with this subsection shall constitute compliance with 807 KAR 5:051, Section 2.*	1	Lonnie E. Bellar
19	807 KAR 5:001 Section 10(5)	*Notice of hearing scheduled by the commission upon application by a utility for a general adjustment in rates shall be advertised by the utility by newspaper publication in the areas that will be affected in compliance with KRS 424.300*	1	Lonnie E. Bellar
20	807 KAR 5:001 Section 10(6)(a)	*A complete description and quantified explanation for all proposed adjustments, with proper support for any proposed changes in price or activity levels, and any other factors which may affect the adjustment.*	1	S. Bradford Rives
21	807 KAR 5:001 Section 10(6)(b)	*If the utility has gross annual revenues greater than $1,000,000, the prepared testimony of each witness the utility proposes to use to support its application.*	1	Lonnie E. Bellar
22	807 KAR 5:001 Section 10(6)(c)	*If the utility has gross annual revenues less than $1,000,000, the prepared testimony of each witness the utility proposes to use to support its application or a statement that the utility does not plan to submit any prepared testimony.*	1	S. Bradford Rives
23	807 KAR 5:001 Section 10(6)(d)	*A statement estimating the effect that the new rates will have upon the revenues of the utility including, at minimum, the total amount of revenues resulting from the increase or decrease and the percentage of the increase or decrease.*	1	Robert M. Conroy
24	807 KAR 5:001 Section 10(6)(e)	*If the utility provides electric, gas, water, or sewer service the effect upon the average bill for each customer classification to which the proposed rate change will apply.*	1	Robert M. Conroy
25	807 KAR 5:001 Section 10(6)(f)	*If the utility is a local exchange company, the effect upon the average bill for each customer class for the proposed rate change in basic local service.*	1	Lonnie E. Bellar
26	807 KAR 5:001 Section 10(6)(g)	*An analysis of customers' bills in such detail that revenues from the present and proposed rates can be readily determined for each customer class.*	1	Robert M. Conroy
27	807 KAR 5:001 Section 10(6)(h)	*A summary of the utility's determination of its revenue requirements based on return on net investment rate base, return on capitalization, interest coverage, debt service coverage, or operating ratio, with supporting schedules.*	1	S. Bradford Rives
28	807 KAR 5:001 Section 10(6)(i)	*A reconciliation of the rate base and capital used to determine its revenue requirement.*	1	S. Bradford Rives
29	807 KAR 5:001 Section 10(6)(j)	*A current chart of accounts if more detailed that the Uniform System of Accounts prescribed by the commission.*	1	Shannon L. Charnas
30	807 KAR 5:001 Section 10(6)(k)	*The independent auditor's annual opinion report, with any written communication from the independent auditor to the utility which indicates the existence of a material weakness in the utility's internal controls.*	1	S. Bradford Rives
31	807 KAR 5:001 Section 10(6)(l)	*The most recent Federal Energy Regulatory Commission or Federal Communication Commission audit reports.*	2	Valerie L. Scott
32	807 KAR 5:001 Section 10(6)(m)	*The most recent Federal Energy Regulatory Commission Form 1 (electric), Federal Energy Regulatory Commission Form 2 (gas), or Automated Reporting Management Information System Report (telephone) and Public Service Commission Form T (telephone);*	2	Valerie L. Scott

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Tab #	Filing Requirement	Description	Volume No(s).	Sponsoring Witness(es)
33	807 KAR 5:001 Section 10(6)(n)	*A summary of the utility's latest depreciation study with schedules by major plant accounts, except that telecommunications utilities that have adopted the commission's average depreciation rates shall provide a schedule that identifies the current and test period depreciation rates used by major plant accounts. If the required information has been filed in another commission case a reference to that case's number and style will be sufficient.*	2	Shannon L. Charnas & John J. Spanos
34	807 KAR 5:001 Section 10(6)(o)	*A list of all commercially available or in-house developed computer software, programs, and models used in the development of the schedules and work papers associated with the filing of the utility's application. This list shall include each software, program, or model; what the software, program, or model was used for; identify the supplier of each software, program, or model; a brief description of the software, program, or model; the specifications for the computer hardware and the operating system required to run the program.*	2	Valerie L. Scott
35	807 KAR 5:001 Section 10(6)(p)	*Prospectuses of the most recent stock or bond offerings.*	2	S. Bradford Rives
36	807 KAR 5:001 Section 10(6)(q)	*Annual report to shareholders, or members, and statistical supplements covering the two (2) most recent years from the utility's application filing date.*	2	S. Bradford Rives
37	807 KAR 5:001 Section 10(6)(r)	*The monthly management reports providing financial results of operations for the twelve (12) months in the test period.*	3	Valerie L. Scott
38	807 KAR 5:001 Section 10(6)(s)	*Securities and Exchange Commission's annual report for the most recent two (2) years, Form 10-Ks and any Form 8-Ks issued within the past two (2) years, and Form 10-Qs issued during the past six (6) quarters updated as current information becomes available.*	3	S. Bradford Rives
39	807 KAR 5:001 Section 10(6)(t)	*If the utility had any amounts charged or allocated to it by an affiliate or general or home office or paid any monies to an affiliate or general or home office during the test period or during the previous three (3) calendar years, the utility shall file: 1. A detailed description of the method and amounts allocated or charged to the utility by the affiliate or general or home office for each charge allocation or payment; 2. An explanation of how the allocator for the test period was determined; and 3. All facts relied upon, including other regulatory approval, to demonstrate that each amount charged, allocated or paid during the test period was reasonable;*	3	Valerie L. Scott

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Tab #	Filing Requirement	Description	Volume No(s).	Sponsoring Witness(es)
40	807 KAR 5:001 Section 10(6)(u)	*If the utility provides gas, electric or water utility service and has annual gross revenues greater than $5,000,000, a cost of service study based on a methodology generally accepted within the industry and based on current and reliable data from a single time period.*	3	W. Steven Seelye
41	807 KAR 5:001 Section 10(6)(v)	*Local exchange carriers with fewer than 50,000 access lines shall not be required to file cost of service studies, except as specifically directed by the commission. Local exchange carriers with more than 50,000 access lines shall file:* *1. A jurisdictional separations study consistent with Part 36 of the Federal Communications Commission's rules and regulations; and* *2. Service specific cost studies to support the pricing of all services that generate annual revenue greater than $1,000,000, except local exchange access:* *a. Based on current and reliable data from a single time period; and* *b. Using generally recognized fully allocated, embedded, or incremental cost principles.*	3	Lonnie E. Bellar
42	807 KAR 5:001 Section 10(7)(a)	*Upon good cause shown, a utility may request pro forma adjustments for known and measurable changes to ensure fair, just and reasonable rates based on the historical test period. The following information shall be filed with applications requesting pro forma adjustments or a statement explaining why the required information does not exist and is not applicable to the utility's application:* *(a) A detailed income statement and balance sheet reflecting the impact of all proposed adjustments;*	3	Valerie L. Scott
43	807 KAR 5:001 Section 10(7)(b)	*Upon good cause shown, a utility may request pro forma adjustments for known and measurable changes to ensure fair, just and reasonable rates based on the historical test period. The following information shall be filed with applications requesting pro forma adjustments or a statement explaining why the required information does not exist and is not applicable to the utility's application:* *(b) The most recent capital construction budget containing at least the period of time as proposed for any pro forma adjustment for plant additions.*	3	Valerie L. Scott

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Tab #	Filing Requirement	Description	Volume No(s).	Sponsoring Witness(es)
44	807 KAR 5:001 Section 10(7)(c)	*Upon good cause shown, a utility may request pro forma adjustments for known and measurable changes to ensure fair, just and reasonable rates based on the historical test period. The following information shall be filed with applications requesting pro forma adjustments or a statement explaining why the required information does not exist and is not applicable to the utility's application:* *(c) For each proposed pro forma adjustment reflecting plant additions provide the following information:* *1. The starting date of the construction of each major component of plant;* *2. The proposed in-service date;* *3. The total estimated cost of construction at completion;* *4. The amount contained in construction work in progress at the end of the test period;* *5. A schedule containing a complete description of actual plant retirements and anticipated plant retirements related to the pro forma plant additions including the actual or anticipated date of retirement;* *6. The original cost, cost of removal and salvage for each component of plant to be retired during the period of the proposed pro forma adjustment for plant additions;* *7. An explanation of any differences in the amounts contained in the capital construction budge* *8. The impact on depreciation expense of all proposed pro forma adjustments for plant additio*	3	Valerie L. Scott
45	807 KAR 5:001 Section 10(7)(d)	*Upon good cause shown, a utility may request pro forma adjustments for known and measurable changes to ensure fair, just and reasonable rates based on the historical test period. The following information shall be filed with applications requesting pro forma adjustments or a statement explaining why the required information does not exist and is not applicable to the utility's application:* *(d) The operating budget for each period encompassing the pro forma adjustments.*	3	Valerie L. Scott
46	807 KAR 5:001 Section 10(7)(e)	*Upon good cause shown, a utility may request pro forma adjustments for known and measurable changes to ensure fair, just and reasonable rates based on the historical test period. The following information shall be filed with applications requesting pro forma adjustments or a statement explaining why the required information does not exist and is not applicable to the utility's application:* *(e) The number of customers to be added to the test period-end level of customers and the related revenue requirements impact for all pro forma adjustments with complete details and supporting work papers.*	3	W.Steven Seelye

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Filing Requirement
807 KAR 5:001 Section 10(6)(l)
Sponsoring Witness: Valerie L. Scott

Description of Filing Requirement:

The most recent Federal Energy Regulatory Commission or Federal Communication Commission audit reports.

Response:

The most recent Federal Energy Regulatory Commission audit report relating to LG&E's electric business is attached. The Federal Energy Regulatory Commission does not audit LG&E's natural gas business and therefore no such audit reports exist. The Federal Communication Commission does not audit LG&E and, therefore, no such audit reports exist.

FERC Audit Report – July 17, 2006

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

In Reply Refer To:
Office of Enforcement
Docket No. PA05-9-000
July 17, 2006

Michael S. Beer
Vice President, Federal Regulation and Policy
LG&E Energy Services, Inc.
220 West Main Street
Louisville, KY 40202

Dear Mr. Beer:

1. The Division of Audits within the Office of Enforcement (OE) has completed the audit of LG&E Energy LLC (LG&E) for the period from January 1, 2003 to December 31, 2005. The enclosed audit report explains our audit findings and recommendations.

2. On June 29, 2006, you notified us that LG&E agreed with our audit findings and recommendations. I hereby approve and direct the recommended corrective actions. A copy of your response is included as an Appendix to this audit report.

3. LG&E should file an implementation plan within 30 days of the date of this letter order and submit quarterly filings describing LG&E's progress completing each corrective action, including dates it has completed each corrective action. The filings should be made no later than 30 days after the end of each calendar quarter, beginning with the first quarter after this audit report is issued, and continuing until all the corrective actions are completed.

4. The Commission delegated the authority to act on this matter to the Director of OE under 18 C.F.R. § 375.314 (2006). This letter order constitutes final agency action. Your Company may file a request for rehearing with the Commission within 30 days of the date of this order under 18 C.F.R. § 385.713 (2006).

5. This letter order is without prejudice to the Commission's right to require hereafter any adjustments it may consider proper from additional information that may come to its attention.

6. I appreciate the courtesies extended to the auditors. If you have any questions, please contact Mr. Bryan K. Craig, Director, Division of Audits at (202) 502-8741.

Sincerely,

Susan J. Court

Susan J. Court
Director
Office of Enforcement

Enclosure

FEDERAL ENERGY REGULATORY COMMISSION

Audit Period: January 1, 2003 through December 31, 2005

Audit of Code of Conduct, Standards of Conduct, Market-Based Rate Tariff, and MISO's Open Access Transmission Tariff at LG&E Energy LLC

Audit Report

OFFICE OF ENFORCEMENT
DIVISION OF AUDITS

Docket No. PA05-9-000 **Date: July 17, 2006**

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I. EXECUTIVE SUMMARY

A. Overview

The Office of Enforcement (OE)[1] has completed an audit of the operations of LG&E Energy LLC (LG&E).[2] For purposes of the audit, the relevant parts of LG&E's corporate structure included:

- The two utilities (Louisville Gas & Electric Company and Kentucky Utilities Company), each of which operates a system control center,
- LG&E's service company (LG&E Energy Services, Inc.), and
- LG&E's Marketing and Energy Affiliates, including LG&E's wholesale merchant function (WMF) and its affiliated power marketers[3]; LG&E's principal affiliated power marketer during the audit period was LG&E Energy Marketing, Inc. (LEM).

The audit covered the period from January 1, 2003 through December 31, 2005, and focused on LG&E's compliance with:

- LG&E's Code of Conduct, which requires the physical, operational, and functional separation of LG&E's WMF and its affiliated power marketers,
- The Commission's Standards of Conduct under Order No. 2004 and 18 C.F.R. Part 358 (2005), which requires the transmission function to operate independently from LG&E's energy marketing operations,
- LG&E's market-based rate tariff, and

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[1] On April 16, 2006, the Office of Market Oversight and Investigations changed its name to the Office of Enforcement.

[2] On December 1, 2005, LG&E Energy LLC announced it changed its name to E.ON US.

[3] *LG&E Power Mktg., Inc.*, 68 FERC ¶ 61,247 (1994); *modified on other grounds*, 69 FERC ¶ 61,153 (1994). LG&E Power Mktg.'s name was changed to LG&E Energy Marketing Inc. (LEM). *See* Notice of Name Change, Docket No. ER97-3418-000 (filed June 24, 1997).

- Midwest ISO (MISO) Open Access Transmission Tariff (OATT) §28.6 Restrictions on Use of Service; §30.1 Designation of Network Resources; §30.4 Operation of Network Resources; and §30.7 Limitation on Designation of Network Resources.

B. Summary of Compliance Findings

Our audit findings are based on materials provided by LG&E in response to data requests, interviews with LG&E staff members, site visits, and a review of publicly available documents. LG&E has been very cooperative throughout the audit.

Based on our examination of the Code of Conduct, Standards of Conduct, Market-Based Rate Tariff, and MISO's OATT at LG&E, we identified nine areas of non-compliance.

Code of Conduct Compliance

- *Functional, Physical, and Operational Separation of LG&E's WMF and Affiliated Power Marketer*: LG&E's WMF and its principal affiliated power marketer (LEM) were not functionally, physically, and operationally separate to the maximum extent practical, as required by LG&E's Code of Conduct. Both WMF and LEM functionally reported to the same company officer and LEM shared physical facilities with WMF traders and with mid-office and back-office functions for the WMF. WMF and LEM operationally shared a telephone recording system to capture trading and dispatch conversations.

- *Sharing of Market Information*: LG&E's WMF shared market information with its principal affiliated power marketer (LEM) through presentations at joint staff meetings, in violation of LG&E's Code of Conduct. Also, the password access controls to the shared Energy Management System (EMS) were inconsistent with LG&E's password security policy.

- *Posting of Information on Sales to Affiliates at Market-Based Rates*: LG&E was required to post on an electronic bulletin board (EBB) information on energy sales at market-based rates from its WMF to its affiliated power marketer (LEM). LG&E's Code of Conduct required the price of such sales to be no lower than the rate charged to non-affiliates, and required simultaneous postings on an EBB of WMF's offers to sell to LEM and WMF's actual sales to LEM. Our review of LG&E's archived EBB postings disclosed that LG&E's EBB was not accessible to non-affiliated market participants for a period of time, and the information that LG&E posted on the EBB was not consistent with the requirements in LG&E's Code of Conduct.

Standards of Conduct Compliance

- *Disclosures of Transmission and Customer Information*: LG&E transmission employees improperly disclosed non-public transmission and customer information to employees of its WMF that was not contemporaneously available to the public, and failed to post in a timely manner the information disclosure on OASIS: (1) on at least three occasions, LG&E transmission employees disclosed real-time transmission system status information to LG&E Energy and Marketing affiliate employees during telephone calls concerning generation re-dispatch; (2) on at least one occasion, LG&E made transmission expansion planning information available to marketing employees; and (3) on a monthly basis through February 2005, a transmission employee sent e-mails to a marketing employee containing load data of third-party customers.

- *Standards of Conduct Training*: The scope of LG&E's Standards of Conduct training program was inconsistent with Commission regulations and with LG&E's training implementation plans. More than one year after the effective date of Order No. 2004, LG&E had failed to provide Standards of Conduct training for several hundred of the employees LG&E was required to train.

- *Controls Used to Limit Access to System Control Centers*: LG&E did not follow its posted implementation procedures to control and track access by the employees of its Marketing and Energy Affiliates to LG&E's two system control centers, including the requirement that LG&E marketing employees obtain permission from the Chief Compliance Officer (CCO) before visiting the system control centers.

- *Organizational Charts*: The organizational chart postings failed to include or accurately show: detailed organizational charts for business units engaged in the sales function; the position of LG&E's Marketing and Energy Affiliates within the corporate structure; and all of the business units that are part of LG&E's service company.

- *Shared Facilities*: LG&E did not post a list of the facilities shared by the Transmission Provider and LG&E's Marketing and Energy Affiliates as required by 18 C.F.R. § 358.4(b)(2) (2005).

Market-Based Rate Tariff Compliance

- *Electric Quarterly Report Inaccuracies*: LG&E's Electric Quarterly Report (EQR) filing for the first quarter of 2005 contained inaccurate information. LG&E inaccurately reported several sales transactions from its WMF to its affiliated power marketer (LEM) and reported invalid Data Universal Numbering System (DUNS) numbers for several other customers.

C. Summary of Recommendations

Detailed recommendations are included in Sections III, IV, and V of this Audit Report that describe the compliance findings. Following is a brief summary of those recommendations. We recommend that LG&E:

- Implement its planned actions to ensure that WMF and LEM employees are functionally, physically, and operationally separate to the maximum extent practical.

- Create and implement policies and procedures to ensure that there is no exchange of market information inconsistent with LG&E's Code of Conduct, and to conduct an independent review after implementation of a new EMS system to ensure that market information (and transmission information) is not accessible to employees who should not have access to such information.

- Develop written policies and procedures regarding the use of its EBB, and develop a plan for making the EBB more accessible to non-affiliated market participants.

- Post OASIS notices for all identified disclosures of non-public transmission information. Specific recommendations include creating controls to prevent disclosure of non-public transmission and customer information as part of transmission operations, during meetings attended by transmission and marketing employees, and through e-mail exchanges of information.

- Strengthen the implementation of its training program, specifically, to develop written policies and procedures to ensure that new employees receive training, and conduct periodic reviews to ensure that all of the employees that require training are scheduled for, receive training, and are certified.

- Review and strengthen its system control center access procedures to ensure that LG&E marketing employees do not have access that differs in any way from the access available to other transmission customers.

- Revise its posted organizational charts to show the business units engaged in sales functions, the position of all Marketing and Energy Affiliates within its corporate structure, and sufficient detail to indicate that LG&E's service company is the employment mechanism for the Marketing and Energy Affiliates and the Transmission Provider.

- Revise its shared facilities postings to identify all facilities that LG&E's Marketing and Energy Affiliates share with service employees who have access to non-public transmission or customer information.

- Strengthen its written procedures to ensure that EQR filings are in compliance with Commission regulations, and to refile inaccurate EQR data identified in this Audit Report.

D. Actions Already Taken by LG&E

LG&E has already taken a number of corrective actions in response to our compliance findings to come into compliance with the Standards of Conduct and LG&E's Code of Conduct. These actions are enumerated in detail in Sections III, IV, and V of this Audit Report that describe the compliance findings.

As part of the audit scope, audit staff examined LG&E's use of network integration transmission service (NITS) for the audit period prior to April 1, 2005, the beginning of the MISO Day 2 market. After working with audit staff to perform the review of LG&E's use of NITS, LG&E committed to enhancing its "Before the Purchase System" (BPS) by creating detailed control processes to ensure its compliance with the OATT and the proper use of NITS. LG&E's BPS is a software product that determines when a bi-lateral power purchase can be reasonably expected to serve native load and can be imported using network integration transmission service. LG&E's BPS system provides traders a systematic process for determining if a purchase should be imported using NITS before purchases are made and scheduled. The BPS helps ensure LG&E's compliance with the Commission's approved uses for NITS.

E. Implementation Plan

We recommended that LG&E submit an implementation plan to the audit staff for our approval detailing LG&E's plans to comply fully with the findings and recommendations in this Audit Report. The implementation plan should describe the actions LG&E has already taken, and will take, that are consistent with and complementary to any future structural and organizational changes that LG&E may undertake.

The implementation plan should be submitted within 30 days of issuance of a Final Audit Report in this docket. In addition, LG&E shall make quarterly filings updating the audit staff of its progress on implementing the plan. The filings shall be made no later than 30 days after the end of each calendar quarter, beginning with the first quarter after this audit report is issued, and continuing until all the corrective actions are completed.

II. INTRODUCTION

A. Objectives

The overall audit objectives were to determine compliance with:

- LG&E's Code of Conduct, which requires the physical, operational, and functional separation of the utilities' WMF and its affiliated power marketers.

- The Commission's Standards of Conduct under Order No. 2004 (and prior to September 22, 2004, under Order No. 889[4]), which requires a Transmission Provider's employees engaged in transmission system operations to function independently from employees of its Marketing and Energy Affiliates.[5] Standards of Conduct compliance was also evaluated against LG&E's own implementation procedures.[6]

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[4] *Open-Access Same-Time Information System (formerly Real-Time Information Networks) and Standards of Conduct*, Order No. 889, 61 FR 21737 (May 10, 1996), FERC Stats. & Regs., Regulations Preambles ¶ 31,035 (Apr. 24, 1996); *order on reh'g*, Order No. 889-A FR 12484 (March 14, 1997), FERC Stats. & Regs., Regulations Preambles ¶ 31,049 (March 4, 1997).

[5] *Standards of Conduct for Transmission Providers*, Order No. 2004, 68 FR 69134 (Dec. 11, 2003), FERC Stats. & Regs., Regulations Preambles ¶ 31,155 (Nov. 25, 2003), *order on reh'g*, Order No. 2004-A, 69 FR 23562 (Apr. 29, 2004), FERC Stats. & Regs., Regulations Preambles ¶ 31,161 (April 16, 2004), *order on reh'g*, Order No. 2004-B, 69 FR 48371(Aug. 10, 2004), FERC Stats. & Regs., Regulations Preambles ¶ 31,166 (Aug. 2, 2004), *order on reh'g*, Order No. 2004-C, 70 FR 284 (Jan. 4, 2005), FERC Stats. & Regs., Regulations Preambles ¶ 31,172 (Dec. 21, 2004), order on reh'g, Order No. 2004-D, 110 FERC ¶ 61,320 (2005), *appeal pending*, (D.C. Circuit Docket Nos. 04-1178, et al.)

[6] "Joint Written Procedures Implementing Standards of Conduct for Transmission Providers as Adopted by the Federal Energy Regulatory Commission in Order No. 2004, Effective September 22, 2004" (hereinafter referred to as LG&E's posted implementation procedures). We found this document on April 5, 2005, posted on http://lgeenergy.com/regulatory/lgeku_compliance_procedures.pdf.

- LG&E's market-based rate tariff.[7]
- The provisions of the MISO OATT.[8]

For purposes of evaluating compliance with the Standards of Conduct, this audit focuses primarily on the period from September 22, 2004, the effective date of Order No. 2004, to December 31, 2005. For purposes of evaluating compliance with Code of Conduct, market-based rate tariff and MISO's OATT requirements, this audit focuses primarily on the period from January 1, 2003 to December 31, 2005.

B. Scope and Methodology

The OE has completed an audit of the operations of LG&E. As part of the audit, OE conducted selective tests on data to determine LG&E's compliance with the Standards of Conduct, Code of Conduct, market-based rate tariff, and MISO's OATT requirements. Selective tests included those necessary to verify the accuracy of required informational postings on LG&E's OASIS, the effectiveness of written procedures and internal controls related to the Standards of Conduct, and compliance with all the provisions of the Standards of Conduct, LG&E's Code of Conduct, LG&E's market-based rate tariff, and the MISO OATT.

Additionally, we reviewed physical and electronic security over transmission operations and information. We discussed with LG&E personnel matters related to the corporate structure, Energy and Marketing Affiliates, local and wide area networks, shared functions, and the Standards of Conduct training received. We reviewed e-mail records and recorded conversations between LG&E's transmission operations and its Energy and Marketing Affiliates.

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[7] *Louisville Gas & Elec. Co.*, 85 FERC ¶ 61,125 (1998) (accepting for filing joint market-based rate tariff of LG&E and KU, FERC Electric Tariff, Original Volume No. 2); *LG&E Operating Cos.* Docket No. ER99-1623-000. Letter Order, Jun. 4, 1999 (accepting revised tariff sheets to Original Volume No. 2 permitting limited sales to certain affiliates); *Louisville Gas & Elec. Co.*, Letter Order, Docket No. ER02-1077-000, Apr. 16, 2002 (accepting "short form" market-based rate tariff as Original Volume No.3).

[8] *Midwest Independent Transmission System Operator, Inc., et al.*, 84 FERC ¶ 61,231 (1998); *order on reconsideration*, 85 FERC ¶ 61,250 (1998); *order on reh'g*, 85 FERC ¶ 61,372 (1998); *order on compliance filing*, 87 FERC ¶ 61,085 (1999).

III. CODE OF CONDUCT FINDINGS AND RECOMMENDATIONS

1. Functional, Physical and Operational Separation of LG&E's WMF and Affiliated Power Marketer

LG&E's WMF and its principal affiliated power marketer (LEM) were not functionally, physically and operationally separate to the maximum extent practical, as required by LG&E's Code of Conduct. The WMF and LEM were functionally within the same LG&E business unit, and reported to the same company officer; the WMF and LEM shared physical facilities without strong controls to prevent information sharing; and the WMF and LEM shared a telephone recording system that provided LEM employees access to operational information such as WMF trading activities.

Pertinent Guidance

Section 3 of LG&E's Code of Conduct states that "(t)o the maximum extent practical, employees of the Utilities [*i.e.*, LG&E's WMF] who operate the Utilities' systems or engage in power purchasing or selling on behalf of the Utilities will be physically, operationally, and functionally separate from employees of the Marketers performing power marketing activities."[9]

Discussion

Collectively, the lack of functional, physical, and operational separation between WMF and LEM precluded LG&E from operating these entities as separate business units to the maximum extent practical as required in Section 3 of LG&E's Code of Conduct.

Functional Separation Between WMF and LEM

LG&E's WMF and its primary affiliated power marketer (LEM) were not functionally separate to the maximum extent practical since they functionally reported to the same company officer, *i.e.*, the Senior Vice President (SVP) of Energy Marketing. The employees of the two trading operations attended periodic meetings together, convened by the SVP of Energy Marketing. As described in the compliance finding "Sharing of Market Information" which follows next in this Audit Report, general market

[9] *LG&E Power Mktg., Inc.*, 68 FERC ¶ 61,247 (1994); *modified on other grounds*, 69 FERC ¶ 61,153 (1994). LG&E Power Mktg.'s name was changed to LG&E Energy Marketing Inc. (LEM). *See* Notice of Name Change, Docket No. ER97-3418-000 (filed June 24, 1997).

information, as well as specific market information about WMF and LEM trading operations was discussed at these meetings.

According to the job description of the SVP Energy Marketing, the occupant of the position was responsible for establishing the strategic direction and management of the energy marketing, fuel procurement and trading activities for the WMF and also directs the optimization of the corporation's energy-related integrated gross margin. This job description indicates that the SVP Energy Marketing is expected to coordinate WMF and LEM activities to provide a greater return for the LG&E corporate family. This lack of functional separation between WMF and LEM was inconsistent with LG&E's Code of Conduct.

Physical Separation Between WMF and LEM

LG&E lacked sufficient physical barriers to ensure that the WMF's non-public market information was not shared with LEM. WMF operations and LEM operations were both located on the seventh floor of LG&E's headquarters building. Sharing a floor is not a violation of the Code of Conduct, as long as there are sufficient controls to ensure the physical separation of employees and operations. The physical space occupied by WMF operations were secured by a card key access system. However, LEM's operations were not secured by a card key access system, and the workspace of LEM employees (with the exception of the Director of LEM) was arranged in open carrels. WMF employees passed by LEM's workspace on their way to and from a conference room shared by the two trading operations, and the employees shared common facilities such as kitchen and restrooms. WMF and LEM employees frequently held discussions on the LEM trading floor, but LG&E asserted and the employees we interviewed confirmed that the information exchanged between WMF and LEM traders was not prohibited information—it was limited to public information regarding the market and market information about LEM.

The seventh floor also contained LG&E's risk management and energy accounting functions, both of which have access to WMF information. The risk management and energy accounting offices were not protected, e.g., through card key access, against entry by LEM personnel.

Operational Separation with Respect to Recorded Phone Calls

LG&E recorded phone calls of its traders and dispatchers for both the WMF and LEM functions on two RACAL digital tape recorder machines. Each machine recorded calls made by employees of both organizations on digital tapes. Each digital tape contained approximately 60,000 to 75,000 calls or about 21-28 days worth of recorded calls containing conversations made by both WMF employees and LEM employees.

Each call was identified by date, time, and channel number which corresponded to a person or workstation. A recorded call varied in length from a few seconds to several minutes.

The two RACAL recorder machines and tapes were located on the seventh floor of LG&E's headquarters building in a locked room with access controlled by a LEM administrative employee. The LEM administrative employee provided access to specific tapes when WMF or LEM employees requested access to the tapes. The LEM administrative employee initially set up the machine to a channel, date and time, then instructed the WMF and LEM employees how to operate the machine to find other calls. The listening process involved searching and listening to the tape on a trial and error basis until the call was identified. The LEM administrative person did not remain in the room at all times while the WMF or LEM employees listened to the tapes, and these employees had the opportunity to access the entire contents of a tape containing both WMF and LEM recordings.

Recommendations

We recommend that LG&E:

1. Take all appropriate actions necessary to ensure that WMF employees and LEM employees are functionally and physically separate to the maximum extent practical, as required under LG&E's Code of Conduct.

2. Implement procedures to ensure that authorized access to the tape recordings are properly documented.

3. Implement procedures to separate tape recordings for WMF and LEM channels.

4. Implement controls to provide access to only one tape recording machine when WMF or LEM personnel are authorized to listen to tapes and implement controls to prevent unauthorized access to channels of historical tapes which contain recorded conversations of both WMF and LEM channels.

5. LG&E shall submit all procedures and controls to OE for approval within 30 days of issuance of a Final Audit Report in this docket.

Actions Already Taken by LG&E

After we discussed our concerns with the lack of physical separation between LEM and WMF, LEM physically moved from the seventh floor to the fourth floor of the LG&E building and LEM employees no longer have access to the seventh floor as of March 31, 2006.

LG&E also began maintaining a written log of all access to tapes and revamped its recording system so that now WMF and LEM employee conversations are recorded on separate tapes and machines. We verified that this change had been made during our site visit in October 2005. However, LG&E must still implement access controls to the tapes when WMF or LEM employees listen to tapes containing recorded conversations of both WMF and LEM channels. Also, LG&E must implement physical access controls to the recording machines if WMF or LEM employees are provided access to the secure room to listen to tapes.

The corrective actions do not solve the functional separation problem between WMF and LEM. LG&E will submit a plan to functionally separate WMF and LEM.

2. Sharing of Market Information

LG&E's WMF shared market information with LEM through presentations at joint staff meetings, in violation of LG&E's Code of Conduct. Also, password access controls to the shared Energy Management System (EMS) were insufficient and inconsistent with LG&E's password security policy.

Pertinent Guidance

Section 4 of LG&E's Code of Conduct states that "(n)o employee of the Utilities will share market information with any employee of the Marketers unless all such information is simultaneously made available to the public. The policy will not apply to market information known to be publicly available, or to market information disclosed to employees of the Marketers or the Utilities who are engaged in support functions, including human resources, information resources, data processing, finance, legal, accounting and other support personnel who do not participate in directing, organizing and executing the day-to-day business decisions of the wholesale merchant or generation functions of the Utilities or the Marketers, *provided* that such employees are prohibited from acting as conduits to pass market information obtained from the Utilities to the Marketers."[10] (emphasis in original.)

LG&E's password security policy requires a password for each employee accessing LG&E's Local Area Networks (LAN) and Wide Area Networks (WAN).

Discussion

Joint Staff Meetings Between WMF and LEM

LG&E's WMF shared non-public market information with LEM through presentations at joint staff meetings, in violation of LG&E's Code of Conduct. The monthly trading meetings normally took place during the last week of each calendar month. In addition to the SVP of Energy Marketing, the managers of WMF and LEM attended, as well as staff from WMF and LEM, plus staff from the Market Analysis, Trading Controls, Operations Analysis and Fuels Management sections.

During the months of August, 2004 through May, 2005, the agendas of the Trading Meetings remained unchanged. The first item on the agenda was a presentation by the Manager of the WMF on the results of Regulated Off-System Sales (OSS) for the month, and how the results compared with the amount budgeted for that item. This

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[10] *Id.*

information included reforecast graphs for the calendar year-to-date, the results for the current month-to-date, the factors leading to the results (including such items as purchase power costs and transmission expenses), and a review of the profit-at-risk graph. Following this presentation by the WMF, LEM presented a report on its sales operations for the previous month and its forecasts and plans for the future.[11] Following LEM's presentation, the SVP of Energy Marketing dismissed the LEM employees from the meeting after which the WMF made additional reports about its operations and forecasts.

LG&E's Code of Conduct states that no employee of the WMF will share market information with any affiliated power marketer employee unless all such information is simultaneously made available to the public. Based on review of the agendas, and interviews with WMF personnel, we concluded that the WMF Off-System Sales' information presented at the beginning of the monthly meetings by the Manager of the WMF was WMF market information. This information was disclosed to LEM personnel present at the beginning of these meetings, a violation of LG&E's Code of Conduct.

Password Access to EMS Information

LG&E's WMF and LEM both use a shared EMS, partitioned into WMF generation data, LEM generation data, and LG&E transmission data. Password access controls to the shared EMS were insufficient and inconsistent with LG&E's password security policy. Prior to February 2004, LG&E permitted WMF and LEM users to access the EMS using separate group accounts and passwords, rather than using unique user accounts and passwords. The failure to require unique password access was contrary to LG&E's password security policy and increased the risk of inappropriate information access via the EMS. Specifically, group passwords are easier to disseminate and it is not possible to track the identity of individuals that use a group account to ensure that only those with appropriate clearance have accessed the EMS. Because WMF employees and LEM employees used group accounts and passwords, it was not possible to track individual access to specific account information.

[11] The information related to Western Kentucky Electric (WKE), LEM's sole remaining customer. In past years the information also related to LEM's contract with Oglethorpe Power Corporation (OPC).

Recommendations

We recommend that LG&E:

6. Create controls consistent with LG&E's Code of Conduct to ensure that there is no exchange of market information stemming from joint trading meetings for WMF and affiliated power marketing personnel.

7. Conduct an independent review by the internal audit department or an outside auditing firm when the new EMS is implemented in 2006 to ensure that there is no improper or unauthorized EMS screen access.

8. LG&E shall submit all controls to OE for approval within 30 days of issuance of a Final Audit Report in this docket. Also, LG&E shall submit the results of the independent review of the EMS to OE within 30 days after implementing its new EMS or issuance of a Final Audit Report in this docket, whichever is later.

Actions Already Taken by LG&E

After we discussed our concerns with LG&E about joint trading meetings between WMF and LEM, LG&E changed the agenda of the monthly trading meetings starting in June 2005. The agenda was altered so that the presentation about WMF's OSS is not made until later in the meeting, after LEM employees have left the meeting. In addition, beginning in December 2005, LG&E adopted certain process changes, including the requirement that the CCO or his designee attend all joint WMF and LEM meetings, and maintain a high-level agenda and/or minutes of each meeting.

LG&E implemented unique user accounts and passwords for its current GE/Harris EMS in February 2004. LG&E is currently developing, installing and testing a new EMS that should be operational in 2006.

3. Posting of Information on Sales to Affiliates at Market-Based Rates

LG&E's EBB was inaccessible to non-affiliated market participants, and the information on the EBB was not consistent with Commission requirements. The EBB would have been difficult for non-affiliate market participants to find, given that for some period of time it was located on a website of an LG&E affiliate that was not a party to affiliate sales. In addition, for some period of time it may not have been accessible over the internet. Moreover, the information and timing on offers to sell and actual sales to affiliates were not consistent with the specific requirements in LG&E's Code of Conduct.

Pertinent Guidance

On January 29, 1999, LG&E petitioned the Commission for blanket authority to authorize the Utilities, *i.e.*, LG&E's WMF, to sell energy at market-based rates to their power marketing affiliates. Acknowledging the Commission's concern about protecting captive ratepayers from subsidizing affiliate marketing operations, LG&E committed to adopt the safeguards the Commission approved in Detroit Edison Company.[12]

To implement these safeguards, LG&E amended its Code of Conduct to add the following requirements: "The Utilities will sell power to the Marketers at a rate that is no lower than the rate the Utilities charge to nonaffiliates; simultaneously with making an offer to sell power to the Marketers, the Utilities will make the same offer to nonaffiliates through a posting on their electronic bulletin board ("EBB"); and simultaneously with the striking of a power sales transaction with the Marketers, the Utilities will post the actual price paid on their EBB."[13]

Discussion

Accessibility of EBB Information to Market Participants

We sought to create a timeline for LG&E's EBB. LG&E's WMF made energy sales at market-based rates to LEM from 1999 through the Spring of 2005, but we could not confirm that the information posted on such sales was accessible to market participants. Based on the documentation provided to us by LG&E:

- From 1999 through December 2003, the sales information was posted on an EBB website for LG&E Power, one of LG&E's affiliated power marketers.

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[12] 80 FERC ¶ 61,348 (1997).

[13] Docket No. ER99-1623-000, Compliance Filing of Louisville Gas and Electric Company and Kentucky Utilities Company, filed March 4, 1999, at 2.

- In December 2003, the EBB containing the sales information migrated from the LG&E Power website to the LG&E Energy website.

- In April 2005, LG&E provided us the website address for the EBB, http://apps.lgeenergy.com/fercgen/gensales.asp. When we tried to access the EBB at this address, the page would not display. We subsequently asked LG&E how to access the EBB. On May 4, 2005, the internet address on LG&E Energy's website worked. We asked LG&E when this link to the EBB was made operational; LG&E informed us that it was made operational on May 1, 2005.

LG&E stated that other than LG&E's filing made in 1999 revising its Code of Conduct to post affiliate transactions on an EBB, it could not recall any occasions where it publicized the existence of the EBB. LG&E, however, could not recall a single instance when a market participant had inquired about any posting on the EBB.

Posted Offers to Sell on the EBB

LG&E's Code of Conduct required LG&E to make a simultaneous offer on the EBB to sell to non-affiliates the same product it was offering to sell to its affiliate. We concluded that the posting of offers to sell on the EBB were not consistent with the requirements of LG&E's Code of Conduct.

We reviewed archived EBB data for the audit period. Typically, each month on the first of the month, LG&E's WMF would post on the EBB an offer to sell a block of energy on an hourly basis. This monthly posting was at an asking price of $12/MWh for virtually every month that a monthly offer was posted. LG&E stated that the asking price was set at $12/MWh in order to induce counterparties to enter negotiations to purchase from LG&E's WMF.

We reviewed LG&E's variable costs on a generator-by-generator basis. Although prices of coal and other inputs changed over the course of the period that LG&E posted offers on the EBB, we concluded that had LG&E sold energy at $12/MWh during any hour during which it posted an asking price of $12/MWh, it would have been selling energy at a price less than its incremental cost. Moreover, our review of the EBB shows that WMF never sold energy to LEM at a price of $12/MWh or less. LG&E's strategy of posting an asking price of $12/MWh did not satisfy the Code of Conduct requirements to simultaneously offer hourly energy to non-affiliated market participants at the same price that it would offer such energy to its affiliate.

Prices of Affiliate Sales

We evaluated whether the prices at which WMF sold energy to LEM were consistent with the requirements of LG&E's Code of Conduct, *i.e.*, at a rate that is no lower than the rate that WMF sold to non-affiliated buyers. LG&E had no written procedures or other controls for its WMF traders to follow to determine an appropriate market price at which the WMF would sell to LEM. LG&E's WMF traders established the market price through telephone queries and broker quotes prior to negotiating a next-hour energy sale to LEM. We listened to recorded phone calls during hours in which WMF traders sold energy to LEM. We found no evidence that WMF traders sold energy to LEM at prices less than the market price in accordance with LG&E's Code of Conduct. However, when we reviewed the recorded phone calls, we found that WMF traders did not generally employ strong controls to establish the market price.

EBB Postings in 2001

We had specific concerns whether LG&E was properly using the EBB to post offers and sales from WMF to LEM to support a long-term sales obligation LEM had with Morgan Stanley, specifically affiliate sales in 2001. Based on the data provided to us by LG&E, we found the following EBB posting errors:

- WMF sold to LEM 50 MWh of energy during each off-peak hour during the month of May 2001 without posting offers or transactions on the EBB. We estimated these energy sales in May 2001 to total nearly 20,000 MWh, and to have generated revenues of approximately $500,000.

- LG&E failed to post on the EBB offers or transactions when WMF sold energy to LEM to support LEM's sales to Morgan Stanley for an additional 10 days during calendar year 2001.

Recommendations

We recommend that LG&E:

9. Develop written procedures regarding the use of its EBB. Specifically, the written procedures should address how LG&E will ensure that the price at which it sells energy to its affiliate is no lower than the price at which it sells to non-affiliates, and how LG&E will post offers and sales on the EBB to make the information available to other market participants to demonstrate that its affiliate sales are at non-preferential prices.

10. Develop a plan to ensure that the EBB is fully accessible, and that market participants know where to find the EBB on the LG&E website.

11. LG&E shall submit all procedures and plans to OE for approval within 30 days of issuance of a Final Audit Report in this docket.

<u>Actions Already Taken by LG&E</u>

We had numerous discussions with LG&E about the accessibility and effectiveness of its EBB postings. As of January 2006, LG&E had a link from its corporate website to the EBB. In addition, LG&E presented us plans for making the information posted on the EBB consistent with LG&E's Code of Conduct. LG&E has agreed to finalize these plans and to develop written procedures to guide trading staff on the use of the EBB within 30 days of the issuance of a Final Audit Report in this docket.

IV. STANDARDS OF CONDUCT FINDINGS AND RECOMMENDATIONS

4. Disclosures of Transmission and Customer Information

LG&E transmission employees improperly disclosed transmission and customer information to employees of its WMF that was not contemporaneously available to the public, and failed to post the information disclosure on OASIS.

Pertinent Guidance[14]

A Transmission Provider must ensure that any employee of the Marketing or Energy Affiliate is prohibited from obtaining information about the Transmission Provider's transmission system through access to information not posted on the OASIS or Internet website or that is not otherwise also available to the general public without restriction.[15]

An employee of the Transmission Provider may not disclose to its Marketing or Energy Affiliates any information concerning the transmission system of the Transmission Provider or the transmission system of another through non-public communications conducted off the OASIS or Internet website, through access to information not posted on the OASIS or Internet website that is not contemporaneously available to the public, or through information on the OASIS or Internet website that is not at the same time publicly available.[16]

A Transmission Provider may not share any information, acquired from non-affiliated transmission customers or potential non-affiliated transmission customers, or developed in the course of responding to requests for transmission or ancillary service on the OASIS or Internet website, with employees of its Marketing or Energy Affiliates,

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[14] Some of the incidents supporting this finding occurred under the former Order No. 889 Standards of Conduct requirements, *i.e.*, Part 37 requirements pre-September 22, 2004, Part 358 requirements thereafter. There are no significant differences in the specific requirements of Part 37 and Part 358 that bear upon the finding that LG&E improperly disclosed transmission and customer load information.

[15] 18 C.F.R. § 358.5(a)(2) (2005).

[16] 18 C.F.R. § 358.5(b)(1) (2005).

except to the limited extent information is required to be posted on the OASIS or Internet website in response to a request for transmission service or ancillary services.[17]

If an employee of the Transmission Provider discloses information in a manner contrary to the requirements of sections 358.5(b)(1) and (2), the Transmission Provider must immediately post such information on the OASIS or Internet Web site.[18]

Also, LG&E's posted implementation procedures provided that "any person with knowledge or concerns regarding activities that may have resulted, or could result, in a violation of the Standards of Conduct and/or Standards of Conduct Written Procedures is strongly encouraged, expected, and required to report them to the CCO without delay."

Discussion

Disclosures of Transmission Information by Telephone

On at least three occasions, once in May, 2004 and twice in November, 2004 LG&E transmission employees disclosed transmission line loading and operating status information to LG&E generation dispatchers during the course of generation re-dispatch events. LG&E's generation dispatch function is organizationally and functionally within its marketing business unit; therefore generation dispatch personnel are Energy and Marketing Affiliate employees.[19] In each instance, the transmission information was disclosed through non-public communication.

LG&E identified three calls involving the disclosure of non-public transmission information relating to the loading of, line operational status, or redispatch or switching relief options for the 345 kV line Smith – Hardin County; 138 kV line Paddys Run – Paddys West; and 138 kV line Cane Run 6 – Cane Run Switching. LG&E acknowledged that the disclosed transmission information was not otherwise available to market participants through OASIS or other sources at the time that it was disclosed. We

[17] 18 C.F.R. § 358.5(b)(2) (2005).

[18] 18 C.F.R. § 358.5(b)(3) (2005).

[19] The manager of generation dispatch reports to the Director of Trading who reports to the Senior Vice President for Energy Marketing. The generation dispatch desk is on the trading floor, located next to the workstation used by LG&E's real-time traders. Moreover, on occasion, LG&E's generation dispatchers talked to potential energy buyers and sellers on the phone and made trades if no one else on the trading floor was available to do so.

reviewed the disclosed information and determined that its disclosure to generation dispatch personnel was not necessary to ensure reliability and hence is not exempt under 18 C.F.R. § 358.5(b)(6) (2005). LG&E confirmed that the transmission information disclosed was not shared with traders, and there were no trades made by generation dispatchers in the hours subsequent to the disclosure of transmission information.

LG&E's generation dispatchers received Standards of Conduct training, and had available to them LG&E's Standards of Conduct implementation procedures, which required that improper disclosures of non-public transmission information be reported to the CCO. The generation dispatch employee did not disclose the incidents to anyone, including the CCO, so the disclosures were not posted on LG&E's OASIS after they occurred.

Disclosure of Transmission Information at a Meeting Attended by Transmission and Marketing Employees

During the audit period, we identified one meeting in which transmission personnel and marketing personnel were present at which LG&E transmission personnel disclosed non-public information regarding the status of two transmission projects. LG&E did not subsequently post the disclosures on its OASIS. At a Long Term Planning meeting that the SVP of Energy Marketing attended, the Director of Transmission discussed two transmission projects, providing information that was not publicly available in the Midwest ISO Transmission Expansion Plans ("MTEP"). These Projects were a 138/69kV transformer at VA City – Clinch River, which was a new interconnection tie-line between LG&E and American Electric Power Company, Inc., and a 138/69kV transformer at Paris substation, which was a reinforcement of the existing tie-line between LG&E and East Kentucky Power Cooperative. Each of the above two proposed projects would increase the transmission capacity between LG&E and the adjacent control area. LG&E did not post in a timely manner the disclosure on the OASIS after it occurred. We found no evidence that LG&E's Energy or Marketing Affiliates traded on this information.

Disclosure of Customer Load Data by E-Mail

On the first of the month, on a monthly basis through February 2005, a transmission employee e-mailed a marketing employee specific, non-public customer load information and failed to post in a timely manner the disclosures on OASIS.[20] Prior

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[20] In *Allegheny Power Service Corporation et al, (Allegheny)* the Commission stated that the WMF may have access to control area load and not the specific load of third-party transmission customers within the same control area. *See Allegheny,* 84 FERC ¶ 61,131 at 61,729 (1998).

to August 1, 2003, the e-mails identified the date, time and LG&E's control area peak load, and load for the same date and time for LG&E, Hoosier Energy, Owensboro Municipal Utilities, Tennessee Valley Authority, and East Kentucky Power Cooperative. Beginning August 1, 2003 and continuing through February 1, 2005, the e-mails added the customer's monthly energy usage, peak load and load factor.[21] LG&E acknowledged that this information was not publicly available. Knowledge of specific third-party load information could have been used to the advantage of LG&E's traders, although we found no evidence that this occurred.

Recommendations

We recommend that LG&E:

12. Post OASIS notices for all of the disclosures of non-public transmission information by LG&E's transmission function employees identified in this Audit Report. These postings should include the date, time, type of information disclosed, and other pertinent information.

13. Create and implement controls to prevent prospectively the disclosure of non-public transmission information to marketing employees performing generation dispatch functions and controls to ensure that any subsequent disclosure(s) are posted on OASIS consistent with Commission regulations. Such controls need to emphasize LG&E's policy that all concerns related to the Standards of Conduct should be brought to the attention of the CCO.

14. Create and implement controls to prevent prospectively the disclosure of non-public transmission information during meetings attended by both transmission and marketing employees, and controls to ensure that any subsequent disclosure(s) are posted on OASIS consistent with Commission regulations. Such controls need to emphasize LG&E's policy that all concerns related to the Standards of Conduct should be brought to the attention of the CCO.

15. Perform a review of all transmission and customer information shared through e-mail distribution in order to ensure that such information is not inappropriately shared with LG&E's Marketing and Energy Affiliate employees.

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[21] The load factor represents the ratio of the average load over a designated period of time to the peak load occurring during that period.

16. LG&E shall submit all controls and the results of its email distribution review to OE for approval within 30 days of issuance of a Final Audit Report in this docket.

Actions Already Taken by LG&E

We discussed our concerns about the disclosure of transmission and customer information. LG&E informed us that it is developing process changes for addressing our concerns on a prospective basis, and that ultimately the process changes would be converted into formal written policies within 30 days of issuance of a Final Audit Report in this docket.

5. Standards of Conduct Training

LG&E's Standards of Conduct training program was inconsistent with Commission regulations and LG&E's own training implementation plans—more than one year after the effective date of Order No. 2004 (*i.e.*, 9/22/04), LG&E had failed to provide Standards of Conduct training for several hundred of the employees LG&E was required to train.

Pertinent Guidance

Order No. 2004 codified the training requirement as follows: "Transmission Providers shall train officers and directors as well as employees with access to transmission information or information concerning gas or electric purchases, sales, or marketing functions. The Transmission Provider shall require each employee to sign a document or certify electronically signifying that s/he has participated in the training." [22] Moreover, training was to be completed by the implementation date of Order No. 2004: "Each Transmission Provider must be in full compliance with the standards of conduct by September 22, 2004."[23]

Order No. 2004 required a Transmission Provider to post its implementation procedures on its OASIS or website, specifically requiring that Transmission Providers "must explain…whether employees have been offered training on the standards of conduct, and whether employees are required to read and sign acknowledgement forms."[24] LG&E's posted implementation procedures have limited detail on its training program. LG&E directed us to an internal company training plan, which states (in part):

- All affected Company Personnel as well as employees of Energy and Marketing Affiliates (*i.e.*, except clerical, maintenance and field personnel) shall receive *Standards of Conduct* training prior to the September 22, 2004 implementation date.

- The initial *Standards of Conduct* training shall be conducted through interactive training programs developed and prepared by the Edison Electric Institute.[25]

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[22] 18 C.F.R. § 358.4(e)(5) (2005).

[23] 18 C.F.R. § 358.4(e)(2) (2005).

[24] FERC Stats. & Regs, Regulations Preambles ¶ 31,155 at P 136.

[25] "FERC Standards of Conduct, Order Nos. 2004, 2004-A, 2004-B, Training plan, August 19, 2004, Overview."

Discussion

We reviewed LG&E's training program and compared it to the requirements in Order No. 2004, as well as LG&E's training plan. We concluded that LG&E did not provide training to all employees requiring training. As of November 2005, more than one year after the September 22, 2004 implementation date of Order No. 2004, LG&E had not provided training to all employees that fall under the definition of employees who needed to be trained, *i.e.*, "employees with access to transmission information or information concerning gas or electric purchases, sales, or marketing functions."[26]

We could not determine the exact number of employees that required, but had not received, training. Employees that required Standards of Conduct training but did not receive training included:

- A handful of employees of the service company, *e.g.*, in business units such as Audit Services and Legal;

- Approximately 100 shared service employees, in business units such as Planning & Control;

- As many as 2,000 employees at LG&E-owned transmission and generation facilities, who had no training other than notification that new Standards of Conduct were in effect.[27]

We discussed with LG&E the need to determine whether the employees in these business units have access to information concerning gas or electric purchases, sales or marketing functions that would trigger a training requirement under 18 C.F.R. § 358.4(e)(5) (2005), and when they do, to ensure that they have Standards of Conduct

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[26] 18 C.F.R. § 358.4(e)(5) (2005).

[27] LG&E designated these employees as field and maintenance personnel and as such did not provide training to them. But the training requirement in Order No. 2004 does not hinge on whether employees are designated as field and maintenance personnel, but rather whether an employee has access to non-public transmission information or information concerning gas or electric purchases, sales or marketing functions. LG&E told us it did not make this determination with respect to its field and maintenance personnel. As such, we could not determine how many of these employees should have received training. LG&E did not assert that these employees did not have access to non-public transmission information or information concerning gas or electric purchases, sales or marketing functions.

training. LG&E agreed to review its training program, specifically to identify the additional employees that should have received training.

Recommendations

We recommend that LG&E:

17. Strengthen the implementation of its training program to ensure that on a going-forward basis, its training program is consistent with Commission requirements and its internal training plans.

18. Develop written procedures to ensure that new employees, and transferring employees that require training, receive training.

19. Conduct a review to ensure that all of the employees that have "access to transmission information or information concerning gas or electric purchases, sales, or marketing functions..." are scheduled for training, have received training, and are certified.

20. LG&E shall submit all changes to the implementation of its training program and procedures developed to OE for approval within 30 days of issuance of a Final Audit Report in this docket. Also, LG&E shall submit the results of its review of employee access to information within 30 days after issuance of a Final Audit Report in this docket.

Actions Already Taken by LG&E

We discussed LG&E's training program with the CCO, and other LG&E officials. On November 10, 2005, LG&E submitted a letter to us outlining an enhanced training program. We reviewed LG&E's plan and found it to be consistent with the requirements of Order No. 2004, the audit findings, and our recommended remedies.

LG&E proposed to require training for all LG&E employees who fall within the definition in 18 C.F.R. § 358.4(e)(5) (2005). LG&E proposed to use the EEI computer-based Training Program, including the certification of training completion. For employees without internet access, a paper version of the training program will be used for the training. LG&E informed us on January 11, 2006, that as of that date, it had increased the number of LG&E employees who had received training by 80%, from approximately 600 employees to approximately 1100 employees.

6. Controls Used to Limit Access to System Control Centers

LG&E did not follow its posted implementation procedures to control and track access of its marketing employees to LG&E's two system control centers, including the requirement that LG&E marketing employees obtain permission from the CCO before visiting the system control centers.

Pertinent Guidance

Order No. 2004 requires that a Transmission Provider's employees engaged in transmission system operations "must function independent from employees of its Marketing and Energy Affiliates."[28] Specifically, a Transmission Provider is prohibited from permitting the employees of its Marketing or Energy Affiliates from "having access to the system control center or similar facilities used for transmission operations or reliability functions that differs in any way from the access available to other transmission customers."[29]

LG&E's posted implementation procedures provide that LG&E marketing employees must obtain permission from the CCO before visiting the system control centers: "The Chief Compliance Officer shall maintain a written record of each such decision for inspection upon request by the Commission."[30]

LG&E's posted implementation procedures also prescribe access control to the system control centers.

> The Companies shall maintain a written log book at each Transmission System Operating Center for purposes of documenting the instances in which a transmission customer, whether an employee(s) of an Energy and/or Marketing Affiliate or a representative(s) of an unaffiliated third-party, visited these facilities. The written log book should contain the: (1) name of the transmission customer; (2) the date and time of the visit; and (3) the Transmission Function Employee(s)

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[28] 18 C.F.R. § 358.2(a) (2005).

[29] 18 C.F.R. § 358.4(a)(3)(ii) (2005).

[30] "Joint Written Procedures Implementing Standards of Conduct for Transmission Providers as Adopted by the Federal Energy Regulatory Commission in Order No. 2004, Effective September 22, 2004" Section IV.A.2.b.

or other Company Personnel hosting the transmission customer; (4) whether the transmission customer is an affiliate; and (5) purpose for the visit.[31]

Discussion

LG&E operates two separate system control centers. One control center, called Waterside, is located in Louisville, KY, in a building approximately two blocks from the LG&E corporate headquarters. The other control center, called Dix Dam, is located in Burgin, KY, at the site of the Dix Dam generating facility.

LG&E used card key access to restrict direct access to its system control centers. However, we found a number of problems with the controls employed to track access of visitors (including LG&E marketing employees) to LG&E's system control centers.

CCO Permission to Visit the System Control Centers

LG&E's posted implementation procedures provide that LG&E marketing employees should submit a written request to the CCO prior to visiting either one of the system control centers. Based on our review of the Waterside log sheets, on at least five occasions, two LG&E employees with marketing or marketing-related responsibilities visited the Waterside facility after September 22, 2004.[32] The CCO told us that there was no record that marketing employees had sought permission to enter the control centers, and no record of CCO approval of such requests.

Controls on Visitors Entering the System Control Centers

The written log books controlling visitors to the system control centers were inconsistent with LG&E's posted implementation procedures. The logs did not collect some pertinent information that LG&E's implementation procedures required. Many of the entries on the log sheets were unintelligible to us, and some of these entries were unintelligible to LG&E personnel as well. As a result, we could not determine the full extent to which LG&E marketing employees (and non-affiliated transmission customers) had access to the system control centers and could not determine whether LG&E

[31] *Id.*

[32] One of the employees was the manager of the generation dispatch function, which staff established was part of the marketing function. The other was the manager of market policy—the position description for this individual said his department was responsible for monitoring and analyzing emerging electric markets and educating Energy Marketing staff on the implications of new market operations.

marketing employees had access in any way that differed from the access provided to non-affiliated transmission customers.

Access to Transmission Information Once Inside the System Control Centers

At both the Waterside and Dix facilities, a visitor standing at the door to the control centers had a line of sight into the control room, and was able to see transmission status information. This concern is heightened because of the relatively large number of LG&E marketing employees that visited a system control center. For example, our review of log sheets indicated that in the two year period prior to implementation of Order No. 2004, LG&E marketing employees may have made as many as 50 separate visits to the Waterside facility.

Recommendations

We recommend that LG&E:

21. Review and strengthen its system control center access procedures to ensure that its control procedures: (a) adhere to its own posted implementation procedures as it relates to CCO permission to visit control centers and maintenance of log books; (b) are followed by LG&E employees including the CCO and CCO designees; and (c) are certified in compliance with Order No. 2004 and LG&E's posted implementation procedures. LG&E shall submit all procedures to OE for approval within 30 days of issuance of a Final Audit Report in this docket.

22. Ensure that the entrances into the Waterside control room and Dix Dam control room are such that a visitor that enters the Waterside and Dix Dam facilities does not have a line of sight into the control rooms or to any workstations displaying data on transmission status.

Actions Already Taken by LG&E

LG&E informed us that on January 10, 2006, it revised its website to notify LG&E marketing employees that require access to the system control centers to seek written permission before each visit from the CCO. In addition, LG&E indicated that no later than January 13, 2006, the log books would be updated to conform to LG&E's posted implementation procedures, and temporary covers would be installed on all windows and doors that allow a line of sight into the system control centers.

7. Organizational Charts

LG&E's posted corporate and functional organizational charts (as of April 2005) failed to include or accurately show: detailed organizational charts for business units engaged in the sales function; the position of its Marketing and Energy Affiliates within the corporate structure; and sufficient detail to indicate that LG&E's service company is the employment mechanism for the Marketing and Energy Affiliates and the Transmission Provider.

Pertinent Guidance

The Order No. 2004 requirements for posting organizational charts provide that:

(3) A Transmission Provider must post comprehensive organizational charts showing:

(i) The organizational structure of the parent corporation with the relative position in the corporate structure of the Transmission Provider, Marketing and Energy Affiliates;

(ii) For the Transmission Provider, the business units, job titles and descriptions, and chain of command for all positions, including officers and directors, with the exception of clerical, maintenance, and field positions. The job titles and descriptions must include the employee's title, the employee's duties, whether the employee is involved in transmission or sales, and the name of the supervisory employees who manage non-clerical employees involved in transmission or sales.

Further, Order Nos. 2004-A and 2004-B requires:

If a corporation uses a service company as the employment mechanism for the Transmission Provider and its Marketing or Energy Affiliates, the organizational charts should clearly specify those circumstances. Similarly, if a corporation uses both functional and structural organizational charts for its management, the organizational charts must accurately reflect its operations....[33]

With respect to whether a detailed organizational chart is also required for a service company, the answer depends on the functions that the service company is

[33] FERC Stats. & Regs, Regulations Preambles ¶ 31,161 at P 163.

performing. If the service company is performing transmission functions, additional detail is required.[34]

Discussion

LG&E's posted several organizational charts on its website at http://lgeenergy.com/regulatory/soc.asp[35] which showed a high-level organizational structure, including the holding company which owns LG&E Energy LLC, and the legal entities under LG&E Energy LLC, including notably: the operating companies (Kentucky Utilities Company and Louisville Gas and Electric Company); the service company (LG&E Energy Services, Inc.); and an LG&E marketing affiliate (LG&E Energy Marketing Inc., or LEM).

Additional posted organizational charts showed some —but not all— of the business units of the service company. The organizational charts showed a Senior Vice President (SVP) for Energy Services, with the following direct reports: Director of Transmission; SVP for Energy Marketing; VP for Regulated Generation; and VP Power Operations for Western Kentucky Energy.

However, the only business unit for which detailed organizational charts, job titles, chains of command, and job descriptions were posted was the Director of Transmission. Such detailed information was not posted for the sales functions, *i.e.*, the SVP for Energy Marketing, VP for Regulated Generation, and VP Power Operations for Western Kentucky Energy. The sales functions under the SVP for Energy Marketing included the following business units: Director of Trading; Director of Market Analysis & Valuation; Director of Non-Utility Marketing; Manager of Operations Analysis and System Implementation; Director of Corporate Fuels & By-Products; and Director of Business Information.

In addition, the posted organizational charts did not show the relative position in the corporate structure of all of LG&E's Marketing and Energy affiliates and did not clearly indicate that LG&E's service company is the employment mechanism for its Marketing and Energy Affiliates and Transmission Provider. For example:

- LG&E's postings showed one of LG&E's Marketing and Energy Affiliates, *i.e.*, LG&E Energy Marketing Inc. (LEM), as a separate corporate entity, but did not clearly indicate that LEM employees are in the service company along with transmission function employees; and

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[34] FERC Stats. & Regs, Regulations Preambles ¶ 31,166 at P 79.

[35] We reviewed the organization charts on April 5, 2005.

- LG&E's postings failed to show what position another Marketing and Energy Affiliate, LG&E Power Services LLC, occupied within the corporate structure.

Recommendations

We recommend that LG&E:

23. Post organizational charts and employee information showing the required information for all of the business units engaged in the sales function.

24. Revise its organizational chart postings to show the position of all Energy and Marketing Affiliates within the corporate structure.

25. Revise its organizational chart posting to clearly show that LG&E uses its service company as the employment mechanism for the Transmission Provider and its Energy and Marketing Affiliates. All postings shall be made within 7 business days of the issuance of a Final Audit Report in this docket, consistent with 18 C.F.R. § 358.4(b)(3)(iv) (2005).

Actions Already Taken by LG&E

After discussions with us, LG&E updated its posted organizational charts. We reviewed LG&E's organizational charts in January 2006, and found the revised organizational charts included more, but not all, of the information required under 18 C.F.R. § 358.4(b)(3) (2005).

8. Shared Facilities

LG&E did not post a list of the facilities shared by the Transmission Provider and LG&E's Marketing and Energy Affiliates as required by 18 C.F.R. § 358.4(b)(2) (2005).

Pertinent Guidance

The Commission's regulations state: "A Transmission Provider must post on its OASIS or Internet website, as applicable, a complete list of the facilities shared by the Transmission Provider and its Marketing and Energy Affiliates, including the types of facilities shared and their addresses."[36] This requires that when a Transmission Provider's Marketing and Energy Affiliates share facilities with any function of the Transmission Provider whose employees have access to transmission information, those shared facilities must be posted.[37]

Discussion

LG&E's Order No. 2004 information posted on its internet website in April 2005 stated: "At this time, no facilities are shared between the Transmission Provider and its Marketing and Energy Affiliates".

LG&E believed that it was required to post a list of shared facilities only if its transmission function shares facilities with its Marketing and Energy Affiliates. Since LG&E's transmission function is housed in two buildings (the Waterside control center and the Dix Dam control center) that otherwise do not house other LG&E business units, LG&E informed us that it did not believe it had any shared facilities that required posting.

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[36] 18 C.F.R. § 358.4(b)(2) (2005).

[37] Transmission Provider is defined as follows in 18 C.F.R. § 358.3 (2005):
(a) Transmission Provider means:
(1) Any public utility that owns, operates or controls facilities used for the transmission of electric energy in interstate commerce; or
(2) Any interstate natural gas pipeline that transports gas for others pursuant to subpart A of part 157 or subparts B or G of part 284 of this chapter.
(3) A Transmission Provider does not include a natural gas storage provider authorized to charge market-based rates that is not interconnected with the jurisdictional facilities of any affiliated interstate natural gas pipeline, has no exclusive franchise area, no captive rate payers and no market power.

Virtually all of LG&E's shared service employees (many of whom have access to transmission information) occupied the same building as LG&E's two primary Marketing and Energy Affiliates, *i.e.*, LG&E's WMF, and LG&E's principal affiliated power marketer (LEM). When we pointed out to LG&E that shared service employees with access to transmission information and the Marketing and Energy affiliate employees share facilities which trigger a posting requirement, LG&E agreed to revise its posting to ensure that it is consistent with 18 C.F.R. § 358.4(b)(2) (2005).

Recommendation

We recommend that LG&E:

26. Revise its shared facilities posting to include all facilities that LG&E's Marketing and Energy Affiliates share with service employees who have access to non-public transmission information.

Actions Already Taken by LG&E

After discussions with us, LG&E revised its posting with respect to shared facilities on December 13, 2005. We reviewed the revised posting in January 2006 and found that the revised posting is not consistent with the Commission's requirements. Specifically, LG&E has not identified the facilities its Marketing and Energy Affiliates share with other LG&E functions that have access to non-public transmission information.

V. MARKET-BASED RATE TARIFF FINDING AND RECOMMENDATIONS

9. Electric Quarterly Report Inaccuracies

LG&E's Electric Quarterly Report (EQR) filing for the first quarter of 2005 contained inaccurate information for its market-based rate sales. LG&E inaccurately reported several sales transactions from its WMF to its affiliated power marketer (LEM) and reported invalid Data Universal Numbering System (DUNS) numbers for several other customers.

Pertinent Guidance

Order No. 2001 [38] provided field names for the specified information required to be filed for the EQR: transaction begin date and transaction end date fields are provided for reporting the date and hour the transaction began and ended, increment peaking name field for reporting full period (FP), Peak (P), and Off-peak (OP), and class name field for reporting non-firm (NF) and firm (FP) power sales. Order No. 2001 also required the reporting of DUNS numbers for all customers in the EQR, making the power sale and the transmission reporting requirements consistent and reducing possible confusion among similarly named, but different, providers of service.

Discussion

We reviewed a sample of LG&E's EQR filing specifically for the first quarter of 2005. We found that LG&E inaccurately reported sales transactions to LEM and reported invalid Data Universal Numbering System (DUNS) numbers for several other customers.

LG&E reported two "around the clock" sales to LEM on February 24, 2005 (transaction_unique_identifier 2005003000) and February 25, 2005 (transaction_unique_identifier 2005003080). LG&E sold 52 megawatts to LEM in each hour in Transaction 2005003000 for $47.00 during the peak period and $31.00 during the off-peak period. LG&E sold 104 megawatts to LEM in each hour in Transaction

[38] *Revised Public Utility Filing Requirements*, Order No. 2001, FERC Stats. & Regs., Regulations Preambles, ¶ 31,127 (2002), *order on reh'g*, Order No. 2001-A, 100 FERC ¶ 61,074 (2002), *order on reconsideration and clarification*, Order No. 2001-B, 100 FERC ¶ 61,342 (2002); Order No. 2001-C, 101 FERC ¶ 61,314 (2002); Order No. 2001-D, 102 FERC ¶ 61,334 (2003); Order No. 2001-E, 105 FERC ¶ 61,352 (2003); Order No. 2001-F, 106 FERC ¶ 61,060 (2004).

2005003080 for $51.50 during the peak period and $31.50 during the off-peak period. LG&E reported the off-peak period of both transactions as beginning at 12:00 AM and ending at 11:59 PM and assigned the increment peaking name as "FP" or full period rather than "OP" or off-peak. LG&E reported the peak period of these transactions as beginning at 7:00 AM and ending at 10:59 PM and assigned the increment peaking name as "FP" or full period rather than "P" or peak.

LG&E's EQR filing included 34 unique transaction identifiers where it sold energy to LEM and reported the class name of the energy sold as "NF" or non-firm. LG&E's Code of Conduct also required these sales to LEM to be posted on an EBB where LG&E reported these same sales transactions as system firm sales. When we asked LG&E to explain the discrepancy, it explained that the EQR data showing the sales as non-firm was incorrect.

LG&E reported 10 invalid DUNS numbers in its EQR for the 1st quarter 2005 for the following customers: Barbourville Water & Electric, Bardstown Municipal Light & Water, Bardwell City Utilities, Benham Electric System, City of Madisonville, City of Paris Combines Utilities, El Paso Merchant Energy L.P., El Paso Merchant Energy, LP, Owensboro Municipal Utilities, and Rainbow Energy Marketing Corp..

Recommendations

We recommend that LG&E:

27. Strengthen its written procedures to ensure all data reported in future EQR filings are in compliance with Commission regulations and reflect the correction of the errors and inconsistencies identified in this Audit Report.

28. Implement procedures to validate all customer DUNS numbers.

29. Refile all EQR reports from inception to correct the increment peaking name and the class name of power it sold to LEM.

30. LG&E shall submit all procedures to OE for approval within 30 days of issuance of a Final Audit Report in this docket.

Actions Already Taken by LG&E

LG&E advised us that it would be making corrections to its EQR filings, and that such corrections were made on January 31, 2006. We expect that the revised written procedures on EQR filings will be addressed by LG&E in its implementation plan in response to this Audit Report.

VI. IMPLEMENTATION PLAN

We recommended that LG&E submit an implementation plan to the audit staff for our approval detailing LG&E's plans to comply fully with the findings and recommendations in this Audit Report. The implementation plan should describe the actions LG&E has already taken, and will take, that are consistent with and complementary to any future structural and organizational changes that LG&E may undertake.

The implementation plan should be submitted within 30 days of issuance of a Final Audit Report in this docket. In addition, LG&E shall make quarterly filings updating the audit staff of its progress on implementing the plan. The filings shall be made no later than 30 days after the end of each calendar quarter, beginning with the first quarter after this audit report is issued, and continuing until all the corrective actions are completed.

Appendix

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Michael S. Beer

June 29, 2006

Mr. Bryan Craig, Director
Division of Audits
Office of Enforcement
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

RE: *Louisville Gas and Electric Company, Kentucky Utilities Company*
Docket No. PA05-9-000

Dear Mr. Craig:

This letter sets forth the response of Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU") (collectively, the "Companies") to the draft audit report issued by the Federal Energy Regulatory Commission's ("FERC" or the "Commission"), Office of Enforcement, Division of Audits ("FERC Audit Staff") on June 14, 2006, in the above referenced docket ("Draft Audit Report"). As requested, this response addresses: (1) whether the Companies agree or disagree with each finding and recommendation set forth in the Draft Audit Report; and (2) the corrective actions planned, or taken, and target completion dates.

I. INTRODUCTION.

The Companies agree with the findings and recommendations set forth in the Draft Audit Report. Further, the Companies appreciate the opportunity to respond to the Draft Audit Report. Encouraging, facilitating, and maintaining on-going compliance with Commission's regulatory initiatives and requirements is of the highest priority to the Companies and consistent with the core values and behaviors of E.ON U.S. LLC and its parent, E.ON AG. The operational audit of the Companies' compliance with the Standards of Conduct, the Companies' Market-Based Rate Tariffs, Market-Based Rate Tariff Code of Conduct ("LG&E Code of Conduct"), and the Open Access Transmission Tariff of the Midwest Independent Transmission System Operator, Inc. (collectively, "Audit Items") has been beneficial for the Companies as the audit process revealed several areas in which the Companies could improve their existing processes and methods.

During the course of the audit, and as discussed here, the Companies have taken and will continue to take substantial steps to improve their compliance. The Companies are committed to implementing and maintaining a comprehensive internal FERC compliance program as suggested in the recent *Policy Statement on Enforcement*.[1] One of the core behaviors that defines the global E.ON corporate family is the "drive for excellence." In this regard, the Companies are committed to driving for excellence in the area of FERC regulatory compliance by implementing, monitoring, and periodically evaluating the effectiveness and efficiency of existing measures designed to ensure for full compliance.

In this regard and to clearly demonstrate the Companies' commitment to compliance, the Chairman, President, and Chief Executive Officer of the Companies has expanded the responsibilities of the Standards of Conduct Chief Compliance Officer ("CCO") to include the LG&E Code of Conduct and the Market-Based Rate Tariffs under which the Companies and any affiliates may be operating. The CCO has been further directed to prepare and implement a detailed, comprehensive compliance program that encompasses the full range of FERC regulatory obligations, and to develop and implement a strategy for enhanced training, monitoring, and auditing the effectiveness of the overall internal FERC compliance process. The Companies' ongoing commitment to compliance has the full support of the entire senior management team of E.ON U.S. LLC, as well as their commitment to support the development and the implementation of the broader FERC compliance program.

As noted in the *Policy Statement on Enforcement*, a thorough commitment to compliance must be ingrained in corporate culture. Such a commitment is established at the senior most levels of any organization and must flow down from management to front-office employees engaged in day-to-day operations. As noted above, E.ON U.S. LLC senior management is strongly committed to ensuring compliance with all applicable FERC regulatory obligations. The Companies believe that the establishment of a detailed and comprehensive internal FERC compliance program will demonstrate this commitment throughout the E.ON U.S. LLC corporate family and also to the Commission. Simply put, compliance with the letter and spirit of applicable FERC regulatory obligations is encouraged, expected, and required at all levels of our organization. Therefore, as the audit process concludes, E.ON U.S. LLC reiterates our commitment to strengthening and maintaining an effective and open culture of compliance. This commitment is an integral part of our corporate identity and reflects our core values and behaviors.

[1] *Enforcement of Statues, Orders, Rules and Regulations*, 113 FERC ¶ 61,068 (2005) ("*Policy Statement on Enforcement*")

II. RESPONSE TO PROPOSED FINDINGS AND RECOMMENDATIONS.

The Companies sincerely appreciate FERC Audit Staff's willingness to work with our employees and, where possible, provide guidance to help strengthen our overall compliance with the Audit Items. Prior to addressing specific comments on the proposed findings and recommendations, the Companies would like to highlight their cooperation with FERC Audit Staff as the audit progressed. We believe that the spirit in which the revised procedures for the Before-the-Purchase System were developed, as well as the guidance regarding Standards of Conduct training and for strengthening compliance with the Code of Conduct Electronic Bulletin Board ("EBB") posting requirements, are positive examples of how the operational audit process can work. The Companies look forward to working with FERC Audit Staff to finalize and implement post operational audit compliance plans in accordance with the process described in the Draft Audit Report.

As noted in Section I, above, the Companies agree with the findings and recommendations set forth in the Draft Audit Report. As discussed in Section I, above, the Companies and their parent, E.ON U.S. LLC, are committed to ensuring on-going compliance with the Audit Items, as well as other applicable FERC regulatory initiatives and requirements. The Companies were frankly unsettled by the number of non-compliance findings identified by FERC Audit Staff. We trust that our willingness to act without delay to address the identified non-compliance issues and take the necessary steps to strengthen and broaden their overall compliance program is, in fact, evidence of the priority the Companies give to compliance. These priorities will not change following the conclusion of the audit. Finally, the Companies would like to emphasize the importance of the absence of findings of intent to violate applicable rules or tariffs regarding the identified areas of non-compliance.

III. UPDATE OF CORRECTIVE ACTIONS TAKEN OR PLANNED AND TARGET COMPLETION DATES.

The Companies agree to submit an implementation plan within 30 days of the issuance of the final audit report. The implementation plan will set forth the distinct steps that the Companies have taken, and will take, to fully comply with the findings and recommendations set forth in the final audit report. In the interim, the Companies provide the following status report on the steps that they have taken during the course of the audit to comply with the findings and recommendations of FERC Audit Staff.

A. CODE OF CONDUCT FINDINGS AND RECOMMENDATIONS.

1. Functional, Physical, and Operational Separation of LG&E's Wholesale Merchant Function and Affiliated Power Marketer.

The Draft Audit Report directs the Companies to take all appropriate actions necessary to ensure that wholesale merchant function employees ("WMF") are functionally, physically, and operationally separated to the maximum extent practical, as required under the LG&E Code of Conduct, from their affiliated power marketer, LG&E Energy Marketing Inc. ("LEM"). Draft Audit Report at 8-11. As discussed below, the Companies have already implemented, or propose to implement, corrective measures designed to satisfy these requirements. While the final details of the steps taken by the Companies to achieve the appropriate degree of functional, physical and operational separation required by the LG&E Code of Conduct will be set forth in their implementation plan, the Companies provide the following update.

a. Functional Separation Concerns.

The Draft Audit Report states that the functional separation between WMF and LEM is not consistent with the LG&E Code of Conduct. Draft Audit Report at 8-9. The Draft Audit Report cites two examples of the lack of appropriate functional separation between WMF and LEM. *Id.* at 8-9. The first example concerns meetings jointly attended by WMF and LEM personnel and the Senior Vice President, Energy Marketing ("SVP Energy Marketing") at which certain market information about WMF and LEM trading operations was discussed. *Id.* The second example addresses certain aspects of the job description for the SVP Energy Marketing's indicating "that the SVP Energy Marketing is expected to coordinate WMF and LEM activities to provide a greater return for the LG&E corporate family." *Id.* at 9. The Companies agree with the findings made in the Draft Audit Report regarding the functional separation between WMF and LEM and agree to implement post-audit corrective measures to improve their compliance with the LG&E Code of Conduct functional separation requirements.

In order to ensure clear and full compliance with the functional separation requirements of the LG&E Code of Conduct, the Companies propose to implement the following corrective measures. First, the Companies propose to revise the job description of the SVP Energy Marketing. All language in the current job description indicating that SVP Energy Marketing is expected to "coordinate WMF and LEM activities to provide a greater return for the LG&E corporate family" will be deleted. As revised, the job description will require the SVP Energy Marketing to exercise his corporate oversight and management responsibilities for WMF and LEM in a manner that ensures that WMF and LEM: (1) are treated as separate and distinct businesses in accordance with the functional separation requirements of the LG&E Code of Conduct; and (2) will produce the greatest return for the E.ON U.S. corporate family on an independent and stand-alone basis. Further, the revised job description will acknowledge the SVP Energy Marketing's obligation to comply with the No Conduit Rule set forth in the LG&E Code of Conduct.

Second, as discussed in Section III.A.1.b, below, the SVP Energy Marketing has discontinued holding monthly trading meetings that are jointly attended by WMF and LEM staff. Concurrent with the physical relocation of LEM to an enclosed work space on the Fourth (4th) Floor West section of the E.ON U.S. LLC Building located at 220 W. Main Street in Louisville, Kentucky ("E.ON Center"), the SVP Energy Marketing has implemented a process change and now meets with WMF and LEM separately on a monthly basis to discuss relevant business issues. Further, as noted in Section III.A.2.a, below, the Companies have implemented a process change that requires the CCO or his designee to attend any business meetings where both WMF and LEM staff are present. This process change squarely covers any meeting where the SVP Energy Marketing also may be present with both WMF and LEM staff.

Third, per prior discussions with FERC Audit Staff on or about February 6, 2006, the Companies commit to adhere to the chain of command for WMF and LEM in order to maintain separation between the SVP Energy Marketing and the execution of day-to-day WMF and LEM activities consistent with the SVP Energy Marketing's status as one of most senior executives in the E.ON U.S. LLC corporate family and the Companies' existing delegations of corporate authorities.

Together with the corrective measures designed to ensure proper physical and operational separation discussed in Sections III.A.1.b and c, below, the Companies respectfully submit that, given the relatively small size of E.ON U.S. LLC regulated and unregulated trading operations, these corrective measures will provide the functional separation required by the LG&E Code of Conduct (from both a substantive and optical perspective). The Companies will submit the specific measures for ensuring full compliance with the LG&E Code of Conduct functional separation requirements as part of their post-audit implementation plan.

b. <u>Physical Separation Concerns.</u>

The Draft Audit Report states that the physical separation between WMF and LEM is not consistent with the LG&E Code of Conduct. Draft Audit Report at 9. The Companies agree with the findings regarding physical separation concerns and, as discussed below, have implemented a number of corrective measures that assure that the physical separation of WMF and LEM is consistent with the LG&E Code of Conduct.

As a follow-up to the discussion regarding the physical proximity of WMF and LEM in their letter to FERC Audit Staff dated January 11, 2006 ("January 11 Letter"), the Companies hereby confirm that as of March 31, 2006, LEM has been physically relocated to an enclosed work space on the 4th Floor West section of E.ON Center. The enclosed LEM work space on the 4th Floor West section of the E.ON Center is secured by a card-key reader that only permits access to LEM personnel and a limited group of support personnel that may be shared consistent with requirements of the LG&E Code of Conduct, such as the CCO and designees, internal legal counsel, Energy Marketing Accounting, Trading Controls, and Operations Analysis/System Implementation.

Neither the 4th Floor of the E.ON Center nor the enclosed LEM workspace located thereon can be accessed by WMF personnel. Conversely, neither the 7th Floor of the E.ON Center nor the enclosed WMF workspace located thereon can be accessed by LEM personnel.

A full description of the specifics regarding the key card access restrictions to the enclosed LEM work space on the 4th Floor West section, and to the WMF work space on the 7th Floor North section, of the E.ON Center will be provided in the Companies' post-audit implementation plan. Further, written procedures governing the access to the WMF and LEM workspaces for authorized E.ON U.S. LLC employees and other permitted persons will be adopted by the Companies as part of comprehensive Code of Conduct compliance program.

c. <u>Operational Separation Concerns with Respect to Recorded Phone Calls.</u>

The Draft Audit Report states that the operational separation between WMF and LEM with respect to recorded phone calls on two (2) RACAL digital tape recorders is not consistent with the LG&E Code of Conduct. Draft Audit Report at 9-10. The Companies agree with these findings as set forth in the Draft Audit Report and have already undertaken measures to ensure compliance with the operational separation requirements of the LG&E Code of Conduct as it relates to recorded phone conversations. Further, as discussed below, the Companies propose to implement additional measures to ensure compliance with this aspect of the operational separation requirement.

In their January 11 Letter, the Companies proposed to implement certain internal controls to ensure appropriate operational separation under the LG&E Code of Conduct with respect to WMF and LEM trader telephone conversations using RACAL digital tape recorders. January 11 Letter at 5. The Companies continue to pursue the implementation of the corrective measures outlined in the January 11 Letter. However, the Companies hereby inform FERC Audit Staff that, on or about December 14, 2005, the RACAL digital tape recorders were replaced by two (2) NiceCall Focus III voice recording systems that contain technology that permit the "desktop review" of previously recorded conversations. One NiceCall Focus III machine is dedicated exclusively for use by LEM. The second machine is dedicated for use exclusively by WMF. The Companies believe that their investment in separate voice recording machines for LEM and WMF that contain "desktop review" technology is a substantial step towards achieving the operational separation required by the LG&E Code of Conduct with respect to recorded calls.

Distinct from the RACAL recorders, the NiceCall Focus III voice recording systems are operated on a stand-alone basis and are not interconnected in any way, physically or operationally. As noted above, these machines contain technology that allows traders to engage in desktop review of prior recorded calls. As discussed in greater detail in the Companies' post-audit implementation plan, traders for WMF and LEM are assigned specific channels on the NiceCall Focus III machine assigned to their business unit and are only permitted access to those channels.[4] In order to provide appropriate risk management and corporate oversight of trading activities, supervisory personnel within LEM and WMF are also permitted to access the recorded conversations of traders assigned to their business unit.[5] Limited access to recorded conversations is permitted by certain "shared support" personnel that are subject to the No Conduit Rule under the LG&E Code of Conduct, such as internal legal counsel, Trading Controls, Energy Accounting, Contract Administration, and the CCO and his designees.

In two distinct respects, the Companies believe that the use of the separate NiceCall Focus III machines with "desktop review" technology will help ensure on-going compliance with the operational separation requirements of the LG&E Code of Conduct. First, "desktop review" technology eliminates the need for WMF and LEM personnel to have physical access to the work space where these machines are currently stored. Second, because different NiceCall Focus III machines are used by WMF and LEM, taken together with the fact that WMF and LEM have been physically separated as described in Section III.A.1.b, above, there is no risk of personnel from one operation gaining indirect, remote access to non-public market information on the other operation's recorded lines.

As discussed in greater detail in their post audit implementation plan, the Companies propose to adopt a comprehensive set of written procedures designed to facilitate on-going compliance with LG&E Code of Conduct operational separation requirements as applied to recorded calls for both the new NiceCall Focus III machines and for historic conversations recorded on the RACAL tapes. The Companies will adopt these written procedures as part of comprehensive Code of Conduct compliance

[4] Because separate NiceCall Focus III machines are used by LEM and WMF, traders for LEM may only access assigned channels on the NiceCall Focus III machine that is dedicated for use exclusively by LEM. Similarly, WMF traders may only access assigned channels on the NiceCall Focus III that is dedicated for use exclusively by WMF.

[5] LEM supervisory personnel may only access voice recordings on the NiceCall Focus III machine dedicated for use exclusively by LEM. Similarly, WMF supervisory personnel may only access voice recordings on the NiceCall Focus III machine dedicated exclusively for use by WMF.

program. With regard to historic conversations recorded on the RACAL tapes, the Companies propose to implement internal controls consistent with those outlined in their January 11 Letter.

In that regard, the January 11 Letter proposed to implement a policy or set of procedures designed to ensure that: (1) trading personnel of one operation (whether WMF or LEM) will not have access to RACAL tapes of recorded conversations of the other; and (2) that anyone requesting access to RACAL tapes of recorded conversations must listen to such tapes in a location that does not permit access to phone conversations of the other group (*i.e.*, in their assigned work spaces). Specifically, the Companies proposed to develop a log book or another form of written record to document requests for access to historic conversations recorded on the RACAL tapes that requires the following information:

- The name of the person(s) seeking access to the RACAL tapes containing the recorded phone conversations;
- The name of their business unit (*e.g.*, WMF, LEM, legal or regulatory);
- A brief description of the recorded conversations on the RACAL tapes for which access to the tapes is sought;
- A brief description of the reasons for reviewing the recorded conversations on the RACAL tapes (*e.g.*, contract dispute, incorrect trade confirmation.

Finally, the Companies propose to include written procedures to provide for the periodic review by the CCO or his designee of the RACAL tape log book or other written record. These written procedures will be adopted as part of a comprehensive Code of Conduct compliance program

2. <u>Sharing of Market Information</u>.

a. <u>Joint Staff Meetings Between WMF and LEM</u>.

The Draft Audit Report states that the WMF shared marketing information through presentations at joint staff meetings in violation of the LG&E Code of Conduct. Draft Audit Report at 12-13. The Companies agree with these findings regarding joint staff meetings between WMF and LEM as set forth in the Draft Audit Report. As discussed below, the Companies have already undertaken significant measures to ensure compliance with the information sharing restrictions in the LG&E Code of Conduct and propose to formalize these measures in their post-audit implementation plan.

In June 2005, the Companies revised the agenda of the monthly trading meetings jointly attended by WMF and LEM personnel, as well as the SVP Energy Marketing and staff from Market Analysis, Trading Controls, Operations Analysis, and Fuels Management to address concerns raised by FERC Audit Staff regarding the sharing of WMF historical off-system sales ("OSS") summary information during these meetings. *See* Draft Audit Report at 14. From the period June 2005 through March 31, 2006, the Companies altered the agenda so that the presentation regarding WMF's OSS was not made until LEM employees were dismissed from the meeting. Since December 2005, the Companies have adopted certain process changes, including the requirement to have the CCO or his designee attend all business meetings jointly attended by WMF and LEM personnel. The CCO or his designee maintains a high-level agenda and/or minutes of such joint meetings.

Please note that beginning on or about April 1, 2006, the SVP Energy Marketing discontinued scheduling and holding monthly trading meetings that are jointly attended by WMF and LEM staff. The monthly trading meetings are now held by the SVP Energy Marketing with WMF and LEM staff separately. These separate meetings are also attended by staff from Market Analysis, Trading Controls, Operations Analysis, and Fuels Management, who are shared support staff under the LG&E Code of Conduct and subject to the No Conduit Rule. In accordance with the No Conduit Rule, non-public WMF or LEM market information discussed during meeting with one business unit (*i.e.*, WMF) is not shared in meetings with the other business unit (*i.e.*, LEM) and vice versa.

As discussed in greater detail in their post-audit implementation plan, the Companies propose to adopt the process changes as part of a comprehensive Code of Conduct compliance program. In addition, the Companies propose to memorialize as part of a comprehensive Code of Conduct compliance program that monthly trading meetings discussed in the Draft Audit Report are held separately with WMF and LEM staff.

b. Password Access to EMS Information.

The Draft Audit Report states that Companies password access controls to the shared Energy Management System ("EMS") were insufficient and inconsistent with the Companies' password security policy. Draft Audit Report at 13. Prior to February 2004, the Companies permitted WMF and LEM users to access the EMS using separate group accounts and passwords, rather than using unique user accounts and passwords. *Id.* As a consequence, the Draft Audit Report states that failure to require unique password access was contrary to the Companies' password security policy and increased the risk of inappropriate information access via the EMS. *Id.* The Companies agree with the findings regarding password access to EMS information as set forth in the Draft Audit Report and have already taken corrective measures to address these concerns.

As noted in the Draft Audit Report, in February 2004, the Companies have implemented individual user-ids and passwords for its current GE/Harris EMS. As required by GE/Harris vendor support requirements, a common user-id still exists solely and exclusively for maintenance purposes. However, the WMF and LEM EMS users do not have access to the vendor required common user-id and may only access the EMS through their own unique user-id and password.

The Companies are in the process of installing a new Open Systems International ("OSI") EMS. It is anticipated that the OSI EMS will become fully operational on or about December 31, 2006. As part of their post-audit operational plan, the Companies will provide an update on the status of the installation of the new OSI EMS and on a quarterly basis thereafter until the OSI EMS becomes fully operational. In addition, the Companies agree to conduct an independent review by their internal audit department or an outside audit firm when the OSI EMS is implemented to ensure that there is no unauthorized EMS screen access by WMF and LEM staff. Finally, a requirement mandating the periodic review of EMS access requirements will be adopted as part of the Companies' existing Standards of Conduct compliance program and the proposed comprehensive Code of Conduct compliance program.

3. Posting Information on Sales to Affiliates at Market-Based Rates.

a. Accessibility of EBB Information to Market Participants.

The Draft Audit Report raised a number of concerns regarding the accessibility of the Companies EBB to market participants. Draft Audit Report at 15-16. The Companies agree with the findings regarding the accessibility of EBB information to market participants.

As noted in the Companies' January 11 Letter, as of January 2006, a link to the EBB, entitled "LEM Transactions" was posted on the left-hand column of regulatory page of the E.ON U.S. LLC Internet site. January 11 Letter at 6 n.2. The regulatory page of the E.ON U.S. LLC Internet site can be accessed at the following web address: http://www.eon-us.com/regulatory.asp. Subsequently, to ensure the easiest possible ratepayer and market participant access to the EBB, the Companies posted an additional EBB link, entitled "LEM Transactions EBB," on the lower right-hand corner of the homepage of E.ON U.S. LLC Internet site. The homepage of the E.ON U.S. LLC Internet site can be accessed at the following web address: http://www.eon-us.com/home.asp. Accordingly, as of the date hereof, there are two (2) separate and easily accessible links on the E.ON U.S. LLC Internet site for interested parties to view the EBB.

A copy of the regulatory page and the home page of the E.ON U.S. LLC Internet site containing the existing links to the Companies' EBB on are appended hereto as Attachment A.

b. Posted Offers to Sell on the EBB.

The Draft Audit Report states that Companies' efforts to post offers to sell to LEM on the EBB were not consistent with posting requirements set forth in Paragraphs 7 and 8 of the LG&E Code of Conduct. Draft Audit Report at 16-17. The Companies agree with the findings regarding posted offers to sell on the EBB as set forth in the Draft Audit Report. As noted in their January 11 Letter, the Companies proposed to develop process changes to facilitate significantly stronger compliance with the posting requirements set forth Paragraphs 7 and 9[1] of the LG&E Code of Conduct.

A presentation generally outlining the proposed process changes was made and submitted to FERC Audit Staff on December 16, 2005. The process changes proposed in the presentation and described below are based on the Companies' understanding of existing Commission precedent addressing the need for implementing the EBB requirement when regulated utilities engage in market-based sales with unregulated affiliates. Specifically, Commission precedent is clear that when traditional public utilities engage in power sales to an affiliated power marketer, public utilities may have an incentive to favor their affiliated marketer to the detriment of captive ratepayers.[6] Such behavior can take place when a public utility and its affiliated power marketer transact in ways that result in a

[6] The paragraphs in the currently effective LG&E Code of Conduct originally accepted for filing by the Commission in Docket No. ER99-1623 were incorrectly numbered. There are a total of nine (9) paragraphs. The eighth and ninth paragraph of the LG&E Code of Conduct are incorrectly labeled paragraphs 9 and 10.

[7] *See Detroit Edison Co., et al.*, 80 FERC ¶ 61,348 at 62,198 (1997); *see also Aquila, Inc.*, 101 FERC ¶ 61,331 at P 8 (2002); *FirstEnergy Corp. et al.*, 94 FERC ¶ 61,182 at 61,630 (2001); *Alliant Services Co.*, 85 FERC ¶ 61,344 at 62,335 (1998).

diversion of benefits from the public utility (and its captive ratepayers) to the affiliated power marketer (and its shareholders).[7]

To avoid the diversion of benefits from captive ratepayers to shareholders, the Commission requires that utilities engaging in power sales to affiliated marketers must price such transactions at a rate no lower than the rate the utilities charge to non-affiliates.[8] The requirement to "simultaneously" post offers to, and executed sales with, an affiliate marketer on an EBB is intended to provide transparency to this affiliate sales process. The purpose for providing such transparency is to allow interested third-parties (*i.e.*, ratepayers and market participants), as well as the Commission itself, to independently verify whether such affiliate transactions were priced in accordance with this standard.

As a practical business and operational matter, it is extremely difficult, if at all possible, to comply with the literal language set forth in Paragraphs 7 and 9 of the LG&E Code of Conduct, *i.e.*, mandating the simultaneous posting of: (1) offers to LEM; and (2) executed affiliate power sales transactions. Due to the pace of modern trading operations, transactions are negotiated and executed within minutes. Traders in the WMF cannot in such a short period of time: (1) survey the market and develop a credible picture of the prevailing market price for a given product; (2) negotiate with several counterparties to obtain the best sales price possible; (3) execute trades; and (4) post offers to, and executed sales with, LEM at the same time they take place.

The proposed EBB posting process changes discussed with FERC Audit Staff are intended to reflect the practical realities of engaging in real-time trading activities within a small organization. More importantly, the Companies believe that the process changes discussed with FERC Audit Staff are consistent with both the intent and spirit of the Commission's existing precedent and policies designed to prevent affiliate abuse and self-dealing described above.

The Companies believe that addressing these operational realities in a practical manner must have been considered by the Commission when it established the simultaneous posting requirements codified in Paragraphs 7 and 9 of the LG&E Code of Conduct. Further, the Companies believe that these operational realties must have been intended when Paragraphs 7 and 9 were written. As proposed to FERC Audit Staff, the EBB posting process changes will provide ratepayers, market participants, and the Commission with a workable, easily accessible, and transparent mechanism for monitoring on a real-time basis whether sales by the Companies to LEM may result in an improper diversion of benefits from ratepayers due to the failure to price such transactions in a manner that complies with the LG&E Code of Conduct.

The Companies recognize the complexities of this particular issue and look forward to working with FERC Audit Staff to finalize these process changes as part of their post-audit implementation plan. The final process changes for posting offers to sell on the EBB will be adopted as part of a comprehensive Code of Conduct compliance program. As discussed in greater detail in the Companies' post-audit implementation plan, E.ON U.S. LLC senior management will supervise the formal roll-out sessions for implementing the final EBB posting process changes. Specifically, the roll out and subsequent training sessions will not only discuss the purpose and application of the EBB posting

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[8] *Id.*

[9] *Id.*

process, they will also emphasize the importance of this process and the need to vigilantly assure compliance therewith. After the initial roll out, the Companies propose to conduct periodic internal reviews and follow-up training to ensure on-going compliance.

c. Prices of Affiliate Sales.

The Draft Audit Report states that the Companies did not have any written procedures or other controls for WMF traders to determining whether sales to LEM were consistent with the affiliate pricing provisions set forth in Paragraph 6 of the LG&E Code of Conduct. Draft Audit Report at 17. The Draft Audit Report notes that the WMF traders established the market price for next-hour energy sales to LEM through telephone queries with potential counterparties and through broker quotes. *Id.* The Draft Audit Report further states that, although no evidence that WMF traders transacted with LEM at less than market price, WMF traders did not generally employ strong controls to establish the market prices. *Id.* The Companies agree with the findings relating to the pricing of affiliate sales as set forth in the Draft Audit Report.

The process changes for posting offers to sell on the EBB discussed in Section III.A.3.b, above, were addressed in the presentation presented to FERC Audit Staff on December 16, 2005. In relevant part, the process changes outline the steps by which WMF traders must determine whether posted offers to sell to LEM hourly or daily energy are priced no lower than prevailing market prices for each product. These procedures provide for a specific period after an offer to sell to LEM is posted on the EBB during which WMF traders must exercise commercially reasonable efforts (*i.e.*, due diligence) to survey the market and determine whether non-affiliates have any interest in pursuing an opportunity equivalent to that being offered to LEM. The WMF traders may not transact with LEM until after the specified posting period has expired. If, at the expiration of such period, an offer to sell to LEM posted on the EBB is the best and highest price available (*i.e.*, no lower than the price offered or sold to non-affiliates), the Companies may execute the sale to LEM.

As discussed in greater detail in the Companies' post-audit implementation plan, these procedures will be adopted as part of a comprehensive Code of Conduct compliance program.

d. EBB Postings in 2001.

The Draft Audit Report identifies certain concerns that took place in 2001 relating to whether, for a period of time, the EBB was properly used to post offers and sales from WMF to LEM to support a long-term sales obligation that LEM had with Morgan Stanley. Draft Audit Report at 17. The Companies agree with the findings regarding the EBB postings in 2001 as set forth in the Draft Audit Report. E.ON U.S. LLC senior management is deeply committed to ensuring that the Companies use the EBB to properly post offers and sales to LEM in accordance with the LG&E Code of Conduct requirements.

E.ON U.S. LLC has and will continue to commit the time and resources necessary to internal compliance measures designed to facilitate an enhanced understanding of, and compliance with, the EBB posting requirements set forth in the LG&E Code of Conduct. As discussed with FERC Staff at length and proposed in the Companies' December 16, 2005 presentation, E.ON U.S. LLC management believes that significantly enhanced compliance with the EBB posting requirements may be achieved through:

- Implementing a revised user friendly EBB offer matrix that contains key deal parameters and clearly articulates appropriate definitions and user guidelines;

- Providing formal employee training regarding the purpose, application and importance of the EBB posting process (including potential ramifications for non-compliance -- both internally and externally);

- Implementing additional internal controls designed to ensure that, when offers to LEM are made and sales are executed, all required EBB postings are timely made and consistent with the LG&E Code of Conduct; and

- Providing periodic follow-up training and reviewing the revised EBB posting process periodically to ensure that it is operating correctly.

As will be discussed in greater detail in the Companies post-audit implementation plan, because a true culture of compliance flows down from the top of corporate organizations, the Companies propose that the process changes for the EBB posting process will be formally rolled out by current E.ON U.S. LLC management. Senior management will ensure proper oversight of employee training sessions regarding the scope, application and importance of the EBB posting process. In addition, management will ensure that appropriate resources are dedicated to conduct periodic internal reviews and follow-up training to ensure on-going compliance with the EBB posting requirements.

B. STANDARDS OF CONDUCT FINDINGS AND RECOMMENDATIONS.

As discussed in Section I above, as part of their post-audit implementation plan, the Companies propose to undertake a comprehensive review of their Standards of Conduct Written Procedures ("SCWP") posted on the E.ON U.S. LLC Internet site, and revise and update the SCWP as necessary. The comments below respond to the specific findings and recommendations set forth in the Draft Audit Report.

1. Disclosure of Transmission and Customer Information.

a. Disclosure of Transmission Information by Telephone.

The Draft Audit Report identifies three instances where transmission function employees of the Companies disclosed non-public transmission information to regulated generation dispatchers during the course of reliability-related Transmission Line Loading Relief/generation redispatch events ("Generation Redispatch Events"). Draft Audit Report at 20-21. Because the Companies regulated generation dispatchers are organizationally and functionally housed in the WMF business unit (an Energy Affiliate), the identified transmission information was disclosed through non-public communications. *Id.* at 17. The Companies agree with the factual findings regarding the disclosure of transmission information by telephone as set forth in the Draft Audit Report, subject to the following factual clarification. The identified disclosures of transmission information occurring by telephone during Generation Dispatch Events were posted on the Standards of Conduct Page of the E.ON U.S. LLC Internet site on January 13, 2006. The posting can be found at: http://www.eon-us.com/regulatory/disclosure_of_information.pdf.

In their January 11 Letter, the Companies proposed to develop certain process changes to ensure that any information disclosed by transmission function employees or by a third-party Transmission Provider are promptly reported to the CCO for evaluation and, where necessary, posted on the OASIS or the E.ON U.S. LLC Internet site. January 11 Letter at 8-9. In the intervening period, the process changes outlined below have been implemented by the Companies. These process changes govern the behavior of both transmission function employees and regulated generation dispatchers during Generation Redispatch Events and include the following concepts:

- During Generation Redispatch Events, transmission function employees are only to provide specific redispatch instructions.

- Absent emergency circumstances affecting system reliability, transmission function employees may not provide regulated generation dispatchers with information regarding the cause of the Generation Redispatch Event.

- Transmission function employees and regulated generation dispatchers are required to document and provide prompt notice to the CCO or his designee of any instance in which non-public transmission information is disclosed to regulated generation dispatchers, whether by transmission function employees or any other third party (including, but not limited to, a security coordinator or reliability authority, or another Transmission Provider).

- In the event of any disclosures of non-public transmission information by a third-party (including, but not limited to, a security coordinator or reliability authority, or another Transmission Provider), apart from notifying the CCO, transmission function employees and regulated generation dispatchers will comply with the No Conduit Rule.

- Regulated generation dispatchers should not trade on any non-public transmission information improperly disclosed to them.

As will be described in greater detail in the Companies' post-audit compliance plans, the process changes outlined above will be converted into written procedures and incorporated into the Companies' existing SCWPs and future Standards of Conduct training programs sponsored by the Companies.

b. Disclosure of Transmission Information at a Meeting Attended by Transmission and Marketing Employees

The Draft Audit Report identifies one meeting in which transmission personnel and marketing personnel were present at which the Companies' transmission personnel disclosed non-pubic information regarding the status of two transmission projects. Draft Audit Report at 21. The Draft Audit Report notes that the disclosure was not posted on the OASIS in a timely manner. *Id.* As noted in the Draft Audit Report, no evidence was found that Companies' Energy or Marketing Affiliates traded on this information. *Id.* The Companies agree with the findings regarding the disclosure of transmission information at a meeting attended by transmission and marketing employees as set forth in the Draft Audit Report.

The Companies posted the non-public transmission information disclosed in the meeting identified in the Draft Audit Report on the E.ON U.S. LLC Internet site at: http://www.eon-us.com/regulatory/disclosure_of_information.pdf on March 31, 2006. Further, beginning in April 2005, the Companies adopted certain process changes in response to concerns raised by FERC Audit Staff that cross-functional business meetings between transmission function employees and employees of Energy or Marketing Affiliates ("C/F Meetings") create the potential for the sharing of non-public transmission information. Since April 2005, the CCO or his designee has attended all identified C/F Meetings. The CCO or his designee maintains a high-level agenda and/or minutes for each meeting. The C/F Meetings include not only senior level staff meetings but also meetings attended by line level Transmission Function Employees and employees of Energy Affiliates.

In addition, the Companies propose to continue to conduct periodic "function specific" training sessions, including those with E.ON U.S. LLC senior management, to ensure that employees at all levels of the E.ON U.S. LLC organization fully understand the scope and application of the Standards of Conduct restrictions on the sharing of non-public transmission information, including the requirements to post disclosures of non-public transmission information. As discussed in greater detail in their post-audit implementation plan, the Companies propose to: (1) adopt procedures detailing the need for the CCO or his designee to be present at all C/F Meetings as described above and incorporate such procedures into its SCWPs; and (2) will provide additional information about the "function specific" training sessions.

c. Disclosure of Customer Load Data by E-Mail

The Draft Audit Report states that a transmission function employee e-mailed a marketing employee specific, non-pubic customer load information on a monthly basis through February 2005. Draft Audit Report at 21. The Draft Audit Report notes that the Companies failed to post these disclosures on the OASIS in a timely manner. *Id.* The Companies agree with the findings regarding the disclosure of customer load data by e-mail as set forth in the Draft Audit Report.

As noted in the posted disclosure, the customer information at issue involved after-the-fact, monthly historic peak transmission load information. This information is used by the Midwest ISO to invoice the Companies for their Schedule 10 charges under the Midwest ISO's Open Access Transmission Tariff (or Module B of the Day 2 TEMT). The WMF is responsible for budgeting, approving and paying the Midwest ISO invoice. The non-public customer load data disclosed via e-mail to marketing employee identified in the Draft Audit Report was posted on the E.ON U.S. LLC Internet site on March 31, 2006 at: http://www.eon-us.com/regulatory/disclosure_of_information.pdf.

Since February 2005, the Companies have implemented process changes to ensure that transmission function employees no longer provide non-public customer load information to Energy or Marketing Affiliate employees. As will be discussed in greater detail in their post-audit compliance plan, these process changes will be memorialized and incorporated into the Companies' SCWPs. In addition, the Companies agree to perform a review of all transmission and customer information shared through e-mail distribution in order to ensure that such information is not inappropriately shared with Energy or Marketing Affiliate employees. The Companies further propose to implement new written procedures that require the periodic review of such e-mail distributions to ensure ongoing compliance with the Standards of Conduct.

2. <u>Standards of Conduct Training</u>.

The Draft Audit Report states that the Companies' Standards of Conduct training program was inconsistent with the Commission's regulations and the Companies' SCWP and implementation plans. Draft Audit Report at 24. During the audit, FERC Audit Staff discussed the Companies' training with the CCO, his designees and other E.ON U.S. LLC officials. Subsequently, on November 10, 2005, the Companies submitted a letter outlining an enhanced Standards of Conduct training program. *Id.* FERC Audit Staff found the proposed compliance plan to be consistent with Order No. 2004 and proposed findings and recommendations. *Id.* The Companies accept the findings regarding Standards of Conduct training as set forth in the Draft Audit Report.

The 2005 edition of the Companies' Standards of Conduct training took place from November 17, 2005 through December 31, 2005. The 2005 training program required the participation of <u>all</u> employees in the E.ON U.S. LLC corporate family at the manager level and above, as well as employees with the words or phrases "supervisor," "team leader," or "group leader" in their job title.[9] In addition, the Companies trained <u>all</u> employees in the following lines of business: (1) the Companies' Transmission Function; (2) All Energy Marketing Personnel (regulated and unregulated); (3) Information Technology; (4) Accounting and Finance; (5) Corporate Communications; (6) Legal; and (7) Regulatory. These functional areas of responsibility were selected because employees in such areas have or may have access to non-public transmission information through the Companies' financial books of account, records or contracts or real-time, day-to-day operations.

As noted in the Draft Audit Report, in 2005, the Companies significantly increased the number of employees who have received the Edison Electric Institute ("EEI")-developed, electronic Standards of Conduct training program by eighty percent (80%), from approximately 610 to approximately 1,100. The Companies are committed to further strengthening their training program to ensure that on a going-forward basis it remains consistent with Commission requirements and internal training plans. As part of this process, the Companies will memorialize new process changes for ensuring that new employees and transfers receive the appropriate Standards of Conduct training. The Companies' future Standards of Conduct training plans will be discussed in greater detail in their post-audit implementation plan.

[10] Included within the group of employees described above are certain field personnel in the Companies' distribution function, such as managers and supervisors of substation construction crews which respond to outages that can affect the Companies integrated transmission and distribution systems. In addition, this group of employees included all managers, supervisors or above higher ranking personnel that are employed by Energy Affiliates that operate generation facilities on behalf of other investor-owned utilities

3. Controls Used to Limit Access to the System Control Centers.

a. CCO Permission to Visit the System Control Centers

The Draft Audit Report states the Companies did not follow Section IV.A.2.b of their posted SCWP to control and track access of its marketing employees to their Waterside and Dix Dam system control centers. Draft Audit Report at 27. The Companies agree with the findings regarding CCO permission to visit the system control centers as set forth in the Draft Audit Report. Below the Companies discuss certain corrective measures that have already been undertaken to address concerns identified by FERC Audit Staff.

As noted in the Draft Audit Report, on January 10, 2005, the Companies revised the Standards of Conduct page of the E.ON U.S. LLC website to include a link titled, "Request for Access to Transmission Control Center." The link can be found at: http://www.eon-us.com/regulatory/soc_request_access.asp. The link provides instructions for the submission of written, electronic requests by employees of Energy and Marketing seeking access to the Transmission Control Centers. Consistent with Section IV.A.2.b of the Companies' SCWP, the link directs Energy or Marketing Affiliate employees to submit the following information to the CCO as part of a request for access to the to the Transmission Control Centers:

- The proposed time and date that access to the Transmission Control Centers is required; and

- A verifiable and legitimate business purpose for seeking access to such facilities.

Consistent with Section IV.A.2.b of SCWP, the link states that the CCO shall: (1) review such requests and approve or deny them; and (2) maintain electronic copies of all forms submitted and his decision to approve or deny such requests for a period of three (3) years.

Subsequently, on February 2, 2006, the Companies posted an announcement on the E.ON U.S. LLC Intranet site prominently announcing the new "Request for Access to Transmission Control Center" link on the Standards of Conduct section of Regulatory page of the E.ON U.S. LLC Internet site. The announcement of the "Request for Access to Transmission Control Center" link was made available to all E.ON U.S. LLC employees as part of the daily "News Transmission" published on the E.ON U.S. LLC Intranet site. In addition, an e-mail blast was distributed to all employees highlighting the "Request for Access to Transmission Control Center" link as a headline story in the "News Transmission" items for February 2, 2006.

As will be discussed in greater detail in their post-audit implementation plan, the Companies will further review and strengthen its system control center access procedures as directed in the Draft Audit Report. Further, the Companies commit to internally announce on a periodic basis the "Request for Access to Transmission Control Center" link on the Standards of Conduct section of Regulatory page of the E.ON U.S. LLC Internet site.

b. Controls on Visitors Entering the System Control Centers.

The Draft Audit Report states that the written log books documenting visitors' access to the Waterside and Dix Dam system control centers were inconsistent with Companies' SCWPs. Draft Audit Report at 28. Specifically, the written log books did not collect some pertinent information that was required in Section IV.A.2.b of the SCWPs. *Id.* The Companies accept the findings regarding controls on visitors entering the system control centers as set forth in the Draft Audit Report

The Companies confirm that by January 13, 2006, the log books located at the Waterside and Dix Dam system control centers were in place and updated to contain the same fields of inquiry set forth in Section IV.A.2.b of the SCWP, which include the following:

- The name of the transmission customer;
- Date and time of the visit;
- The name of the Transmission Function Employee or other Company Personnel (as that term is defined in the SCWP) hosting the transmission customer;
- Whether the transmission customer is an affiliate; and
- The purpose of the visit.

The update of the logbooks to include these fields of inquiry ensures consistency with the Companies' existing SCWP procedures and creates an audit trail that allows for independent verification regarding whether the Companies' Energy and Marketing Affiliate employees had access to system control centers in any way that differed from non-affiliate transmission customers. The Companies agree to the recommendations set forth in the Draft Audit Report and will provide greater detail regarding additional corrective measures (if any are required) in their post-audit implementation plan.

c. <u>Access to Transmission Information Once Inside the System Control Center</u>.

The Draft Audit Report raises concerns that non-transmission function employee visitors to Waterside and Dix Dam system control centers could gain access through a direct, external line of sight to certain non-public transmission information posted on monitors and boards within these facilities actual transmission system control rooms. Draft Audit Report at 29. The Companies agree with the findings regarding access to transmission information once inside the system control centers as set forth in the Draft Audit Report.

In their January 11 Letter, the Companies committed to install by January 13, 2006 certain temporary, but effective, covers on all windows on doors, or windows that serve as partitions or walls for purposes of impeding a direct view into the control rooms at Waterside and Dix Dam. The Companies hereby confirm that such temporary covers were in fact installed by January 13, 2006. Further, the Companies committed to implement a permanent solution through the use of frosted glass or another similar technique by the end of the first quarter of 2006. By this letter, the Companies hereby confirm that, prior to the end of the first quarter of 2006, permanent window frosting treatment covers were installed all windows on doors, or windows that serve as partitions or walls for purposes of impeding a direct view into the control rooms at Waterside and Dix Dam

4. Organizational Charts.

The Draft Audit Report states that Companies have not properly posted certain organizational charts showing: (1) employee information required for all business units in the sales function; (2) the position of all Energy and Marketing Affiliates with the E.ON U.S. LLC family corporate structure; and (3) that the Companies use a service company as an employment mechanism for the Transmission Provider and for its Energy and Marketing Affiliates. Draft Audit Report at 30-32. The Companies agree with the findings regarding the posting of organizational charts as set forth in the Draft Audit Report.

On Friday, June 16, 2006, the Companies and FERC Audit Staff held a conference call for purposes of ensuring that the Companies fully satisfied the organizational chart posting requirements and concerns articulated in the Draft Audit Report. The Companies appreciate FERC Audit Staff's cooperation and help in this process. As will be discussed in greater detail in their post-audit implementation plan, the Companies will post revised organizational charts in accordance with the directives and guidance provided by FERC Audit Staff on the June 16th call.

5. Shared Facilities.

The Draft Audit Report states that the Companies did not post a list of facilities Shared by the Transmission Provider and the Companies' Energy and Marketing Affiliates. Draft Audit Report at 33. Further, the Draft Audit Report notes that virtually all of the Companies shared service Employees occupied the same building as their two primary Marketing and Energy Affiliates -- WMF and LEM. *Id* at 34. When FERC Audit Staff pointed out that the shared services employees with access to transmission information and the Marketing and Energy Affiliate shared facilities which trigger a posting requirement, the Companies agreed to revise its posting to ensure that it is consistent with 18 C.F.R. § 358.4(b)(2) (2005). The Companies agree with the findings regarding shared facilities as set forth in the Draft Audit Report and corrected the posting.

C. MARKET-BASED RATE TARIFF FINDING AND RECOMMENDATIONS.

The Draft Audit Report states that, for the first quarter of 2005, the Companies' Electric Quarterly Reports ("EQRs") contained inaccurate information for its sales made pursuant to their joint market-based rate tariff. Draft Audit Report at 35. Specifically, the Companies inaccurately reported several sales transactions from its WMF to LEM and reported invalid Data Universal Numbering System ("DUNS") numbers for several other customers. The Companies accept the findings regarding EQRs as set forth in the Draft Audit Report.

As noted in the Draft Audit Report, on January 31, 2006, the Companies made certain corrections to its EQR filings. The Companies agree to implement the proposed recommendations set forth in the Draft Audit Letter regarding: (1) strengthening the Companies' written procedures to ensure that all data reported in future EQR filings are in compliance with Commission regulations and reflect the correction of errors and inconsistencies identified in the Draft Audit Report; (2) implementing procedures to validate all customer DUNS numbers; and (3) refiling all EQR reports from inception to correct the incremental peaking name and class name of power sold to LEM. The refiling referenced in subsection (3) above has been completed.

The proposed corrective measures designed ensure the accuracy and sufficiency of the Companies' EQR reports and ensure compliance with their joint market-based rate tariff will be submitted with the Companies' post-audit implementation plan.

IV. CONCLUSION.

On behalf of E.ON U.S. LLC, I would like to thank the FERC Audit Staff for their time, effort and commitment to ensuring that the Companies are in full compliance with the Audit Items. I would like to again affirm E.ON U.S. LLC's commitment to meeting its obligations under the Standards of Conduct, the Code of Conduct, its Market-Based Rate Tariff and all other applicable FERC imposed regulatory obligations.

Sincerely,

Michael S. Beer
Vice President, Federal Regulation and Policy and
Standards of Conduct Chief Compliance Officer
E.ON U.S. LLC

on behalf of
Louisville Gas and Electric Company &
Kentucky Utilities Company

cc: Carl Coscia
Lyle Hanagami
Eliot Wessler
FERC, Office of Enforcement, Division of Audits

Steven D. Phillips
E.ON U.S. LLC

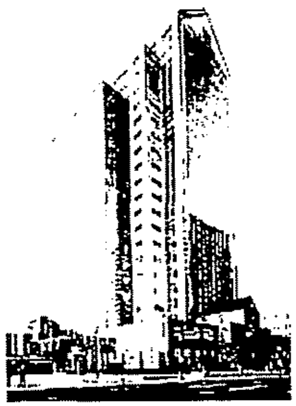
R. Michael Sweeney, Jr.
Hunton & Williams LLP

ATTACHMENT A

search

After more than three successful years as part of the E.ON family, LG&E Energy, the parent company of Louisville Gas and Electric Company, Kentucky Utilities Company and Western Kentucky Energy, is now E.ON U.S.

LG&E, KU, and WKE — the companies that customers are most familiar with — will continue to operate under their current identities. more



06.28.2006
LG&E Coal Ash Recycled; Land to be used for Green Space

06.27.2006
E.ON U.S. Capital Corp. Announces Pricing Of Tender Offer and Consent Solicitation

06.20.2006
LG&E Announces Regular Dividends On Preferred Stock

LG&E
- For the Home
- For the Business

KU/ODP
- For the Home
- For the Business

CompanyCustomer ServicesMediaCareers

www.eon.comSitemapContactE.ON World search

Company Profile
Management Team
Chairman's Message
Investor Information
Mailing Addresses
Social Responsibility
Environment
Diversity
Service Territory
History
Regulatory
LG&E/KU Code of Ethics

LEM Transactions
SEC Filings - LG&E Energy
SEC Filings - LG&E
SEC Filings - KU
LG&E Electric Rates
LG&E Gas Rates
KU Electric Rates
Community

LG&E/KU Standards of Conduct

Effective September 22, 2004, E.ON U.S. and other U.S. energy companies must comply with new Federal Energy Regulatory Commission ("FERC") orders requiring organizational separation between transmission and energy and marketing affiliates.

Collectively, the new orders are referred to as the Standards of Conduct and are fundamentally based on two guiding principles. First, a Transmission Provider's employees engaged in transmission system operations must function independent from the employees of its Marketing and Energy Affiliates. Secondly, a Transmission Provider must treat all transmission customers, affiliated and non-affiliated, on a non-discriminatory basis and must not operate its transmission system to preferentially benefit its marketing or energy affiliates. The Final Rule requires organizational separation of all energy and marketing affiliates, including natural gas marketing affiliates, from the electric transmission function.

The Standards of Conduct require that a Transmission Provider must post certain information on its corporate website or its OASIS. Links to all of the requisite information, whether residing here or on the LG&E/KU page of the MISO OASIS, are provided below. Please contact the Chief Compliance Officer if you have any questions.

- How to Report a Potential Violation of the Standards of Conduct
- Request for Access to Transmission Control Center
- FERC Orders - Standard of Conduct Regulation (PDF)
- FERC Orders - Order No. 2004 (PDF)
- FERC Orders - Order No. 2004-A (PDF)
- FERC Orders - Order No. 2004-B (PDF)
- LG&E/KU Compliance Procedures (PDF)
- LG&E/KU February 2004 Compliance Filing (PDF)
- Chief Compliance Officer
- Marketing & Energy Affiliate Listing (PDF)
- Shared Facilities Listing
- Notices of Employee Transfers (PDF)
- Organizational Charts - Overall Corporate Structure (PDF)
- Organizational Charts - Chain of Command (PDF)
- Organizational Charts - Transmission Chain of Command
- Organizational Charts - Energy Marketing Chain of Command
- Organizational Charts - Job Titles & Descriptions (PDF)
- Potential Merger Partners as Affiliates (none at this time)
- Disclosure of Information (PDF)
- Voluntary Consent to Disclose Information (none at this time)
- Log of Tariff Administration Matters and Discounts
- MISO OASIS
- LG&E/KU page of MISO OASIS

Download PDF (103K)

Terms of Use Contractor Health and Safety Site Wellness Site

Louisville Gas and Electric Company
Case No. 2008-00252
Historical Test Period Filing Requirements

Filing Requirement
807 KAR 5:001 Section 10(6)(m)
Sponsoring Witness: Valerie L. Scott

Description of Filing Requirement:

The most recent Federal Energy Regulatory Commission Form 1 (electric), Federal Energy Regulatory Commission Form 2 (gas), or Automated Reporting Management Information System Report (telephone) and Public Service Commission Form T (telephone);

Response:

The below-listed documents are provided. Please note that by an order dated July 12, 2007 in Docket No. CP07-232-000, LG&E was granted a Section(7) exemption by the FERC under the Natural Gas Act, and as a part of that exemption LG&E was granted "a waiver of reporting and accounting requirements", which includes the filing of Form 2 with FERC.

- FERC Form 1 - December 31, 2007
- KPSC Annual Report for Major Natural Gas Companies - December 31, 2007
- FERC Form 2 - December 31, 2006

LG&E FERC Form 1 – December 31, 2007

THIS FILING IS		
Item 1: [X] An Initial (Original) Submission	OR [ ]	Resubmission No. ____

Form 1 Approved
OMB No. 1902-0021
(Expires 7/31/2008)
Form 1-F Approved
OMB No. 1902-0029
(Expires 6/30/2007)
Form 3-Q Approved
OMB No. 1902-0205
(Expires 6/30/2007)

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

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)	Year/Period of Report
Louisville Gas and Electric Company	End of 2007/Q4

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
500 West Main Street
Suite 1800
Louisville KY 40202-4264
Telephone (502) 589 6100
Facsimile (502) 585 7875

Report of Independent Auditors

To the Shareholder of Louisville Gas and Electric Company:

We have audited the accompanying balance sheets of Louisville Gas and Electric Company as of December 31, 2007 and 2006 and the related statements of income, retained earnings and cash flows for the years then ended, included on pages 110 through 123.39 of the accompanying Federal Energy Regulatory Commission Form 1 These financial statements are the responsibility of the Company's management 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 of America. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management. as well as evaluating the overall financial statement presentation We believe that our audits provide a reasonable basis for our opinion

As described in Note 1, these financial statements were prepared in accordance with the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases, which is a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisville Gas and Electric Company as of December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in accordance with the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases.

As discussed in Note 2 to the financial statements, Louisville Gas and Electric Company changed the manner in which it accounts for defined benefit pension and other postretirement benefit plans as of December 31. 2006

This report is intended solely for the information and use of the board of directors and management of Louisville Gas and Electric Company and for filing with the Federal Energy Regulatory Commission and should not be used for any other purpose

PricewaterhouseCoopers LLP

March 18, 2008

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.)

Reference Schedules	Pages
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 be 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 field..."

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 2007/Q4
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 W. Main Street, P.O. Box 32010, Louisville, KY 40232	
05 Name of Contact Person Mimi Kelly	06 Title of Contact Person Mgr-Regulatory Acct & Reportg
07 Address of Contact Person *(Street, City, State, Zip Code)* P.O. Box 32010, Louisville, KY 40232	

08 Telephone of Contact Person, *Including Area Code*	09 This Report Is	10 Date of Report *(Mo, Da, Yr)*
(502) 627-2482	(1) [X] An Original (2) [ ] A Resubmission	/ /

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	03 Signature	04 Date Signed *(Mo, Da, Yr)*
S. Bradford Rives		
02 Title Chief Financial Officer	S. Bradford Rives	03/20/2008

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.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

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	
4	Officers	104	
5	Directors	105	
6	Important Changes During the Year	108-109	
7	Comparative Balance Sheet	110-113	
8	Statement of Income for the Year	114-117	
9	Statement of Retained Earnings for the Year	118-119	
10	Statement of Cash Flows	120-121	
11	Notes to Financial Statements	122-123	
12	Statement of Accum Comp Income, Comp Income, and Hedging Activities	122(a)(b)	
13	Summary of Utility Plant & Accumulated Provisions for Dep, Amort & Dep	200-201	
14	Nuclear Fuel Materials	202-203	NONE
15	Electric Plant in Service	204-207	
16	Electric Plant Leased to Others	213	NONE
17	Electric Plant Held for Future Use	214	
18	Construction Work in Progress-Electric	216	
19	Accumulated Provision for Depreciation of Electric Utility Plant	219	
20	Investment of Subsidiary Companies	224-225	NONE
21	Materials and Supplies	227	
22	Allowances	228-229	
23	Extraordinary Property Losses	230	NONE
24	Unrecovered Plant and Regulatory Study Costs	230	NONE
25	Transmission Service and Generation Interconnection Study Costs	231	NONE
26	Other Regulatory Assets	232	
27	Miscellaneous Deferred Debits	233	
28	Accumulated Deferred Income Taxes	234	
29	Capital Stock	250-251	
30	Other Paid-in Capital	253	
31	Capital Stock Expense	254	
32	Long-Term Debt	256-257	
33	Reconciliation of Reported Net Income with Taxable Inc for Fed Inc Tax	261	
34	Taxes Accrued, Prepaid and Charged During the Year	262-263	
35	Accumulated Deferred Investment Tax Credits	266-267	
36	Other Deferred Credits	269	

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2007/Q4

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	Accumulated Deferred Income Taxes-Accelerated Amortization Property	272-273	NONE
38	Accumulated Deferred Income Taxes-Other Property	274-275	
39	Accumulated Deferred Income Taxes-Other	276-277	
40	Other Regulatory Liabilities	278	
41	Electric Operating Revenues	300-301	
42	Sales of Electricity by Rate Schedules	304	
43	Sales for Resale	310-311	
44	Electric Operation and Maintenance Expenses	320-323	
45	Purchased Power	326-327	
46	Transmission of Electricity for Others	328-330	
47	Transmission of Electricity by ISO/RTOs	331	NONE
48	Transmission of Electricity by Others	332	
49	Miscellaneous General Expenses-Electric	335	
50	Depreciation and Amortization of Electric Plant	336-337	
51	Regulatory Commission Expenses	350-351	
52	Research, Development and Demonstration Activities	352-353	
53	Distribution of Salaries and Wages	354-355	
54	Common Utility Plant and Expenses	356	
55	Amounts included in ISO/RTO Settlement Statements	397	
56	Purchase and Sale of Ancillary Services	398	
57	Monthly Transmission System Peak Load	400	
58	Monthly ISO/RTO Transmission System Peak Load	400a	NONE
59	Electric Energy Account	401	
60	Monthly Peaks and Output	401	
61	Steam Electric Generating Plant Statistics	402-403	
62	Hydroelectric Generating Plant Statistics	406-407	
63	Pumped Storage Generating Plant Statistics	408-409	NONE
64	Generating Plant Statistics Pages	410-411	NONE
65	Transmission Line Statistics Pages	422-423	
66	Transmission Lines Added During the Year	424-425	NONE

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

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	Substations	426-427	
68	Footnote Data	450	

Stockholders' Reports Check appropriate box:

[ ] Four copies will be submitted

[X] No annual report to stockholders is prepared

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

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.

S.B. Rives
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 gas service in the City of 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) [X] No

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

CONTROL OVER RESPONDENT

1. If any corporation, business trust, or similar organization or a combination of such organizations jointly held control over the repondent 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 beneficiearies for whom trust was maintained, and purpose of the trust.

Louisville Gas & Electric Company (LG&E) is a wholly-owned subsidiary of E.ON U.S. LLC., formerly known as LG&E Energy LLC. E.ON U.S. LLC. is a wholly-owned subsidiary of E.ON AG, a German corporation, making LG&E a wholly-owned subsidiary of E.ON AG.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

CORPORATIONS CONTROLLED BY RESPONDENT

1. Report below the names of all corporations, business trusts, and similar organizations, controlled directly or indirectly by respondent at any time during the year. If control ceased prior to end of year, give particulars (details) in a footnote.
2. If control was by other means than a direct holding of voting rights, state in a footnote the manner in which control was held, naming any intermediaries involved.
3. If control was held jointly with one or more other interests, state the fact in a footnote and name the other interests.

Definitions
1. See the Uniform System of Accounts for a definition of control.
2. Direct control is that which is exercised without interposition of an intermediary.
3. Indirect control is that which is exercised by the interposition of an intermediary which exercises direct control.
4. Joint control is that in which neither interest can effectively control or direct action without the consent of the other, as where the voting control is equally divided between two holders, or each party holds a veto power over the other. Joint control may exist by mutual agreement or understanding between two or more parties who together have control within the meaning of the definition of control in the Uniform System of Accounts, regardless of the relative voting rights of each party.

Line No.	Name of Company Controlled (a)	Kind of Business (b)	Percent Voting Stock Owned (c)	Footnote Ref. (d)
1	-- Not Applicable --			
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

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, 2007		
2	Chairman of the Board, President and		
3	Chief Executive Officer	Victor A. Staffieri	
4	Executive Vice President, General Counsel,		
5	Corporate Secretary and Chief Compliance Officer	John R. McCall	
6	Chief Financial Officer	S. Bradford Rives	
7	Senior Vice President - Energy Marketing	Martyn Gallus	
8	Senior Vice President - Energy Delivery	Chris Hermann	
9	Senior Vice President - Human Resources	Paula H. Pottinger	
10	Senior Vice President - Energy Services	Paul W. Thompson	
11	Senior Vice President - Information Technology	Wendy C. Welsh	
12	Vice President - Federal Regulation and Policy	Michael S. Beer	
13	Vice President - State Regulation and Rates	Lonnie E. Bellar	
14	Vice President - Corporate Planning and Development	Kent W. Blake	
15	Vice President - Power Operations-WKE	D. Ralph Bowling	
16	Vice President - Corporate Responsibility		
17	and Community Affairs	Laura G. Douglas	
18	Vice President - Communications	R. W. Chip Keeling	
19	Vice President - Energy Delivery - Retail Business	John P. Malloy	
20	Vice President and Deputy General Counsel - Legal		
21	and Environmental Affairs	Dorothy E. O'Brien	
22	Vice President - External Affairs	George R. Siemens	
23	Vice President - Energy Delivery - Distribution		
24	Operations	P. Greg Thomas	
25	Vice President - Regulated Generation	John N. Voyles, Jr.	
26	Treasurer	Daniel K. Arbough	
27	Controller	Valerie L. Scott	
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Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) X An Original (2) _ A Resubmission	/ /	2007/Q4

FOOTNOTE DATA

Schedule Page: 104 Line No.: 1 Column: a

Effective January 31, 2008, David S. Sinclair was promoted to Vice President - Energy Marketing.

Schedule Page: 104 Line No.: 1 Column: c

Salary information for all officers is on file in the office of the respondent.

Schedule Page: 104 Line No.: 7 Column: b

Martyn Gallus is serving in a position with an international affiliate, effective January 2008.

Schedule Page: 104 Line No.: 13 Column: b

Lonnie E. Bellar was promoted to Vice President - State Regulation and Rates effective August 20, 2007.

Schedule Page: 104 Line No.: 14 Column: b

Kent W. Blake was appointed to Vice President - Corporate Planning and Development effective August 1, 2007.

Schedule Page: 104 Line No.: 17 Column: b

Laura G. Douglas was promoted to Vice President - Corporate Responsibility and Community Affairs effective November 15, 2007.

Schedule Page: 104 Line No.: 19 Column: b

John P. Malloy was promoted to Vice President - Energy Delivery - Retail Business effective April 9, 2007.

Schedule Page: 104 Line No.: 21 Column: b

Dorothy E. O'Brien was promoted to Vice President and Deputy General Counsel - Legal and Environmental Affairs effective October 10, 2007.

Schedule Page: 104 Line No.: 24 Column: b

P. Greg Thomas was promoted to Vice President - Energy Delivery - Distribution Operations effective April 9, 2007.

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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

DIRECTORS

1. 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.
2. 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, 2007	
2		
3	Victor A. Staffieri, Chairman of the Board, President	220 West Main Street, Louisville, KY 40202
4	and CEO	
5	John R. McCall, EVP General Counsel, Corporate	220 West Main Street, Louisville, KY 40202
6	Secretary and Chief Compliance Officer	
7	S. Bradford Rives, Chief Financial Officer	220 West Main Street, Louisville, KY 40202
8	Chris Hermann, SVP Energy Delivery	220 West Main Street, Louisville, KY 40202
9	Paul W. Thompson, SVP Energy Services	220 West Main Street, Louisville, KY 40202
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Name of Respondent	This Report Is:	Date of Report	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

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 106, 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.

1. None.

2. None.

3. None.

4. None of a material nature.

5. None of a material nature.

6. At December 31, 2007, the Company had obtained authorization from the SEC under the Public Utility Holding Company Act of 2005 (PUHCA 2005) SEC File No. 70-09985 for the issuance of short-term debt up to $400 million through May 31, 2008. The Federal Power Act contained an exemption from FERC approval for securities issuances approved by the SEC under PUHCA 2005. In connection with the repeal of the PUHCA of 1935, the Company also received FERC authorization under the FPA Docket No. ES07-59-000 for up to $400 million in short-term debt through November 30, 2009. The Company's money pool balance decreased from $106 million at September 30, 2007 to $78 million at December 31, 2007. During the fourth quarter, the Company entered into one new long-term loan agreement totaling $47 million with Fidelia Corporation, an affiliated company. The loan bears interest at a rate of 5.72% and matures in November 2022. The new loan was approved by the Kentucky Public Service Commission. See Note 7 of Notes to Financial Statements.

7. None.

8. None of a material nature.

9. See Notes 2 and 9 of Notes to Financial Statements.

10. None.

11. N/A

12. N/A

13. David A. Vogel announced his resignation as Vice President – Retail and Gas Storage Operations during March 2007. Effective during March 2007, the following appointment was made: Cord H. Landsmann, Vice President - Corporate Planning and Development. Effective during April 2007, the following appointments were made: John P. Malloy, Vice President – Energy Delivery — Retail Business; P. Gregory Thomas, Vice President – Energy Delivery – Distribution Operations; Kent W. Blake, Vice President – State Regulation and Rates. Effective during May 2007, John R. McCall was named Chief Compliance Officer in addition to his previous title of Executive Vice President, General Counsel and Corporate Secretary. Effective August 1, 2007, Cord H. Landsmann resigned as Vice President – Corporate Planning and Development, Kent W. Blake was appointed Vice President – Corporate Planning and Development and Lonnie E. Bellar was appointed Vice President - State Regulation and Rates. Effective during October 2007, Dorothy E. O'Brien was named Vice President and Deputy General Counsel, Legal and Environmental Affairs. Effective during November 2007, Laura G. Douglas was named Vice President - Corporate Responsibility and Community Affairs. Martyn Gallus is serving in a position with an international affiliate, effective January 2008. Effective during January 2008, David S. Sinclair was appointed Vice President – Energy Marketing.

14. The Company is a participant in a cash pooling arrangement, but its proprietary capital ratio is above 30 percent.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

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	3,972,544,417	3,903,922,638
3	Construction Work in Progress (107)	200-201	344,441,784	217,873,410
4	TOTAL Utility Plant (Enter Total of lines 2 and 3)		4,316,986,201	4,121,796,048
5	(Less) Accum. Prov. for Depr. Amort. Depl. (108, 110, 111, 115)	200-201	1,859,847,713	1,766,590,602
6	Net Utility Plant (Enter Total of line 4 less 5)		2,457,138,488	2,355,205,446
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)		2,457,138,488	2,355,205,446
15	Utility Plant Adjustments (116)	122	0	0
16	Gas Stored Underground - Noncurrent (117)		2,139,990	2,139,990
17	**OTHER PROPERTY AND INVESTMENTS**			
18	Nonutility Property (121)		75,240	80,698
19	(Less) Accum. Prov. for Depr. and Amort. (122)		63,360	63,360
20	Investments in Associated Companies (123)		0	0
21	Investment in Subsidiary Companies (123.1)	224-225	0	0
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)		594,286	594,286
25	Sinking Funds (125)		0	0
26	Depreciation Fund (126)		0	0
27	Amortization Fund - Federal (127)		0	0
28	Other Special Funds (128)		25,874,231	2,840,300
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)		26,480,397	3,451,924
33	**CURRENT AND ACCRUED ASSETS**			
34	Cash and Working Funds (Non-major Only) (130)		0	0
35	Cash (131)		4,312,502	6,603,229
36	Special Deposits (132-134)		6,919,973	15,605,848
37	Working Fund (135)		21,280	23,780
38	Temporary Cash Investments (136)		35,917	5,458
39	Notes Receivable (141)		0	0
40	Customer Accounts Receivable (142)		96,948,965	84,338,640
41	Other Accounts Receivable (143)		28,810,091	29,508,161
42	(Less) Accum. Prov. for Uncollectible Acct.-Credit (144)		1,790,471	1,649,125
43	Notes Receivable from Associated Companies (145)		0	0
44	Accounts Receivable from Assoc. Companies (146)		32,982	19,407,514
45	Fuel Stock (151)	227	45,925,807	37,861,747
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	26,407,267	25,262,98
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	11,459	15,403

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	4,584,570	4,433,231
55	Gas Stored Underground - Current (164.1)		81,188,407	82,837,901
56	Liquefied Natural Gas Stored and Held for Processing (164.2-164.3)		0	0
57	Prepayments (165)		5,339,357	5,379,921
58	Advances for Gas (166-167)		0	0
59	Interest and Dividends Receivable (171)		220,496	175,044
60	Rents Receivable (172)		435,309	37,487
61	Accrued Utility Revenues (173)		64,669,000	52,720,000
62	Miscellaneous Current and Accrued Assets (174)		3,834	0
63	Derivative Instrument Assets (175)		537,979	895,627
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)		364,614,724	363,462,846
68	DEFERRED DEBITS			
69	Unamortized Debt Expenses (181)		9,898,130	8,132,045
70	Extraordinary Property Losses (182.1)	230	0	0
71	Unrecovered Plant and Regulatory Study Costs (182.2)	230	0	0
72	Other Regulatory Assets (182.3)	232	151,022,049	163,619,703
73	Prelim. Survey and Investigation Charges (Electric) (183)		384,463	69,034
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)		499,108	756,750
77	Temporary Facilities (185)		0	0
78	Miscellaneous Deferred Debits (186)	233	34,320,956	36,346,566
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)		19,100,231	19,623,273
82	Accumulated Deferred Income Taxes (190)	234	52,162,134	56,085,158
83	Unrecovered Purchased Gas Costs (191)		0	0
84	Total Deferred Debits (lines 69 through 83)		267,387,071	284,632,529
85	TOTAL ASSETS (lines 14-16, 32, 67, and 84)		3,117,760,670	3,008,892,735

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Schedule Page: 110 Line No.: 28 Column:

During 2007, certain amounts in account 134 were reclassified to account 128, as they were determined to be long-term in nature. In addition, account 128 includes $14,152,203 of prepaid pension. There was no prepaid pension in 2006.

Schedule Page: 110 Line No.: 36 Column:

During 2007, certain amounts in account 134 were reclassified to account 128, as they were determined to be long-term in nature.

Name of Respondent	This Report is:	Date of Report (mo, da, yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Rresubmission	/ /	end of 2007/Q4

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	71,519,300
4	Capital Stock Subscribed (202, 205)	252	0	0
5	Stock Liability for Conversion (203, 206)	252	0	0
6	Premium on Capital Stock (207)	252	0	0
7	Other Paid-In Capital (208-211)	253	60,000,000	40,005,699
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)	254	835,889	1,924,169
11	Retained Earnings (215, 215.1, 216)	118-119	689,961,390	639,104,730
12	Unappropriated Undistributed Subsidiary Earnings (216.1)	118-119	0	0
13	(Less) Reaquired Capital Stock (217)	250-251	0	12,125
14	Noncorporate Proprietorship (Non-major only) (218)		0	0
15	Accumulated Other Comprehensive Income (219)	122(a)(b)	-13,132,184	-9,305,657
16	Total Proprietary Capital (lines 2 through 15)		1,161,163,741	1,164,558,202
17	LONG-TERM DEBT			
18	Bonds (221)	256-257	574,304,000	574,304,000
19	(Less) Reaquired Bonds (222)	256-257	0	0
20	Advances from Associated Companies (223)	256-257	410,000,000	225,000,000
21	Other Long-Term Debt (224)	256-257	0	20,000,000
22	Unamortized Premium on Long-Term Debt (225)		0	[illegible]
23	(Less) Unamortized Discount on Long-Term Debt-Debit (226)		0	0
24	Total Long-Term Debt (lines 18 through 23)		984,304,000	819,304,000
25	OTHER NONCURRENT LIABILITIES			
26	Obligations Under Capital Leases - Noncurrent (227)		23,649	0
27	Accumulated Provision for Property Insurance (228.1)		0	0
28	Accumulated Provision for Injuries and Damages (228.2)		5,601,154	0
29	Accumulated Provision for Pensions and Benefits (228.3)		97,643,181	99,316,147
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		0	0
33	Long-Term Portion of Derivative Instrument Liabilities - Hedges		0	0
34	Asset Retirement Obligations (230)		29,582,676	28,430,702
35	Total Other Noncurrent Liabilities (lines 26 through 34)		132,850,660	127,746,849
36	CURRENT AND ACCRUED LIABILITIES			
37	Notes Payable (231)		0	0
38	Accounts Payable (232)		115,160,770	162,796,168
39	Notes Payable to Associated Companies (233)		78,241,200	67,824,000
40	Accounts Payable to Associated Companies (234)		56,768,214	54,907,690
41	Customer Deposits (235)		19,373,313	18,146,501
42	Taxes Accrued (236)	262-263	4,746,862	28,624,485
43	Interest Accrued (237)		1,981,717	2,324,124
44	Dividends Declared (238)		0	906,340
45	Matured Long-Term Debt (239)		0	0

Name of Respondent	This Report is:	Date of Report (mo, da, yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Rresubmission	/ /	end of 2007/Q4

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)		1,446,316	1,350,185
48	Miscellaneous Current and Accrued Liabilities (242)		11,357,668	7,075,407
49	Obligations Under Capital Leases-Current (243)		405,438	0
50	Derivative Instrument Liabilities (244)		152,956	119,895
51	(Less) Long-Term Portion of Derivative Instrument Liabilities		0	0
52	Derivative Instrument Liabilities - Hedges (245)		0	0
53	(Less) Long-Term Portion of Derivative Instrument Liabilities-Hedges		0	0
54	Total Current and Accrued Liabilities (lines 37 through 53)		289,634,454	344,074,795
55	DEFERRED CREDITS			
56	Customer Advances for Construction (252)		9,612,516	16,806,393
57	Accumulated Deferred Investment Tax Credits (255)	266-267	46,098,962	41,070,237
58	Deferred Gains from Disposition of Utility Plant (256)		0	0
59	Other Deferred Credits (253)	269	40,862,253	51,278,035
60	Other Regulatory Liabilities (254)	278	55,115,538	55,370,571
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)		368,258,704	366,773,191
64	Accum. Deferred Income Taxes-Other (283)		29,859,842	21,910,462
65	Total Deferred Credits (lines 56 through 64)		549,807,815	553,208,889
66	TOTAL LIABILITIES AND STOCKHOLDER EQUITY (lines 16, 24, 35, 54 and 65)		3,117,760,670	3,008,892,735

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Schedule Page: 112 Line No.: 28 Column:

During 2007, Workers' Compensation was reclassified from account 232 to account 228.2, as it was determined to be long-term in nature.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

STATEMENT OF INCOME

Quarterly
1. Enter in column (d) the balance for the reporting quarter and in column (e) the balance for the same three month period for the prior year.
2. Report in column (f) the quarter to date amounts for electric utility function; in column (h) the quarter to date amounts for gas utility, and in (j) the quarter to date amounts for other utility function for the current year quarter.
3 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 (k) the quarter to date amounts for other utility function for the prior year quarter.
4. If additional columns are needed place them in a footnote.

Annual or Quarterly if applicable
5. Do not report fourth quarter data in columns (e) and (f)
6. Report amounts for accounts 412 and 413, Revenues and Expenses from Utility Plant Leased to Others, in another utility columnin 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.
7. Report amounts in account 414, Other Utility Operating Income, in the same manner as accounts 412 and 413 above.
8. Report data for lines 8, 10 and 11 for Natural Gas companies using accounts 404.1, 404.2, 404.3, 407.1 and 407.2.

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	1,285,137,296	1,337,890,107		
3	Operating Expenses					
4	Operation Expenses (401)	320-323	826,345,485	891,529,395		
5	Maintenance Expenses (402)	320-323	82,541,993	79,035,654		
6	Depreciation Expense (403)	336-337	119,425,164	117,779,352		
7	Depreciation Expense for Asset Retirement Costs (403.1)	336-337	147,902	202,919		
8	Amort. & Depl. of Utility Plant (404-405)	336-337	6,199,962	5,667,355		
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)		1,940,744	2,260,937		
14	Taxes Other Than Income Taxes (408.1)	262-263	21,896,663	21,708,691		
15	Income Taxes - Federal (409.1)	262-263	34,624,585	62,654,794		
16	- Other (409.1)	262-263	7,620,509	11,361,385		
17	Provision for Deferred Income Taxes (410.1)	234, 272-277	39,299,707	52,600,230		
18	(Less) Provision for Deferred Income Taxes-Cr. (411.1)	234, 272-277	28,323,682	60,838,114		
19	Investment Tax Credit Adj. - Net (411.4)	266	5,028,725	-1,021,662		
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)		553,093	1,004,606		
23	Losses from Disposition of Allowances (411.9)					
24	Accretion Expense (411.10)		1,780,917	2,058,041		
25	TOTAL Utility Operating Expenses (Enter Total of lines 4 thru 24)		1,114,094,093	1,179,672,497		
26	Net Util Oper Inc (Enter Tot line 2 less 25) Carry to Pg117,line 27		171,043,203	158,217,610		

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2007/Q4

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 purches, 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		
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)	Line No.
						1
932,455,567	942,660,529	352,681,729	395,229,578			2
						3
533,846,915	554,827,218	292,498,570	336,702,177			4
69,228,361	67,432,885	13,313,632	11,602,769			5
102,299,003	100,808,567	17,126,161	16,970,785			6
138,748	167,062	9,154	35,857			7
4,587,972	4,341,843	1,611,990	1,525,512			8
						9
						10
						11
						12
1,511,554	1,444,567	429,190	816,370			13
16,260,079	16,415,982	5,636,584	5,292,709			14
40,724,342	49,730,505	-6,099,757	12,924,289			15
8,811,442	8,748,525	-1,190,933	2,612,860			16
24,558,126	46,003,190	14,741,581	6,597,040			17
26,116,207	44,641,919	2,207,475	16,196,195			18
5,193,800	-848,553	-165,075	-173,109			19
						20
						21
553,093	1,004,606					22
						23
1,360,881	1,277,593	420,036	780,448			24
778,828,815	801,813,725	335,265,278	377,858,772			25
153,626,752	140,846,804	17,416,451	17,370,806			26

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Name of Respondent	This Report Is:	Date of Report (Mo. Da. Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

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)		171,043,203	158,217,610		
28	Other Income and Deductions					
29	Other Income					
30	Nonutilty Operating Income					
31	Revenues From Merchandising, Jobbing and Contract Work (415)		-225	129,304		
32	(Less) Costs and Exp. of Merchandising, Job. & Contract Work (416)		29,494	211,758		
33	Revenues From Nonutility Operations (417)		1,555,185	1,174,684		
34	(Less) Expenses of Nonutility Operations (417.1)					
35	Nonoperating Rental Income (418)			604		
36	Equity in Earnings of Subsidiary Companies (418.1)	119				
37	Interest and Dividend Income (419)		1,391,693	1,463,963		
38	Allowance for Other Funds Used During Construction (419.1)					
39	Miscellaneous Nonoperating Income (421)		366,121	-483,038		
40	Gain on Disposition of Property (421.1)		459,948			
41	TOTAL Other Income (Enter Total of lines 31 thru 40)		3,743,228	2,073,759		
42	Other Income Deductions					
43	Loss on Disposition of Property (421.2)		102,931	690,191		
44	Miscellaneous Amortization (425)	340				
45	Donations (426.1)	340	1,148,222	1,570,962		
46	Life Insurance (426.2)					
47	Penalties (426.3)		6,920	486		
48	Exp. for Certain Civic, Political & Related Activities (426.4)		728,465	912,095		
49	Other Deductions (426.5)		2,263,466	1,833,758		
50	TOTAL Other Income Deductions (Total of lines 43 thru 49)		4,250,004	5,007,492		
51	Taxes Applic. to Other Income and Deductions					
52	Taxes Other Than Income Taxes (408.2)	262-263	1,444	21,180		
53	Income Taxes-Federal (409.2)	262-263	-554,282	-1,890,908		
54	Income Taxes-Other (409.2)	262-263	-125,334	-410,236		
55	Provision for Deferred Inc. Taxes (410.2)	234, 272-277	986,199	275,754		
56	(Less) Provision for Deferred Income Taxes-Cr. (411.2)	234, 272-277	9,972	207,234		
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)		298,055	-2,211,444		
60	Net Other Income and Deductions (Total of lines 41, 50, 59)		-804,831	-722,289		
61	Interest Charges					
62	Interest on Long-Term Debt (427)		27,325,819	23,182,203		
63	Amort. of Debt Disc. and Expense (428)		401,067	408,648		
64	Amortization of Loss on Reaquired Debt (428.1)		1,035,406	1,021,632		
65	(Less) Amort. of Premium on Debt-Credit (429)					
66	(Less) Amortization of Gain on Reaquired Debt-Credit (429.1)					
67	Interest on Debt to Assoc. Companies (430)	340	21,171,199	12,805,158		
68	Other Interest Expense (431)	340	-78,484	3,249,084		
69	(Less) Allowance for Borrowed Funds Used During Construction-Cr. (432)					
70	Net Interest Charges (Total of lines 62 thru 69)		49,855,007	40,666,725		
71	Income Before Extraordinary Items (Total of lines 27, 60 and 70)		120,383,365	116,828,596		
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)		120,383,365	116,828,596		

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

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		639,104,730	620,981,498
2	Changes			
3	Adjustments to Retained Earnings (Account 439)			
4	FIN 48 Adjustment		202,186	
5				
6				
7				
8				
9	TOTAL Credits to Retained Earnings (Acct. 439)		202,186	
10	Preferred Stock Buy Back		-3,787,255	
11				
12				
13				
14				
15	TOTAL Debits to Retained Earnings (Acct. 439)		-3,787,255	
16	Balance Transferred from Income (Account 433 less Account 418.1)		120,383,365	116,828,596
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 Par Value Auction Rate Cumulative		-316,636	(1,075,364)
25	Without Par Value Auction Rate Cumulative		-625,000	(2,630,000)
26				
27				
28				
29	TOTAL Dividends Declared-Preferred Stock (Acct. 437)		-941,636	(3,705,364)
30	Dividends Declared-Common Stock (Account 438)			
31	Without Par Value		-65,000,000	(95,000,000)
32				
33				
34				
35				
36	TOTAL Dividends Declared-Common Stock (Acct. 438)		-65,000,000	(95,000,000)
37	Transfers from Acct 216.1, Unapprop. Undistrib. Subsidiary Earnings			
38	Balance - End of Period (Total 1,9,15,16,22,29,36,37)		689,961,390	639,104,730
	APPROPRIATED RETAINED EARNINGS (Account 215)			

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

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)
39				
40				
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)		689,961,390	639,104,730
	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)			

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

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)	120,383,365	116,828,596
3	Noncash Charges (Credits) to Income:		
4	Depreciation and Depletion	119,573,066	117,981,910
5	Amortization of Plant	6,199,962	5,867,716
6			
7			
8	Deferred Income Taxes (Net)	13,357,917	10,896,096
9	Investment Tax Credit Adjustment (Net)	5,028,725	-1,021,662
10	Net (Increase) Decrease in Receivables	-18,938,354	83,007,631
11	Net (Increase) Decrease in Inventory	-7,710,192	40,854,977
12	Net (Increase) Decrease in Allowances Inventory	3,944	6,040
13	Net Increase (Decrease) in Payables and Accrued Expenses	-82,471,108	-49,538,225
14	Net (Increase) Decrease in Other Regulatory Assets	12,597,654	-136,100,208
15	Net Increase (Decrease) in Other Regulatory Liabilities	-255,033	13,477,153
16	(Less) Allowance for Other Funds Used During Construction		
17	(Less) Undistributed Earnings from Subsidiary Companies		
18	Other (provide details in footnote):	-18,354,099	85,172,417
19	Change in Other Deferred Debits	2,025,610	30,668,917
20	Change in Other Deferred Credits	-10,415,782	9,643,840
21			
22	Net Cash Provided by (Used in) Operating Activities (Total 2 thru 21)	141,025,675	327,745,198
23			
24	Cash Flows from Investment Activities:		
25	Construction and Acquisition of Plant (including land):		
26	Gross Additions to Utility Plant (less nuclear fuel)	-165,718,773	-131,992,835
27	Gross Additions to Nuclear Fuel		
28	Gross Additions to Common Utility Plant	-29,121,326	-14,354,830
29	Gross Additions to Nonutility Plant		
30	(Less) Allowance for Other Funds Used During Construction		
31	Other (provide details in footnote):		
32			
33			
34	Cash Outflows for Plant (Total of lines 26 thru 33)	-194,840,099	-146,347,665
35			
36	Acquisition of Other Noncurrent Assets (d)		
37	Proceeds from Disposal of Noncurrent Assets (d)		
38	Loss from Disposal of Fixed Assets	-357,016	
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) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2007/Q4

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	Change in Long-Term Investments		-2,721,344
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	-3,036,153	-2,947,700
55			
56	Net Cash Provided by (Used in) Investing Activities		
57	Total of lines 34 thru 55)	-198,233,268	-152,016,709
58			
59	Cash Flows from Financing Activities:		
60	Proceeds from Issuance of:		
61	Long-Term Debt (b)	308,320,562	-1,821
62	Preferred Stock		
63	Common Stock		
64	Other (provide details in footnote):		
65	Net Increase in Short-Term Capital Lease Obligations	405,438	
66	Net Increase in Short-Term Debt (c)	10,417,200	
67	Other (provide details in footnote):		
68	Net Increase in Long-Term Capital Lease Obligations	23,650	
69			
70	Cash Provided by Outside Sources (Total 61 thru 69)	319,166,850	-1,821
71			
72	Payments for Retirement of:		
73	Long-term Debt (b)	-126,000,000	
74	Preferred Stock	-91,643,113	-1,250,000
75	Common Stock		
76	Other (provide details in footnote):		
77			
78	Net Decrease in Short-Term Debt (c)		-73,421,000
79	Change in Contributed Capital	20,000,000	
80	Dividends on Preferred Stock	-4,416,712	-3,705,364
81	Dividends on Common Stock	-65,000,000	-95,000,000
82	Net Cash Provided by (Used in) Financing Activities		
83	(Total of lines 70 thru 81)	52,107,025	-173,378,185
84			
85	Net Increase (Decrease) in Cash and Cash Equivalents		
86	(Total of lines 22,57 and 83)	-5,100,568	2,350,304
87			
88	Cash and Cash Equivalents at Beginning of Period	9,448,987	7,098,683
89			
90	Cash and Cash Equivalents at End of period	4,348,419	9,448,987

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

Other operating cash flows:

Net salvage and cost of removal	$ (6,394,036)
Depreciation charged to balance sheet accounts	483,120
Amortization of Debt Expenses	401,068
Amortization of Loss on Bonds	1,035,327
Net decrease in Prepayments	40,564
Net decrease in Derivative Assets	353,814
Net increase in Preliminary Survey	(315,428)
Net decrease in Clearing Accounts	257,642
Net increase in Other Comprehensive Income	(3,826,527)
Net decrease in Customer Advances for Construction	(7,193,877)
Net increase in Asset Retirement Obligations	1,151,974
Net decrease in Provision for Postretirement Benefits	(1,672,968)
Net adjustment to Retained Earnings (Effect of FIN 48)	202,186
Net adjustment for Noncash Capital Lease	(2,876,958)
Total	$(18,354,099)

Schedule Page: 120 Line No.: 18 Column:

Other operating cash flows:

Net salvage and cost of removal	$ (6,535,857)
Depreciation charged to balance sheet accounts	1,247,291
Amortization of Debt Expenses	408,504
Amortization of Loss on Bonds	1,021,632
Net increase in Prepayments	(1,237,248)
Net decrease in Derivative Assets	723,632
Net increase in Preliminary Survey	(69,034)
Net increase in Clearing Accounts	(469,571)
Net increase in Other Comprehensive Income	48,864,173
Net increase in Customer Advances for Construction	6,940,203
Net increase in Asset Retirement Obligations	1,881,486
Net increase in Provision for Postretirement Benefits	32,397,206
Total	$ 85,172,417

Schedule Page: 120 Line No.: 26 Column:

Restatement due to account reclassifications:

Previous Year to Date, as originally filed	$(146,347,665)
Plus: Gross Additions to Common Utility Plant	14,354,830
Restated Previous Year to Date	$(131,992,835)

Schedule Page: 120 Line No.: 28 Column:

Restatement due to account reclassifications:

Previous Year to Date, as originally filed	$ -
Less: Gross Additions to Common Utility Plant	(14,354,830)
Restated Previous Year to Date	$(14,354,830)

Schedule Page: 120 Line No.: 48 Column:

Restatement due to account reclassifications:

Previous Year to Date, as originally filed	$ 118,956
Less: Account 128002 reclassified from line 90	(2,840,300)

Restated Previous Year to Date	$ (2,721,344)

Schedule Page: 120 Line No.: 54 Column:

Restatement due to account reclassifications:

Previous Year to Date, as originally filed	$ (5,788,000)
Plus: Account 128002 reclassified from line 48	2,840,300

Restated Previous Year to Date	$ (2,947,700)

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

Cash and cash equivalents is comprised of the following amounts:

Cash (Acct 131)	$ 4,312,502
Temporary Cash Investments (Acct 136)	35,917

Total Cash and Cash Equivalents at End of Period	$ 4,348,419

Schedule Page: 120 Line No.: 90 Column:

Cash and cash equivalents is comprised of the following amounts:

Other Special Funds (Acct 128)	$ 2,840,300
Cash (Acct 131)	6,603,229
Temporary Cash Investments (Acct 136)	5,458

Total Cash and Cash Equivalents at End of Period	$ 9,448,987

Name of Respondent	This Report Is:	Date of Report	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

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.

INDEX OF ABBREVIATIONS

AG	Attorney General of Kentucky
ARO	Asset Retirement Obligation
BART	Best Available Retrofit Technology
CAIR	Clean Air Interstate Rule
CAMR	Clean Air Mercury Rule
CCN	Certificate of Public Convenience and Necessity
Clean Air Act	The Clean Air Act, as amended in 1990
Company	LG&E
CT	Combustion Turbines
DSM	Demand Side Management
ECR	Environmental Cost Recovery
E.ON	E.ON AG
E.ON U.S.	E.ON U.S. LLC (formerly LG&E Energy LLC and LG&E Energy Corp.)
E.ON U.S. Services	E.ON U.S. Services Inc. (formerly LG&E Energy Services Inc.)
EPA	U.S. Environmental Protection Agency
EPAct 2005	Energy Policy Act of 2005
FAC	Fuel Adjustment Clause
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
Fidelia	Fidelia Corporation (an E.ON affiliate)
FIN	FASB Interpretation No.
FT and FT-A	Firm Transportation
GHG	Greenhouse Gas
GSC	Gas Supply Clause
IBEW	International Brotherhood of Electrical Workers
IMEA	Illinois Municipal Electric Agency
IMPA	Indiana Municipal Power Agency
IRP	Integrated Resource Plan
IRS	Internal Revenue Service
Kentucky Commission	Kentucky Public Service Commission
KIUC	Kentucky Industrial Utility Consumers, Inc.
KU	Kentucky Utilities Company
Kwh	Kilowatt hours
LG&E	Louisville Gas and Electric Company
LG&E Energy	LG&E Energy LLC (now E.ON U.S. LLC)
Mcf	Thousand Cubic Feet
MISO	Midwest Independent Transmission System Operator, Inc.
MMBtu	Million British thermal units
Moody's	Moody's Investor Services, Inc.
MVA	Megavolt - ampere
Mw	Megawatts
Mwh	Megawatt hours
NNS	No-Notice Service
NOx	Nitrogen Oxide
OVEC	Ohio Valley Electric Corporation
PBR	Performance-Based Ratemaking
PUHCA 2005	Public Utility Holding Company Act of 2005
S&P	Standard and Poor's Rating Service
SFAS	Statement of Financial Accounting Standards
SIP	State Implementation Plan
SO_2	Sulfur Dioxide

TC2	Trimble County Unit 2
Tennessee Gas	Tennessee Gas Pipeline Company
Texas Gas	Texas Gas Transmission LLC
VDT	Value Delivery Team Process

Louisville Gas and Electric Company
Notes to Financial Statements

Note 1 - Summary of Significant Accounting Policies

LG&E, incorporated in Kentucky in 1913, is a regulated public utility engaged in the generation, transmission, distribution and sale of electric energy and the storage, distribution and sale of natural gas. LG&E supplies natural gas to approximately 326,000 customers and electricity to approximately 401,000 customers in Louisville and adjacent areas in Kentucky. LG&E's coal-fired electric generating stations, all equipped with systems to reduce SO_2 emissions, produce most of LG&E's electricity. The remainder is generated by a hydroelectric power plant and natural gas and oil fueled CTs.

LG&E is a wholly-owned subsidiary of E.ON U.S., formerly known as LG&E Energy LLC. E.ON U.S. is an indirect wholly-owned subsidiary of E.ON, a German corporation, making LG&E an indirect wholly-owned subsidiary of E.ON. LG&E's affiliate, KU, is a regulated public utility engaged in the generation, transmission, distribution and sale of electric energy in Kentucky, Virginia and Tennessee.

Certain reclassification entries have been made to the previous years' financial statements to conform to the 2007 presentation with no impact on net assets, liabilities and capitalization or previously reported net income and cash flows.

Presentation. The accompanying financial statements are prepared on the regulatory basis of accounting in accordance with the requirements of the FERC, which is a comprehensive basis of accounting other than generally accepted accounting principles. The significant differences between Generally Accepted Accounting Principles (GAAP) and FERC reporting are as follows:

- Restricted cash is recorded in cash on the balance sheet for FERC reporting and presented as a separate line item for GAAP statements;
- Certain costs of removal obligations are recorded in accumulated depreciation for FERC reporting and recorded in regulatory liabilities for GAAP reporting;
- Long-term and short-term bonds are recorded in total in the long-term debt section for FERC reporting and are presented separately in current liabilities for the short-term portion and in long-term debt for the long-term portion for GAAP reporting; and
- Deferred taxes are shown gross for FERC reporting in the balance sheet (a deferred asset and a deferred liability are recorded), for GAAP reporting the deferred taxes are netted together and recorded as a liability.

Regulatory Accounting. LG&E is subject to SFAS No. 71, under which regulatory assets are created based on expected recovery from customers in future rates to defer costs that would otherwise be charged to expense. Likewise, regulatory liabilities are created based on expected return to customers in future rates to defer credits that would otherwise be reflected as income, or, in the case of costs of removal, are created to match long-term future obligations arising from the current use of assets. The accounting for regulatory assets and liabilities is based on specific ratemaking decisions or precedent for each item as prescribed by the FERC or the Kentucky Commission. See Note 2, Rates and Regulatory Matters, for additional detail regarding regulatory assets and liabilities.

Cash and Cash Equivalents. LG&E considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Restricted Cash. A deposit in the amount of $12 million, used as collateral for an $83 million interest rate swap expiring in 2020, is classified as restricted cash on LG&E's balance sheet. An advance deposit of $7 million from the Louisville Arena Authority is also restricted for equipment purchases related to relocating transmission facilities.

Allowance for Doubtful Accounts. The allowance for doubtful accounts is based on the ratio of the amounts charged-off during the last twelve months to the retail revenues billed over the same period multiplied by the retail revenues billed over the last four months. Accounts with no payment activity are charged-off after four months, although collection efforts continue thereafter.

Materials and Supplies. Fuel, natural gas stored underground and other materials and supplies inventories are accounted for using the average-cost method. Emission allowances are included in other materials and supplies and are not currently traded by LG&E. At December 31, 2007 and 2006, the emission allowances inventory was less than $1 million.

Other Property and Investments. Other property and investments on the balance sheets consists of LG&E's investment in OVEC and non-utility plant. LG&E and 11 other electric utilities are participating owners of OVEC, located in Piketon, Ohio. OVEC owns and operates two power plants that burn coal to generate electricity, Kyger Creek Station in Ohio and Clifty Creek Station in Indiana. Pursuant to current contractual agreements, LG&E's share of OVEC's output is 5.63%, approximately 124 Mw of generation capacity.

As of December 31, 2007 and 2006, LG&E's investment in OVEC totaled less than $1 million. LG&E is not the primary beneficiary of OVEC; therefore, it is not consolidated into the financial statements of LG&E and is accounted for under the cost method of accounting. LG&E's maximum exposure to loss as a result of its involvement with OVEC is limited to the value of its investment. In the event of the inability of OVEC to fulfill its power provision requirements, LG&E anticipates substituting such power supply with either owned generation or market purchases and believes it would generally recover associated incremental costs through regulatory rate mechanisms. See Note 9, Commitments and Contingencies, for further discussion of developments regarding LG&E's ownership interest and power purchase rights.

Utility Plant. LG&E's utility plant is stated at original cost, which includes payroll-related costs such as taxes, fringe benefits and administrative and general costs. Construction work in progress has been included in the rate base for determining retail customer rates. LG&E has not recorded any allowance for funds used during construction, in accordance with Kentucky Commission regulations.

The cost of plant retired or disposed of in the normal course of business is deducted from plant accounts and such cost is charged to the reserve for depreciation. When complete operating units are disposed of, appropriate adjustments are made to the reserve for depreciation and gains and losses, if any, are recognized.

Depreciation and Amortization. Depreciation is provided on the straight-line method over the estimated service lives of depreciable plant. The amounts provided were approximately 3.2% in 2007 (3.0% electric, 2.8% gas and 7.7% common); and 3.2% in 2006 (3.0% electric, 2.9% gas and 7.8% common) of average depreciable plant. Of the amount provided for depreciation, at December 31, 2007, approximately 0.4% electric, 0.8% gas and 0.1% common were related to the retirement, removal and disposal costs of long lived assets. Of the amount provided for depreciation, at December 31, 2006, approximately 0.4% electric, 0.9% gas and 0.4% common were related to the retirement, removal and disposal costs of long lived assets.

Unamortized Debt Expense. Debt expense is capitalized in deferred debits and amortized using the straight-line method, which approximates the effective interest method, over the lives of the related bond issues.

Income Taxes. Income taxes are accounted for under SFAS No. 109, *Accounting for Income Taxes* and FIN 48, *Accounting for Uncertainty in Income Taxes, an Interpretation of SFAS No. 109*. In accordance with these statements, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, as measured by enacted tax rates that are expected to be in effect in the periods when the deferred tax assets and liabilities are expected to be settled or realized. Significant judgment is required in determining the provision for income taxes, and there are transactions for which the ultimate tax outcome is uncertain. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Uncertain tax positions are analyzed periodically and adjustments are made when events occur to warrant a change. See Note 6, Income Taxes.

Deferred Income Taxes. Deferred income taxes are recognized at currently enacted tax rates for all material temporary differences between the financial reporting and income tax bases of assets and liabilities.

Investment Tax Credits. The EPAct 2005 added Section 48A to the Internal Revenue Code, which provides for an investment tax credit to promote the commercialization of advanced coal technologies that will generate electricity in an environmentally responsible manner. LG&E and KU received an investment tax credit related to TC2, for more details see Note 6, Income Taxes. Investment tax credits prior to 2006 resulted from provisions of the tax law that permitted a reduction of LG&E's tax liability based on credits for construction expenditures. Deferred investment tax credits are being amortized to income over the estimated lives of the related property that gave rise to the credits.

Revenue Recognition. Revenues are recorded based on service rendered to customers through month-end. LG&E accrues an estimate for unbilled revenues from each meter reading date to the end of the accounting period based on allocating the daily system net deliveries between billed volumes and unbilled volumes. The

allocation is based on a daily ratio of the number of meter reading cycles remaining in the month to the total number of meter reading cycles in each month. Each day's ratio is then multiplied by each day's system net deliveries to determine an estimated billed and unbilled volume for each day of the accounting period. The unbilled revenue estimates included in accounts receivable were $65 million and $53 million at December 31, 2007 and 2006, respectively.

Fuel and Gas Costs. The cost of fuel for electric generation is charged to expense as used, and the cost of natural gas supply is charged to expense as delivered to the distribution system. LG&E operates under a Kentucky Commission-approved performance-based ratemaking mechanism related to natural gas procurement activity. See Note 2, Rates and Regulatory Matters.

Management's Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent items at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accrued liabilities, including legal and environmental, are recorded when they are probable and estimable. Actual results could differ from those estimates.

Recent Accounting Pronouncements. The following are recent accounting pronouncements affecting LG&E:

SFAS No. 160

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements*, which is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. The objective of this statement is to improve the relevance, comparability and transparency of financial information in a reporting entity's consolidated financial statements. The Company expects the adoption of SFAS No. 160 to have no impact on its statements of operations, financial position and cash flows.

SFAS No. 159

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of FASB Statement No. 115*. SFAS No. 159 permits entities to choose to measure many financial instruments and certain other assets and liabilities at fair value on an instrument-by-instrument basis (the fair value option). Unrealized gains and losses on items for which the fair value option has been elected are to be recognized in earnings at each subsequent reporting date. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. SFAS No. 159 was adopted effective January 1, 2008 and had no impact on the statements of operations, financial position and cash flows.

SFAS No. 157

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*, which, except as described below, is effective for fiscal years beginning after November 15, 2007. This statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS No. 157 does not expand the application of fair value accounting to new circumstances. In February 2008, the FASB issued FASB Staff Position 157-2, *Effective Date of FASB Statement No. 157,* which delays the effective date of SFAS No. 157 for all nonfinancial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), to fiscal years beginning after November 15, 2008 and interim periods within those fiscal years. SFAS No. 157 was adopted effective January 1, 2008, except as it applies to those nonfinancial assets and liabilities, and had no impact on the statements of operations, financial position and cash flows, however, the Company will provide additional disclosures relating to its financial derivatives, AROs and pension assets as required in 2008.

FIN 48

In July 2006, the FASB issued FIN 48 which clarifies the accounting for the uncertainty of income tax positions recognized in an enterprise's financial statements in accordance with SFAS No. 109. This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

The evaluation of a tax position in accordance with FIN 48 is a two-step process. The first step is recognition based on the determination of whether it is "more likely than not" that a tax position will be sustained upon examination. The second step is to measure a tax position that meets the "more likely than not" threshold. The tax position is measured as the amount of potential benefit that exceeds 50% likelihood of being realized.

FIN 48 is effective for fiscal years beginning after December 15, 2006, and was adopted effective January 1, 2007. The impact of FIN 48 on the statements of operations, financial position and cash flows was not material.

Note 2 - Rates and Regulatory Matters

LG&E is subject to the jurisdiction of the Kentucky Commission and the FERC in virtually all matters related to electric and gas utility regulation, and as such, its accounting is subject to SFAS No. 71. Given its competitive position in the marketplace and the status of regulation in Kentucky, LG&E has no plans or intentions to discontinue its application of SFAS No. 71.

Electric and Gas Rate Cases

In December 2003, LG&E filed an application with the Kentucky Commission requesting adjustments in LG&E's electric and natural gas rates. The revenue increases requested were $64 million for electric and $19 million for natural gas. In June 2004, the Kentucky Commission issued an Order approving increases in LG&E's electric base rates of approximately $43 million (8%) and natural gas base rates of approximately $12 million (3%). The rate increases took effect on July 1, 2004.

Final proceedings took place during the first quarter of 2006 concerning the sole remaining open issue relating to state income tax rates used in calculating the granted rate increase. On March 31, 2006, the Kentucky Commission issued an Order resolving this issue in LG&E's favor consistent with the original rate increase order.

Regulatory Assets and Liabilities

The following regulatory assets and liabilities were included in the balance sheets as of December 31:

(in millions)	2007	2006
ARO	$ 24	$ 22
GSC adjustments	16	21
MISO exit	13	13
FAC	9	4
Unamortized loss on bonds	19	20
ECR	4	9
Other	9	4
Subtotal	94	93
Pension and postretirement benefits	110	126
Total regulatory assets	$ 204	$ 219
Accumulated cost of removal of utility plant	$ 241	$ 232
Deferred income taxes - net	50	54
GSC adjustments	10	31
Other	9	4
Total regulatory liabilities	$ 310	$ 321

LG&E does not currently earn a rate of return on the GSC adjustments, FAC and gas performance-based ratemaking regulatory assets, all of which are separate recovery mechanisms with recovery within twelve months. No return is earned on the pension and postretirement benefits regulatory asset which represents the changes in funded status of the plans. The Company will seek recovery of this asset in future proceedings with the Kentucky Commission. No return is currently earned on the ARO asset. This regulatory asset will be offset against the associated regulatory liability, ARO asset and ARO liability at the time the underlying asset is retired. The MISO exit amount represents the costs relating to the withdrawal from MISO membership. LG&E will seek recovery of this asset in future proceedings with the Kentucky Commission. LG&E currently earns a rate of return on the remaining regulatory assets. Other regulatory assets include VDT costs, the merger surcredit, gas performance based ratemaking and Mill Creek Ash Pond costs. Other regulatory liabilities include DSM and MISO costs included in base rates that will be netted against costs of withdrawing from the MISO in the next rate case.

ARO. A summary of LG&E's net ARO assets, regulatory assets, liabilities and cost of removal established under FIN 47, *Accounting for Conditional Asset Retirement Obligations, an Interpretation of SFAS No. 143,* and SFAS No. 143, *Accounting for Asset Retirement Obligations* follows:

(in millions)	ARO Net Assets	ARO Liabilities	Regulatory Assets	Accumulated Cost of Removal
As of December 31, 2005	$ 4	$ (27)	$ 20	$ 3
ARO accretion	-	(1)	2	-
As of December 31, 2006	4	(28)	22	3
ARO accretion	-	(2)	2	-
Removal cost incurred	-	1	-	-
As of December 31, 2007	$ 4	$ (29)	$ 24	$ 3

Pursuant to regulatory treatment prescribed under SFAS No. 71, an offsetting regulatory credit was recorded in depreciation and amortization in the income statement of $2 million in 2007 and 2006 for the ARO accretion and depreciation expense. LG&E AROs are primarily related to the final retirement of assets associated with generating units and natural gas wells. For assets associated with AROs, the removal cost accrued through depreciation under regulatory accounting is established as a regulatory liability pursuant to regulatory treatment prescribed under SFAS No. 71. There were no FIN 47 net asset additions during 2007. FIN 47 net asset additions during 2006 were less than $1 million. For the years ended December 31, 2007 and 2006, LG&E recorded less than $1 million of depreciation expense related to the cost of removal of ARO related assets. An offsetting regulatory liability was established pursuant to regulatory treatment prescribed under SFAS No. 71.

LG&E transmission and distribution lines largely operate under perpetual property easement agreements which do not generally require restoration upon removal of the property. Therefore, under SFAS No. 143, no material asset retirement obligations are recorded for transmission and distribution assets.

GSC Adjustments. LG&E's natural gas rates contain a GSC, whereby increases or decreases in the cost of natural gas supply are reflected in LG&E's rates, subject to approval by the Kentucky Commission. The GSC procedure prescribed by Order of the Kentucky Commission provides for quarterly rate adjustments to reflect the expected cost of natural gas supply in that quarter. In addition, the GSC contains a mechanism whereby any over- or under-recoveries of natural gas supply cost from prior quarters is to be refunded to or recovered from customers through the adjustment factor determined for subsequent quarters.

LG&E's GSC was modified in 1997 to incorporate a natural gas procurement incentive mechanism. Since November 1, 1997, LG&E has operated under this PBR mechanism related to its natural gas procurement activities. LG&E's rates are adjusted annually to recover (or refund) its portion of the expense (or savings) incurred during each PBR year (12 months ending October 31). During the PBR year ending in 2007, LG&E achieved $10 million in savings. Of that total savings amount, LG&E's portion was approximately $2 million and the ratepayers' portion was approximately $8 million. Pursuant to the extension of LG&E's natural gas supply cost PBR mechanism effective November 1, 2001, the sharing mechanism under the PBR requires savings (and expenses) to be shared 25% with shareholders and 75% with ratepayers up to 4.5% of the benchmarked natural gas costs. Savings (and expenses) in excess of 4.5% of the benchmarked natural gas costs are shared 50% with shareholders and 50% with ratepayers. The current natural gas supply cost PBR mechanism was extended through 2010 without further modification.

MISO Exit. Following receipt of applicable FERC, Kentucky Commission and other regulatory orders, LG&E withdrew from the MISO effective September 1, 2006. Specific proceedings regarding the costs and benefits of the MISO and exit matters had been underway since July 2003. Since the exit from the MISO, LG&E has been operating under a FERC-approved open access-transmission tariff. LG&E now contracts with the Tennessee Valley Authority to act as its transmission Reliability Coordinator and Southwest Power Pool, Inc. to function as Independent Transmission Organization, pursuant to FERC requirements.

LG&E and the MISO have agreed upon overall calculation methods for the contractual exit fee to be paid by the Company following its withdrawal. In October 2006, LG&E paid approximately $13 million to the MISO pursuant to an invoice regarding the exit fee and made related FERC compliance filings. The Company's payment of this exit fee amount was with reservation of its rights to contest the amount, or components thereof, following a continuing review of its calculation and supporting documentation. In December 2006, LG&E provided notice to the MISO of its disagreement with the calculation of the exit fee. LG&E and the MISO have resolved their dispute regarding the calculation of the exit fee and, in November 2007, filed an application with the FERC for approval of a recalculation agreement. In March 2008, the FERC approved the parties' recalculation of the exit fee, and the approved agreement provides LG&E with an immediate recovery of less than $1 million and will provide an estimated $2 million over the next eight years for credits realized from other payments the MISO will receive, plus interest. Orders of the Kentucky Commission approving the Company's exit from the MISO have authorized the establishment of a regulatory asset for the exit fee, subject to adjustment for possible future MISO credits, and a regulatory liability for certain revenues associated with former MISO administrative charges, which may continue to be collected via base rates. The treatment of the regulatory asset and liability will be determined in LG&E's next rate case, however, the Company historically has received approval to recover and refund regulatory assets and liabilities.

FAC. LG&E's retail electric rates contain an FAC, whereby increases and decreases in the cost of fuel for electric generation are reflected in the rates charged to retail electric customers. The FAC allows the Company to adjust customers' accounts for the difference between the fuel cost component of base rates and the actual fuel cost, including transportation costs. Refunds to customers occur if the actual costs are below the embedded cost component. Additional charges to customers occur if the actual costs exceed the embedded cost component. The amount of the regulatory asset or liability is the amount that has been under- or over-recovered due to timing or adjustments to the mechanism.

The Kentucky Commission requires public hearings at six-month intervals to examine past fuel adjustments, and at two-year intervals to review past operations of the fuel clause and transfer of the then current fuel adjustment charge or credit to the base charges.

In January 2008, the Kentucky Commission initiated a routine examination of LG&E's FAC for the six-month period May 1, 2007 through October 31, 2007. Data discovery is ongoing and a public hearing is scheduled in March 2008.

In August 2007, the Kentucky Commission initiated a routine examination of LG&E's FAC for the six-month period of November 1, 2006 through April 30, 2007. Data discovery has concluded and a public hearing was held in October 2007. The Kentucky Commission issued an Order in January 2008, approving the charges and credits billed through the FAC during the review period.

In December 2006, the Kentucky Commission initiated its periodic two-year review of LG&E's past operations of the fuel clause and transfer of fuel costs from the FAC to base rates for November 1, 2004 through October 31, 2006. In March 2007, the KIUC challenged LG&E's recovery of approximately $1 million in aggregate fuel costs LG&E incurred during a period prior to its exit from the MISO and requested the Kentucky Commission disallow this amount. A public hearing was held in May 2007. In October 2007, the Kentucky Commission issued its Order approving the calculation and application of LG&E's FAC charges and fuel procurement practices and indicated that LG&E was in compliance with the provisions of Administrative Regulation 807 KAR 5:5056. The Kentucky Commission further approved LG&E's recommendation for the transfer of fuel cost from the FAC to base rates. In November 2007, the KIUC filed a petition for rehearing, claiming the Kentucky Commission misinterpreted the KIUC's arguments in the proceeding. In the same month, the Kentucky Commission issued an Order denying the KIUC's request for rehearing. An appeal was not filed by the KIUC.

In July 2006, the Kentucky Commission initiated a six-month review of the FAC for LG&E for the period of November 1, 2005 through April 30, 2006. The Kentucky Commission issued an Order in November 2006, approving the charges and credits billed through the FAC during the review period.

In January 2003, the Kentucky Commission reviewed KU's FAC and, as part of the Order in that case, required that an independent audit be conducted to examine operational and management aspects of both LG&E's and KU's fuel procurement functions. The final report's recommendations, issued in February 2004, related to documentation and process improvements. Management Audit Action Plans were agreed upon by LG&E and the Kentucky Commission Staff in the second quarter of 2004, and resulted in Audit Progress Reports being filed by LG&E with the Kentucky Commission. In February 2007, the Kentucky Commission staff indicated that LG&E fully complied with all audit recommendations and that no further reports are required.

Unamortized Loss on Bonds. The costs of early extinguishment of debt, including call premiums, legal and other expenses, and any unamortized balance of debt expense are amortized using the straight-line method, which approximates the effective interest method, over the life of either replacement debt (in the case of refinancing) or the original life of the extinguished debt.

ECR. Kentucky law permits LG&E to recover the costs of complying with the Federal Clean Air Act, including a return of operating expenses, and a return of and on capital invested, through the ECR mechanism. The amount of the regulatory asset or liability is the amount that has been under- or over-recovered due to timing or adjustments to the mechanism.

In September 2007, the Kentucky Commission initiated six-month and two-year reviews for periods ending October 31, 2006 and April 30, 2007, respectively, of LG&E's environmental surcharge. Data discovery concluded in December 2007, and all parties to the case submitted requests with the Kentucky Commission to waive rights to a hearing on this matter. The case is submitted for decision and an order is anticipated in the second quarter of 2008.

In June 2006, LG&E filed an application to amend its ECR plan with the Kentucky Commission seeking approval to recover investments in environmental upgrades at the Company's generating facilities. The estimated capital cost of the upgrades for the years 2008 through 2010 is approximately $40 million, of which approximately $30 million is for the Air Quality Control System at TC2. A final Order was issued by the

Kentucky Commission in December 2006, approving all expenditures and investments as submitted.
In April 2006, the Kentucky Commission initiated six-month and two-year reviews of LG&E's environmental surcharge for six-month periods ending October 2003, April 2004, October 2004, October 2005 and April 2006, and for the two-year period ending April 2005. A final Order was received in January 2007, approving the charges and credits billed through the ECR during the review period as well as approving billing adjustments, a roll-in to base rates, revisions to the monthly surcharge filing and the rate of return on capital.

VDT. In December 2001, the Kentucky Commission issued an Order approving a settlement agreement allowing LG&E to set up a regulatory asset of $141 million for workforce reduction costs and begin amortizing it over a five-year period starting in April 2001. Some employees rescinded their participation in the voluntary enhanced severance program, which thereby decreased the charge to the regulatory asset from $144 million to $141 million. The Order reduced revenues by approximately $26 million through a surcredit on bills to ratepayers over the same five-year period, reflecting a sharing (40% to the ratepayers and 60% to LG&E) of savings as stipulated by LG&E, net of amortization costs of the workforce reduction. The five-year VDT amortization period expired in March 2006.

As part of the settlement agreements in the electric and natural gas rate cases, in September 2005, LG&E filed with the Kentucky Commission a plan for the future ratemaking treatment of the VDT surcredit and costs. In February 2006, the AG, KIUC and LG&E reached a settlement agreement on the future ratemaking treatment of the VDT surcredits and costs and subsequently submitted a joint motion to the Kentucky Commission to approve the unanimous settlement agreement. Under the terms of the settlement agreement, the VDT surcredit will continue at the current level until such time as LG&E files for a change in electric or natural gas base rates. The Kentucky Commission issued an Order in March 2006, approving the settlement agreement.

Merger Surcredit. As part of the LG&E Energy merger with KU Energy Corporation in 1998, LG&E estimated non-fuel savings over a ten-year period following the merger. Costs to achieve these savings were deferred and amortized over a five-year period pursuant to regulatory orders. In approving the merger, the Kentucky Commission adopted LG&E's proposal to reduce its retail customers' bills based on one-half of the estimated merger-related savings, net of deferred and amortized amounts, over a five-year period. The surcredit mechanism provides that 50% of the net non-fuel cost savings estimated to be achieved from the merger be provided to ratepayers through a monthly bill credit, and 50% be retained by LG&E over a five-year period. In that same order, the Kentucky Commission required LG&E, after the end of the five-year period, to present a plan for sharing with ratepayers the then-projected non-fuel savings associated with the merger. LG&E submitted this filing in January 2003, proposing to continue to share with ratepayers, on a 50%/50% basis, the estimated fifth-year gross level of non-fuel savings associated with the merger. In October 2003, the Kentucky Commission issued an Order approving a settlement agreement reached with the parties in the case. According to the Order, LG&E's merger surcredit would remain in place for another five-year term beginning July 1, 2003, the merger savings would continue to be shared 50% with ratepayers and 50% with shareholders and LG&E would file a plan for the merger surcredit six months before its expiration.

In December 2007, LG&E submitted to the Kentucky Commission its plan to allow the merger surcredit to terminate as scheduled on June 30, 2008. The Kentucky Commission has not issued a procedural schedule for this proceeding.

Pension and Postretirement Benefits. LG&E adopted SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans,* in 2006. This statement requires employers to recognize the over-funded or under-funded status of a defined benefit pension and postretirement plan as an asset or liability in the balance sheet and to recognize through comprehensive income the changes in the funded status in the year in which the changes occur. Under SFAS No. 71, LG&E can defer recoverable costs that would otherwise be charged to expense or equity by non-regulated entities. Current rate recovery in Kentucky is based on SFAS No. 87, *Employers' Accounting for Pensions,* and SFAS No. 106, *Employers' Accounting for Postretirement Benefits Other than Pensions,* both of which were amended by SFAS No. 158. Regulators have been clear and consistent with their historical treatment of such rate recovery, therefore, LG&E has recorded a regulatory asset representing the probable recovery of the portion of the change in funded status of the pension and postretirement plans that is expected to be recovered. The regulatory asset will be adjusted annually as prior service cost and actuarial gains and losses are recognized in net periodic benefit cost.

Accumulated Cost of Removal of Utility Plant. As of December 31, 2007 and 2006, LG&E has segregated the cost of removal, previously embedded in accumulated depreciation, of $241 million and $232 million, respectively, in accordance with FERC Order No. 631. This cost of removal component is for assets that do not have a legal ARO under SFAS No. 143. For reporting purposes in the balance sheets, LG&E has presented this cost of removal as a regulatory liability pursuant to SFAS No. 71.

Deferred Income Taxes – Net. Deferred income taxes represent the future income tax effects of recognizing the regulatory assets and liabilities in the income statement. Deferred income taxes are recognized at currently enacted tax rates for all material temporary differences between the financial reporting and income tax bases of assets and liabilities.

DSM. LG&E's rates contain a DSM provision. The provision includes a rate mechanism that provides for concurrent recovery of DSM costs and provides an incentive for implementing DSM programs. The provision allows LG&E to recover revenues from lost sales associated with the DSM programs based on program plan engineering estimates and post-implementation evaluations.

In July 2007, LG&E and KU filed an application with the Kentucky Commission requesting an order approving enhanced versions of the existing DSM programs along with the addition of several new cost effective programs. The total annual budget for these programs is approximately $26 million, an increase over the existing annual budget of approximately $10 million. Data discovery concluded in November 2007, and the Community Action Council ("CAC") for Lexington-Fayette, Bourbon, Harrison and Nicholas counties and the Kentucky Association for Community Action ("KACA"), filed a motion for hearing. In January 2008, the CAC and KACA filed a motion with the Kentucky Commission to withdraw the request because the parties reached a settlement. The Kentucky Commission is allowing the current tariffs to remain in effect until a final order is issued.

<u>Other Regulatory Matters</u>

Regional Reliability Council. LG&E has changed its regional reliability council membership from the Reliability First Corporation to the SERC Reliability Corporation ("SERC"), effective January 1, 2007. Regional reliability councils are industry consortiums that promote, coordinate and ensure the reliability of the bulk electric supply systems in North America.

Arena. In August 2006, LG&E filed an application with the Kentucky Commission requesting approval for sale of the Waterside property to the Louisville Arena Authority. The Kentucky Commission issued an Order in September 2006, approving the proposed transaction. In November 2006, LG&E completed certain agreements pursuant to its August 2006 Memorandum of Understanding with the Louisville Arena Authority regarding the proposed construction of an arena in downtown Louisville. LG&E entered into a relocation agreement with the Louisville Arena Authority providing for the reimbursement to LG&E of the costs to be incurred in moving certain LG&E facilities related to the arena transaction. Those costs are currently estimated to be approximately $63 million. The parties further entered into a property sale contract providing for LG&E's sale of a downtown site to the Louisville Arena Authority for approximately $10 million, which represents the appraised value of the parcel, less certain agreed upon demolition costs. The amounts specified in the contracts are subject to certain adjustments. Depending upon continuing progress of the proposed arena, the transactions contemplated by the contracts will occur through 2008.

TC2 CCN Application. A CCN application for construction of the new, base-load, coal fired unit TC2, which will be jointly owned by LG&E and KU, was approved by the Kentucky Commission in November 2005, and initial CCN applications for three transmission lines were approved in September 2005 and May 2006. In August 2006, LG&E obtained dismissal of a judicial review of such CCN approvals by certain property owners. In December 2007, the Kentucky Court of Appeals reversed and remanded the lower Court's dismissal. Both parties have filed for reconsideration of elements of the appellate court's ruling. The transmission lines are also subject to routine regulatory filings and the right-of-way acquisition process. See Note 9, Commitments and Contingencies, for further discussion regarding the TC2 air permit.

Market-Based Rate Authority. In July 2006, the FERC issued an Order in LG&E's market-based rate proceeding accepting LG&E's further proposal to address certain market power issues the FERC had claimed would arise upon an exit from the MISO. In particular, LG&E received permission to sell power at market-based rates at the interface of control areas in which it may be deemed to have market power, subject to a restriction that such power not be collusively re-sold back into such control areas. However, restrictions exist on sales by LG&E of power at market-based rates in the LG&E/KU and Big River Electric Corporation control areas. In June 2007, the FERC issued Order No. 697 implementing certain reforms to market-based rate regulations, including restrictions similar to those previously in place for LG&E's power sales at control area interfaces. As a condition of receiving and retaining market-based rate authority, LG&E must comply with applicable affiliate restrictions set forth in FERC's regulation.

FERC Audit Results. In July 2006, the FERC issued a final report under a routine audit that its Office of Enforcement (formerly its Office of Market Oversight and Investigations) had conducted regarding the compliance of E.ON U.S. and its subsidiaries, including LG&E, under the FERC's standards of conduct and codes of conduct requirements, as well as other areas. The final report contained certain findings calling for improvements in E.ON U.S. and its subsidiaries' structures, policies and procedures relating to transmission, generation dispatch, energy marketing and other practices. E.ON U.S. and its subsidiaries have agreed to certain corrective actions and have submitted procedures related to such corrective actions to the FERC. The corrective actions are in the nature of organizational and operational improvements as described above and are not expected to have a material adverse impact on the Company's results of operations or financial condition.

Mandatory Reliability Standards. As a result of EPAct 2005, certain formerly voluntary reliability standards became mandatory in June 2007, and authority was delegated to various regional reliability organizations ("RRO") by the Electric Reliability Organization, which was authorized by the FERC to enforce compliance with such standards, including promulgating new standards. Failure to comply with mandatory reliability standards can subject a registered entity to sanctions, including potential fines of up to $1 million per day as well as non-monetary penalties, depending upon the circumstances of the violation. LG&E is a member of the SERC, which acts as LG&E's RRO. The SERC is currently assessing LG&E's compliance with certain existing mitigation plans resulting from a prior RRO's audit of various reliability standards. While LG&E believes itself to be in substantial compliance with the mandatory reliability standards generally, LG&E cannot predict the outcome of the current SERC proceeding or of other analysis which may be conducted regarding compliance with particular reliability standards.

IRP. Integrated resource planning regulations in Kentucky require major utilities to make triennial IRP filings with the Kentucky Commission. In April 2005, LG&E and KU filed their 2005 joint IRP with the Kentucky Commission. The IRP provides historical and projected demand, resource and financial data, and other operating performance and system information. The AG and the KIUC were granted intervention in the IRP proceeding. The Kentucky Commission issued its staff report with no substantive issues noted and closed the case by Order in February 2006. LG&E and KU will submit the next joint triennial filing in April 2008.

PUHCA 2005. E.ON, LG&E's ultimate parent, is a registered holding company under PUHCA 2005. E.ON, its utility subsidiaries, including LG&E, and certain of its non-utility subsidiaries, are subject to extensive regulation by the FERC with respect to numerous matters, including: electric utility facilities and operations, wholesale sales of power and related transactions, accounting practices, issuances and sales of securities, acquisitions and sales of utility properties, payments of dividends out of capital and surplus, financial matters and inter-system sales of non-power goods and services. LG&E believes that it has adequate authority (including financing authority) under existing FERC orders and regulations to conduct its business and will seek additional authorization when necessary.

EPAct 2005. The EPAct 2005 was enacted in August 2005. Among other matters, this comprehensive legislation contains provisions mandating improved electric reliability standards and performance; granting enhanced civil penalty authority to the FERC; providing economic and other incentives relating to transmission, pollution control and renewable generation assets; increasing funding for clean coal generation incentives; repealing the Public Utility Holding Company Act of 1935; enacting PUHCA 2005 and expanding FERC jurisdiction over public utility holding companies and related matters via the Federal Power Act and PUHCA 2005.

In February 2006, the Kentucky Commission initiated an administrative proceeding to consider the requirements of the EPAct 2005, Subtitle E Section 1252, Smart Metering, which concerns time-based metering and demand response, and Section 1254, Interconnections. EPAct 2005 requires each state regulatory authority to conduct a formal investigation and issue a decision on whether or not it is appropriate to implement certain Section 1252, Smart Metering standards within eighteen months after the enactment of EPAct 2005 and to commence consideration of Section 1254, Interconnection standards within one year after the enactment of EPAct 2005. Following a public hearing with all Kentucky jurisdictional electric utilities, in December 2006, the Kentucky

Commission issued an Order in this proceeding indicating that the EPAct 2005 Section 1252, Smart Metering and Section 1254, Interconnection standards should not be adopted. However, all five Kentucky Commission jurisdictional utilities are required to file real-time pricing pilot programs for their large commercial and industrial customers. LG&E developed a real-time pricing pilot for large industrial and commercial customers and filed the details of the plan with the Kentucky Commission in April 2007. Data discovery concluded in July 2007, and no parties to the case requested a hearing. In February 2008, the Kentucky Commission issued an Order approving the real-time pricing pilot program proposed by LG&E for implementation within approximately eight months. LG&E will notify the Kentucky Commission 10 days prior to the actual implementation date and will file annual reports on the program within 90 days of each plan year-end for the 3-year pilot period.

As part of the LG&E 2004 rate case settlement agreements, and as referred to in the Kentucky Commission EPAct 2005 Administrative Order, LG&E made its responsive pricing and smart metering pilot program filing, which addresses real-time pricing for residential and general service customers, in March 2007. The AG and KIUC were granted full intervention. In July 2007, the Kentucky Commission approved the application as filed, for 100 residential customers and a sampling of other customers, and authorized LG&E to establish the responsive pricing and smart metering pilot program, recovery of non-specific customer costs through the DSM billing mechanism and the filing of annual reports by April 1, 2009, 2010 and 2011. LG&E must also file an evaluation of the program by July 1, 2011.

Hydro Upgrade. In October 2005, LG&E received from the FERC a new license to upgrade, operate and maintain the Ohio Falls Hydroelectric Project. The license is for a period of 40 years, effective November 2005. LG&E began refurbishing the facility to add approximately 20 Mw of generating capacity in 2004, and plans to spend approximately $45 million from 2008 to 2010.

Gas Storage Field Matter. In March 2007, LG&E commenced a review of certain federal and state permitting, licensing and oversight matters relating to existing natural gas operations at its Doe Run, Kentucky storage field, which extends into Indiana. The review related, in part, to the applicable jurisdictional status of such operations under the Natural Gas Act and whether additional applications, filings or exemptions were required or advisable. During March 2007, LG&E reported to the FERC the existence of possible permitting failures and in April 2007, filed an application for corrective Federal Power Act authorizations. In July 2007, the FERC accepted LG&E's Federal Power Act filing granting appropriate permit status for retail gas activities. This corrective event places these activities in compliance for future periods. In August 2007, the FERC advised LG&E that it had concluded its investigation related to prior periods and had closed the matter with no further actions.

Green Energy Riders. In February 2007, LG&E and KU filed a Joint Application and Testimony for Proposed Green Energy Riders. The AG and KIUC were granted full intervention. In May 2007, a Kentucky Commission Order was issued authorizing LG&E to establish Small and Large Green Energy Riders, allowing customers to contribute funds to be used for the purchase of renewable energy credits.

Home Energy Assistance Program. In July 2007, LG&E filed an application with the Kentucky Commission for the establishment of a new Home Energy Assistance program. During September 2007, the Kentucky Commission approved LG&E's new five-year program as filed, effective in October 2007. The program terminates in September 2012, and is funded through a $0.10 per month meter charge.

Collection Cycle Revision. In September 2007, LG&E filed an application with the Kentucky Commission to revise the collection cycle for customer bill payments from 15 days to 10 days to more closely align with the KU billing cycle and to avoid confusion for delinquent customers. In December 2007, the Kentucky Commission denied LG&E's request to shorten the collection cycle. LG&E filed a motion with the Kentucky Commission for reconsideration and received an Order granting approval. The Kentucky Commission issued additional data requests to LG&E in February 2008. No procedural schedule has been established.

Depreciation Study. In December 2007, LG&E filed a depreciation study with the Kentucky Commission requesting a change in the depreciation rates as required by a previous Order. An adjustment to the depreciation rates is dependent on an order being received by the Kentucky Commission, the timing of which cannot currently be determined.

Note 3 - Financial Instruments

The cost and estimated fair values of LG&E's non-trading financial instruments as of December 31 follow:

	2007		2006	
(in millions)	Carrying Value	Fair Value	Carrying Value	Fair Value
Preferred stock subject to mandatory redemption (including current portion of $1 million)	$ -	$ -	$ 20	$ 20
Long-term debt (including current portion of $120 million)	$574	$571	$574	$574
Long-term debt from affiliate	$410	$438	$225	$222
Interest-rate swaps - liability	$ 21	$ 21	$ 15	$ 15

All of the above valuations reflect prices quoted by exchanges except for the swaps and loans from affiliate. The fair values of the swaps reflect price quotes from dealers. The loans from affiliate are fair valued using accepted valuation models. The fair values of cash and cash equivalents, accounts receivable, accounts payable and notes payable are substantially the same as their carrying values.

Interest Rate Swaps (hedging derivatives). LG&E uses over-the-counter interest rate swaps to hedge exposure to market fluctuations in certain of its debt instruments. Pursuant to Company policy, use of these financial instruments is intended to mitigate risk, earnings and cash flow volatility and is not speculative in nature. Management has designated all of the interest rate swaps as hedge instruments. Financial instruments designated as cash flow hedges have resulting gains and losses recorded within other comprehensive income and stockholders' equity. See Note 13, Accumulated Other Comprehensive Income.

LG&E was party to various interest rate swap agreements with aggregate notional amounts of $211 million as of December 31, 2007 and 2006. Under these swap agreements, LG&E paid fixed rates averaging 4.38% and received variable rates based on the London Interbank Offer Rate or the Securities Industry and Financial

Markets Association's municipal swap index averaging 3.5% and 3.75% at December 31, 2007 and 2006, respectively. The swap agreements in effect at December 31, 2007 have been designated as cash flow hedges and mature on dates ranging from 2020 to 2033. The cash flow designation was assigned because the underlying variable rate debt has variable future cash flows. The hedges have been deemed to be highly effective resulting in a pre-tax loss of $6 million for 2007 and a pre-tax gain of $3 million for 2006, recorded in other comprehensive income. Amounts in accumulated other comprehensive income will be reclassified into earnings in the same period during which the hedged forecasted transaction affects earnings. The amount expected to be reclassified from other comprehensive income to earnings in the next twelve months is less than $1 million. A deposit in the amount of $12 million, used as collateral for one of the interest rate swaps, is classified as restricted cash on the balance sheets. The amount of the deposit required is tied to the market value of the swap.

Energy Risk Management Activities (non-hedging derivatives). LG&E conducts energy trading and risk management activities to maximize the value of power sales from physical assets it owns. Energy trading activities are principally forward financial transactions to hedge price risk and are accounted for on a mark-to-market basis in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities,* as amended.

The table below summarizes LG&E's energy trading and risk management activities:

(in millions)	2007	2006
Fair value of contracts at beginning of period, net asset	$ 1	$ 1
Unrealized gains and losses recognized at contract inception during the period	-	-
Realized gains and losses recognized during the period	(5)	16
Changes in fair values attributable to changes in valuation techniques and assumptions	4	(17)
Other unrealized gains and losses and changes in fair values	-	1
Fair value of contracts at end of period, net asset	$ -	$ 1

No changes to valuation techniques for energy trading and risk management activities occurred during 2007 or 2006. Changes in market pricing, interest rate and volatility assumptions were made during both years. All contracts outstanding at December 31, 2007 and 2006, have a maturity of less than one year and are valued using prices actively quoted for proposed or executed transactions or quoted by brokers.

LG&E maintains policies intended to minimize credit risk and revalues credit exposures daily to monitor compliance with those policies. At December 31, 2007, 100% of the trading and risk management commitments were with counterparties rated BBB-/Baa3 equivalent or better.

LG&E hedges the price volatility of its forecasted electric wholesale sales with the sales of market-traded electric forward contracts for periods of less than one year. Hedge accounting treatment has not been elected for these transactions, and therefore gains and losses are shown in the statements of income in other expense - net. Pre-tax losses of $5 million resulted in 2007. Pre-tax gains of $16 million resulted in 2006.

Note 4 - Concentrations of Credit and Other Risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counterparties failed to perform as contracted. Concentrations of credit risk (whether on- or off-balance sheet) relate to groups of customers or counterparties that have similar economic or industry characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

LG&E's customer receivables and natural gas and electric revenues arise from deliveries of natural gas to approximately 326,000 customers and electricity to approximately 401,000 customers in Louisville and adjacent areas in Kentucky. For the year ended December 31, 2007, 73% of total revenue was derived from electric operations and 27% from natural gas operations. For the year ended December 31, 2006, 70% of total revenue was derived from electric operations and 30% from natural gas operations.

Effective November 2005, LG&E and its employees represented by the IBEW Local 2100 entered into a three-year collective bargaining agreement. The new agreement provides for negotiated increases or changes to wages and annual benefits re-openers. Benefits re-openers were negotiated in November 2006, and November 2007. The employees represented by this bargaining agreement comprise approximately 69% of LG&E's workforce at December 31, 2007.

Note 5 - Pension and Other Postretirement Benefit Plans

LG&E has both funded and unfunded non-contributory defined benefit pension plans and other postretirement benefit plans that together cover substantially all of its employees. The healthcare plans are contributory with participants' contributions adjusted annually. LG&E uses December 31 as the measurement date for its plans.

Obligations and Funded Status. The following tables provide a reconciliation of the changes in the plans' benefit obligations and fair value of assets over the two-year period ending December 31, 2007, and a statement of the funded status as of December 31 for LG&E's sponsored defined benefit plans:

(in millions)	Pension Benefits		Other Postretirement Benefits	
	2007	2006	2007	2006
Change in benefit obligation				
Benefit obligation at beginning of year	$ 408	$ 427	$ 105	$ 106
Service cost	4	4	1	1
Interest cost	24	23	5	6
Plan amendments	9	4	2	-
Benefits paid, net of retiree contributions	(28)	(29)	(9)	(8)
Actuarial gain and other	(19)	(21)	(15)	-
Benefit obligation at end of year	$ 408	$ 408	$ 89	$ 105
Change in plan assets				
Fair value of plan assets at beginning of year	$ 356	$ 333	$ 6	$ 3
Actual return on plan assets	26	36	1	-
Employer contributions	56	18	7	11
Benefits paid, net of retiree contributions	(28)	(29)	(9)	(8)
Administrative expenses and other	(1)	(2)	-	-
Fair value of plan assets at end of year	$ 409	$ 356	$ 5	$ 6
Funded status at end of year	$ 1	$ (52)	$ (84)	$ (99)

Amounts Recognized in Statement of Financial Position. The following tables provide the amounts recognized in the balance sheets and information for plans with benefit obligations in excess of plan assets as of December 31:

(in millions)	Pension Benefits		Other Postretirement Benefits	
	2007	2006	2007	2006
Regulatory assets	$ 93	$ 93	$ 17	$ 33
Non-current assets	14	-	-	-
Accrued benefit liability (current)	-	-	(3)	(2)
Accrued benefit liability (non-current)	(13)	(52)	(81)	(97)

Additional year-end information for plans with accumulated benefit obligations in excess of plan assets:

(in millions)	Pension Benefits		Other Postretirement Benefits	
	2007	2006	2007	2006
Benefit obligation	$ 408	$ 408	$ 89	$ 105
Accumulated benefit obligation	378	391	-	-
Fair value of plan assets	409	356	5	6

Components of Net Periodic Benefit Cost. The following table provides the components of net periodic benefit cost for the plans:

(in millions)	Pension Benefits		Other Postretirement Benefits	
	2007	2006	2007	2006
Service cost	$ 4	$ 4	$ 1	$ 1
Interest cost	24	23	5	6
Expected return on plan assets	(32)	(27)	-	-
Amortization of prior service costs	5	4	2	2
Amortization of transitional asset	-	(1)	-	-
Amortization of actuarial loss	2	4	-	-
Amortization of transitional obligation	-	-	-	1
Benefit cost at end of year	$ 3	$ 7	$ 8	$ 10

The assumptions used in the measurement of LG&E's pension benefit obligation are shown in the following table:

	2007	2006
Weighted-average assumptions as of December 31:		
Discount rate - Union plan	6.56%	5.91%
Discount rate - Non-union plan	6.66%	5.96%
Rate of compensation increase	5.25%	5.25%

The discount rate is based on the November Mercer Pension Discount Yield Curve, adjusted by the basis point change in the Moody's Corporate Aa Bond Rate in December.

The assumptions used in the measurement of LG&E's net periodic benefit cost are shown in the following table:

	2007	2006
Discount rate	5.90%	5.50%
Expected long-term return on plan assets	8.25%	8.25%
Rate of compensation increase	5.25%	5.25%

To develop the expected long-term rate of return on assets assumption, LG&E considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

The following describes the effects on pension benefits by changing the major actuarial assumptions discussed above:

- A 1% change in the assumed discount rate could have an approximate $45 million positive or negative impact to the 2007 accumulated benefit obligation and an approximate $52 million positive or negative impact to the 2007 projected benefit obligation.

- A 25 basis point change in the expected rate of return on assets would have an approximate $1 million positive or negative impact on 2007 pension expense.

Assumed Healthcare Cost Trend Rates. For measurement purposes, a 9% annual increase in the per capita cost of covered healthcare benefits was assumed for 2007. The rate was assumed to decrease gradually to 5% by 2015 and remain at that level thereafter.

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plans. A 1% change in assumed healthcare cost trend rates would have resulted in an increase or decrease of less than $1 million on the 2007 total of service and interest costs components and an increase or decrease of $2 million in year-end 2007 postretirement benefit obligations.

Expected Future Benefit Payments. The following list provides the amount of expected future benefit payments, which reflect expected future service:

(in millions)	Pension Plans	Other Postretirement Benefits
2008	$ 28	$ 7
2009	27	8
2010	26	8
2011	26	8
2012	25	8
2013-17	129	38

Plan Assets. The following table shows LG&E's weighted-average asset allocation by asset category at December 31:

Pension Plans	Target Range	2007	2006
Equity securities	45% - 75%	57%	61%
Debt securities	30% - 50%	43%	39%
Other	0% - 10%	0%	0%
Totals		100%	100%

The investment policy of the pension plans was developed in conjunction with financial consultants, investment advisors and legal counsel. The goal of the investment policy is to preserve the capital of the fund and maximize investment earnings. The return objective is to exceed the benchmark return for the policy index comprised of the following: Russell 3000 Index, MSCI-EAFE Index, Lehman Aggregate and Lehman U.S. Long Government/Credit Bond Index in proportions equal to the targeted asset allocation.

Evaluation of performance focuses on a long-term investment time horizon of at least three to five years or a complete market cycle. The assets of the pension plans are broadly diversified within different asset classes (equities, fixed income securities and cash equivalents).

To minimize the risk of large losses in a single asset class, no more than 5% of the portfolio will be invested in the securities of any one issuer with the exclusion of the U.S. government and its agencies. The equity portion of the fund is diversified among the market's various subsections to diversify risk, maximize returns and avoid undue exposure to any single economic sector, industry group or individual security. The equity subsectors include, but are not limited to, growth, value, small capitalization and international.

In addition, the overall fixed income portfolio may have an average weighted duration, or interest rate sensitivity which is within +/- 20% of the duration of the overall fixed income benchmark. Foreign bonds in the aggregate shall not exceed 10% of the total fund. The portfolio may include a limited investment of up to 20% in below investment grade securities provided that the overall average portfolio quality remains "AA" or better. The below investment grade securities include, but are not limited to, medium-term notes, corporate debt, non-dollar and emerging market debt and asset backed securities. The cash investments should be in securities that either are of short maturities (not to exceed 180 days) or readily marketable with modest risk.

Derivative securities are permitted only to improve the portfolio's risk/return profile, to modify the portfolio's duration or to reduce transaction costs and must be used in conjunction with underlying physical assets in the portfolio. Derivative securities that involve speculation, leverage, interest rate anticipation, or any undue risk whatsoever are not deemed appropriate investments.

The investment objective for the postretirement benefit plan is to provide current income consistent with stability of principal and liquidity while maintaining a stable net asset value of $1.00 per share. The postretirement funds are invested in a prime cash money market fund that invests primarily in a portfolio of short-term, high-quality fixed income securities issued by banks, corporations and the U.S. government.

Contributions. LG&E made discretionary contributions to the pension plan of $56 million in January 2007, and $18 million in January 2006. The discretionary contribution made in January 2007, was slightly more than the $52 million accumulated benefit obligation and its projected benefit obligation as of December 31, 2006.

In addition, LG&E made contributions to other postretirement benefit plans of $7 million and $11 million in 2007 and 2006, respectively. In 2008, LG&E anticipates making voluntary contributions to fund the Voluntary Employee Beneficiary Association trusts to match the annual postretirement expense and funding the 401(h) plan up to the maximum amount allowed by law.

Pension Legislation. The Pension Protection Act of 2006 was enacted in August 2006. The new rules are generally effective for plan years beginning after 2008. Among other matters, this comprehensive legislation contains provisions applicable to defined benefit plans which generally (i) mandate 100% funding of current liabilities within seven years; (ii) increase tax-deduction levels regarding contributions; (iii) revise certain actuarial assumptions, such as mortality tables and discount rates; and (iv) raise federal insurance premiums and other fees for under-funded and distressed plans. The legislation also contains similar provisions relating to defined-contribution plans and qualified and non-qualified executive pension plans and other matters.

Thrift Savings Plans. LG&E has a thrift savings plan under section 401(k) of the Internal Revenue Code. Under the plan, eligible employees may defer and contribute to the plan a portion of current compensation in order to provide future retirement benefits. LG&E makes contributions to the plan by matching a portion of the employee contributions. The costs of this matching were $2 million for 2007 and 2006.

Note 6 - Income Taxes

A United States consolidated income tax return is filed by E.ON U.S.'s direct parent, E.ON US Investments Corp., for each tax period. Each subsidiary of the consolidated tax group, including LG&E, will calculate its separate income tax for the tax period. The resulting separate-return tax cost or benefit will be paid to or received from the parent company or its designee. LG&E also files income tax returns in various state jurisdictions. With few exceptions, LG&E is no longer subject to U.S. federal income tax examinations for years before 2004. Statutes of limitations related to 2004 and later returns are still open. Tax years 2005, 2006 and 2007 are under audit by the IRS with the 2007 return being examined under an IRS pilot program named "Compliance Assurance Process". This program accelerates the IRS's review to the actual calendar year applicable to the return and ends 90 days after the return is filed.

LG&E adopted the provisions of FIN 48 effective January 1, 2007. At the date of adoption, LG&E had $1 million of unrecognized tax benefits related to federal and state income taxes. If recognized, the entire $1 million of unrecognized tax benefits would reduce the effective income tax rate. Additions and reductions of uncertain tax positions during 2007 were less than $1 million.

Possible amounts of uncertain tax positions for LG&E that may decrease within the next 12 months total less than $1 million and are based on the expiration of statutes during 2008.

LG&E, upon adoption of FIN 48, adopted a new financial statement classification for interest and penalties. Prior to the adoption of FIN 48, LG&E recorded interest and penalties for income taxes on the income statements in income tax expense and in the taxes accrued balance sheet account, net of tax. Upon adoption of FIN 48, interest is recorded as interest expense and penalties are recorded as operating expenses on the income statement and accrued expenses in the balance sheets, on a pre-tax basis. Interest of less than $1 million was accrued for 2007 and 2006 based on IRS and Kentucky Department of Revenue large corporate interest rates for underpayment of taxes. No penalties were accrued by LG&E upon adoption of FIN 48 or through December 31, 2007.

Components of income tax expense are shown in the table below:

(in millions)		2007	2006
Current	- federal	$ 34	$ 60
	- state	8	11
Deferred	- federal – net	10	(7)
	- state – net	2	(1)
Investment tax credit – deferred		9	3
Amortization of investment tax credit		(4)	(4)
Total income tax expense		$ 59	$ 62

Current federal income tax expense decreased and investment tax credit – deferred increased primarily due to the recording of investment tax credits of $9 million and $3 million at December 31, 2007 and

2006, respectively, as discussed below.

In June 2006, LG&E and KU filed a joint application with the U.S. Department of Energy ("DOE") requesting certification to be eligible for investment tax credits applicable to the construction of TC2. The EPAct 2005 added Section 48A to the Internal Revenue Code, which provides for an investment tax credit to promote the commercialization of advanced coal technologies that will generate electricity in an environmentally responsible manner. LG&E's and KU's application requested up to the maximum amount of "advanced coal project" credit allowed per taxpayer, or $125 million, based on an estimate of 15% of projected qualifying TC2 expenditures. In November 2006, the DOE and IRS announced that LG&E and KU were selected to receive the tax credit. A final IRS certification required to obtain the investment tax credit was received in August 2007. LG&E's portion of the TC2 tax credit will be approximately $25 million over the construction period and will be amortized to income over the life of the related property beginning when the facility is placed in service. Based on eligible construction expenditures incurred, LG&E recorded investment tax credits of $9 million and $3 million in 2007 and 2006, respectively, decreasing current federal income taxes.

In September 2007, LG&E received Order 2007-00179 from the Kentucky Commission approving the accounting of the investment tax credit. In March 2008, certain groups filed suit in federal court in North Carolina against the DOE and IRS claiming the investment tax credit program was violative of certain environmental laws and demanded relief, including suspension or termination of the program. LG&E is not able to predict the ultimate outcome of this proceeding.

Components of net deferred tax liabilities included in the balance sheets are shown below:

(in millions)	2007	2006
Deferred tax liabilities:		
Depreciation and other plant-related items	$368	$367
Regulatory assets and other	30	22
Pension and related benefits	5	6
Total deferred tax liabilities	403	395
Deferred tax assets:		
Investment tax credit	14	15
Income taxes due to customers	19	21
Liabilities and other	24	26
Total deferred tax assets	57	62
Net deferred income tax liability	$346	$333
Balance sheet classification		
Current liabilities	$ 4	$ -
Non-current liabilities	342	333
Net deferred income tax liability	$346	$333

A reconciliation of differences between the statutory U.S. federal income tax rate and LG&E's effective income tax rate follows:

	2007	2006
Statutory federal income tax rate	35.0%	35.0%
State income taxes, net of federal benefit	3.4	3.8
Reduction of income tax accruals	(0.6)	(0.4)
Qualified production deduction	(1.1)	(0.6)
Amortization of investment tax credits	(2.2)	(2.2)
Other differences	(1.5)	(1.0)
Effective income tax rate	33.0%	34.6%

Other differences primarily relate to excess deferred taxes which reflect the benefits of deferred taxes reversing at tax rates that differ from statutory rates and various other permanent differences.

H. R. 4520, known as the "American Jobs Creation Act of 2004", allows electric utilities to take a deduction for qualified production activities income starting in 2005.

Kentucky House Bill 272, also known as "Kentucky's Tax Modernization Plan", was signed into law in March 2005. This bill contains a number of changes in Kentucky's tax system, including the reduction of the Corporate income tax rate from 8.25% to 7% effective January 1, 2005, and a further reduction to 6% effective January 1, 2007. As a result of the income tax rate changes, LG&E's deferred tax reserve amount will exceed its actual deferred tax liability attributable to existing temporary differences, since the new statutory rates are lower than rates when the deferred tax liability originated. In December 2006, LG&E received approval from the Kentucky Commission to establish and amortize a regulatory liability of $16 million for these net excess deferred income tax balances. LG&E will amortize these depreciation-related excess deferred income tax balances under the average rate assumption method which matches the amortization of the excess deferred income taxes with the life of the timing differences to which they relate. Excess deferred income tax balances related to non-depreciation timing differences were expensed in 2006 due to their immaterial amount. There were no additional adjustments in 2007.

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

Note 7 - Long-Term Debt

As of December 31, 2007 and 2006, long-term debt and the current portion of long-term debt consist primarily of pollution control bonds and long-term loans from affiliated companies as summarized below.

(in millions)	Stated Interest Rates	Maturities	Principal Amounts
Outstanding at December 31, 2007:			
Noncurrent portion	Variable	2012-2037	$ 864
Current portion	Variable	2026-2027	$ 120
Outstanding at December 31, 2006:			
Noncurrent portion	Variable - 5.875%	2008-2035	$ 572
Current portion	Variable	2007-2027	$ 248

Pollution control series bonds are obligations of LG&E issued in connection with tax-exempt pollution control revenue bonds issued by various governmental entities, principally counties in Kentucky. A loan agreement obligates LG&E to make debt service payments to the county that equate to the debt service due from the county on the related pollution control revenue bonds. Until a series of financing transactions was completed during April 2007, the county's debt was also secured by an equal amount of LG&E's first mortgage bonds that were pledged to the trustee for the pollution control revenue bonds that match the terms and conditions of the county's debt, but require no payment of principal and interest unless LG&E defaults on the loan agreement.

Several of the LG&E pollution control bonds are insured by monoline bond insurers whose ratings have been under pressure due to exposures relating to insurance of sub-prime mortgages. At December 31, 2007, LG&E had an aggregate $575 million of outstanding pollution control indebtedness, of which $394 million is 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. In 2008, interest rates have continued to increase, and the Company has experienced "failed auctions" when there are insufficient bids for the bonds. When there is a failed auction, the interest rate is set pursuant to a formula stipulated in the indenture which can be as high as 15%. During 2007, the average rate on the auction rate bonds was 3.77%, whereas the average rate in January and February of 2008 was 4.58%. The instruments governing these auction rate bonds permit LG&E to convert the bonds to other interest rate modes, such as various short-term variable rates, long-term fixed rates or intermediate-term fixed rates that are reset infrequently. In the first quarter of 2008, the ratings of the Louisville Metro 2003 Series A bonds were downgraded from Aaa to A2 by Moody's and from AAA to A- by S&P due to downgrades of the bond insurer. In February 2008, LG&E issued a notice to bondholders of its intention to convert the Louisville Metro 2005 Series A, 2007 Series A and 2007 Series B bonds from the auction rate mode to a weekly interest rate mode, as permitted under the loan documents. In March 2008, LG&E will issue notices to bondholders of its intention to convert the Jefferson County 2000 Series A bonds from the auction mode to a weekly interest rate mode, as permitted under the loan documents. LG&E expects to purchase such bonds and hold some or all such bonds until a later date, including potential further conversion, remarketings or refinancings. Uncertainty in markets relating to auction rate securities or steps LG&E has taken or may take to mitigate such uncertainty, such as additional conversions, subsequent restructurings or redemptions and refinancings, could result in LG&E incurring increased interest expense, transaction expenses or other costs and fees or experiencing reduced liquidity relating to existing or future pollution control financing structures. See Note 14, Subsequent Events.

All of LG&E's first mortgage bonds were released and terminated in April 2007. Only the tax-exempt pollution control revenue bonds issued by the counties remain. Under the provisions for certain of LG&E's variable-rate pollution control bonds, the bonds are subject to tender for purchase at the option of the holder and to mandatory tender for purchase upon the occurrence of certain events, causing the bonds to be classified as current portion of long-term debt in the balance sheets. The average annualized interest rate for these bonds during 2007 and 2006 was 3.66% and 3.50%, respectively.

Interest rate swaps are used to hedge LG&E's underlying variable-rate debt obligations. These swaps hedge specific debt issuances and, consistent with management's designation, are accorded hedge accounting treatment. The swaps exchange floating-rate interest payments for fixed rate interest payments to reduce the impact of interest rate changes on LG&E's pollution control bonds. As of December 31, 2007 and 2006, LG&E had swaps with an aggregate notional value of $211 million. See Note 3, Financial Instruments.

Redemptions and maturities of long-term debt for 2007 and 2006 are summarized below:

($ in millions) Year	Description	Principal Amount	Rate	Secured/ Unsecured	Maturity
2007	Pollution control bonds	$31	Variable	Secured	2017
2007	Pollution control bonds	$60	Variable	Secured	2017
2007	Pollution control bonds	$35	Variable	Secured	2013
2007	Mandatorily Redeemable Preferred Stock	$20	5.875%	Unsecured	2008
2006	Mandatorily Redeemable Preferred Stock	$ 1	5.875%	Unsecured	2006

LG&E did not issue any new long-term debt in 2006. Issuances of long-term debt for 2007 are summarized below:

($ in millions) Year	Description	Principal Amount	Rate	Secured/ Unsecured	Maturity
2007	Pollution control bonds	$31	Variable	Unsecured	2033
2007	Pollution control bonds	$60	4.60%	Unsecured	2033
2007	Pollution control bonds	$35	Variable	Unsecured	2033
2007	Due to Fidelia	$70	5.98%	Unsecured	2037
2007	Due to Fidelia	$67	5.93%	Unsecured	2031
2007	Due to Fidelia	$47	5.72%	Unsecured	2022

In January 2007, the Kentucky Commission issued an Order approving LG&E's application for certain financial transactions, including arrangements which provided a source of funds for the redemption of LG&E's preferred stock. 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.

In April 2007, LG&E agreed with Fidelia to eliminate the lien on two secured intercompany loans totaling $125 million. LG&E entered into two long-term borrowing arrangements with Fidelia in an aggregate principal amount of $138 million. The loan proceeds were used to fund the preferred stock redemption and to repay certain short-term loans incurred to fund the pension contribution made by the Company during the first quarter. LG&E also completed a series of financial transactions impacting its periodic reporting requirements. The pollution control revenue bonds issued by certain governmental entities secured by the $31 million Pollution Control Series S, the $60 million Pollution Control Series T and the $35 million Pollution Control Series U bonds were refinanced and replaced with new unsecured tax-exempt bonds of like amounts. Pursuant to the terms of the bonds, an underlying lien on substantially all of LG&E's assets was released following the completion of these steps. LG&E no longer has any secured debt and is no longer subject to periodic reporting under the Securities Exchange Act of 1934.

Long-term debt maturities for LG&E are shown in the following table:

(in millions)	
2008 - 2011	$ -
2012	25
Thereafter	959 (a)
Total	$984

(a) Includes long-term debt of $120 million classified as current liabilities because these bonds are subject to tender for purchase at the option of the holder and to mandatory tender for purchase upon the occurrence of certain events. Maturity dates for these bonds range from 2026 to 2027. LG&E does not expect to pay these amounts in 2008.

Note 8 - Notes Payable and Other Short-Term Obligations

LG&E participates in an intercompany money pool agreement wherein E.ON U.S. and/or KU make funds available to LG&E at market-based rates (based on an index of highly rated commercial paper issues) up to $400 million.

($ in millions)	Total Money Pool Available	Amount Outstanding	Balance Available	Average Interest Rate
December 31, 2007	$400	$ 78	$322	4.75%
December 31, 2006	$400	$ 68	$332	5.25%

As of December 31, 2007 and 2006, E.ON U.S. maintained a revolving credit facility totaling $150 million and $200 million, respectively, with an affiliated company, E.ON North America, Inc., to ensure funding availability for the money pool. The balance is as follows:

($ in millions)	Total Available	Amount Outstanding	Balance Available	Average Interest Rate
December 31, 2007	$150	$ 62	$88	4.97%
December 31, 2006	$200	$102	$98	5.49%

During June 2007, LG&E's five existing lines of credit totaling $185 million expired and were replaced with short-term bilateral lines of credit facilities totaling $125 million. During the third quarter of 2007, LG&E extended the maturity date of these facilities through June 2012. There was no outstanding balance under any of these facilities at December 31, 2007.

The covenants under these revolving lines of credit include the following:

- The debt/total capitalization ratio must be less than 70%
- E.ON must own at least 66.667% of voting stock of LG&E directly or indirectly
- The corporate credit rating of the Company must be at or above BBB- and Baa3 as determined by S&P and Moody's
- A limitation on disposing of assets aggregating more than 15% of total assets as of December 31, 2006

Note 9 - Commitments and Contingencies

Operating Leases. LG&E leases office space, office equipment and vehicles and accounts for these leases as operating leases. Total lease expense less amounts contributed by affiliated companies occupying a portion of the office space leased by LG&E, was $5 million for 2007 and 2006. The future minimum annual lease payments for operating leases for years subsequent to December 31, 2007, are shown in the following table:

(in millions)	
2008	$ 5
2009	4
2010	4
2011	3
2012	3
Thereafter	5
Total	$24

Sale and Leaseback Transaction. LG&E is a participant in a sale and leaseback transaction involving its 38% interest in two jointly owned CTs at KU's E.W. Brown generating station (Units 6 and 7). Commencing in December 1999, LG&E and KU entered into a tax-efficient, 18-year lease of the CTs. LG&E and KU have provided funds to fully defease the lease, and have executed an irrevocable notice to exercise an early purchase option contained in the lease after 15.5 years. The financial statement treatment of this transaction is no different than if LG&E had retained its ownership. The leasing transaction was entered into following receipt of required state and federal regulatory approvals.

In case of default under the lease, LG&E is obligated to pay to the lessor its share of certain fees or amounts. Primary events of default include loss or destruction of the CTs, failure to insure or maintain the CTs and unwinding of the transaction due to governmental actions. No events of default currently exist with respect to the lease. Upon any termination of the lease, whether by default or expiration of its term, title to the CTs reverts jointly to LG&E and KU.

At December 31, 2007, the maximum aggregate amount of default fees or amounts was $10 million, of which LG&E would be responsible for 38% (approximately $4 million). LG&E has made arrangements with E.ON U.S., via guarantee and regulatory commitment, for E.ON U.S. to pay LG&E's full portion of any default fees or amounts.

Letters of Credit. LG&E has provided letters of credit totaling $3 million to support certain obligations related to landfill reclamation and a letter of credit totaling less than $1 million to support certain obligations related to workers' compensation.

Purchased Power. LG&E has a contract for purchased power with OVEC, terminating in 2026, for various Mw capacities. LG&E has an investment of 5.63% ownership in OVEC's common stock, which is accounted for on the cost method of accounting. LG&E's share of OVEC's output is 5.63%, approximately 124 Mw of generation capacity. Future obligations for power purchases are shown in the following table:

(in millions)	
2008	$ 16
2009	18
2010	19
2011	19
2012	19
Thereafter	322
Total	$ 413

Construction Program. LG&E had $104 million of commitments in connection with its construction program at December 31, 2007.

In June 2006, LG&E and KU entered into a construction contract regarding the TC2 project. The contract is generally in the form of a lump-sum, turnkey agreement for the design, engineering, procurement, construction, commissioning, testing and delivery of the project, according to designated specifications, terms and conditions. The contract price and its components are subject to a number of potential adjustments which may serve to increase or decrease the ultimate construction price paid or payable to the contractor. The contract also contains standard representations, covenants, indemnities, termination and other provisions for arrangements of this type, including termination for convenience or for cause rights.

TC2 Air Permit. The Sierra Club and other environmental groups filed a petition challenging the air permit issued for the TC2 baseload generating unit which was issued by the Kentucky Division of Air Quality in November 2005. The filing of the challenge did not stay the permit, so the Company was free to proceed with construction during the pendancy of the action. In June 2007, the state hearing officer assigned to the matter recommended upholding the air permit with minor revisions. In September 2007, the Secretary of the Kentucky Environmental and Public Protection Cabinet issued a final Order approving the hearing officer's recommendation and upholding the permit. In September 2007, LG&E administratively applied for a permit revision to reflect minor design changes. In October 2007, the environmental groups submitted comments objecting to the draft permit revisions and, in part, attempting to reassert general objections to the generating unit. An agency decision on the final permit revisions may occur during 2008. The Company is currently unable to determine the final outcome of this matter.

Mine Safety Compliance Costs. In March 2006, the Mine Safety and Health Administration enacted Emergency Temporary Standards regulations and has issued additional regulations as the result of the passage of the Mine Improvement and New Emergency Response Act of 2006, which was signed into law in June 2006. At the state level, Kentucky and other states that supply coal to LG&E, have passed new mine safety legislation. These pieces of legislation require all underground coal mines to implement new safety measures and install new safety equipment. Under the terms of some of the coal contracts LG&E has in place, provisions are made to allow for price adjustments for compliance costs resulting from new or amended laws or regulations. LG&E has begun to receive information from the mines it contracts with regarding price adjustments related to these compliance costs and has hired a consultant to review all supplier claims for validity and reasonableness. At this time LG&E has not been notified of claims by all mines and is reviewing those claims it has received. An adjustment will be made to the value of the coal inventory once the amount is determinable, however, the amount cannot be estimated at this time. The Company expects to recover these costs through the FAC.

Environmental Matters. LG&E's operations are subject to a number of environmental laws and regulations, governing, among other things, air emissions, wastewater discharges, the use, handling and disposal of hazardous substances and wastes, soil and groundwater contamination and employee health and safety.

Clean Air Act Requirements. The Clean Air Act establishes a comprehensive set of programs aimed at protecting and improving air quality in the United States by, among other things, controlling stationary sources of air emissions such as power plants. While the general regulatory framework for these programs is established at the federal level, most of the programs are implemented and administered by the states under the oversight of the EPA. The key Clean Air Act programs relevant to LG&E's business operations are described below.

Ambient Air Quality. The Clean Air Act requires the EPA to periodically review the available scientific data for six criteria pollutants and establish concentration levels in the ambient air sufficient to protect the public health and welfare with an extra margin for safety. These concentration levels are known as national ambient air quality standards ("NAAQS"). Each state must identify "nonattainment areas" within its boundaries that fail to comply with the NAAQS and develop a SIP to bring such nonattainment areas into compliance. If a state fails to develop an adequate plan, the EPA must develop and implement a plan. As the EPA increases the stringency of the NAAQS through its periodic reviews, the attainment status of various areas may change, thereby triggering additional emission reduction obligations under revised SIPs aimed to achieve attainment.

In 1997, the EPA established new NAAQS for ozone and fine particulates that required additional reductions in SO_2 and NOx emissions from power plants. In 1998, the EPA issued its final "NOx SIP Call" rule requiring reductions in NOx emissions of approximately 85% from 1990 levels in order to mitigate ozone transport from the midwestern U.S. to the northeastern U.S. To implement the new federal requirements, Kentucky amended its SIP in 2002 to require electric generating units to reduce their NOx emissions to 0.15 pounds weight per

MMBtu on a company-wide basis. In 2005, the EPA issued the CAIR which requires additional SO_2 emission reductions of 70% and NOx emission reductions of 65% from 2003 levels. The CAIR provides for a two-phase cap and trade program, with initial reductions of NOx and SO_2 emissions due by 2009 and 2010, respectively, and final reductions due by 2015. The final rule is currently under challenge in a number of federal court proceedings. In 2006, Kentucky proposed to amend its SIP to adopt state requirements similar to those under the federal CAIR. Depending on the level of action determined necessary to bring local nonattainment areas into compliance with the new ozone and fine particulate standards, LG&E's power plants are potentially subject to additional reductions in SO_2 and NOx emissions. LG&E's weighted-average company-wide emission rate for SO_2 in 2007 was approximately 0.50 lbs./MMBtu of heat input, with every generating unit below its emission limit established by the Kentucky Division for Air Quality and the Louisville Metro Air Pollution Control District.

Hazardous Air Pollutants. As provided in the 1990 amendments to the Clean Air Act, the EPA investigated hazardous air pollutant emissions from electric utilities and submitted a report to Congress identifying mercury emissions from coal-fired power plants as warranting further study. In 2005, the EPA issued the CAMR establishing mercury standards for new power plants and requiring all states to issue new SIPs including mercury requirements for existing power plants. The EPA issued a model rule which provides for a two-phase cap and trade program with initial reductions due by 2010 and final reductions due by 2018. The CAMR provides for reductions of 70% from 2003 levels. The EPA closely integrated the CAMR and CAIR programs to ensure that the 2010 mercury reduction targets will be achieved as a "co-benefit" of the controls installed for purposes of compliance with the CAIR. The final rule is also currently under challenge in the federal courts. In February 2008, a federal appellate court issued a decision in one of the proceedings vacating the current CAMR, an outcome that may have the effect of resulting in more stringent mercury reduction rules. However, the ruling could be subject to further appeal. In 2006, Kentucky proposed to amend its SIP to adopt state requirements similar to those under the federal CAMR. In 2005, the local air agency in Jefferson County, Kentucky adopted a regulation aimed at regulating additional hazardous air pollutants from sources including power plants. A similar regulation was proposed by the Kentucky air agency in 2006, but it was withdrawn in 2007. To the extent those rules are final, they are not expected to have a material impact on LG&E's power plant operations.

Acid Rain Program. The 1990 amendments to the Clean Air Act imposed a two-phased cap and trade program to reduce SO_2 emissions from power plants that were thought to contribute to "acid rain" conditions in the northeastern U.S. The 1990 amendments also contained requirements for power plants to reduce NOx emissions through the use of available combustion controls.

Regional Haze. The Clean Air Act also includes visibility goals for certain federally designated areas, including national parks, and requires states to submit SIPs that will demonstrate reasonable progress toward preventing future impairment and remedying any existing impairment of visibility in those areas. In 2005, the EPA issued its Clean Air Visibility Rule detailing how the Clean Air Act's BART requirements will be applied to facilities, including power plants, built between 1962 and 1974 that emit certain levels of visibility impairing pollutants. Under the final rule, as the CAIR will result in more visibility improvement than BART, states are allowed to substitute CAIR requirements in their regional haze SIPs in lieu of controls that would otherwise be required by BART. The final rule has been challenged in the courts.

Installation of Pollution Controls. Many of the programs under the Clean Air Act utilize cap and trade mechanisms that require a company to hold sufficient emissions allowances to cover its authorized emissions on a company-wide basis and do not require installation of pollution controls on every generating unit. Under cap and trade programs, companies are free to focus their pollution control efforts on plants where such controls are particularly efficient and utilize the resulting emission allowances for smaller plants where such controls are not cost effective. LG&E had previously installed flue gas desulfurization equipment on all of its generating units prior to the effective date of the acid rain program. LG&E's strategy for its Phase II SO_2 requirements, which commenced in 2000, is to use accumulated emissions allowances to defer additional capital expenditures and LG&E will continue to evaluate improvements to further reduce SO_2 emissions. In order to achieve the NOx emission reductions and associated obligations, LG&E installed additional NOx controls, including selective catalytic reduction technology, during the 2000 to 2007 time period at a cost of $197 million. In 2001, the Kentucky Commission granted approval to recover the costs incurred by LG&E for these projects through the environmental surcharge mechanism. Such monthly recovery is subject to periodic review by the Kentucky Commission.

In order to achieve the emissions reductions mandated by the CAIR and CAMR, LG&E expects to incur additional capital expenditures totaling $130 million during the 2008 through 2010 time period for pollution control equipment, and additional operating and maintenance costs in operating such controls. In 2005, the Kentucky Commission granted approval to recover the costs incurred by LG&E for these projects through the ECR mechanism. Such monthly recovery is subject to periodic review by the Kentucky Commission. LG&E believes its costs in reducing SO_2, NOx and mercury emissions to be comparable to those of similarly situated utilities with like generation assets. LG&E's compliance plans are subject to many factors including developments in the emission allowance and fuels markets, future legislative and regulatory enactments, legal proceedings and advances in clean air technology. LG&E will continue to monitor these developments to ensure that its environmental obligations are met in the most efficient and cost-effective manner.

Potential GHG Controls. In 2005, the Kyoto Protocol for reducing GHG emissions took effect, obligating 37 industrialized countries to undertake substantial reductions in GHG emissions. The U.S. has not ratified the Kyoto Protocol and there are currently no mandatory GHG emission reduction requirements at the federal level. Legislation mandating GHG reductions has been introduced in the Congress, but no federal legislation has been enacted to date. In the absence of a program at the federal level, various states have adopted their own GHG emission reduction programs. Such programs have been adopted in various states including 11 northeastern U.S. states and the District of Columbia under the Regional GHG Initiative program and California. Substantial efforts to pass federal GHG legislation are ongoing. In addition, litigation is currently pending before various courts to determine whether the EPA and the states have the authority to regulate GHG emissions under existing law. In April 2007, the U.S. Supreme Court ruled that the EPA has the authority to regulate GHG under the Clean Air Act. LG&E is monitoring ongoing efforts to enact GHG reduction requirements at the state and federal level and is assessing potential impacts of such programs and strategies to mitigate those impacts. LG&E is unable to predict whether mandatory GHG reduction requirements will ultimately be enacted. As a Company with significant coal-fired generating assets, LG&E could be substantially impacted by programs requiring mandatory reductions in GHG emissions, although the precise impact on the operations of LG&E, including the reduction targets and deadlines that would be applicable, cannot be determined prior to the enactment of such programs.

Section 114 Requests. In August 2007, the EPA issued administrative information requests under Section 114 of the Clean Air Act requesting new source review-related data regarding certain construction and maintenance activities at LG&E's Mill Creek 4 and Trimble County 1 generating units and KU's Ghent 2 generating unit. The Companies are complying with the information requests and are not able to predict further proceedings in this matter at this time.

General Environmental Proceedings. From time to time, LG&E appears before the EPA, various state or local regulatory agencies and state and federal courts regarding matters involving compliance with applicable environmental laws and regulations. Such matters include remediation obligations for former manufactured gas plant sites; liability under the Comprehensive Environmental Response, Compensation and Liability Act for cleanup at various off-site waste sites; ongoing claims regarding alleged particulate emissions from LG&E's Cane Run station and ongoing claims regarding GHG emissions from LG&E's generating stations. With respect to the former manufactured gas plant sites, LG&E has estimated that it could incur additional costs of less than $1 million for remaining clean-up activities under existing approved plans or agreements. Based on analysis to date, the resolution of the other matters is also not expected to have a material impact on the operations of LG&E.

Note 10 - Jointly Owned Electric Utility Plant

LG&E owns a 75% undivided interest in Trimble County Unit 1 which the Kentucky Commission has allowed to be reflected in customer rates. Of the remaining 25% of the Unit, IMEA owns a 12.12% undivided interest, and IMPA owns a 12.88% undivided interest. Each company is responsible for its proportionate ownership share of fuel cost, operation and maintenance expenses and incremental assets. The following data represent shares of the jointly owned property:

	Trimble County Unit 1			
	LG&E	IMPA	IMEA	Total
Ownership interest	75%	12.88%	12.12%	100%
Mw capacity	383	66	62	511
(in millions)				
LG&E's 75% ownership:				
Cost	$ 633			
Accumulated depreciation	246			
Net book value	$ 387			
Construction work in progress (included in above)	$ 27			

LG&E and KU have begun construction of TC2, a jointly owned unit at the Trimble County site. LG&E and KU own undivided 14.25% and 60.75% interests, respectively, in TC2. Of the remaining 25% of TC2, IMEA owns a 12.12% undivided interest and IMPA owns a 12.88% undivided interest. Each company is responsible for its proportionate share of capital cost during construction, and fuel, operation and maintenance cost when TC2 begins operation, which is expected to occur in 2010.

	TC2				
	LG&E	KU	IMPA	IMEA	Total
Ownership interest	14.25%	60.75%	12.88%	12.12%	100%
Mw capacity	107	455	97	91	750

(in millions)	LG&E	KU
Construction work in progress	$74	$332

LG&E and KU jointly own the following CTs and related equipment:

($ in millions)	LG&E				KU				Total			
Ownership Percentage	Mw Capacity	($) Cost	($) Depre-ciation	($) Net Book Value	Mw Capacity	($) Cost	($) Depre-ciation	($) Net Book Value	Mw Capacity	($) Cost	($) Depre-ciation	($) Net Book Value
LG&E 53%, KU 47% (1)	146	58	(12)	46	129	51	(11)	40	275	109	(23)	86
LG&E 38%, KU 62% (2)	118	50	(10)	40	190	78	(14)	64	308	128	(24)	104
LG&E 29%, KU 71% (3)	92	32	(6)	26	228	80	(14)	66	320	112	(20)	92
LG&E 37%, KU 63% (4)	236	79	(8)	71	404	137	(17)	120	640	216	(25)	191
LG&E 29%, KU 71% (5)	n/a	3	-	3	n/a	9	(2)	7	n/a	12	(2)	10

1) Comprised of Paddy's Run 13 and E.W. Brown 5. In addition to the above jointly owned utility plant, there is an inlet air cooling system attributable to Unit 5 and units 8-11 at the E.W. Brown facility. This inlet air cooling system is not jointly owned, however, it is used to increase production on the units to which it relates, resulting in an additional 10 Mw of capacity for LG&E.
2) Comprised of units 6 and 7 at the E.W. Brown facility.
3) Comprised of units 5 and 6 at the Trimble County facility.
4) Comprised of CT Substation 7-10 and units 7, 8, 9 and 10 at the Trimble County facility.
5) Comprised of CT Substation 5 and 6 and CT Pipeline at the Trimble County facility.

Both LG&E's and KU's participating share of direct expenses of the jointly owned plants is included in the corresponding operating expenses on its respective income statement (e.g., fuel, maintenance of plant, other operating expense).

Note 11 - Segments of Business and Related Information

LG&E is a regulated public utility engaged in the generation, transmission, distribution and sale of electricity and the storage, distribution and sale of natural gas. LG&E is regulated by the Kentucky Commission and files electric and natural gas financial information separately with the Kentucky Commission. The Kentucky Commission establishes rates specifically for the electric and natural gas businesses. Therefore, management reports analyze financial performance based on the electric and natural gas segments of the business. Financial data for business segments follow:

(in millions)	Electric	Gas	Total
2007			
Operating revenues	$ 933	$ 353	$1,286
Depreciation and amortization	107	19	126
Income taxes	54	5	59
Interest income	1	-	1
Interest expense	41	9	50
Net income	112	8	120
Total assets	2,669	644	3,313
Construction expenditures	157	37	194
2006			
Operating revenues	$ 943	$ 395	$1,338
Depreciation and amortization	105	19	124
Income taxes	57	5	62
Interest income	1	-	1
Interest expense	33	8	41
Net income	107	10	117
Total assets	2,519	665	3,184
Construction expenditures	111	35	146

Note 12 - Related Party Transactions

LG&E, subsidiaries of E.ON U.S. and subsidiaries of E.ON engage in related party transactions. Transactions between LG&E and E.ON U.S. subsidiaries are eliminated upon consolidation of E.ON U.S. Transactions between LG&E and E.ON subsidiaries are eliminated upon consolidation of E.ON. These transactions are generally performed at cost and are in accordance with FERC regulations under PUHCA 2005 and the applicable Kentucky Commission regulations. The significant related party transactions are disclosed below.

Electric Purchases

LG&E and KU purchase energy from each other in order to effectively manage the load of their retail and wholesale customers. These sales and purchases are included in the statements of income as electric operating revenues and purchased power operating expense. LG&E intercompany electric revenues and purchased power expense for the years ended December 31, were as follows:

(in millions)	2007	2006
Electric operating revenues from KU	$93	$99
Purchased power from KU	46	77

Interest Charges

See Note 8, Notes Payable and Other Short-Term Obligations, for details of intercompany borrowing arrangements. Intercompany agreements do not require interest payments for receivables related to services provided when settled within 30 days.

LG&E's intercompany interest income and expense for the years ended December 31, were as follows:

(in millions)	2007	2006
Interest on money pool loans	$ 4	$ 2
Interest on Fidelia loans	17	11

Other Intercompany Billings

E.ON U.S. Services provides LG&E with a variety of centralized administrative, management and support services. These charges include payroll taxes paid by E.ON U.S. on behalf of LG&E, labor and burdens of E.ON U.S. Services employees performing services for LG&E and vouchers paid by E.ON U.S. Services on behalf of LG&E. The cost of these services is directly charged to LG&E, or for general costs which cannot be directly attributed, charged based on predetermined allocation factors, including the following ratios: number of customers, total assets, revenues, number of employees and other statistical information. These costs are charged on an actual cost basis.

In addition, LG&E and KU provide services to each other and to E.ON U.S. Services. Billings between LG&E and KU relate to labor and overheads associated with union employees performing work for the other utility, charges related to jointly owned CTs and other miscellaneous charges. Billings from LG&E to E.ON U.S. Services include cash received by E.ON U.S. Services on behalf of LG&E, primarily tax settlements, and other payments made by LG&E on behalf of other non-regulated businesses which are paid through E.ON U.S. Services.

Intercompany billings to and from LG&E for the years ended December 31, were as follows:

(in millions)	2007	2006
E.ON U.S. Services billings to LG&E	$385	$230
LG&E billings to KU	12	53
KU billings to LG&E	6	56
LG&E billings to E.ON U.S. Services	12	7

In December 2007, LG&E received a capital contribution from its shareholder, E.ON U.S. in the amount of $20 million.

Note 13 – Accumulated Other Comprehensive Income

Accumulated other comprehensive income (loss) consisted of the following:

(in millions)	Minimum Pension Liability Adjustment	Accumulated Derivative Gain or Loss	Pre-Tax	Income Taxes	Net
Balance at December 31, 2005	$ (77)	$(18)	$(95)	$37	$(58)
Minimum pension liability adjustment	77	-	77	(30)	47
Gains (losses) on derivative instruments designated and qualifying as cash flow hedging instruments	-	3	3	(1)	2
Balance at December 31, 2006	-	(15)	(15)	6	(9)
Gains (losses) on derivative instruments designated and qualifying as cash flow hedging instruments	-	(6)	(6)	2	(4)
Balance at December 31, 2007	$ -	$(21)	$(21)	$ 8	$(13)

Subsequent to the application of SFAS No. 158, adjustments to the minimum pension liability are recorded as regulatory assets and liabilities. As a result, there are no adjustments to the minimum pension liability recorded in accumulated other comprehensive income at December 31, 2007 or 2006.

Note 14 - Notes to Statement of Cash Flows

Supplemental disclosures of cash flow information

(in millions)	2007	2006
Cash paid during the period for:		
Income Taxes	$62	$64
Interest on borrowed money	23	22
Interest to affiliated companies on borrowed money	15	11

Note 15 - Notes to Statement of Income for the Year

See page 115, line 6, column (g). Electric Utility Depreciation Expense includes $5.5 million applicable to Common Utility Plant apportioned to Electric Operations.

See page 115, line 6, column (i). Gas Utility Depreciation Expense includes $2.0 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 $4.6 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 $1.6 million applicable to Common Utility Plant apportioned to Gas Operations.

Note 16 - Subsequent Events

On January 18, 2008, the Kentucky Commission issued an Order approving the charges and credits billed through the FAC during the review period of November 1, 2006 through April 30, 2007.

On February 1, 2008, the Kentucky Commission issued an Order approving the real-time pricing pilot program proposed by LG&E, for implementation within approximately eight months, for its large commerical and industrial customers.

On February 7, 2008 and February 25, 2008, the ratings of the Louisville Metro 2003 Series A bonds were downgraded from Aaa to A2 by Moody's and from AAA to A- by S&P, due to downgrades of the bond insurer.

On February 26, 2008, LG&E commenced steps, including notice to relevant parties, to convert the Louisville Metro 2005 Series A bonds from the auction rate mode of interest to a weekly interest rate mode. Such conversion is scheduled to occur on March 24, 2008.

On February 27, 2008, LG&E commenced steps, including notice to relevant parties, to convert the Louisville Metro 2007 Series A and 2007 Series B bonds from the auction rate mode of interest to a weekly interest rate mode. Such conversions are scheduled to occur on April 4, 2008.

Beginning in late 2007, the interest rates on these insured bonds, wherein interest rates are reset either weekly or every 35 days via an auction process, began to increase due to investor concerns about the creditworthiness of the bond insurers. In 2008, interest rates have continued to increase, and the Company has experienced "failed auctions" when there are insufficient bids for the bonds. When there is a failed auction, the interest rate is set pursuant to a formula stipulated in the indenture which can be as high as 15%. During 2007, the average rate on the auction rate bonds was 3.77%, whereas the average rate in January and February of 2008 was 4.58%.

On March 4, 2008, the FERC issued an Order approving the MISO exit fee recalculation agreement which provides LG&E with an immediate recovery of less than $1 million and an estimated $2 million over the next eight years for credits realized from other payments the MISO will receive, plus interest.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

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

1. Report in columns (b),(c),(d) and (e) the amounts of accumulated other comprehensive income items, on a net-of-tax basis, where appropriate.

2. Report in columns (f) and (g) the amounts of other categories of other cash flow hedges.

3. For each category of hedges that have been accounted for as "fair value hedges", report the accounts affected and the related amounts in a footnote.

Line No.	Item (a)	Unrealized Gains and Losses on Available-for-Sale Securities (b)	Minimum Pension Liability adjustment (net amount) (c)	Foreign Currency Hedges (d)	Other Adjustments (e)
1	Balance of Account 219 at Beginning of Preceding Year		(46,923,505)		(3,599,009)
2	Preceding Qtr/Yr to Date Reclassifications from Acct 219 to Net Income		46,923,505		
3	Preceding Quarter/Year to Date Changes in Fair Value				
4	Total (lines 2 and 3)		46,923,505		
5	Balance of Account 219 at End of Preceding Quarter/Year				(3,599,009)
6	Balance of Account 219 at Beginning of Current Year				(3,599,009)
7	Current Qtr/Yr to Date Reclassifications from Acct 219 to Net Income				
8	Current Quarter/Year to Date Changes in Fair Value				(57,875)
9	Total (lines 7 and 8)				(57,875)
10	Balance of Account 219 at End of Current Quarter/Year				(3,656,884)

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

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	(7,647,316)		(58,169,830)		
2			46,923,505		
3	1,940,668		1,940,668		
4	1,940,668		48,864,173	116,828,596	165,692,769
5	(5,706,648)		(9,305,657)		
6	(5,706,648)		(9,305,657)		
7					
8	(3,768,652)		(3,826,527)		
9	(3,768,652)		(3,826,527)	120,383,365	116,556,838
10	(9,475,300)		(13,132,184)		

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

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 (f) 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)	3,969,018,445	3,242,752,617
4	Property Under Capital Leases	2,876,958	2,876,958
5	Plant Purchased or Sold		
6	Completed Construction not Classified		
7	Experimental Plant Unclassified		
8	Total (3 thru 7)	3,971,895,403	3,245,629,575
9	Leased to Others		
10	Held for Future Use	649,014	649,014
11	Construction Work in Progress	344,441,784	253,332,707
12	Acquisition Adjustments		
13	Total Utility Plant (8 thru 12)	4,316,986,201	3,499,611,296
14	Accum Prov for Depr, Amort, & Depl	1,859,847,713	1,573,660,209
15	Net Utility Plant (13 less 14)	2,457,138,488	1,925,951,087
16	Detail of Accum Prov for Depr, Amort & Depl		
17	In Service:		
18	Depreciation	1,842,294,083	1,573,660,109
19	Amort & Depl of Producing Nat Gas Land/Land Right		
20	Amort of Underground Storage Land/Land Rights	800	
21	Amort of Other Utility Plant	17,552,830	100
22	Total In Service (18 thru 21)	1,859,847,713	1,573,660,209
23	Leased to Others		
24	Depreciation		
25	Amortization and Depletion		
26	Total Leased to Others (24 & 25)		
27	Held for Future Use		
28	Depreciation		
29	Amortization		
30	Total Held for Future Use (28 & 29)		
31	Abandonment of Leases (Natural Gas)		
32	Amort of Plant Acquisition Adj		
33	Total Accum Prov (equals 14) (22,26,30,31,32)	1,859,847,713	1,573,660,209

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
548,433,692				177,832,136	3
					4
					5
					6
					7
548,433,692				177,832,136	8
					9
					10
62,549,383				28,559,694	11
					12
610,983,075				206,391,830	13
206,166,463				80,021,041	14
404,816,612				126,370,789	15
					16
					17
206,165,663				62,468,311	18
					19
800					20
				17,552,730	21
206,166,463				80,021,041	22
					23
					24
					25
					26
					27
					28
					29
					30
					31
					32
206,166,463				80,021,041	33

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

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

1. Report below the original cost of electric plant in service according to the prescribed accounts.
2. 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.
3. Include in column (c) or (d), as appropriate, corrections of additions and retirements for the current or preceding year.
4. 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.
5. Enclose in parentheses credit adjustments of plant accounts to indicate the negative effect of such accounts.
6. 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	100	
4	(303) Miscellaneous Intangible Plant		
5	TOTAL Intangible Plant (Enter Total of lines 2, 3, and 4)	2,340	
6	2. PRODUCTION PLANT		
7	A. Steam Production Plant		
8	(310) Land and Land Rights	6,303,853	
9	(311) Structures and Improvements	328,598,157	3,308,668
10	(312) Boiler Plant Equipment	1,230,676,392	11,124,604
11	(313) Engines and Engine-Driven Generators		
12	(314) Turbogenerator Units	199,324,692	523,078
13	(315) Accessory Electric Equipment	162,709,107	175,562
14	(316) Misc. Power Plant Equipment	11,948,544	425,237
15	(317) Asset Retirement Costs for Steam Production	5,697,179	
16	TOTAL Steam Production Plant (Enter Total of lines 8 thru 15)	1,945,257,924	15,557,149
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	13	
28	(331) Structures and Improvements	5,478,103	239,534
29	(332) Reservoirs, Dams, and Waterways	4,949,177	4,425,091
30	(333) Water Wheels, Turbines, and Generators	2,674,581	9,194,313
31	(334) Accessory Electric Equipment	4,392,875	215,719
32	(335) Misc. Power PLant Equipment	178,994	97,222
33	(336) Roads, Railroads, and Bridges	179,981	
34	(337) Asset Retirement Costs for Hydraulic Production	31,163	
35	TOTAL Hydraulic Production Plant (Enter Total of lines 27 thru 34)	17,884,887	14,171,879
36	D. Other Production Plant		
37	(340) Land and Land Rights	49,259	
38	(341) Structures and Improvements	14,840,604	
39	(342) Fuel Holders, Products, and Accessories	7,260,169	15,462
40	(343) Prime Movers	150,157,667	236,109
41	(344) Generators	32,724,322	
42	(345) Accessory Electric Equipment	16,400,224	
43	(346) Misc. Power Plant Equipment	3,707,324	63,571
44	(347) Asset Retirement Costs for Other Production	297,215	
45	TOTAL Other Prod. Plant (Enter Total of lines 37 thru 44)	225,436,784	315,142
46	TOTAL Prod. Plant (Enter Total of lines 16, 25, 35, and 45)	2,188,579,595	30,044,170

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2007/Q4

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
			100		3
					4
			2,340		5
					6
					7
		-863	6,302,990		8
78,460			331,828,365		9
3,095,537			1,238,705,459		10
					11
115,564			199,732,206		12
106,068			162,778,601		13
76,996			12,296,785		14
			5,697,179		15
3,472,625		-863	1,957,341,585		16
					17
					18
					19
					20
					21
					22
					23
					24
					25
					26
		-7	6		27
1,101,085			4,616,552		28
22,246			9,352,022		29
973,655			10,895,239		30
27,344			4,581,250		31
43,898			232,318		32
150,050			29,931		33
			31,163		34
2,318,278		-7	29,738,481		35
					36
			49,259		37
			14,840,604		38
			7,275,631		39
158,697			150,235,079		40
			32,724,322		41
			16,400,224		42
			3,770,895		43
			297,215		44
158,697			225,593,229		45
5,949,600		-870	2,212,673,295		46

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

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	3,481,012	5,188,637
49	(352) Structures and Improvements	3,426,228	39,921
50	(353) Station Equipment	132,246,586	2,708,513
51	(354) Towers and Fixtures	24,705,992	
52	(355) Poles and Fixtures	32,698,138	5,220,652
53	(356) Overhead Conductors and Devices	36,319,311	2,117,978
54	(357) Underground Conduit	1,880,753	
55	(358) Underground Conductors and Devices	5,303,989	
56	(359) Roads and Trails		
57	(359.1) Asset Retirement Costs for Transmission Plant	5,687	
58	TOTAL Transmission Plant (Enter Total of lines 48 thru 57)	240,067,696	15,275,701
59	4. DISTRIBUTION PLANT		
60	(360) Land and Land Rights	1,984,546	
61	(361) Structures and Improvements	6,416,609	104,639
62	(362) Station Equipment	85,588,877	2,365,675
63	(363) Storage Battery Equipment		
64	(364) Poles, Towers, and Fixtures	103,127,750	1,089,470
65	(365) Overhead Conductors and Devices	173,009,058	5,030,042
66	(366) Underground Conduit	61,734,265	757,009
67	(367) Underground Conductors and Devices	90,008,516	2,128,422
68	(368) Line Transformers	107,982,344	465,332
69	(369) Services	24,563,348	
70	(370) Meters	34,382,669	6,378
71	(371) Installations on Customer Premises		
72	(372) Leased Property on Customer Premises		
73	(373) Street Lighting and Signal Systems	64,742,818	713,391
74	(374) Asset Retirement Costs for Distribution Plant	37,674	
75	TOTAL Distribution Plant (Enter Total of lines 60 thru 74)	753,578,474	12,660,358
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	9,890,773	49,768
90	(393) Stores Equipment		
91	(394) Tools, Shop and Garage Equipment	3,155,932	31,931
92	(395) Laboratory Equipment	1,503,832	
93	(396) Power Operated Equipment	2,336,201	
94	(397) Communication Equipment		
95	(398) Miscellaneous Equipment		
96	SUBTOTAL (Enter Total of lines 86 thru 95)	16,886,738	81,699
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)	16,886,738	81,699
100	TOTAL (Accounts 101 and 106)	3,199,114,843	58,061,928
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)	3,199,114,843	58,061,928

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

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
		-3,177	8,666,472		48
22,943			3,443,206		49
665,339			134,289,760		50
			24,705,992		51
105,188			37,813,602		52
1,292			38,435,997		53
			1,880,753		54
			5,303,989		55
					56
			5,687		57
794,762		-3,177	254,545,458		58
					59
		-2,838	1,981,708		60
391,030			6,130,218		61
1,258,626			86,695,926		62
					63
1,821,555			102,395,665		64
630,024			177,409,076		65
2,190			62,489,084		66
121,047			92,015,891		67
			108,447,676		68
2,362			24,560,986		69
			34,389,047		70
					71
					72
248,924			65,207,285		73
			37,674		74
4,475,758		-2,838	761,760,236		75
					76
					77
					78
					79
					80
					81
					82
					83
					84
					85
					86
					87
					88
275,858		-36,653	9,628,030		89
					90
			3,187,863		91
7,680			1,496,152		92
			2,336,201		93
					94
					95
283,538		-36,653	16,648,246		96
					97
					98
283,538		-36,653	16,648,246		99
11,503,658		-43,538	3,245,629,575		100
					101
					102
					103
11,503,658		-43,538	3,245,629,575		104

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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

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	Seven Tracks in or near Louisville, Kentucky	Various	Various	384,311
3	US 42: Tract No. D152	01/31/2000	2010-2015	253,321
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				
21	Other Property:			
22	Site Development - Kentucky Street Substation D6	09/30/1992	Various	11,382
23				
24				
25				
26				
27				
28				
29				
30				
31				
32				
33				
34				
35				
36				
37				
38				
39				
40				
41				
42				
43				
44				
45				
46				
47	Total			649,014

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

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 $100,000, whichever is less) may be grouped.

Line No.	Description of Project (a)	Construction work in progress - Electric (Account 107) (b)
1	STEAM PRODUCTION	
2	TC2 PROJECT - LG&E	79,176,418
3	TC2 AQCS LGE	13,820,801
4	CR6 SLUDGE PROCESSING PLANT UPGRADE	4,244,850
5	TC CONTROL SYSTEM UPGRADE ENGINEERING SCOPE	2,953,972
6	MILL CREEK UNIT 3 SUPERHEATER FINAL PENDANT REPLACEMENT	2,196,346
7	MILL CREEK UNIT 3 INTERMEDIATE SUPERHEATER UPGRADE	1,859,518
8	CR5 SUPERHEATER PLATEN AND PENDANT REPLACEMENT	1,770,310
9	SO3 SORBENT INJECTION	1,675,262
10	MILL CREEK 3 COOLING TOWER FILL REPLACEMENT	1,157,007
11	MC ASH POND EXPANSION STUDY	771,624
12	MILL CREEK UNIT 4 INTERMEDIATE SUPERHEATER UPGRADE	765,201
13	CR6 AIR HEATER BASKET REPLACEMENT	711,339
14	TC 1B AIR HEATER BASKET REPLACEMENT	656,718
15	FUEL SUPPLY MANAGEMENT SYSTEM	632,784
16	CR CONTROL ROOM	567,015
17	CR6 BURNER AIR TIPS AND SOFA REPLACEMENT	549,878
18	MILL CREEK UNIT 2 SH OUTLET DMW'S	523,313
19	TRIMBLE COUNTY ASH/GYPSUM PONDS	516,707
20	REVISED TC FUEL PIPE REPLACEMENT	492,136
21	CR5 LP1&2 FEEDWATER HEATER REPLACEMENT	468,284
22	MC2 FGD MULTIFUNCTION CONTROLLERS	442,639
23	MC1 FGD MULTIFUNCTION CONTROLLERS	430,932
24	MC TURBINE TURNING GEAR DIESEL GENERATOR	430,868
25	MC2 SEAL TROUGH REAR WATERWALL TUBING	425,714
26	CR6 SDRS BOOSTER FAN ROTOR REPLACEMENT	355,225
27	MILL CREEK LIMESTONE MILL GEAR REDUCER - SPARE	290,926
28	CR6 RADIANT REHEAT PARTIAL REPLACEMENT	287,010
29	MILL CREEK UNIT 1 REHEATER REPLACEMENT	274,360
30	TC UPGRADE LBU ELECTRICAL SYSTEM	273,225
31	MC 3A COAL MILL GEARBOX	260,723
32	CR LANDFILL VERTICAL	256,348
33	CR MISCELLANEOUS PROJECT	456,698
34	TC 480V SWITCHGEAR UPGRADE RP & CH	224,821
35	TC1 FGD SYSTEM CAPITAL	221,647
36	MILL CREEK 2A HEATER BASKETS	220,771
37	MC 4C COAL MILL GEARBOX	219,638
38	MC 1B TRAVELING WATER SCREEN	200,644
39	MC ASH SYSTEM OUTSIDE PIPING	199,128
40	TC1 SCR BYPASS EROSION CONTROLS	191,001
41	MC FGD QUENCH DIESEL GENERATOR	188,368
42	MILL CREEK ASH POND PIPING	184,234
43	TOTAL	253,332,707

Name of Respondent	This Report Is:	Date of Report (Mo. Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

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 $100,000, whichever is less) may be grouped

Line No.	Description of Project (a)	Construction work in progress - Electric (Account 107) (b)
1	TC1 LOWER SLOPE TUBE REPLACEMENT	179,026
2	TC PLANT ENGINEERING	178,515
3	CR 5-1 BOILER FEED PUMP MOTOR	178,475
4	MC4 INSTRUMENT AIR COMPRESSOR	171,430
5	MILL CREEK UNIT 1 WATERWALL WELD OVERLAY	167,984
6	MC COAL SCALE CERTIFICATION SLAB	162,653
7	MC2 RECYCLE PUMP UPGRADE	156,130
8	CR6 LOWER WATER WALL SLOPE REPLACEMENT	153,256
9	CR ASBESTOS ABATEMENT	152,995
10	CR SPCC COMPLIANCE	150,259
11	CANE RUN ABATEMENT	147,639
12	MC1 PLENUM OPACITY MONITORS	147,381
13	TC SPCC COMPLIANCE CAPITAL	143,564
14	TC MISC PLANT ENGINEERING CAPITAL	142,055
15	CR HVAC FOR ANNEX BLDG	141,958
16	MC COAL BARGE UNLOADER BUCKET	135,800
17	MC COAL HANDLING RAILROAD TRACK	135,156
18	MC2 STATOR LEAK MONITORING SYSTEM	109,413
19	MC LIMESTONE ENGINEERING STUDY	103,472
20	TC1 ASH PIT SEAL TROUGH SKIRTING REPL	102,658
21	STEAM PRODUCTION MINOR	2,151,705
22		
23	HYDRAULIC POWER	
24	OHIO FALLS REDEVELOPMENT	11,594,155
25	HYDRAULIC POWER MINOR	29,117
26		
27	OTHER PRODUCTION	
28	BR CT6 A/B CONVERSION	3,754,277
29	CR CT 11 CONTROLS UPGRADE	512,097
30	TC CT9 UNIT COMPRESSOR BLADE REPLACEMENT	118,018
31	OTHER PRODUCTION MINOR	86,647
32		
33	TRANSMISSION	
34	DEVELOPMENT FOR TRIMBLE COUNTY UNIT 2	10,205,529
35	SIMPSONVILLE CONTROL CENTER	2,441,738
36	LT9 TRANSMISSION	1,814,221
37	MISC SUBSTATION PROJECTS	604,946
38	FORD - MIDDLETOWN 69KV DC	358,443
39	MUSEUM PLAZA U/G RELOCATION (CIRCUITS 3861, 3809 & 6617)	336,131
40	SUBSTATION PROTECTION MODIFICATIONS	302,989
41	LT8	253,700
42	LINE PARAMETER UPGRADES	155,071
43	TOTAL	253,332,707

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

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 $100,000, whichever is less) may be grouped.

Line No.	Description of Project (a)	Construction work in progress - Electric (Account 107) (b)
1	6623 RIVER PARK RELO	152,279
2	BRECKENRIDGE 138-69 KV (BR6) TRANSFORMER REPLACEMENT	143,809
3	PADDY'S RUN 3311B BREAKER REPLACE	124,415
4	LGE RTU PURCHASE	121,881
5	6688 P2 2005	112,743
6	TRANSMISSION MINOR	665,635
7		
8	DISTRIBUTION	
9	NEW BUS SUB UG 341	8,763,161
10	POLE REP.REPL 340	4,823,163
11	NEW BUS COMM UG 340	4,626,509
12	DISTRIBUTION LINE TRANSFORMER	4,215,245
13	TROUBLE OVERHEAD 340	4,060,670
14	NEW ELECT SERV UG	4,028,492
15	REP DEF EQ OH 340	3,882,389
16	STREET LIGHTING 347	3,099,300
17	NEW BUS COMM OH 340	2,918,591
18	TRANSFORMER REWIND (SMYRNA TR1)	2,768,240
19	NEW BUS RES OH 340	2,570,828
20	REP THR PARTY DAM 340	2,356,151
21	REPL DEFECTIVE CABLE 340	2,318,789
22	BLANKET CABLE FOR JOINT TRENCH	2,287,583
23	REP DEF EQ UG 340	2,256,346
24	CUST REQ 340	2,110,017
25	UPS GRADE LANE	2,016,645
26	BLUEGRASS CAPACITY ADDITION	1,801,131
27	FAIRMOUNT TR2 UPGRADE TO 44.8 MVA	1,781,617
28	TROUBLE UNDERGROUND 340	1,683,635
29	NEW BUS SUB OH 340	1,604,794
30	NETWORK VAULTS	1,443,109
31	NEW BUS RES UG 341	1,405,470
32	REPAIR STREET LIGHTING 332	1,344,032
33	PUB WORKS RELOC OH	1,244,432
34	REPAIR DEFECTIVE STREET LIGHTING	1,221,000
35	STREET LIGHT UG 332	1,213,132
36	LGE SUBSTATION SPILL PREVENTION	1,177,434
37	DIST O/H RELIABILITY 340	1,104,152
38	NEW ELECTRIC SERVICES	1,097,810
39	STREET LIGHTING 332	997,740
40	UPS/GRADE LANE 12 KV CIRCUIT WORK	891,290
41	NETWORK VAULTS 343	863,087
42	LGE ELECTRIC METER PURCHASE & INSTALLS	836,800
43	TOTAL	253,332,707

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

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 $100,000, whichever is less) may be grouped.

Line No.	Description of Project (a)	Construction work in progress - Electric (Account 107) (b)
1	DIST U/G RELIABILITY 340	628,332
2	REPL DEFECTIVE EQUIPMENT OH 345	614,685
3	BLUEGRASS CIRCUIT WORK	585,080
4	STREET LIGHTS OVERHEAD 333	557,321
5	TOOLS AND EQ 340	518,729
6	LG&E WORST CIRCUITS CIRCUIT HARDENING	497,818
7	PURCHASE PROPERTY FOR CONESTOGA SUBSTATION	457,302
8	SYS ENH EXIST CUST 340	429,974
9	CAP/REG/RECL 340	402,916
10	DIST CAPACITORS LGE	375,780
11	REP DEF ST LIGHTS 340	319,756
12	NEW BUS RES UG	317,283
13	JT1128 RECONDUCTOR	306,754
14	GALT HOUSE PROPERTY PURCHASE	301,649
15	ELECTRIC-WESTPORT RD ON HUBBARDS LANE TO AMBRIDGE CIR	294,393
16	LGE DIST PF CORRECTION	257,567
17	TRANSFORMER 340	255,288
18	REPLACE/INSTALL CROSS ARMS & INSULATORS	253,421
19	PURCHASE AND INSTALLATION OF ELECTRIC METERS	236,652
20	MOBILE COMPUTING INFRASTRUCTURE	230,073
21	NEW BUS COMM UG 344	221,449
22	PURCHASE NEW BECKWITH TAP CHANGER CONTROLLER FOR STEWART	220,744
23	TRANSFORMER INSTALL - JOINT TRENCH	219,291
24	PC INFRASTRUCTURE - LGE	210,739
25	REHL ROAD PUMP STATION	202,571
26	STORMS	201,045
27	SYNERGEE ELECTRIC RELIABILITY	170,418
28	PUBLIC RELATIONS U/G	152,093
29	PUB WORKS RELOC OH 330	150,383
30	MOBILE COMPUTING FOR INSPECTIONS	140,758
31	LGE DOIT MOB COMP FOR GIS	136,127
32	FAIRMONT CIRCUIT WORK	127,652
33	SMALLWORLD CST 4.1 UPGRADE	115,388
34	CANE RUN GEN BREAKERS	114,522
35	LGE SONET COMMUNICATION	112,009
36	IMPLEMENT GIS REDLINING	105,510
37	DISTRIBUTION MINOR	1,534,683
38		
39		
40		
41		
42		
43	TOTAL	253,332,707

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) ☐ An Original (2) ☒ A Resubmission	04/09/2008	End of 2007/Q4

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	1,487,732,250	1,487,732,250		
2	Depreciation Provisions for Year, Charged to				
3	(403) Depreciation Expense	96,761,066	96,761,066		
4	(403.1) Depreciation Expense for Asset Retirement Costs	138,722	138,722		
5	(413) Exp. of Elec. Plt. Leas. to Others				
6	Transportation Expenses-Clearing	103,207	103,207		
7	Other Clearing Accounts				
8	Other Accounts (Specify, details in footnote):	207,681	207,681		
9	(151) Fuel Stock	193,794	193,794		
10	TOTAL Deprec. Prov for Year (Enter Total of lines 3 thru 9)	97,404,470	97,404,470		
11	Net Charges for Plant Retired:				
12	Book Cost of Plant Retired	11,503,658	11,503,658		
13	Cost of Removal	-2,327,135	-2,327,135		
14	Salvage (Credit)	553,368	553,368		
15	TOTAL Net Chrgs. for Plant Ret. (Enter Total of lines 12 thru 14)	8,623,155	8,623,155		
16	Other Debit or Cr. Items (Describe, details in footnote):	-2,853,456	-2,853,456		
17					
18	Book Cost or Asset Retirement Costs Retired				
19	Balance End of Year (Enter Totals of lines 1, 10, 15, 16, and 18)	1,573,660,109	1,573,660,109		
	Section B. Balances at End of Year According to Functional Classification				
20	Steam Production	992,573,547	992,573,547		
21	Nuclear Production				
22	Hydraulic Production-Conventional	7,384,076	7,384,076		
23	Hydraulic Production-Pumped Storage				
24	Other Production	46,683,965	46,683,965		
25	Transmission	135,805,066	135,805,066		
26	Distribution	378,638,766	378,638,766		
27	Regional Transmission and Market Operation				
28	General	12,574,689	12,574,689		
29	TOTAL (Enter Total of lines 20 thru 28)	1,573,660,109	1,573,660,109		

Schedule Page: 219 Line No.: 8 Column: c

Depreciation reserve for assets sold/retired not fully accrued	$ 233,122
Accrual for Cost of Removal and ARO Parent assets (FERC 254 and 403)	(25,441)
Total	$ 207,681

Schedule Page: 219 Line No.: 16 Column: c

Customer payments related to construction projects	$ 2,105,613
Net effect of transfers between functional groups	(4,959,069)
Total	$(2,853,456)

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

MATERIALS AND SUPPLIES

1. For Account 154, report the amount of plant materials and operating supplies under the primary functional classifications as indicated in column (a); estimates of amounts by function are acceptable. In column (d), designate the department or departments which use the class of material.
2. Give an explanation of important inventory adjustments during the year (in a footnote) showing general classes of material and supplies and the various accounts (operating expenses, clearing accounts, plant, etc.) affected debited or credited. Show separately debit or credits to stores expense clearing, if applicable.

Line No.	Account (a)	Balance Beginning of Year (b)	Balance End of Year (c)	Department or Departments which Use Material (d)
1	Fuel Stock (Account 151)	37,861,747	45,925,807	Electric
2	Fuel Stock Expenses Undistributed (Account 152)			
3	Residuals and Extracted Products (Account 153)			
4	Plant Materials and Operating Supplies (Account 154)			
5	Assigned to - Construction (Estimated)			
6	Assigned to - Operations and Maintenance			
7	Production Plant (Estimated)	22,036,377	23,351,586	Electric
8	Transmission Plant (Estimated)	877,998	793,177	Electric
9	Distribution Plant (Estimated)	2,348,605	2,262,504	Electric, Gas
10	Regional Transmission and Market Operation Plant (Estimated)			
11	Assigned to - Other (provide details in footnote)			
12	TOTAL Account 154 (Enter Total of lines 5 thru 11)	25,262,980	26,407,267	
13	Merchandise (Account 155)			
14	Other Materials and Supplies (Account 156)			
15	Nuclear Materials Held for Sale (Account 157) (Not applic to Gas Util)			
16	Stores Expense Undistributed (Account 163)	4,433,231	4,584,570	Various
17				
18				
19				
20	TOTAL Materials and Supplies (Per Balance Sheet)	67,557,958	76,917,644	

Schedule Page: 227 Line No.: 9 Column: b

	Balance Beg. of year
Electric	2,303,838
Gas	44,767
Total Distribution	2,348,605

Schedule Page: 227 Line No.: 9 Column: c

	Balance End of year
Electric	2,217,737
Gas	44,767
Total Distribution	2,262,504

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

Allowances (Accounts 158.1 and 158.2)

1. Report below the particulars (details) called for concerning allowances.
2. Report all acquisitions of allowances at cost.
3. Report allowances in accordance with a weighted average cost allocation method and other accounting as prescribed by General Instruction No. 21 in the Uniform System of Accounts.
4. Report the allowances transactions by the period they are first eligible for use: the current year's allowances in columns (b)-(c), allowances for the three succeeding years in columns (d)-(i), starting with the following year, and allowances for the remaining succeeding years in columns (j)-(k).
5. Report on line 4 the Environmental Protection Agency (EPA) issued allowances. Report withheld portions Lines 36-40.

Line No	Allowances Inventory (Account 158.1) (a)	Current Year No. (b)	Current Year Amt. (c)	2008 No. (d)	2008 Amt. (e)
1	Balance-Beginning of Year	178,727.00	15,403	64,864.00	
2					
3	Acquired During Year:				
4	Issued (Less Withheld Allow)				
5	Returned by EPA				
6					
7					
8	Purchases/Transfers:				
9					
10					
11					
12					
13					
14					
15	Total				
16					
17	Relinquished During Year:				
18	Charges to Account 509	43,817.00	3,920		
19	Other:				
20	Charges to Account 143		24		
21	Cost of Sales/Transfers:				
22	Adjustment to final 2006	30.00			
23	Transfer to IMEA/IMPA	2,201.00			
24					
25					
26					
27					
28	Total	2,231.00			
29	Balance-End of Year	132,679.00	11,459	64,864.00	
30					
31	Sales:				
32	Net Sales Proceeds(Assoc. Co.)				
33	Net Sales Proceeds (Other)				
34	Gains				
35	Losses				
	Allowances Withheld (Acct 158.2)				
36	Balance-Beginning of Year	902.50		902.50	
37	Add: Withheld by EPA				
38	Deduct: Returned by EPA				
39	Cost of Sales	902.50			
40	Balance-End of Year			902.50	
41					
42	Sales:				
43	Net Sales Proceeds (Assoc. Co.)				
44	Net Sales Proceeds (Other)	902.50	385,607		
45	Gains				
46	Losses				

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

Allowances (Accounts 158.1 and 158.2) (Continued)

6. Report on Lines 5 allowances returned by the EPA. Report on Line 39 the EPA's sales of the withheld allowances. Report on Lines 43-46 the net sales proceeds and gains/losses resulting from the EPA's sale or auction of the withheld allowances.
7. Report on Lines 8-14 the names of vendors/transferors of allowances acquire and identify associated companies (See "associated company" under "Definitions" in the Uniform System of Accounts).
8. Report on Lines 22 - 27 the name of purchasers/ transferees of allowances disposed of an identify associated companies.
9. Report the net costs and benefits of hedging transactions on a separate line under purchases/transfers and sales/transfers.
10. Report on Lines 32-35 and 43-46 the net sales proceeds and gains or losses from allowance sales.

2009		2010		Future Years		Totals		Line
No. (f)	Amt. (g)	No. (h)	Amt. (i)	No. (j)	Amt. (k)	No. (l)	Amt. (m)	No.
64,864.00		62,379.00		1,559,475.00		1,930,309.00	15,403	1
								2
								3
				124,758.00		124,758.00		4
								5
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								12
								13
								14
								15
								16
								17
						43,817.00	3,920	18
								19
							24	20
								21
						30.00		22
						2,201.00		23
								24
								25
								26
								27
						2,231.00		28
64,864.00		62,379.00		1,684,233.00		2,009,019.00	11,459	29
								30
								31
								32
								33
								34
								35
902.50		902.50		42,347.00		45,957.00		36
				3,604.00		3,604.00		37
								38
				901.00		1,803.50		39
902.50		902.50		45,050.00		47,757.50		40
								41
								42
								43
				901.00	167,486	1,803.50	553,093	44
								45
								46

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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

OTHER REGULATORY ASSETS (Account 182.3)

1. Report below the particulars (details) called for concerning other regulatory assets, including rate order docket number, if applicable.
2. Minor items (5% of the Balance in Account 182.3 at end of period, or amounts less than $50,000 which ever is less), may be grouped by classes.
3. For Regulatory Assets being amortized, show period of amortization.

Line No.	Description and Purpose of Other Regulatory Assets (a)	Balance at Beginning of Current Quarter/Year (b)	Debits (c)	CREDITS Written off During the Quarter/Year Account Charged (d)	CREDITS Written off During the Period Amount (e)	Balance at end of Current Quarter/Year (f)
1	SFAS 158 - Pension and Postretirement	126,288,471	33,347,398	228.3	49,652,246	109,983,623
2	MISO Exit Fee	13,139,016				13,139,016
3	Asset Retirement Obligation - Electric	17,446,057	1,631,894	407.4/411	118,487	18,959,464
4	Asset Retirement Obligation - Gas	4,771,917	428,824	407.4/411	2,939	5,197,802
5	Asset Retirement Obligation - Common	21,682	1,452			23,134
6	Mill Creek Ash Pond Recovered through ECR	1,952,560	2,838,460	501	1,072,010	3,719,010
7						
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44	TOTAL	163,619,703	38,248,028		50,845,682	151,022,049

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

MISCELLANEOUS DEFFERED DEBITS (Account 186)

1. Report below the particulars (details) called for concerning miscellaneous deferred debits.
2. For any deferred debit being amortized, show period of amortization in column (a)
3. Minor item (1% of the Balance at End of Year for Account 186 or amounts less than $50,000, whichever is less) may be grouped by classes.

Line No.	Description of Miscellaneous Deferred Debits (a)	Balance at Beginning of Year (b)	Debits (c)	CREDITS Account Charged (d)	CREDITS Amount (e)	Balance at End of Year (f)
1	Manufactured Gas Plants					
2	(Jan-02 to Sep-08)	142,285		930.2	81,306	60,979
3						
4	Gas Supply Adjustment -					
5	Underbilled and Collectible					
6	from Customers	14,073,275	16,665,100	803/253	14,793,141	15,945,234
7						
8	Gas PBR	6,489,085	2,537,347	803/253	4,765,056	4,261,376
9						
10	Financing Expenses	176,904	2,764,855	181	2,941,759	
11						
12	Regulatory Expenses					
13	Electric	143,438		928	143,438	
14	Gas	78,843		928	78,843	
15						
16	Merger Surcredit Settlement					
17	(Jul-98 to Jun-08)	2,073,219	338,000	440-489	1,638,146	773,073
18						
19	Cellular Antenna Billable Chgs		34,437			34,437
20						
21	Fuel Adjustment Clause	3,867,000	14,987,000	440-445	9,380,000	9,474,000
22						
23	Environmental Cost Recovery	9,302,517	24,371,980	440-445	30,095,495	3,579,002
24						
25	Customer Credit A/R		1,093,259	142	900,404	192,855
26						
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46						
47	Misc. Work in Progress					
48	Deferred Regulatory Comm. Expenses (See pages 350 - 351)					
49	TOTAL	36,346,566				34,320,956

Name of Respondent	This Report is:	Date of Report	Year/Period of Report
Louisville Gas and Electric Company	(1) X An Original (2) __ A Resubmission	(Mo, Da, Yr) / /	2007/Q4

FOOTNOTE DATA

Schedule Page: 233 Line No.: 17 Column: d

The range of credit accounts is 440-445 and 480-489.

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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

ACCUMULATED DEFERRED INCOME TAXES (Account 190)

1. Report the information called for below concerning the respondent's accounting for deferred income taxes.
2. At Other (Specify), include deferrals relating to other income and deductions.

Line No.	Description and Location (a)	Balance of Begining of Year (b)	Balance at End of Year (c)
1	Electric		
2	Pensions	-24,077,217	-23,411,959
3	Other Post Retirement & Employment Benefits	19,446,615	19,740,751
4	SFAS 109 Regulatory Tax Adjustments	33,460,746	30,562,721
5	SFAS 133 OCI	4,871,123	6,688,608
6	SFAS 143	10,570,370	11,520,913
7	Other - See Notes for Detail	3,785,754	-1,386,672
8	TOTAL Electric (Enter Total of lines 2 thru 7)	48,057,391	43,714,362
9	Gas		
10	Pensions	-6,015,499	-5,852,987
11	Other Post Retirement & Employment Benefits	5,464,770	5,559,461
12	SFAS 109 Regulatory Tax Adjustments	2,352,554	2,285,711
13	SFAS 133 OCI	1,217,775	1,672,144
14	SFAS 143		117,324
15	Other - See Notes for Detail	5,008,167	4,666,119
16	TOTAL Gas (Enter Total of lines 10 thru 15	8,027,767	8,447,772
17	Other (Specify)		
18	TOTAL (Acct 190) (Total of lines 8, 16 and 17)	56,085,158	52,162,134

Notes

	Electric Amounts Beg. Bal.	Electric Amounts End. Bal.		Gas Amounts Beg. Bal.	Gas Amounts End. Bal.
Workers' Compensation	1,200,781	1,043,750		362,248	319,378
Vacation Pay	1,060,324	1,109,984		358,740	368,379
Demand Side Management	122,337	172.575		1,055,666	1,477,896
Contingent Liab.	509,766	386,539		0	0
State Tax Adj.	(7,770)	(2,333.352)		1,672,846	897,650
Capitalized Gas Inventory	0	0		1.147,096	1,417,212
ECR Ash Hauling	0	(1,446.695)		0	0
Other	900,316	(319,473)		411,571	185,604
Line 7	3,785,754	(1,386,672)	Line 15	5,008,167	4,666,119

Balance of Beginning of Year	56.085,158
Less Debits to:	
Acct 410.1	3,196,262
Acct 410 2	986,199
Other Balance Sheet Accounts	693,013
Plus Credits to:	
Acct 411.1	942,478
Acct 411.2	9,972
Balance at End of Year	52,162,134

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

CAPITAL STOCKS (Account 201 and 204)

1. Report below the particulars (details) called for concerning common and preferred stock at end of year, distinguishing separate series of any general class. Show separate totals for common and preferred stock. If information to meet the stock exchange reporting requirement outlined in column (a) is available from the SEC 10-K Report Form filing, a specific reference to report form (i.e., year and company title) may be reported in column (a) provided the fiscal years for both the 10-K report and this report are compatible.
2. Entries in column (b) should represent the number of shares authorized by the articles of incorporation as amended to end of year.

Line No.	Class and Series of Stock and Name of Stock Series (a)	Number of shares Authorized by Charter (b)	Par or Stated Value per share (c)	Call Price at End of Year (d)
1	Common Stock			
2	Without Par Value	75,000,000		
3	Total Common	75,000,000		
4				
5	Preferred Stock, Cumulative			
6	$25 Par Value	1,720,000	25.00	
7	5%			
8	Without Par Value	6,750,000	100.00	
9	Auction Rate			
10	Total Preferred	8,470,000		
11				
12				
13				
14	Note:			
15	There is no Call Price for Common Stock,			
16	Without Par Value			
17				
18				
19	The Common Stock of Louisville Gas and Electric			
20	Company is owned by its parent company,			
21	E.ON U.S. LLC			
22				
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Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2007/Q4

CAPITAL STOCKS (Account 201 and 204) (Continued)

3. Give particulars (details) concerning shares of any class and series of stock authorized to be issued by a regulatory commission which have not yet been issued.
4. The identification of each class of preferred stock should show the dividend rate and whether the dividends are cumulative or non-cumulative.
5. State in a footnote if any capital stock which has been nominally issued is nominally outstanding at end of year.
Give particulars (details) in column (a) of any nominally issued capital stock, reacquired stock, or stock in sinking and other funds which is pledged, stating name of pledgee and purposes of pledge.

OUTSTANDING PER BALANCE SHEET (Total amount outstanding without reduction for amounts held by respondent)		HELD BY RESPONDENT				Line No.
		AS REACQUIRED STOCK (Account 217)		IN SINKING AND OTHER FUNDS		
Shares (e)	Amount (f)	Shares (g)	Cost (h)	Shares (i)	Amount (j)	
						1
21,294,223	425,170,424					2
21,294,223	425,170,424					3
						4
						5
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

OTHER PAID-IN CAPITAL (Accounts 208-211, inc.)

Report below the balance at the end of the year and the information specified below for the respective other paid-in capital accounts. Provide a subheading for each account and show a total for the account, as well as total of all accounts for reconciliation with balance sheet, Page 112. Add more columns for any account if deemed necessary. Explain changes made in any account during the year and give the accounting entries effecting such change.

(a) Donations Received from Stockholders (Account 208)-State amount and give brief explanation of the origin and purpose of each donation.

(b) Reduction in Par or Stated value of Capital Stock (Account 209): State amount and give brief explanation of the capital change which gave rise to amounts reported under this caption including identification with the class and series of stock to which related.

(c) Gain on Resale or Cancellation of Reacquired Capital Stock (Account 210): Report balance at beginning of year, credits, debits, and balance at end of year with a designation of the nature of each credit and debit identified by the class and series of stock to which related.

(d) Miscellaneous Paid-in Capital (Account 211)-Classify amounts included in this account according to captions which, together with brief explanations, disclose the general nature of the transactions which gave rise to the reported amounts.

Line No.	Item (a)	Amount (b)
1	Account 210:	
2	Balance January 1, 2007	5,699
3	Redemption April 16, 2007, 5% $25 Par Value	-5,699
4	Balance December 31, 2007	
5		
6	Account 211:	
7	Contributed Capital - Misc. Balance January 1, 2007	40,000,000
8	Contributed Capital December 21, 2007	20,000,000
9		
10		
11		
12		
13		
14		
15		
16		
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40	TOTAL	60,000,000

FOOTNOTE DATA

Schedule Page: 253 Line No.: 3 Column: a

Preferred Stock of the Company was redeemed April 16, 2007.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

CAPITAL STOCK EXPENSE (Account 214)

1. Report the balance at end of the year of discount on capital stock for each class and series of capital stock.
2. If any change occurred during the year in the balance in respect to any class or series of stock, attach a statement giving particulars (details) of the change. State the reason for any charge-off of capital stock expense and specify the account charged.

Line No.	Class and Series of Stock (a)	Balance at End of Year (b)
1	Expenses on Common Stock	835,889
2		
3		
4		
5		
6		
7		
8		
9		
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11		
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21		
22	TOTAL	835,889

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) X An Original (2) _ A Resubmission	/ /	2007/Q4

FOOTNOTE DATA

Schedule Page: 254 Line No.: 1 Column: a

The Company redeemed its preferred stock on April 16, 2007. As a result, the stock expense relating to the Auction Rate preferred stock was charged off. The account charged to is 439001, Adjustments to Retained Earnings.

Schedule Page: 254 Line No.: 1 Column: a

Footnote Linked. See note on 254, Row: 1, col/item:

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

LONG-TERM DEBT (Account 221, 222, 223 and 224)

1. Report by balance sheet account the particulars (details) concerning long-term debt included in Accounts 221, Bonds, 222, Reacquired Bonds, 223, Advances from Associated Companies, and 224, Other long-Term Debt.
2. In column (a), for new issues, give Commission authorization numbers and dates.
3. For bonds assumed by the respondent, include in column (a) the name of the issuing company as well as a description of the bonds.
4. For advances from Associated Companies, report separately advances on notes and advances on open accounts. Designate demand notes as such. Include in column (a) names of associated companies from which advances were received.
5. For receivers, certificates, show in column (a) the name of the court -and date of court order under which such certificates were issued.
6. In column (b) show the principal amount of bonds or other long-term debt originally issued.
7. In column (c) show the expense, premium or discount with respect to the amount of bonds or other long-term debt originally issued.
8. For column (c) the total expenses should be listed first for each issuance, then the amount of premium (in parentheses) or discount. Indicate the premium or discount with a notation, such as (P) or (D). The expenses, premium or discount should not be netted.
9. Furnish in a footnote particulars (details) regarding the treatment of unamortized debt expense, premium or discount associated with issues redeemed during the year. Also, give in a footnote the date of the Commission's authorization of treatment other than as specified by the Uniform System of Accounts.

Line No.	Class and Series of Obligation, Coupon Rate (For new issue, give commission Authorization numbers and dates) (a)	Principal Amount Of Debt issued (b)	Total expense, Premium or Discount (c)
1	ACCOUNT 221		
2	Pollution Control Bonds (2)		
3	Series S, due 09/01/2017, Variable (refinanced 04/26/2007) (4)	31,000,000	312,946
4	Series T, due 09/01/2017, Variable (refinanced 04/26/2007) (4)	60,000,000	418,276
5	Series U, due 08/15/2013, Variable (refinanced 04/26/2007) (4)	35,200,000	234,448
6	Jefferson County 2000 Series A, due 05/01/2027, Variable	25,000,000	645,041
7	Trimble County 2000 Series A, due 08/01/2030, Variable	83,335,000	1,145,612
8	Jefferson County 2001 Series A, due 09/01/2027, Variable	10,104,000	515,808
9	Jefferson County 2001 Series A, due 09/01/2026, Variable	22,500,000	241,747
10	Trimble County 2001 Series A, due 09/01/2026, Variable	27,500,000	262,949
11	Jefferson County 2001 Series B, due 11/01/2027, Variable	35,000,000	280,338
12	Trimble County 2001 Series B, due 11/01/2027, Variable	35,000,000	280,377
13	Trimble County 2002 Series A, due 10/01/2032, Variable	41,665,000	1,102,896
14	Louisville Metro 2003 Series A, due 10/01/2033, Variable	128,000,000	3,492,464
15	Louisville Metro 2005 Series A, due 02/01/2035, Variable	40,000,000	1,088,142
16	Louisville Metro 2007 Series A, due 06/01/2033, Variable (4)	31,000,000	647,968
17	Trimble County 2007 Series A, due 06/01/2033, Variable (4)	60,000,000	1,239,280
18	Louisville Metro 2007 Series B, due 06/01/2033, Variable (4)	35,200,000	609,534
19	Interest Rate Swaps (3)		
20	TOTAL ACCOUNT 221	700,504,000	12,517,826
21	ACCOUNT 224:		
22	$5.875 Mandatory Redeemable Preferred Stock (4)	25,000,000	312,827
23	TOTAL ACCOUNT 224	25,000,000	312,827
24	ACCOUNT 223:		
25	Notes Payable to Fidelia 4.55%, due 04/30/2013 - unsecured	100,000,000	
26	Notes Payable to Fidelia 5.31%, due 08/15/2013 - unsecured	100,000,000	
27	Notes Payable to Fidelia 4.33%, due 01/16/2012 - unsecured	25,000,000	
28	Notes Payable to Fidelia 5.98%, due 04/13/2037 - unsecured (5)	70,000,000	
29	Notes Payable to Fidelia 5.93%, due 04/13/2031 - unsecured (5)	68,000,000	
30	Notes Payable to Fidelia 5.72%, due 11/26/2022 - unsecured (5)	47,000,000	
31	TOTAL ACCOUNT 223	410,000,000	
32			
33	TOTAL	1,135,504,000	12,830,653

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

LONG-TERM DEBT (Account 221, 222, 223 and 224) (Continued)

10. Identify separate undisposed amounts applicable to issues which were redeemed in prior years.
11. Explain any debits and credits other than debited to Account 428, Amortization and Expense, or credited to Account 429, Premium on Debt - Credit.
12. In a footnote, give explanatory (details) for Accounts 223 and 224 of net changes during the year. With respect to long-term advances, show for each company: (a) principal advanced during year, (b) interest added to principal amount, and (c) principle repaid during year. Give Commission authorization numbers and dates.
13. If the respondent has pledged any of its long-term debt securities give particulars (details) in a footnote including name of pledgee and purpose of the pledge.
14. If the respondent has any long-term debt securities which have been nominally issued and are nominally outstanding at end of year, describe such securities in a footnote.
15. If interest expense was incurred during the year on any obligations retired or reacquired before end of year, include such interest expense in column (i). Explain in a footnote any difference between the total of column (i) and the total of Account 427, interest on Long-Term Debt and Account 430, Interest on Debt to Associated Companies.
16. Give particulars (details) concerning any long-term debt authorized by a regulatory commission but not yet issued.

Nominal Date of Issue (d)	Date of Maturity (e)	AMORTIZATION PERIOD Date From (f)	Date To (g)	Outstanding (Total amount outstanding without reduction for amounts held by respondent) (h)	Interest for Year Amount (i)	Line No.
						1
						2
09/17/1992	04/26/2007	09/17/1992	04/26/2007		350,482	3
09/17/1992	04/26/2007	09/17/1992	04/26/2007		670,143	4
08/15/1993	04/26/2007	08/15/1993	04/26/2007		392,885	5
05/19/2000	05/01/2027	05/19/2000	05/01/2027	25,000,000	937,882	6
08/01/2000	08/01/2030	08/01/2000	08/01/2030	83,335,000	3,377,447	7
09/11/2001	09/01/2027	09/11/2001	09/01/2027	10,104,000	401,811	8
03/06/2002	09/01/2026	03/06/2002	09/01/2026	22,500,000	822,985	9
03/06/2002	09/01/2026	03/06/2002	09/01/2026	27,500,000	1,005,871	10
03/22/2002	11/01/2027	03/22/2002	11/01/2027	35,000,000	1,284,858	11
03/22/2002	11/01/2027	03/22/2002	11/01/2027	35,000,000	1,282,270	12
10/15/2002	10/01/2032	10/15/2002	10/01/2032	41,665,000	1,619,393	13
11/20/2003	10/01/2033	11/20/2003	10/01/2033	128,000,000	4,770,187	14
04/13/2005	02/01/2035	04/13/2005	02/01/2035	40,000,000	1,458,839	15
04/26/2007	06/01/2033	04/26/2007	06/01/2033	31,000,000	789,313	16
04/26/2007	06/01/2033	04/26/2007	06/01/2033	60,000,000	1,886,000	17
04/26/2007	06/01/2033	04/26/2007	06/01/2033	35,200,000	900,504	18
					1,592,721	19
				574,304,000	23,543,591	20
						21
05/27/1993	04/16/2007	07/01/2003	04/16/2007		345,972	22
					345,972	23
						24
04/30/2003	04/30/2013			100,000,000	4,550,000	25
08/15/2003	08/15/2013			100,000,000	5,310,000	26
01/15/2004	01/16/2012			25,000,000	1,082,500	27
04/13/2007	04/13/2037			70,000,000	2,999,967	28
04/13/2007	04/13/2031			68,000,000	2,889,887	29
11/26/2007	11/26/2022			47,000,000	261,372	30
				410,000,000	17,093,726	31
						32
				984,304,000	40,983,289	33

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Schedule Page: 256 Line No.: 1 Column: a

Notes to FERC Form No.1 page 256:

(1) Per instruction 9 concerning the treatment of unamortized debt expense, premium or discount - Debt premium and expenses are being amortized over the lives of the related issues.

(2) Pollution Control Bonds (Louisville Gas & Electric Projects) issued by Jefferson and Trimble Counties, Kentucky are secured by the assignment of loan payments by the Company to the Counties pursuant to loan agreements.

(3) As of December 31, 2007, the Company had in effect five interest-rate swap agreements to hedge its exposure to tax exempt rates related to Pollution Control Bonds, Variable Rate Series. The Company's positions under the swap agreements are to pay a fixed rate and receive a variable rate based on the London Interbank Offer Rate (LIBOR) or the Securities Industry and Financial Markets Association's ("SIFMA") municipal swap index. The specifics for each swap agreement related to notional amounts, maturity dates, payable and receivable positions are as follows:

Notional Amount	Maturity	Payable	Receivable
$83,335,000	11/01/2020	Fixed 5.495%	SIFMA Index
$32,000,000	10/01/2032	Fixed 3.657%	68% of 1 mo LIBOR
$32,000,000	10/01/2032	Fixed 3.645%	68% of 1 mo LIBOR
$32,000,000	10/01/2032	Fixed 3.695%	68% of 1 mo LIBOR
$32,000,000	10/01/2032	Fixed 3.648%	68% of 1 mo LIBOR

(4) In April 2007, Louisville Gas & Electric Company (LG&E) completed a series of financial transactions impacting its secured debt. The $31 million Pollution Control Series S bond, $35.2 million Pollution Control Series T bond, and the $60 million Pollution Control Series U bond were refinanced and replaced with new unsecured tax-exempt bonds of the same amount maturing in 2033.

The outstanding preferred stock was redeemed and LG&E agreed with Fidelia Corporation to eliminate the second lien on its two secured loans.

All of LG&E's first mortgage bonds were released and terminated in April 2007. Only the tax-exempt pollution control revenue bonds issued by the counties remain. Pursuant to the terms of the bonds, an underlying lien on substantially all of LG&E's assets was released following the completion of these steps. LG&E no longer has any secured debt and is no longer subject to periodic reporting under the Securities Exchange Act of 1934.

(5) During 2007, the Company executed three additional long-term loans with Fidelia Corporation:

Amount	Interest Rate	Date Issued	Maturity Date
$ 70,000,000	5.98%	04/13/2007	04/13/2037
$ 68,000,000	5.93%	04/13/2007	04/13/2031
$ 47,000,000	5.72%	11/26/2007	11/26/2022

Schedule Page: 256 Line No.: 22 Column: i

Total Account 221	$23,543,591
Total Account 224	345,972
Total Account 427	$23,889,563
Total Account 223	$17,093,726
Other Short Term Interest	4,077,473
Total Account 430	$21,171,199

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME FOR FEDERAL INCOME TAXES

1. Report the reconciliation of reported net income for the year with taxable income used in computing Federal income tax accruals and show computation of such tax accruals. Include in the reconciliation, as far as practicable, the same detail as furnished on Schedule M-1 of the tax return for the year. Submit a reconciliation even though there is no taxable income for the year. Indicate clearly the nature of each reconciling amount.
2. If the utility is a member of a group which files a consolidated Federal tax return, reconcile reported net income with taxable net income as if a separate return were to be field, indicating, however, intercompany amounts to be eliminated in such a consolidated return. State names of group member, tax assigned to each group member, and basis of allocation, assignment, or sharing of the consolidated tax among the group members.
3. A substitute page, designed to meet a particular need of a company, may be used as Long as the data is consistent and meets the requirements of the above instructions. For electronic reporting purposes complete Line 27 and provide the substitute Page in the context of a footnote.

Line No.	Particulars (Details) (a)	Amount (b)
1	Net Income for the Year (Page 117)	120,383,365
2		
3		
4	Taxable Income Not Reported on Books	
5	See Footnotes	8,803,594
6		
7		
8		
9	Deductions Recorded on Books Not Deducted for Return	
10	See Footnotes	72,939,788
11		
12		
13		
14	Income Recorded on Books Not Included in Return	
15	See Footnotes	5,155,033
16		
17		
18		
19	Deductions on Return Not Charged Against Book Income	
20	See Footnotes	49,637,965
21		
22		
23		
24		
25		
26		
27	Federal Tax Net Income	147,333,749
28	Show Computation of Tax:	
29	35% Rounded	51,566,812
30	Add: Adjustment of Prior Years' Taxes to Actual	-8,017,152
31	Add: Investment Tax Credits & Other	-9,479,357
32	Total	34,070,303
33		
34		
35		
36		
37		
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39		
40		
41		
42		
43		
44		

Schedule Page: 261 Line No.: 5 Column: b

Contributions In Aid Of Construction	4,886,000
Regulatory Expenses	2,295,501
Demand Side Management	1,233,126
Other	388,967

	8,803,594
	=========

Schedule Page: 261 Line No.: 10 Column: b

Federal Income Taxes:	
Utility Operating Income	34,624,585
Other Income and Deductions	(554,282)
Provision for Deferred Income Taxes-Net	11,952,252
Deferred State Income Taxes	1,909,601
MISO Exit Fees	3,341,946
Loss on Reacquired Debt-Amortization	1,035,406
Pensions	2,169,634
Investment Tax Credit	8,979,626
Capitalized Interest	6,543,000
SFAS 106 Postretirement	996,730
Other	1,941,290

	72,939,788
	===========

Schedule Page: 261 Line No.: 15 Column: b

Amortization of Investment Tax Credit	3,950,901
Other	1,204,132

	5,155,033
	=========

Schedule Page: 261 Line No.: 20 Column: b

Purchased Gas Adjustment	20,881,254
Cost of Removal	6,690,000
Tax over Book Depreciation, Net	1,825,000
State Income Tax Deduction	1,248,427
IRC 199 Manufacturing Deduction	5,212,654
Current State Income Taxes	8,203,577
Environmental Cost Recovery Ash Hauling	1,766,450
SFAS 143	539,507
Other	3,271,096

	49,637,965
	==========

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

TAXES ACCRUED, PREPAID AND CHARGED DURING YEAR

1. Give particulars (details) of the combined prepaid and accrued tax accounts and show the total taxes charged to operations and other accounts during the year. Do not include gasoline and other sales taxes which have been charged to the accounts to which the taxed material was charged. If the actual, or estimated amounts of such taxes are know, show the amounts in a footnote and designate whether estimated or actual amounts.
2. Include on this page, taxes paid during the year and charged direct to final accounts, (not charged to prepaid or accrued taxes.) Enter the amounts in both columns (d) and (e). The balancing of this page is not affected by the inclusion of these taxes.
3. Include in column (d) taxes charged during the year, taxes charged to operations and other accounts through (a) accruals credited to taxes accrued, (b)amounts credited to proportions of prepaid taxes chargeable to current year, and (c) taxes paid and charged direct to operations or accounts other than accrued and prepaid tax accounts.
4. List the aggregate of each kind of tax in such manner that the total tax for each State and subdivision can readily be ascertained.

Line No.	Kind of Tax (See instruction 5) (a)	BALANCE AT BEGINNING OF YEAR Taxes Accrued (Account 236) (b)	Prepaid Taxes (Include in Account 165) (c)	Taxes Charged During Year (d)	Taxes Paid During Year (e)	Adjust-ments (f)
1	Federal:					
2	Income	6,350,985		33,678,493	46,136,948	
3	FICA	561,717		5,377,049	5,319,808	
4	FIN 48			232,500		
5						
6	Kentucky and Other States:					
7	Income	7,726,946		7,330,029	15,889,647	
8	Public Service Commission		952,236	1,921,930	1,939,388	
9	6% Use (Kentucky)	10,879		3,781,546	3,265,257	
10	5% Use (Indiana)			11,284	11,284	
11	Auto License			66,193	66,193	
12	FIN 48			292,769		
13						
14	Federal & Kentucky:					
15	Unemployment Insurance	47,989		97,960	92,400	
16						
17	Local:					
18	Occupational					
19						
20	Kentucky & Local:					
21	Property Taxes	13,925,969		13,701,371	17,665,280	
22						
23						
24						
25						
26						
27						
28						
29						
30						
31						
32						
33						
34						
35						
36						
37						
38						
39						
40						
41	TOTAL	28,624,485	952,236	66,491,124	90,386,205	

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

TAXES ACCRUED, PREPAID AND CHARGED DURING YEAR (Continued)

5. If any tax (exclude Federal and State income taxes)- covers more then one year, show the required information separately for each tax year, identifying the year in column (a).
6. Enter all adjustments of the accrued and prepaid tax accounts in column (f) and explain each adjustment in a foot- note. Designate debit adjustments by parentheses.
7. Do not include on this page entries with respect to deferred income taxes or taxes collected through payroll deductions or otherwise pending transmittal of such taxes to the taxing authority.
8. Report in columns (i) through (l) how the taxes were distributed. Report in column (l) only the amounts charged to Accounts 408.1 and 409.1 pertaining to electric operations. Report in column (l) the amounts charged to Accounts 408.1 and 109.1 pertaining to other utility departments and amounts charged to Accounts 408.2 and 409.2. Also shown in column (l) the taxes charged to utility plant or other balance sheet accounts.
9. For any tax apportioned to more than one utility department or account, state in a footnote the basis (necessity) of apportioning such tax.

BALANCE AT END OF YEAR		DISTRIBUTION OF TAXES CHARGED				Line No.
(Taxes accrued Account 236) (g)	Prepaid Taxes (Incl. in Account 165) (h)	Electric (Account 408.1, 409.1) (i)	Extraordinary Items (Account 409.3) (j)	Adjustments to Ret. Earnings (Account 439) (k)	Other (l)	
						1
-6,107,470		40,724,342			-7,045,849	2
618,958		4,962,274			414,775	3
232,500					232,500	4
						5
						6
-832,672		8,811,442			-1,481,413	7
	969,694	1,225,869			696,061	8
527,168		1,316			3,780,230	9
					11,284	10
					66,193	11
292,769					292,769	12
						13
						14
53,549		139,327			-41,367	15
						16
						17
		14,583			-14,583	18
						19
						20
9,962,060		9,916,710			3,784,661	21
						22
						23
						24
						25
						26
						27
						28
						29
						30
						31
						32
						33
						34
						35
						36
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						38
						39
						40
4,746,862	969,694	65,795,863			695,261	41

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Schedule Page: 262 Line No.: 1 Column: a

Segregation of Other	Col 1 Other	Page 115 Gas Acct. 408.1-409.1	Page 117 Other Inc & Deductions 408.2 - 409.2	Other Accounts
Federal:				
Income	(7,045,849)	(6,099,757)	(554,282)	(391,810)
FICA	414,775	1,224,584		(809,809)
FIN 48	232,500			232,500
Kentucky:				
Income	(1,481,413)	(1,190,933)	(125,334)	(165,146)
PSC	696,061	696,061		
6% Use (Kentucky)	3,780,230			3,780,230
5% Use (Indiana)	11,284			11,284
Auto License	66,193			66,193
FIN 48	292,769			292,769
Federal & Kentucky:				
Unemployment Ins	(41,367)	32,978		(74,345)
Local:				
Occupational	(14,583)	4,113		(18,696)
Kentucky & Local:				
Property Taxes	3,784,661	3,678,848	1,444	104,369
Total	695,261	(1,654,106)	(678,172)	3,027,539

Reconciliation to page 114-115, lines 14-16:

Federal Income:		State Income:		Other:	
Electric	40,724,342	Electric	8,811,442	Electric Total	65,795,863
Gas	(6,099,757)	Gas	(1,190,933)	Gas Total	(1,654,106)
				Less Federal	(34,624,585)
	34,624,585		7,620,509	Less State	(7,620,509)
					21,896,663

Schedule Page: 262 Line No.: 2 Column: g

The balance of ($6,107,470) for Federal income taxes accrued at 12/31/07 reflects an overpayment of Federal income taxes.

Schedule Page: 262 Line No.: 2 Column: l

Amount is negative due to the timing of estimated tax payments.

Schedule Page: 262 Line No.: 7 Column: g

The balance of ($832,672) for Kentucky income taxes accrued at 12/31/07 reflects an overpayment of Kentucky income taxes.

Schedule Page: 262 Line No.: 7 Column: l

Amount is negative due to the timing of estimated tax payments.

ACCUMULATED DEFERRED INVESTMENT TAX CREDITS (Account 255)

Report below information applicable to Account 255. Where appropriate, segregate the balances and transactions by utility and nonutility operations. Explain by footnote any correction adjustments to the account balance shown in column (g). Include in column (i) the average period over which the tax credits are amortized.

Line No.	Account Subdivisions (a)	Balance at Beginning of Year (b)	Deferred for Year		Allocations to Current Year's Income		Adjustments (g)
			Account No. (c)	Amount (d)	Account No. (e)	Amount (f)	
1	Electric Utility						
2	3%						
3	4%						
4	7%						
5	10%						
6							
7		39,757,263	411.4	8,979,626	411.4	3,785,826	
8	TOTAL	39,757,263		8,979,626		3,785,826	
9	Other (List separately and show 3%, 4%, 7%, 10% and TOTAL)						
10							
11							
12							
13							
14							
15							
16	Gas Utility	1,312,974			411.4	165,075	
17	TOTAL	1,312,974				165,075	
18							
19							
20							
21							
22							
23							
24							
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

ACCUMULATED DEFERRED INVESTMENT TAX CREDITS (Account 255) (continued)

Balance at End of Year (h)	Average Period of Allocation to Income (i)	ADJUSTMENT EXPLANATION	Line No.
			1
			2
			3
			4
			5
			6
44,951,063	32 years		7
44,951,063			8
			9
			10
			11
			12
			13
			14
			15
1,147,899	33 years		16
1,147,899			17
			18
			19
			20
			21
			22
			23
			24
			25
			26
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			48

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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

OTHER DEFFERED CREDITS (Account 253)

1. Report below the particulars (details) called for concerning other deferred credits.
2. For any deferred credit being amortized, show the period of amortization.
3. Minor items (5% of the Balance End of Year for Account 253 or amounts less than $10,000, whichever is greater) may be grouped by classes.

Line No.	Description and Other Deferred Credits (a)	Balance at Beginning of Year (b)	DEBITS Contra Account (c)	DEBITS Amount (d)	Credits (e)	Balance at End of Year (f)
1	Gas Purchase Cash Refunds -		253, 431,			
2	Texas Gas	134,857	547, 803	137,904	3,047	
3						
4	Gas Supply Clause -					
5	Overbilled and Refundable					
6	to Customers	30,468,111	186,253,803	32,991,120	11,888,972	9,365,963
7						
8	Brown CT Long Term Service					
9	Agreement	1,834,348	107,232,553	940,063	3,771,645	4,665,930
10						
11	KU-EKPC Settlement		566		670,560	670,560
12						
13	University of Kentucky Center					
14	for Applied Energy Research Grant	220,569	232,426	250,000	29,431	
15						
16	Demand Side Management -					
17	Refundable Costs	3,028,288	186	882,535	2,115,660	4,261,413
18						
19	Prepaid Transmission System Fee:					
20	MCI Telecom (1990 to 2009)	48,396	454	22,296		26,100
21	East Kentucky Power Coop					
22	(1989 to 2019)	148,912	242,454	175,987	27,075	
23						
24	Margin Deposit		131,431		5,237	5,237
25						
26	Long-Term Derivative Liability	15,394,554	186,219	12,036,874	18,135,256	21,492,936
27						
28	Deferred Compensation		926		374,114	374,114
29						
30						
31						
32						
33						
34						
35						
36						
37						
38						
39						
40						
41						
42						
43						
44						
45						
46						
47	TOTAL	51,278,035		47,436,779	37,020,997	40,862,253

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

ACCUMULATED DEFFERED INCOME TAXES - OTHER PROPERTY (Account 282)

1. Report the information called for below concerning the respondent's accounting for deferred income taxes rating to property not subject to accelerated amortization
2. For other (Specify),include deferrals relating to other income and deductions.

Line No.	Account (a)	Balance at Beginning of Year (b)	CHANGES DURING YEAR Amounts Debited to Account 410.1 (c)	Amounts Credited to Account 411.1 (d)
1	Account 282			
2	Electric	314,713,152	21,796,477	22,942,535
3	Gas	52,060,039	3,518,074	1,599,155
4				
5	TOTAL (Enter Total of lines 2 thru 4)	366,773,191	25,314,551	24,541,690
6				
7				
8				
9	TOTAL Account 282 (Enter Total of lines 5 thru	366,773,191	25,314,551	24,541,690
10	Classification of TOTAL			
11	Federal Income Tax	314,294,340	20,776,029	20,348,039
12	State Income Tax	52,478,851	4,538,522	4,193,651
13	Local Income Tax			

NOTES

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo. Da, Yr) / /	Year/Period of Report End of 2007/Q4

ACCUMULATED DEFERRED INCOME TAXES - OTHER PROPERTY (Account 282) (Continued)

3. Use footnotes as required.

CHANGES DURING YEAR		ADJUSTMENTS					
		Debits		Credits			
Amounts Debited to Account 410 2 (e)	Amounts Credited to Account 411.2 (f)	Account Credited (g)	Amount (h)	Account Debited (i)	Amount (j)	Balance at End of Year (k)	Line No.
							1
				254	771,326	314,338,420	2
		254	58,674			53,920,284	3
							4
			58,674		771,326	368,258,704	5
							6
							7
							8
			58,674		771,326	368,258,704	9
							10
			-13,237		522.880	315,258,447	11
			71,911		248,446	53,000,257	12
							13

NOTES (Continued)

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

ACCUMULATED DEFFERED INCOME TAXES - OTHER (Account 283)

1. Report the information called for below concerning the respondent's accounting for deferred income taxes relating to amounts recorded in Account 283.
2. For other (Specify),include deferrals relating to other income and deductions.

Line No.	Account (a)	Balance at Beginning of Year (b)	CHANGES DURING YEAR Amounts Debited to Account 410.1 (c)	Amounts Credited to Account 411.1 (d)
1	Account 283			
2	Electric			
3	Loss on Reacquired Debt	7,049,496		392,854
4	VDT Workforce Reduction	119,184		119,184
5	FAC Under Recovery	5,122,942		45,325
6	SFAS 143	7,891,562	1,224,084	184,370
7	Prepaid Insurance	926,265		115,254
8	Other	6,215,938	-1,421,112	1,812,629
9	TOTAL Electric (Total of lines 3 thru 8)	27,325,387	-197,028	2,669,616
10	Gas			
11	Loss on Reacquired Debt	604,513	34,375	64,846
12	VDT Workforce Reduction	119,184	119,184	
13	SFAS 143		466,799	
14	Purchased Gas	6,147,527	10,364,537	
15	Prepaid Insurance	217,271		83,075
16	Other	30,002	1,027	21,977
17	TOTAL Gas (Total of lines 11 thru 16)	-5,414,925	10,985,922	169,898
18				
19	TOTAL (Acct 283) (Enter Total of lines 9, 17 and 18)	21,910,462	10,788,894	2,839,514
20	Classification of TOTAL			
21	Federal Income Tax	18,368,721	9,117,100	2,268,142
22	State Income Tax	3,541,741	1,671,794	571,372
23	Local Income Tax			

NOTES

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2007/Q4

ACCUMULATED DEFERRED INCOME TAXES - OTHER (Account 283) (Continued)

3. Provide in the space below explanations for Page 276 and 277. Include amounts relating to insignificant items listed under Other.
4. Use footnotes as required.

CHANGES DURING YEAR		ADJUSTMENTS					
		Debits		Credits			
Amounts Debited to Account 410.2 (e)	Amounts Credited to Account 411.2 (f)	Account Credited (g)	Amount (h)	Account Debited (i)	Amount (j)	Balance at End of Year (k)	Line No.
							1
							2
						6,656,642	3
							4
						5,077,617	5
						8,931,276	6
						811,011	7
						2,982,197	8
						24,458,743	9
							10
						574,042	11
							12
						466,799	13
						4,217,010	14
						134,196	15
						9,052	16
						5,401,099	17
							18
						29,859,842	19
							20
						25,217,679	21
						4,642,163	22
							23

NOTES (Continued)

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Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) X An Original (2) _ A Resubmission	/ /	2007/Q4

FOOTNOTE DATA

Schedule Page: 276 Line No.: 8 Column: b

Beginning Balance:	
Regulatory Expenses	862,950
MISO Exit Fees	5,111,078
Other	241,910

	6,215,938
	==========

Schedule Page: 276 Line No.: 8 Column: c

Debit Change Account 410.1:	
MISO Exit Fees	(1,300,017)
Other	(121,095)

	(1,421,112)
	==========

Schedule Page: 276 Line No.: 8 Column: d

Credit Change Account 411.1:	
MISO Exit Fees	433,340
Regulatory Expenses	871,999
Other	507,290

	1,812,629
	==========

Schedule Page: 276 Line No.: 8 Column: k

Ending Balance:	
MISO Exit Fees	3,377,721
Regulatory Expenses	(9,049)
Other	(386,475)

	2,982,197
	==========

Schedule Page: 276 Line No.: 12 Column: b

The debit balance on Line 12 is an offset to the amount on Line 4.

Schedule Page: 276 Line No.: 14 Column: b

The cumulative temporary difference for Purchased Gas at beginning of year was a future deductible temporary difference(deferred tax asset).

Schedule Page: 276 Line No.: 16 Column: b

Beginning Balance:	
Regulatory Expenses	30,002

Schedule Page: 276 Line No.: 16 Column: c

Debit Change Account 410.1:	
Regulatory Expenses	1,027

Schedule Page: 276 Line No.: 16 Column: d

Credit Change Account 411.1:	
Regulatory Expenses	21,977

Schedule Page: 276 Line No.: 16 Column: k

Ending Balance:	
Regulatory Expenses	9,052

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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

OTHER REGULATORY LIABILITIES (Account 254)

1. Report below the particulars (details) called for concerning other regulatory liabilities, including rate order docket number, if applicable.
2. Minor items (5% of the Balance in Account 254 at end of period, or amounts less than $50,000 which ever is less), may be grouped by classes.
3. For Regulatory Liabilities being amortized, show period of amortization.

Line No.	Description and Purpose of Other Regulatory Liabilities	Balance at Begining of Current Quarter/Year	DEBITS		Credits	Balance at End of Current Quarter/Year
			Account Credited	Amount		
	(a)	(b)	(c)	(d)	(e)	(f)
1	SFAS 109 - Income Taxes	54,001,458	190/282	12,050,270	8,372,750	50,323,938
2	MISO Schedule 10 Charges	1,113,984			3,341,946	4,455,930
3	Asset Retirement Obligation - Electric	200,029			25,441	225,470
4	Asset Retirement Obligation - Gas	55,100			55,100	110,200
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41	TOTAL	55,370,571		12,050,270	11,795,237	55,115,538

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

ELECTRIC OPERATING REVENUES (Account 400)

1. The following instructions generally apply to the annual version of these pages. Do not report quarterly data in columns (c), (e), (f), and (g). Unbilled revenues and MWH related to unbilled revenues need not be reported separately as required in the annual version of these pages.
2. Report below operating revenues for each prescribed account, and manufactured gas revenues in total.
3. Report number of customers, columns (f) and (g), on the basis of meters, in addition to the number of flat rate accounts; except that where separate meter readings are added for billing purposes, one customer should be counted for each group of meters added. The -average number of customers means the average of twelve figures at the close of each month.
4. If increases or decreases from previous period (columns (c),(e), and (g)), are not derived from previously reported figures, explain any inconsistencies in a footnote.

Line No.	Title of Account (a)	Operating Revenues Year to Date Quarterly/Annual (b)	Operating Revenues Previous year (no Quarterly) (c)
1	Sales of Electricity		
2	(440) Residential Sales	308,553,417	271,519,761
3	(442) Commercial and Industrial Sales		
4	Small (or Comm.) (See Instr. 4)	245,948,898	226,954,760
5	Large (or Ind.) (See Instr. 4)	136,107,494	133,987,622
6	(444) Public Street and Highway Lighting	6,524,515	6,463,357
7	(445) Other Sales to Public Authorities	68,482,804	62,880,535
8	(446) Sales to Railroads and Railways		
9	(448) Interdepartmental Sales		
10	TOTAL Sales to Ultimate Consumers	765,617,128	701,806,035
11	(447) Sales for Resale	158,044,058	223,953,455
12	TOTAL Sales of Electricity	923,661,186	925,759,490
13	(Less) (449.1) Provision for Rate Refunds		
14	TOTAL Revenues Net of Prov. for Refunds	923,661,186	925,759,490
15	Other Operating Revenues		
16	(450) Forfeited Discounts	2,581,212	2,120,450
17	(451) Miscellaneous Service Revenues	923,075	1,048,443
18	(453) Sales of Water and Water Power		
19	(454) Rent from Electric Property	3,330,289	2,892,085
20	(455) Interdepartmental Rents		
21	(456) Other Electric Revenues	-1,201,400	8,920,067
22	(456.1) Revenues from Transmission of Electricity of Others	3,161,205	1,919,994
23	(457.1) Regional Control Service Revenues		
24	(457.2) Miscellaneous Revenues		
25			
26	TOTAL Other Operating Revenues	8,794,381	16,901,039
27	TOTAL Electric Operating Revenues	932,455,567	942,660,529

Name of Respondent	This Report Is:	Date of Report (Mo. Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

ELECTRIC OPERATING REVENUES (Account 400)

5. Commercial and industrial Sales, Account 442, may be classified according to the basis of classification (Small or Commercial, and Large or Industrial) regularly used by the respondent if such basis of classification is not generally greater than 1000 Kw of demand. (See Account 442 of the Uniform System of Accounts. Explain basis of classification in a footnote.)
6. See pages 108-109, Important Changes During Period, for important new territory added and important rate increase or decreases.
7. For Lines 2,4,5,and 6, see Page 304 for amounts relating to unbilled revenue by accounts.
8. Include unmetered sales. Provide details of such Sales in a footnote.

MEGAWATT HOURS SOLD		AVG.NO. CUSTOMERS PER MONTH		Line No.
Year to Date Quarterly/Annual (d)	Amount Previous year (no Quarterly) (e)	Current Year (no Quarterly) (f)	Previous Year (no Quarterly) (g)	
				1
4,486,182	4,017,524	352,699	349,821	2
				3
3,837,552	3,614,061	41,872	41,232	4
2,991,980	3,067,655	393	398	5
60,425	60,716	3,429	3,458	6
1,281,695	1,204,687	2,310	2,422	7
				8
				9
12,657,834	11,964,643	400.703	397,331	10
6,186,040	7,621,831	21	7	11
18,843.874	19,586,474	400,724	397,338	12
				13
18,843,874	19,586,474	400,724	397,338	14

Line 12, column (b) includes $ 5,777,484 of unbilled revenues.

Line 12, column (d) includes -10,739 MWH relating to unbilled revenues

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Schedule Page: 300 Line No.: 4 Column: b

The Company uses a rate schedule basis of classification, according to which sales under Large Commercial Rate LC (demand and energy type) are classified as Large Commercial, sales under Industrial Power Rate LP (demand and energy type) are classified as Large Industrial, and sales under General Rate GS (block type) are classified as Small Commercial and Industrial.

Small Commercial and Industrial Sales	109,550,026
Large Commercial Sales	136,398,872
Total Small (or Commercial)	$245,948,898

Schedule Page: 300 Line No.: 4 Column: d

The Company uses a rate schedule basis of classification, according to which sales under Large Commercial Rate LC (demand and energy type) are classified as Large Commercial, sales under Industrial Power Rate LP (demand and energy type) are classified as Large Industrial, and sales under General Rate GS (block type) are classified as Small Commercial and Industrial.

Small Commercial and Industrial Sales	1,428,383
Large Commercial Sales	2,409,169
Total Small (or Commercial)	3,837,552 MWH

Schedule Page: 300 Line No.: 21 Column: b

As a result of the Company exiting the MISO, a reclassification of the MISO administrative revenues from Other Operating Revenues to a Regulatory Liability was required.

Schedule Page: 300 Line No.: 1 Column: $

This value contains unbilled revenue of $5,303,000 and accrued revenues of $474,484. The accrued revenues represent the following:

FAC Accrual	$ 5,607,000
ECR Accrual	$ (5,723,516)
MSR Accrual	$ 338,000
VDT Accrual	$ 253,000
Total Accrual	$ 474,484

Schedule Page: 300 Line No.: 1 Column: MWH

Unbilled revenues related to -10,739 MWH represents the net change of unbilled MWH from the previous period, and as a result could be positive or negative.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

SALES OF ELECTRICITY BY RATE SCHEDULES

1. Report below for each rate schedule in effect during the year the MWH of electricity sold, revenue, average number of customer, average Kwh per customer, and average revenue per Kwh, excluding date for Sales for Resale which is reported on Pages 310-311.
2. Provide a subheading and total for each prescribed operating revenue account in the sequence followed in "Electric Operating Revenues," Page 300-301. If the sales under any rate schedule are classified in more than one revenue account, List the rate schedule and sales data under each applicable revenue account subheading.
3. Where the same customers are served under more than one rate schedule in the same revenue account classification (such as a general residential schedule and an off peak water heating schedule), the entries in column (d) for the special schedule should denote the duplication in number of reported customers.
4. The average number of customers should be the number of bills rendered during the year divided by the number of billing periods during the year (12 if all billings are made monthly).
5. For any rate schedule having a fuel adjustment clause state in a footnote the estimated additional revenue billed pursuant thereto.
6. Report amount of unbilled revenue as of end of year for each applicable revenue account subheading.

Line No.	Number and Title of Rate schedule (a)	MWh Sold (b)	Revenue (c)	Average Number of Customers (d)	KWh of Sales Per Customer (e)	Revenue Per KWh Sold (f)
1	Account 440					
2	R Residential	4,464,578	304,305,018	352,699	12,658	0.0682
3	WH Water Heating	13,411	851,505	5,213	2,573	0.0635
4	OL Outdoor Lighting	5,643	885,972	6,023	937	0.1570
5	Duplicate Customers			-11,236		
6						
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39	Unbilled and Other Accruals	2,550	2,510,922			0.9847
40	Subtotal	4,486,182	308,553,417	352,699	12,720	0.0688
41	TOTAL Billed	12,668,573	759,839,644	400,703	31,616	0.0600
42	Total Unbilled Rev.(See Instr. 6)	-10,739	5,777,484	0	0	-0.5380
43	TOTAL	12,657,834	765,617,128	400,703	31,589	0.0605

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

SALES OF ELECTRICITY BY RATE SCHEDULES

1. Report below for each rate schedule in effect during the year the MWH of electricity sold, revenue, average number of customer, average Kwh per customer, and average revenue per Kwh, excluding date for Sales for Resale which is reported on Pages 310-311.
2. Provide a subheading and total for each prescribed operating revenue account in the sequence followed in "Electric Operating Revenues," Page 300-301. If the sales under any rate schedule are classified in more than one revenue account, List the rate schedule and sales data under each applicable revenue account subheading
3. Where the same customers are served under more than one rate schedule in the same revenue account classification (such as a general residential schedule and an off peak water heating schedule). the entries in column (d) for the special schedule should denote the duplication in number of reported customers.
4. The average number of customers should be the number of bills rendered during the year divided by the number of billing periods during the year (12 if all billings are made monthly)
5. For any rate schedule having a fuel adjustment clause state in a footnote the estimated additional revenue billed pursuant thereto.
6. Report amount of unbilled revenue as of end of year for each applicable revenue account subheading.

Line No.	Number and Title of Rate schedule (a)	MWh Sold (b)	Revenue (c)	Average Number of Customers (d)	KWh of Sales Per Customer (e)	Revenue Per KWh Sold (f)
1	Account 442					
2	GS General Service	1,346,619	100,179,066	39,326	34,242	0.0744
3	GS Space Heating	31,752	2,215,083	930	34,142	0.0698
4	WH Water Heating	204	14,216	99	2,061	0.0697
5	OL Outdoor Lighting	48,227	6,414,931	9,676	4,984	0.1330
6	LC Large Commercial	2,019,524	114,966,399	2,496	809,104	0.0569
7	TOD Time of Day	387,561	19,972,345	50	7,751,220	0.0515
8	LP Industrial Power	650,031	34,630,422	343	1,895,134	0.0533
9	TOD Time of Day	2,190,671	94,051,334	49	44,707,571	0.0429
10	Special Contracts	155,261	6,490,303	1	155,261,000	0.0418
11	Duplicate Customers			-10,705		
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39	Unbilled and Other Accruals	-318	3,122,293			-9.8185
40	Subtotal	6,829,532	382,056,392	42,265	161,588	0.0559
41	TOTAL Billed	12,668,573	759,839,644	400,703	31,616	0.0600
42	Total Unbilled Rev.(See Instr. 6)	-10,739	5,777,484	0	0	-0.5380
43	TOTAL	12,657,834	765,617,128	400,703	31,589	0.0605

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

SALES OF ELECTRICITY BY RATE SCHEDULES

1. Report below for each rate schedule in effect during the year the MWH of electricity sold, revenue, average number of customer, average Kwh per customer, and average revenue per Kwh, excluding date for Sales for Resale which is reported on Pages 310-311.
2. Provide a subheading and total for each prescribed operating revenue account in the sequence followed in "Electric Operating Revenues," Page 300-301. If the sales under any rate schedule are classified in more than one revenue account, List the rate schedule and sales data under each applicable revenue account subheading.
3. Where the same customers are served under more than one rate schedule in the same revenue account classification (such as a general residential schedule and an off peak water heating schedule), the entries in column (d) for the special schedule should denote the duplication in number of reported customers.
4. The average number of customers should be the number of bills rendered during the year divided by the number of billing periods during the year (12 if all billings are made monthly)
5. For any rate schedule having a fuel adjustment clause state in a footnote the estimated additional revenue billed pursuant thereto.
6. Report amount of unbilled revenue as of end of year for each applicable revenue account subheading.

Line No	Number and Title of Rate schedule (a)	MWh Sold (b)	Revenue (c)	Average Number of Customers (d)	KWh of Sales Per Customer (e)	Revenue Per KWh Sold (f)
1	Account 444					
2	PSL Public Street Lighting	51,028	5,691,538	1,657	30,795	0.1115
3	SLE Street Lighting Energy	3,813	176,475	185	20,611	0.0463
4	OL Outdoor Lighting	2,241	459,782	744	3,012	0.2052
5	TLE Traffic Lighting Energy	3,683	231,318	843	4,369	0.0628
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39	Unbilled and Other Accruals	-340	-34,598			0.1018
40	Subtotal	60,425	6,524,515	3,429	17,622	0.1080
41	TOTAL Billed	12,668,573	759,839,644	400,703	31,616	0.0600
42	Total Unbilled Rev.(See Instr. 6)	-10,739	5,777,484	0	0	-0.5380
43	TOTAL	12,657,834	765,617,128	400,703	31,589	0.0605

Name of Respondent	This Report Is:	Date of Report (Mo. Da. Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

SALES OF ELECTRICITY BY RATE SCHEDULES

1. Report below for each rate schedule in effect during the year the MWH of electricity sold, revenue, average number of customer, average Kwh per customer, and average revenue per Kwh. excluding date for Sales for Resale which is reported on Pages 310-311
2. Provide a subheading and total for each prescribed operating revenue account in the sequence followed in "Electric Operating Revenues," Page 300-301. If the sales under any rate schedule are classified in more than one revenue account, List the rate schedule and sales data under each applicable revenue account subheading.
3. Where the same customers are served under more than one rate schedule in the same revenue account classification (such as a general residential schedule and an off peak water heating schedule), the entries in column (d) for the special schedule should denote the duplication in number of reported customers.
4. The average number of customers should be the number of bills rendered during the year divided by the number of billing periods during the year (12 if all billings are made monthly).
5. For any rate schedule having a fuel adjustment clause state in a footnote the estimated additional revenue billed pursuant thereto.
6. Report amount of unbilled revenue as of end of year for each applicable revenue account subheading.

Line No.	Number and Title of Rate schedule (a)	MWh Sold (b)	Revenue (c)	Average Number of Customers (d)	KWh of Sales Per Customer (e)	Revenue Per KWh Sold (f)
1	Account 445					
2	GS General Service	119,951	8,709,292	1,981	60,551	0.0726
3	GS Space Heating *	3,430	237,512	46	74,565	0.0692
4	WH Water Heating *	11	770	4	2,750	0.0700
5	OL Outdoor Lighting *	466	104,275	94	4,957	0.2238
6	LC Large Commercial	860,892	45,398,707	283	3,042,021	0.0527
7	LP Industrial Power	25,184	1,480,885	29	868,414	0.0588
8	TOD Time of Day	223,360	9,933,660	15	14,890,667	0.0445
9	Special Contracts	61,032	2,438,836	2	30,516,000	0.0400
10	Duplicate Customers			-144		
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39	Unbilled and Other Accruals	-12,631	178,867			-0.0142
40	Subtotal	1,281,695	68,482,804	2,310	554,846	0.0534
41	TOTAL Billed	12,668,573	759,839,644	400,703	31,616	0.0600
42	Total Unbilled Rev.(See Instr. 6)	-10,739	5,777,484	0	0	-0.5380
43	TOTAL	12,657,834	765,617,128	400,703	31,589	0.0605

Schedule Page: 304 Line No.: 2 Column: c
Includes fuel adjustment clause of $16,157,274.

Schedule Page: 304 Line No.: 3 Column: a
Average number of customers served under this rate schedule 5,213 - included in revenue class subtotal. These are deducted on line 6 to avoid duplication.

Schedule Page: 304 Line No.: 3 Column: c
Includes fuel adjustment clause of $45,445.

Schedule Page: 304 Line No.: 4 Column: a
Average number of customers served under this rate schedule 6,023 - included in revenue class subtotal. These are deducted on line 6 to avoid duplication.

Schedule Page: 304 Line No.: 4 Column: c
Includes fuel adjustment clause of $19,553.

Schedule Page: 304 Line No.: 39 Column: b
The MWH relating to unbilled revenues represents the net change of unbilled MWH from the previous period and could be positive or negative.

Schedule Page: 304.1 Line No.: 2 Column: c
Includes fuel adjustment clause of $4,863,426.

Schedule Page: 304.1 Line No.: 3 Column: a
Average number of customers served under this rate schedule 930 - included in revenue class subtotal. These are deducted on line 15 to avoid duplication.

Schedule Page: 304.1 Line No.: 3 Column: c
Includes fuel adjustment clause of $107,737.

Schedule Page: 304.1 Line No.: 4 Column: a
Average number of customers served under this rate schedule 99 - included in revenue class subtotal. These are deducted on line 15 to avoid duplication.

Schedule Page: 304.1 Line No.: 4 Column: c
Includes fuel adjustment clause of $714.

Schedule Page: 304.1 Line No.: 5 Column: a
Average number of customers served under this rate schedule 9,676 - included in revenue class subtotal. These are deducted on line 15 to avoid duplication.

Schedule Page: 304.1 Line No.: 5 Column: c
Includes fuel adjustment clause of $167,215.

Schedule Page: 304.1 Line No.: 6 Column: c
Includes fuel adjustment clause of $7,271,003.

Schedule Page: 304.1 Line No.: 7 Column: c
Includes fuel adjustment clause of $1,392,535.

Schedule Page: 304.1 Line No.: 8 Column: c
Includes fuel adjustment clause of $2,325,367.

Schedule Page: 304.1 Line No.: 9 Column: c
Includes fuel adjustment clause of $7,750,951.

Schedule Page: 304.1 Line No.: 10 Column: c
Includes fuel adjustment clause of $553,913.

Schedule Page: 304.1 Line No.: 39 Column: b
The MWH relating to unbilled revenues represents the net change of unbilled MWH from the previous period and could be positive or negative.

Schedule Page: 304.2 Line No.: 2 Column: c
Includes fuel adjustment clause of $176,675.

Schedule Page: 304.2 Line No.: 3 Column: c
Includes fuel adjustment clause of $13,221.

Schedule Page: 304.2 Line No.: 4 Column: c
Includes fuel adjustment clause of $7,755.

Schedule Page: 304.2 Line No.: 5 Column: c
Includes fuel adjustment clause of $12,944.

Schedule Page: 304.2 Line No.: 39 Column: b

The MWH relating to unbilled revenues represents the net change of unbilled MWH from the previous period and could be positive or negative.

Schedule Page: 304.3 Line No.: 2 Column: c

Includes fuel adjustment clause of $432,323.

Schedule Page: 304.3 Line No.: 3 Column: a

Average number of customers served under this rate schedule 46 - included in revenue class subtotal. These are deducted on line 11 to avoid duplication.

Schedule Page: 304.3 Line No.: 3 Column: c

Includes fuel adjustment clause of $11,421.

Schedule Page: 304.3 Line No.: 4 Column: a

Average number of customers served under this rate schedule 4 - included in revenue class subtotal. These are deducted on line 11 to avoid duplication.

Schedule Page: 304.3 Line No.: 4 Column: c

Includes fuel adjustment clause of $38.

Schedule Page: 304.3 Line No.: 5 Column: a

Average number of customers served under this rate schedule 94 - included in revenue class subtotal. These are deducted on line 11 to avoid duplication.

Schedule Page: 304.3 Line No.: 5 Column: c

Includes fuel adjustment clause of $1,616.

Schedule Page: 304.3 Line No.: 6 Column: c

Includes fuel adjustment clause of $1,317,077.

Schedule Page: 304.3 Line No.: 7 Column: c

Includes fuel adjustment clause of $89,301.

Schedule Page: 304.3 Line No.: 8 Column: c

Includes fuel adjustment clause of $1,798,081.

Schedule Page: 304.3 Line No.: 9 Column: c

Includes fuel adjustment clause of $986,911.

Schedule Page: 304.3 Line No.: 39 Column: b

The MWH relating to unbilled revenues represents the net change of unbilled MWH from the previous period and could be positive or negative.

Schedule Page: 304 Line No.: 42 Column: b

The MWH relating to unbilled revenues represents the net change of unbilled MWH from the previous period and could be positive or negative.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

SALES FOR RESALE (Account 447)

1. Report all sales for resale (i.e., sales to purchasers other than ultimate consumers) transacted on a settlement basis other than power exchanges during the year. Do not report exchanges of electricity (i.e., transactions involving a balancing of debits and credits for energy, capacity, etc.) and any settlements for imbalanced exchanges on this schedule. Power exchanges must be reported on the Purchased Power schedule (Page 326-327).
2. Enter the name of the purchaser in column (a). Do note abbreviate or truncate the name or use acronyms. Explain in a footnote any ownership interest or affiliation the respondent has with the purchaser.
3. In column (b), enter a Statistical Classification Code based on the original contractual terms and conditions of the service as follows:
RQ - for requirements service. Requirements service is service which the supplier plans to provide on an ongoing basis (i.e., the supplier includes projected load for this service in its system resource planning). In addition, the reliability of requirements service must be the same as, or second only to, the supplier's service to its own ultimate consumers.
LF - for tong-term service. "Long-term" means five years or Longer and "firm" means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions (e.g., the supplier must attempt to buy emergency energy from third parties to maintain deliveries of LF service). This category should not be used for Long-term firm service which meets the definition of RQ service. For all transactions identified as LF, provide in a footnote the termination date of the contract defined as the earliest date that either buyer or setter can unilaterally get out of the contract.
IF - for intermediate-term firm service. The same as LF service except that "intermediate-term" means longer than one year but Less than five years.
SF - for short-term firm service. Use this category for all firm services where the duration of each period of commitment for service is one year or less.
LU - for Long-term service from a designated generating unit. "Long-term" means five years or Longer. The availability and reliability of service, aside from transmission constraints, must match the availability and reliability of designated unit.
IU - for intermediate-term service from a designated generating unit. The same as LU service except that "intermediate-term" means Longer than one year but Less than five years.

Line No.	Name of Company or Public Authority (Footnote Affiliations) (a)	Statistical Classification (b)	FERC Rate Schedule or Tariff Number (c)	Average Monthly Billing Demand (MW) (d)	Actual Demand (MW) Average Monthly NCP Demand (e)	Average Monthly CP Demand (f)
1	American Electric Power Service Corp	OS	(2)	NA	NA	NA
2	Associated Electric Coop Inc	OS	(3)	NA	NA	NA
3	Bluegrass Generation Company, LLC	OS	(8)	NA	NA	NA
4	BP Energy Company	OS	(3)	NA	NA	NA
5	Cargill Power Markets, LLC	OS	(3)	NA	NA	NA
6	Citigroup Energy Inc.	OS	(3)	NA	NA	NA
7	Cobb Electric Membership Corporation	OS	(3)	NA	NA	NA
8	Conectiv Energy Supply	OS	(3)	NA	NA	NA
9	Constellation Energy Comds. Grp Inc.	OS	(2)	NA	NA	NA
10	DTE Energy Trading Inc.	OS	(3)	NA	NA	NA
11	Duke Energy Carolinas, LLC	OS	(3)	NA	NA	NA
12	Duke Energy Indiana, Inc.	AD	(2)	NA	NA	NA
13	Duke Energy Ohio, Inc.	AD	(2)	NA	NA	NA
14	East Kentucky Power Coop. Inc.	OS	(3)	NA	NA	NA
	Subtotal RQ			0	0	0
	Subtotal non-RQ			0	0	0
	Total			0	0	0

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

SALES FOR RESALE (Account 447) (Continued)

OS - for other service. use this category only for those services which cannot be placed in the above-defined categories, such as all non-firm service regardless of the Length of the contract and service from designated units of Less than one year. Describe the nature of the service in a footnote.
AD - for Out-of-period adjustment. Use this code for any accounting adjustments or "true-ups" for service provided in prior reporting years. Provide an explanation in a footnote for each adjustment.
4. Group requirements RQ sales together and report them starting at line number one. After listing all RQ sales, enter "Subtotal - RQ" in column (a). The remaining sales may then be listed in any order. Enter "Subtotal-Non-RQ" in column (a) after this Listing. Enter "Total" in column (a) as the Last Line of the schedule. Report subtotals and total for columns (9) through (k)
5. In Column (c), identify the FERC Rate Schedule or Tariff Number. On separate Lines, List all FERC rate schedules or tariffs under which service, as identified in column (b), is provided.
6. For requirements RQ sales and any type of-service involving demand charges imposed on a monthly (or Longer) basis, enter the average monthly billing demand in column (d), the average monthly non-coincident peak (NCP) demand in column (e), and the average monthly coincident peak (CP)
demand in column (f). For all other types of service, enter NA in columns (d), (e) and (f). Monthly NCP demand is the maximum metered hourly (60-minute integration) demand in a month. Monthly CP demand is the metered demand during the hour (60-minute integration) in which the supplier's system reaches its monthly peak. Demand reported in columns (e) and (f) must be in megawatts. Footnote any demand not stated on a megawatt basis and explain.
7. Report in column (g) the megawatt hours shown on bills rendered to the purchaser.
8. Report demand charges in column (h), energy charges in column (i), and the total of any other types of charges, including out-of-period adjustments, in column (j). Explain in a footnote all components of the amount shown in column (j). Report in column (k) the total charge shown on bills rendered to the purchaser.
9. The data in column (g) through (k) must be subtotaled based on the RQ/Non-RQ grouping (see instruction 4), and then totaled on the Last -line of the schedule. The "Subtotal - RQ" amount in column (g) must be reported as Requirements Sales For Resale on Page 401, line 23. The "Subtotal - Non-RQ" amount in column (g) must be reported as Non-Requirements Sales For Resale on Page 401,line 24.
10. Footnote entries as required and provide explanations following all required data.

MegaWatt Hours Sold (g)	REVENUE Demand Charges ($) (h)	Energy Charges ($) (i)	Other Charges ($) (j)	Total ($) (h+i+j) (k)	Line No.
111,057		4,950,598		4,950,598	1
75,043		3,141,783		3,141,783	2
266		26,653		26,653	3
1,012		55,060		55,060	4
81,201		3,551,117		3,551,117	5
10,435		474,325		474,325	6
29,184		1,330,079		1,330,079	7
24		1,256		1,256	8
78,903		3,427,916		3,427,916	9
5,838		294,447		294,447	10
7,380		273,762		273,762	11
22			2,223	2,223	12
-22			-2,223	-2,223	13
78,516		4,305,462		4,305,462	14
0	0	0	0	0	
6,186,040	0	162,972,681	-4,928,623	158,044,058	
6,186,040	0	162,972,681	-4,928,623	158,044,058	

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

SALES FOR RESALE (Account 447)

1. Report all sales for resale (i.e., sales to purchasers other than ultimate consumers) transacted on a settlement basis other than power exchanges during the year. Do not report exchanges of electricity (i.e., transactions involving a balancing of debits and credits for energy, capacity, etc.) and any settlements for imbalanced exchanges on this schedule. Power exchanges must be reported on the Purchased Power schedule (Page 326-327).
2. Enter the name of the purchaser in column (a). Do note abbreviate or truncate the name or use acronyms. Explain in a footnote any ownership interest or affiliation the respondent has with the purchaser.
3. In column (b), enter a Statistical Classification Code based on the original contractual terms and conditions of the service as follows:

RQ - for requirements service. Requirements service is service which the supplier plans to provide on an ongoing basis (i.e., the supplier includes projected load for this service in its system resource planning). In addition, the reliability of requirements service must be the same as, or second only to, the supplier's service to its own ultimate consumers.

LF - for long-term service. "Long-term" means five years or Longer and "firm" means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions (e.g., the supplier must attempt to buy emergency energy from third parties to maintain deliveries of LF service). This category should not be used for Long-term firm service which meets the definition of RQ service. For all transactions identified as LF, provide in a footnote the termination date of the contract defined as the earliest date that either buyer or setter can unilaterally get out of the contract.

IF - for intermediate-term firm service. The same as LF service except that "intermediate-term" means longer than one year but Less than five years.

SF - for short-term firm service. Use this category for all firm services where the duration of each period of commitment for service is one year or less.

LU - for Long-term service from a designated generating unit. "Long-term" means five years or Longer. The availability and reliability of service, aside from transmission constraints, must match the availability and reliability of designated unit.

IU - for intermediate-term service from a designated generating unit. The same as LU service except that "intermediate-term" means Longer than one year but Less than five years.

Line No.	Name of Company or Public Authority (Footnote Affiliations)	Statistical Classification	FERC Rate Schedule or Tariff Number	Average Monthly Billing Demand (MW)	Actual Demand (MW) Average Monthly NCP Demand	Actual Demand (MW) Average Monthly CP Demand
	(a)	(b)	(c)	(d)	(e)	(f)
1	East Kentucky Power Coop. Inc.	OS	(6)	NA	NA	NA
2	Fortis Energy Marketing & Trading GP	OS	(3)	NA	NA	NA
3	Illinois Municipal Electric Agency	OS	(5)	NA	NA	NA
4	Indiana Municipal Power Agency	OS	(5)	NA	NA	NA
5	Kansas City Power & Light	OS	(3)	NA	NA	NA
6	Kentucky Utilities Company	SF	(1)	NA	NA	NA
7	MF Global Inc.	OS		NA	NA	NA
8	Merrill Lynch Commodities, Inc.	OS	(3)	NA	NA	NA
9	Midwest Independent Transm. Systm Oper.	OS	(3)	NA	NA	NA
10	Midwest ISO Contingency Reserve Sharing	OS	(7)	NA	NA	NA
11	Northern Indiana Public Service Company	OS	(3)	NA	NA	NA
12	PJM Interconnection Assosication	OS	(3)	NA	NA	NA
13	Progress Energy Ventures Inc.	OS	(3)	NA	NA	NA
14	Rainbow Energy Marketing Corp.	OS	(3)	NA	NA	NA
	Subtotal RQ			0	0	0
	Subtotal non-RQ			0	0	0
	Total			0	0	0

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

SALES FOR RESALE (Account 447) (Continued)

OS - for other service. use this category only for those services which cannot be placed in the above-defined categories, such as all non-firm service regardless of the Length of the contract and service from designated units of Less than one year. Describe the nature of the service in a footnote.

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

4. Group requirements RQ sales together and report them starting at line number one. After listing all RQ sales, enter "Subtotal - RQ" in column (a). The remaining sales may then be listed in any order. Enter "Subtotal-Non-RQ" in column (a) after this Listing. Enter "Total" in column (a) as the Last Line of the schedule. Report subtotals and total for columns (9) through (k)

5. In Column (c), identify the FERC Rate Schedule or Tariff Number. On separate Lines, List all FERC rate schedules or tariffs under which service, as identified in column (b), is provided.

6. For requirements RQ sales and any type of-service involving demand charges imposed on a monthly (or Longer) basis, enter the average monthly billing demand in column (d), the average monthly non-coincident peak (NCP) demand in column (e), and the average monthly coincident peak (CP)
demand in column (f). For all other types of service, enter NA in columns (d), (e) and (f). Monthly NCP demand is the maximum metered hourly (60-minute integration) demand in a month. Monthly CP demand is the metered demand during the hour (60-minute integration) in which the supplier's system reaches its monthly peak. Demand reported in columns (e) and (f) must be in megawatts. Footnote any demand not stated on a megawatt basis and explain.

7. Report in column (g) the megawatt hours shown on bills rendered to the purchaser.

8. Report demand charges in column (h), energy charges in column (i), and the total of any other types of charges, including out-of-period adjustments, in column (j). Explain in a footnote all components of the amount shown in column (j). Report in column (k) the total charge shown on bills rendered to the purchaser.

9. The data in column (g) through (k) must be subtotaled based on the RQ/Non-RQ grouping (see instruction 4), and then totaled on the Last -line of the schedule. The "Subtotal - RQ" amount in column (g) must be reported as Requirements Sales For Resale on Page 401, line 23. The "Subtotal - Non-RQ" amount in column (g) must be reported as Non-Requirements Sales For Resale on Page 401,line 24.

10. Footnote entries as required and provide explanations following all required data.

MegaWatt Hours Sold (g)	REVENUE Demand Charges ($) (h)	Energy Charges ($) (i)	Other Charges ($) (j)	Total ($) (h+i+j) (k)	Line No.
47		3,846		3,846	1
73,139		3,282,630		3,282,630	2
31,004		1,793,917		1,793,917	3
27,236		1,669,717		1,669,717	4
3,860		197,522		197,522	5
4,667,719		93,385,709		93,385,709	6
			-4,928,623	-4,928,623	7
55,804		2,536,762		2,536,762	8
357,859		16,462,056		16,462,056	9
1,702		306,392		306,392	10
46		2,899		2,899	11
143,745		6,521,368		6,521,368	12
10,732		548,656		548,656	13
100		7,000		7,000	14
0	0	0	0	0	
6,186,040	0	162,972,681	-4,928,623	158,044,058	
6,186,040	0	162,972,681	-4,928,623	158,044,058	

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

SALES FOR RESALE (Account 447)

1. Report all sales for resale (i.e., sales to purchasers other than ultimate consumers) transacted on a settlement basis other than power exchanges during the year. Do not report exchanges of electricity (i.e., transactions involving a balancing of debits and credits for energy, capacity, etc.) and any settlements for imbalanced exchanges on this schedule. Power exchanges must be reported on the Purchased Power schedule (Page 326-327).
2. Enter the name of the purchaser in column (a). Do note abbreviate or truncate the name or use acronyms. Explain in a footnote any ownership interest or affiliation the respondent has with the purchaser.
3. In column (b), enter a Statistical Classification Code based on the original contractual terms and conditions of the service as follows:
RQ - for requirements service. Requirements service is service which the supplier plans to provide on an ongoing basis (i.e., the supplier includes projected load for this service in its system resource planning). In addition, the reliability of requirements service must be the same as, or second only to, the supplier's service to its own ultimate consumers.
LF - for long-term service. "Long-term" means five years or Longer and "firm" means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions (e.g., the supplier must attempt to buy emergency energy from third parties to maintain deliveries of LF service). This category should not be used for Long-term firm service which meets the definition of RQ service. For all transactions identified as LF, provide in a footnote the termination date of the contract defined as the earliest date that either buyer or seller can unilaterally get out of the contract.
IF - for intermediate-term firm service. The same as LF service except that "intermediate-term" means longer than one year but Less than five years.
SF - for short-term firm service. Use this category for all firm services where the duration of each period of commitment for service is one year or less.
LU - for Long-term service from a designated generating unit. "Long-term" means five years or Longer. The availability and reliability of service, aside from transmission constraints, must match the availability and reliability of designated unit.
IU - for intermediate-term service from a designated generating unit. The same as LU service except that "intermediate-term" means Longer than one year but Less than five years.

Line No.	Name of Company or Public Authority (Footnote Affiliations) (a)	Statistical Classification (b)	FERC Rate Schedule or Tariff Number (c)	Average Monthly Billing Demand (MW) (d)	Actual Demand (MW) Average Monthly NCP Demand (e)	Average Monthly CP Demand (f)
1	Sempra Energy Trading Corp.	OS	(2)	NA	NA	NA
2	Southern Company Services, Inc.	OS	(2)	NA	NA	NA
3	Tenaska Power Services Co	OS	(3)	NA	NA	NA
4	Tennessee Valley Authority	OS	(3)	NA	NA	NA
5	The Energy Authority	OS	(2)	NA	NA	NA
6	Transalta Energy Marketing (U.S.) Inc.	OS	(3)	NA	NA	NA
7	Westar Energy, Inc.	OS	(3)	NA	NA	NA
8	Williams Power Co. Inc.	OS	(2)	NA	NA	NA
9						
10						
11						
12						
13						
14						
	Subtotal RQ			0	0	0
	Subtotal non-RQ			0	0	0
	Total			0	0	0

Name of Respondent	This Report Is:	Date of Report (Mo. Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

SALES FOR RESALE (Account 447) (Continued)

OS - for other service. use this category only for those services which cannot be placed in the above-defined categories, such as all non-firm service regardless of the Length of the contract and service from designated units of Less than one year. Describe the nature of the service in a footnote.
AD - for Out-of-period adjustment. Use this code for any accounting adjustments or "true-ups" for service provided in prior reporting years. Provide an explanation in a footnote for each adjustment.
4. Group requirements RQ sales together and report them starting at line number one. After listing all RQ sales, enter "Subtotal - RQ" in column (a). The remaining sales may then be listed in any order. Enter "Subtotal-Non-RQ" in column (a) after this Listing. Enter "Total" in column (a) as the Last Line of the schedule. Report subtotals and total for columns (9) through (k)
5. In Column (c), identify the FERC Rate Schedule or Tariff Number. On separate Lines, List all FERC rate schedules or tariffs under which service, as identified in column (b), is provided.
6. For requirements RQ sales and any type of service involving demand charges imposed on a monthly (or Longer) basis, enter the average monthly billing demand in column (d), the average monthly non-coincident peak (NCP) demand in column (e), and the average monthly coincident peak (CP)
demand in column (f). For all other types of service, enter NA in columns (d), (e) and (f). Monthly NCP demand is the maximum metered hourly (60-minute integration) demand in a month. Monthly CP demand is the metered demand during the hour (60-minute integration) in which the supplier's system reaches its monthly peak. Demand reported in columns (e) and (f) must be in megawatts. Footnote any demand not stated on a megawatt basis and explain.
7. Report in column (g) the megawatt hours shown on bills rendered to the purchaser.
8. Report demand charges in column (h), energy charges in column (i), and the total of any other types of charges, including out-of-period adjustments, in column (j). Explain in a footnote all components of the amount shown in column (j). Report in column (k) the total charge shown on bills rendered to the purchaser.
9. The data in column (g) through (k) must be subtotaled based on the RQ/Non-RQ grouping (see instruction 4), and then totaled on the Last -line of the schedule. The "Subtotal - RQ" amount in column (g) must be reported as Requirements Sales For Resale on Page 401, line 23. The "Subtotal - Non-RQ" amount in column (g) must be reported as Non-Requirements Sales For Resale on Page 401,line 24.
10. Footnote entries as required and provide explanations following all required data.

MegaWatt Hours Sold (g)	REVENUE Demand Charges ($) (h)	Energy Charges ($) (i)	Other Charges ($) (j)	Total ($) (h+i+j) (k)	Line No.
33,959		1,624,363		1,624,363	1
-321		-20,301		-20,301	2
662		21,564		21,564	3
263,475		11,157,052		11,157,052	4
16,762		772,314		772,314	5
861		46,315		46,315	6
6,077		280,377		280,377	7
12,713		540,065		540,065	8
					9
					10
					11
					12
					13
					14
0	0	0	0	0	
6,186,040	0	162,972,681	-4,928,623	158,044,058	
6,186,040	**0**	**162,972,681**	**-4,928,623**	**158,044,058**	

Name of Respondent	This Report is:	Date of Report	Year/Period of Report
Louisville Gas and Electric Company	(1) X An Original (2) _ A Resubmission	(Mo, Da, Yr) / /	2007/Q4

FOOTNOTE DATA

Schedule Page: 310 Line No.: 1 Column: b
Market Based Sale
Schedule Page: 310 Line No.: 1 Column: c
(2) FERC Electric Tariff, Original Volume No. 2
Schedule Page: 310 Line No.: 2 Column: b
Market Based Sale
Schedule Page: 310 Line No.: 2 Column: c
(3) FERC Electric Tariff, Original Volume No. 3
Schedule Page: 310 Line No.: 3 Column: b
Energy Imbalance
Schedule Page: 310 Line No.: 3 Column: c
(8) FERC Electric Tariff, Original Volume No. 2, Service Agreement No. 255
Schedule Page: 310 Line No.: 4 Column: b
Market Based Sale
Schedule Page: 310 Line No.: 4 Column: c
(3) FERC Electric Tariff, Original Volume No. 3
Schedule Page: 310 Line No.: 5 Column: b
Market Based Sale
Schedule Page: 310 Line No.: 5 Column: c
(3) FERC Electric Tariff, Original Volume No. 3
Schedule Page: 310 Line No.: 6 Column: b
Market Based Sale
Schedule Page: 310 Line No.: 6 Column: c
(3) FERC Electric Tariff, Original Volume No. 3
Schedule Page: 310 Line No.: 7 Column: b
Market Based Sale
Schedule Page: 310 Line No.: 7 Column: c
(3) FERC Electric Tariff, Original Volume No. 3
Schedule Page: 310 Line No.: 8 Column: b
Market Based Sale
Schedule Page: 310 Line No.: 8 Column: c
(3) FERC Electric Tariff, Original Volume No. 3
Schedule Page: 310 Line No.: 9 Column: b
Market Based Sale
Schedule Page: 310 Line No.: 9 Column: c
(2) FERC Electric Tariff, Original Volume No. 2
Schedule Page: 310 Line No.: 10 Column: b
Market Based Sale
Schedule Page: 310 Line No.: 10 Column: c
(3) FERC Electric Tariff, Original Volume No. 3
Schedule Page: 310 Line No.: 11 Column: b
Market Based Sale
Schedule Page: 310 Line No.: 11 Column: c
(3) FERC Electric Tariff, Original Volume No. 3
Schedule Page: 310 Line No.: 12 Column: b
December 2006 correction made in 2007 for Emergency Energy. Previously reported as Duke Energy Ohio, Inc.
Schedule Page: 310 Line No.: 12 Column: c
(2) FERC Electric Tariff, Original Volume No. 2
Schedule Page: 310 Line No.: 12 Column: j
December 2006 correction made in 2007. Previously reported as Duke Energy Ohio, Inc.
Schedule Page: 310 Line No.: 13 Column: b

Name of Respondent Louisville Gas and Electric Company	This Report is: (1) X An Original (2) _ A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2007/Q4

FOOTNOTE DATA

December 2006 correction made in 2007 for Emergency Energy. Should have been reported as Duke Energy Indiana, Inc.

Schedule Page: 310 Line No.: 13 Column: c

(2) FERC Electric Tariff, Original Volume No. 2

Schedule Page: 310 Line No.: 13 Column: j

December 2006 correction made in 2007. Should have been reported as Duke Energy Indiana, Inc.

Schedule Page: 310 Line No.: 14 Column: b

Market Based Sale

Schedule Page: 310 Line No.: 14 Column: c

(3) FERC Electric Tariff, Original Volume No. 3

Schedule Page: 310.1 Line No.: 1 Column: b

Energy Imbalance

Schedule Page: 310.1 Line No.: 1 Column: c

(6) E.ON U.S. LLC, on behalf of its Operating Companies: Louisville Gas & Electric Co. and Kentucky Utilities Co. OATT FERC Electric Tariff Third Rev. Vol. 1 (prior to July 13, 2007), Fourth Rev. Vol 1 (July 13, 2007 and after) and East Kentucky Power Coop. OATT FERC Electric Tariff Vol. 1 Second Rev.

Schedule Page: 310.1 Line No.: 2 Column: b

Market Based Sale

Schedule Page: 310.1 Line No.: 2 Column: c

(3) FERC Electric Tariff, Original Volume No. 3

Schedule Page: 310.1 Line No.: 3 Column: b

Cost Based Sale

Schedule Page: 310.1 Line No.: 3 Column: c

(5) FERC Electric Tariff, Original Volume No. 5

Schedule Page: 310.1 Line No.: 4 Column: b

Cost Based Sale

Schedule Page: 310.1 Line No.: 4 Column: c

(5) FERC Electric Tariff, Original Volume No. 5

Schedule Page: 310.1 Line No.: 5 Column: b

Market Based Sale

Schedule Page: 310.1 Line No.: 5 Column: c

(3) FERC Electric Tariff, Original Volume No. 3

Schedule Page: 310.1 Line No.: 6 Column: a

Louisville Gas and Electric Company and Kentucky Utilities Company are both owned by E.ON U.S. LLC.

Schedule Page: 310.1 Line No.: 6 Column: c

(1) FERC Rate Schedule No. 1. The Power Supply System Agreement, FERC Docket No. ER98-111-000

Schedule Page: 310.1 Line No.: 7 Column: b

Financial Swap

Schedule Page: 310.1 Line No.: 7 Column: j

Financial Swap

Schedule Page: 310.1 Line No.: 8 Column: b

Market Based Sale

Schedule Page: 310.1 Line No.: 8 Column: c

(3) FERC Electric Tariff, Original Volume No. 3

Schedule Page: 310.1 Line No.: 9 Column: b

Market Based Sale

Schedule Page: 310.1 Line No.: 9 Column: c

(3) FERC Electric Tariff, Original Volume No. 3

Schedule Page: 310.1 Line No.: 10 Column: a

The Midwest ISO Contingency Reserve Sharing Group (MISO CRSG) is not a signatory to the CRSG contract. The MISO CRSG is the group administrator and serves as the clearing house for the CRSG billing. The CRSG group is comprised of the following members: Alliant East, Alliant West, Ameren Illinois, Ameren Missouri, Ames Municipal, Basin Electric Power Cooperative, Big Rivers, City of Springfield, City of Columbia Missouri, Consumers, Dairyland Power Cooperative, DTE

Energy, Duke Energy, Duke Energy Indiana, Duke Energy Kentucky, Duke Energy Ohio, East Kentucky Power Coop, E.ON US, First Energy, GEN-SYS Energy, Great River Energy, Hastings Municipal, Heartland Consumers Power Dist, Hoosier Energy R.E.C., Hutchinson Utilities Commission, Indianapolis Power & Light Co, Lincoln Electric System, Madison Gas & Electric, Manitoba Hydro, Michigan Electric Coordinated System, MidAmerican Energy Company, Minnesota Municipal Power Agency, Minnesota Power Inc, Minnkota Power Cooperative, Missouri River Energy Services, Montana-Dakota Utilities Inc, Municipal Energy Agency of Nebraska, Muscatine Power and Water, Nebraska Public Power District, Northern Indiana Public Service Co, Northwestern Energy, NSP Companies, Omaha Public Power District, Otter Tail Power Company, Rochester Public Utilities, So Minnesota Municipal Power Agency, Southern Illinois Power Coop, Upper Peninsula Power Co, Vectren, Western Area Power Administration, Willmar Municipal Utilities, Wisconsin Energy Corporation, Wisconsin Public Power Inc, and Wisconsin Public Service Corp.

Schedule Page: 310.1 Line No.: 10 Column: b

Emergency Power

Schedule Page: 310.1 Line No.: 10 Column: c

(7) MISO FERC Electric Tariff Rate Schedule No. 9

Schedule Page: 310.1 Line No.: 10 Column: g

MWH for Midwest ISO (MISO) members are excluded to avoid double-counting; MWH for MISO members are reported with the MISO as part of the energy markets invoice using the FERC Order 668 MWH netting requirement.

Schedule Page: 310.1 Line No.: 10 Column: i

Energy dollars for amount representing LMP are reported with Midwest ISO (MISO) as part of the energy markets invoice using the FERC Order 668 MWH netting requirement.

Schedule Page: 310.1 Line No.: 11 Column: b

Market Based Sale

Schedule Page: 310.1 Line No.: 11 Column: c

(3) FERC Electric Tariff, Original Volume No. 3

Schedule Page: 310.1 Line No.: 12 Column: b

Market Based Sale

Schedule Page: 310.1 Line No.: 12 Column: c

(3) FERC Electric Tariff, Original Volume No. 3

Schedule Page: 310.1 Line No.: 13 Column: b

Market Based Sale

Schedule Page: 310.1 Line No.: 13 Column: c

(3) FERC Electric Tariff, Original Volume No. 3

Schedule Page: 310.1 Line No.: 14 Column: b

Market Based Sale

Schedule Page: 310.1 Line No.: 14 Column: c

(3) FERC Electric Tariff, Original Volume No. 3

Schedule Page: 310.2 Line No.: 1 Column: b

Market Based Sale

Schedule Page: 310.2 Line No.: 1 Column: c

(2) FERC Electric Tariff, Original Volume No. 2

Schedule Page: 310.2 Line No.: 2 Column: b

Market Based Sale

Schedule Page: 310.2 Line No.: 2 Column: c

(2) FERC Electric Tariff, Original Volume No. 2

Schedule Page: 310.2 Line No.: 2 Column: g

Negative figures represent accounting required by EITF 02-03 netting purchases and brokered revenues and represent a net purchase.

Schedule Page: 310.2 Line No.: 2 Column: i

Negative figures represent accounting required by EITF 02-03 netting purchases and brokered revenues and represent a net purchase.

Schedule Page: 310.2 Line No.: 3 Column: b

Market Based Sale

Schedule Page: 310.2 Line No.: 3 Column: c

(3) FERC Electric Tariff, Original Volume No. 3

Schedule Page: 310.2 Line No.: 4 Column: b

Market Based Sale

Schedule Page: 310.2 Line No.: 4 Column: c

(3) FERC Electric Tariff, Original Volume No. 3

Schedule Page: 310.2 Line No.: 5 Column: b

Market Based Sale

Schedule Page: 310.2 Line No.: 5 Column: c

(2) FERC Electric Tariff, Original Volume No. 2

Schedule Page: 310.2 Line No.: 6 Column: b

Market Based Sale

Schedule Page: 310.2 Line No.: 6 Column: c

(3) FERC Electric Tariff, Original Volume No. 3

Schedule Page: 310.2 Line No.: 7 Column: b

Market Based Sale

Schedule Page: 310.2 Line No.: 7 Column: c

(3) FERC Electric Tariff, Original Volume No. 3

Schedule Page: 310.2 Line No.: 8 Column: b

Market Based Sale

Schedule Page: 310.2 Line No.: 8 Column: c

(2) FERC Electric Tariff, Original Volume No. 2

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

ELECTRIC OPERATION AND MAINTENANCE EXPENSES

If the amount for previous year is not derived from previously reported figures, explain in footnote.

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
1	1. POWER PRODUCTION EXPENSES		
2	A. Steam Power Generation		
3	Operation		
4	(500) Operation Supervision and Engineering	2,117,055	1,994,235
5	(501) Fuel	286,060,712	270,206,831
6	(502) Steam Expenses	26,276,587	29,310,526
7	(503) Steam from Other Sources		
8	(Less) (504) Steam Transferred-Cr.		
9	(505) Electric Expenses	692,669	601,822
10	(506) Miscellaneous Steam Power Expenses	14,015,400	14,381,816
11	(507) Rents	51,252	51,252
12	(509) Allowances	3,920	6,011
13	TOTAL Operation (Enter Total of Lines 4 thru 12)	329,217,595	316,552,493
14	Maintenance		
15	(510) Maintenance Supervision and Engineering	2,047,906	1,971,715
16	(511) Maintenance of Structures	2,366,221	1,963,994
17	(512) Maintenance of Boiler Plant	33,688,610	30,445,817
18	(513) Maintenance of Electric Plant	5,541,312	7,312,591
19	(514) Maintenance of Miscellaneous Steam Plant	1,296,736	1,431,725
20	TOTAL Maintenance (Enter Total of Lines 15 thru 19)	44,940,785	43,125,842
21	TOTAL Power Production Expenses-Steam Power (Entr Tot lines 13 & 20)	374,158,380	359,678,335
22	B. Nuclear Power Generation		
23	Operation		
24	(517) Operation Supervision and Engineering		
25	(518) Fuel		
26	(519) Coolants and Water		
27	(520) Steam Expenses		
28	(521) Steam from Other Sources		
29	(Less) (522) Steam Transferred-Cr.		
30	(523) Electric Expenses		
31	(524) Miscellaneous Nuclear Power Expenses		
32	(525) Rents		
33	TOTAL Operation (Enter Total of lines 24 thru 32)		
34	Maintenance		
35	(528) Maintenance Supervision and Engineering		
36	(529) Maintenance of Structures		
37	(530) Maintenance of Reactor Plant Equipment		
38	(531) Maintenance of Electric Plant		
39	(532) Maintenance of Miscellaneous Nuclear Plant		
40	TOTAL Maintenance (Enter Total of lines 35 thru 39)		
41	TOTAL Power Production Expenses-Nuc. Power (Entr tot lines 33 & 40)		
42	C. Hydraulic Power Generation		
43	Operation		
44	(535) Operation Supervision and Engineering	60,785	56,516
45	(536) Water for Power	38,855	1,982
46	(537) Hydraulic Expenses		
47	(538) Electric Expenses	157,036	179,073
48	(539) Miscellaneous Hydraulic Power Generation Expenses	132,980	107,630
49	(540) Rents	222,932	477,721
50	TOTAL Operation (Enter Total of Lines 44 thru 49)	612,588	822,922
51	C. Hydraulic Power Generation (Continued)		
52	Maintenance		
53	(541) Mainentance Supervision and Engineering	6,049	3,057
54	(542) Maintenance of Structures	166,673	83,847
55	(543) Maintenance of Reservoirs, Dams, and Waterways	10,094	76,652
56	(544) Maintenance of Electric Plant	264,531	125,119
57	(545) Maintenance of Miscellaneous Hydraulic Plant		
58	TOTAL Maintenance (Enter Total of lines 53 thru 57)	447,347	288,675
59	TOTAL Power Production Expenses-Hydraulic Power (tot of lines 50 & 58)	1,059,935	1,111,597

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ELECTRIC OPERATION AND MAINTENANCE EXPENSES (Continued)

If the amount for previous year is not derived from previously reported figures, explain in footnote.

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
60	D. Other Power Generation		
61	Operation		
62	(546) Operation Supervision and Engineering	15,298	32,407
63	(547) Fuel	31,202,849	22,364,013
64	(548) Generation Expenses	335,927	272,514
65	(549) Miscellaneous Other Power Generation Expenses	38,984	41,904
66	(550) Rents	24,024	29,964
67	TOTAL Operation (Enter Total of lines 62 thru 66)	31,617,082	22,740,802
68	Maintenance		
69	(551) Maintenance Supervision and Engineering	21,550	20,103
70	(552) Maintenance of Structures	108,362	94,507
71	(553) Maintenance of Generating and Electric Plant	2,017,744	514,243
72	(554) Maintenance of Miscellaneous Other Power Generation Plant	99,206	238,052
73	TOTAL Maintenance (Enter Total of lines 69 thru 72)	2,246,862	866,905
74	TOTAL Power Production Expenses-Other Power (Enter Tot of 67 & 73)	33,863,944	23,607,707
75	E. Other Power Supply Expenses		
76	(555) Purchased Power	82,337,048	113,833,625
77	(556) System Control and Load Dispatching	995,839	966,893
78	(557) Other Expenses	-572,213	6,559,291
79	TOTAL Other Power Supply Exp (Enter Total of lines 76 thru 78)	82,760,674	121,359,809
80	TOTAL Power Production Expenses (Total of lines 21, 41, 59, 74 & 79)	491,842,933	505,757,448
81	2. TRANSMISSION EXPENSES		
82	Operation		
83	(560) Operation Supervision and Engineering	615,817	448,908
84	(561) Load Dispatching	648,274	603,506
85	(561.1) Load Dispatch-Reliability		
86	(561.2) Load Dispatch-Monitor and Operate Transmission System		
87	(561.3) Load Dispatch-Transmission Service and Scheduling		
88	(561.4) Scheduling, System Control and Dispatch Services	5,529	-1,246,458
89	(561.5) Reliability, Planning and Standards Development		
90	(561.6) Transmission Service Studies	11,594	
91	(561.7) Generation Interconnection Studies		
92	(561.8) Reliability, Planning and Standards Development Services	398	89,624
93	(562) Station Expenses	1,237,889	1,176,883
94	(563) Overhead Lines Expenses	76,997	19,517
95	(564) Underground Lines Expenses		
96	(565) Transmission of Electricity by Others	3,791,302	-2,866,436
97	(566) Miscellaneous Transmission Expenses	3,929,222	1,545,678
98	(567) Rents	5,204	52,808
99	TOTAL Operation (Enter Total of lines 83 thru 98)	10,322,226	2,316,946
100	Maintenance		
101	(568) Maintenance Supervision and Engineering		
102	(569) Maintenance of Structures	11,477	13,848
103	(569.1) Maintenance of Computer Hardware		
104	(569.2) Maintenance of Computer Software		
105	(569.3) Maintenance of Communication Equipment		
106	(569.4) Maintenance of Miscellaneous Regional Transmission Plant		
107	(570) Maintenance of Station Equipment	983,605	948,123
108	(571) Maintenance of Overhead Lines	695,122	550,618
109	(572) Maintenance of Underground Lines		
110	(573) Maintenance of Miscellaneous Transmission Plant	3,565	124,997
111	TOTAL Maintenance (Total of lines 101 thru 110)	1,693,769	1,637,586
112	TOTAL Transmission Expenses (Total of lines 99 and 111)	12,015,995	3,954,532

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Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

ELECTRIC OPERATION AND MAINTENANCE EXPENSES (Continued)

If the amount for previous year is not derived from previously reported figures, explain in footnote.

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
113	3. REGIONAL MARKET EXPENSES		
114	Operation		
115	(575.1) Operation Supervision		
116	(575.2) Day-Ahead and Real-Time Market Facilitation		
117	(575.3) Transmission Rights Market Facilitation		
118	(575.4) Capacity Market Facilitation		
119	(575.5) Ancillary Services Market Facilitation		
120	(575.6) Market Monitoring and Compliance		
121	(575.7) Market Facilitation, Monitoring and Compliance Services	11,961	1,800,836
122	(575.8) Rents		
123	Total Operation (Lines 115 thru 122)	11,961	1,800,836
124	Maintenance		
125	(576.1) Maintenance of Structures and Improvements		
126	(576.2) Maintenance of Computer Hardware		
127	(576.3) Maintenance of Computer Software		
128	(576.4) Maintenance of Communication Equipment		
129	(576.5) Maintenance of Miscellaneous Market Operation Plant		
130	Total Maintenance (Lines 125 thru 129)		
131	TOTAL Regional Transmission and Market Op Expns (Total 123 and 130)	11,961	1,800,836
132	4. DISTRIBUTION EXPENSES		
133	Operation		
134	(580) Operation Supervision and Engineering	1,257,351	1,146,499
135	(581) Load Dispatching	327,998	396,316
136	(582) Station Expenses	900,835	839,604
137	(583) Overhead Line Expenses	3,739,557	4,646,115
138	(584) Underground Line Expenses	380,113	409,335
139	(585) Street Lighting and Signal System Expenses	5,530	501
140	(586) Meter Expenses	5,629,380	5,872,651
141	(587) Customer Installations Expenses	224,263	276,630
142	(588) Miscellaneous Expenses	2,651,266	2,881,295
143	(589) Rents	13,543	14,717
144	TOTAL Operation (Enter Total of lines 134 thru 143)	14,681,310	15,930,403
145	Maintenance		
146	(590) Maintenance Supervision and Engineering	14,794	17,732
147	(591) Maintenance of Structures	757,829	670,997
148	(592) Maintenance of Station Equipment	744,470	1,018,271
149	(593) Maintenance of Overhead Lines	10,287,075	11,772,129
150	(594) Maintenance of Underground Lines	1,509,199	1,843,750
151	(595) Maintenance of Line Transformers	230,867	184,777
152	(596) Maintenance of Street Lighting and Signal Systems	779,872	172,308
153	(597) Maintenance of Meters		
154	(598) Maintenance of Miscellaneous Distribution Plant	437,400	330,971
155	TOTAL Maintenance (Total of lines 146 thru 154)	14,761,506	16,010,935
156	TOTAL Distribution Expenses (Total of lines 144 and 155)	29,442,816	31,941,338
157	5. CUSTOMER ACCOUNTS EXPENSES		
158	Operation		
159	(901) Supervision	662,463	742,045
160	(902) Meter Reading Expenses	1,986,061	2,015,982
161	(903) Customer Records and Collection Expenses	4,642,565	4,361,172
162	(904) Uncollectible Accounts	824,328	1,644,769
163	(905) Miscellaneous Customer Accounts Expenses	215,534	248,889
164	TOTAL Customer Accounts Expenses (Total of lines 159 thru 163)	8,330,951	9,012,857

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

ELECTRIC OPERATION AND MAINTENANCE EXPENSES (Continued)

If the amount for previous year is not derived from previously reported figures, explain in footnote.

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
165	6. CUSTOMER SERVICE AND INFORMATIONAL EXPENSES		
166	Operation		
167	(907) Supervision	140,758	201,666
168	(908) Customer Assistance Expenses	4,133,353	3,405,713
169	(909) Informational and Instructional Expenses	372,208	313,095
170	(910) Miscellaneous Customer Service and Informational Expenses	623,447	142,055
171	TOTAL Customer Service and Information Expenses (Total 167 thru 170)	5,269,766	4,062,529
172	7. SALES EXPENSES		
173	Operation		
174	(911) Supervision		
175	(912) Demonstrating and Selling Expenses		
176	(913) Advertising Expenses	42,256	1,002
177	(916) Miscellaneous Sales Expenses		
178	TOTAL Sales Expenses (Enter Total of lines 174 thru 177)	42,256	1,002
179	8. ADMINISTRATIVE AND GENERAL EXPENSES		
180	Operation		
181	(920) Administrative and General Salaries	13,300,304	12,170,491
182	(921) Office Supplies and Expenses	6,151,608	6,222,689
183	(Less) (922) Administrative Expenses Transferred-Credit	1,602,398	1,456,299
184	(923) Outside Services Employed	4,287,426	4,777,315
185	(924) Property Insurance	3,200,349	3,124,642
186	(925) Injuries and Damages	2,246,508	1,719,223
187	(926) Employee Pensions and Benefits	20,138,689	24,717,445
188	(927) Franchise Requirements	22,668	21,687
189	(928) Regulatory Commission Expenses	850,623	15,964
190	(929) (Less) Duplicate Charges-Cr.	28,479	30,201
191	(930.1) General Advertising Expenses	260,208	269,166
192	(930.2) Miscellaneous General Expenses	905,570	7,447,482
193	(931) Rents	1,247,429	1,227,016
194	TOTAL Operation (Enter Total of lines 181 thru 193)	50,980,505	60,226,620
195	Maintenance		
196	(935) Maintenance of General Plant	5,138,093	5,502,941
197	TOTAL Administrative & General Expenses (Total of lines 194 and 196)	56,118,598	65,729,561
198	TOTAL Elec Op and Maint Expns (Total 80,112,131,156,164,171,178,197)	603,075,276	622,260,103

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Schedule Page: 320 Line No.: 10 Column: b

Includes credit of $2,536,771 in 2007 for electricity used by respondent.

Schedule Page: 320 Line No.: 10 Column: c

Includes credit of $2,343,926 in 2006 for electricity used by respondent.

Schedule Page: 320 Line No.: 78 Column: b

Louisville Gas & Electric Company no longer transmits electricity through the MISO, however, the MISO continues to make adjustments for previous charges related to the transmission for electricity. As such, additional refunds have exceeded additional charges yielding a credit balance.

Schedule Page: 320 Line No.: 88 Column: c

The primary cause for the decrease in account 561.4 is MISO Schedule 10 charges in 2006.

Schedule Page: 320 Line No.: 96 Column: b

The primary cause of the increase in FERC 565 between 2007 and 2006 is a credit of $5,943,692 booked in 2006 to electric transmission related to off-system sales to the MISO, based on non-firm point-to-point service resettlement per the FERC Order regarding DTE Energy Trading, Inc. vs MISO, docket #EL05-63-000.

Schedule Page: 320 Line No.: 121 Column: c

Expenses represent MISO Day 2 charges.

Schedule Page: 320 Line No.: 141 Column: b

Credit is due to meter tampering charges billed to customers to offset cost of meter maintenance. Cost is recorded in several other accounts.

Schedule Page: 320 Line No.: 141 Column: c

Credit is due to meter tampering charges billed to customers to offset cost of meter maintenance. Cost is recorded in several other accounts.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

PURCHASED POWER (Account 555)
(Including power exchanges)

1. Report all power purchases made during the year. Also report exchanges of electricity (i.e., transactions involving a balancing of debits and credits for energy, capacity, etc.) and any settlements for imbalanced exchanges.
2. Enter the name of the seller or other party in an exchange transaction in column (a). Do not abbreviate or truncate the name or use acronyms. Explain in a footnote any ownership interest or affiliation the respondent has with the seller.
3. In column (b), enter a Statistical Classification Code based on the original contractual terms and conditions of the service as follows:

RQ - for requirements service. Requirements service is service which the supplier plans to provide on an ongoing basis (i.e., the supplier includes projects load for this service in its system resource planning). In addition, the reliability of requirement service must be the same as, or second only to, the supplier's service to its own ultimate consumers.

LF - for long-term firm service. "Long-term" means five years or longer and "firm" means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions (e.g., the supplier must attempt to buy emergency energy from third parties to maintain deliveries of LF service). This category should not be used for long-term firm service firm service which meets the definition of RQ service. For all transaction identified as LF, provide in a footnote the termination date of the contract defined as the earliest date that either buyer or seller can unilaterally get out of the contract.

IF - for intermediate-term firm service. The same as LF service expect that "intermediate-term" means longer than one year but less than five years.

SF - for short-term service. Use this category for all firm services, where the duration of each period of commitment for service is one year or less.

LU - for long-term service from a designated generating unit. "Long-term" means five years or longer. The availability and reliability of service, aside from transmission constraints, must match the availability and reliability of the designated unit.

IU - for intermediate-term service from a designated generating unit. The same as LU service expect that "intermediate-term" means longer than one year but less than five years.

EX - For exchanges of electricity. Use this category for transactions involving a balancing of debits and credits for energy, capacity, etc. and any settlements for imbalanced exchanges.

OS - for other service. Use this category only for those services which cannot be placed in the above-defined categories, such as all non-firm service regardless of the Length of the contract and service from designated units of Less than one year. Describe the nature of the service in a footnote for each adjustment.

Line No.	Name of Company or Public Authority (*Footnote Affiliations*) (a)	Statistical Classification (b)	FERC Rate Schedule or Tariff Number (c)	Average Monthly Billing Demand (MW) (d)	Actual Demand (MW) Average Monthly NCP Demand (e)	Actual Demand (MW) Average Monthly CP Demand (f)
1	Ameren Energy Marketing Company	OS	(1)	NA	NA	NA
2	American Electric Power Service Corp	OS	(1)	NA	NA	NA
3	Associated Electric Coop Inc	OS	(1)	NA	NA	NA
4	Big Rivers Electric Corp.	AD	(1)	NA	NA	NA
5	Bluegrass Generation Company LLC	OS	(5)	NA	NA	NA
6	Cargill Power Markets, LLC	OS	(1)	NA	NA	NA
7	Citigroup Energy Inc.	OS	(1)	NA	NA	NA
8	Cobb Electric Membership Corporation	OS	(1)	NA	NA	NA
9	Constellation Energy Comds. Group Inc.	OS	(1)	NA	NA	NA
10	Dayton Power & Light Co	OS	(1)	NA	NA	NA
11	DTE Energy Trading Inc	OS	(1)	NA	NA	NA
12	Duke Energy Carolinas, LLC	OS	(1)	NA	NA	NA
13	Duke Energy Ohio, Inc.	AD	(1)	NA	NA	NA
14	East Kentucky Power Coop. Inc.	OS	(1)	NA	NA	NA
	Total					

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

PURCHASED POWER(Account 555) (Continued)
(Including power exchanges)

AD - for out-of-period adjustment. Use this code for any accounting adjustments or "true-ups" for service provided in prior reporting years. Provide an explanation in a footnote for each adjustment.

4. In column (c), identify the FERC Rate Schedule Number or Tariff, or, for non-FERC jurisdictional sellers, include an appropriate designation for the contract. On separate lines, list all FERC rate schedules, tariffs or contract designations under which service, as identified in column (b), is provided.
5. For requirements RQ purchases and any type of service involving demand charges imposed on a monnthly (or longer) basis, enter the monthly average billing demand in column (d), the average monthly non-coincident peak (NCP) demand in column (e), and the average monthly coincident peak (CP) demand in column (f). For all other types of service, enter NA in columns (d), (e) and (f). Monthly NCP demand is the maximum metered hourly (60-minute integration) demand in a month. Monthly CP demand is the metered demand during the hour (60-minute integration) in which the supplier's system reaches its monthly peak. Demand reported in columns (e) and (f) must be in megawatts. Footnote any demand not stated on a megawatt basis and explain.
6. Report in column (g) the megawatthours shown on bills rendered to the respondent. Report in columns (h) and (i) the megawatthours of power exchanges received and delivered, used as the basis for settlement. Do not report net exchange.
7. Report demand charges in column (j), energy charges in column (k), and the total of any other types of charges, including out-of-period adjustments, in column (l). Explain in a footnote all components of the amount shown in column (l). Report in column (m) the total charge shown on bills received as settlement by the respondent. For power exchanges, report in column (m) the settlement amount for the net receipt of energy. If more energy was delivered than received, enter a negative amount. If the settlement amount (l) include credits or charges other than incremental generation expenses, or (2) excludes certain credits or charges covered by the agreement, provide an explanatory footnote.
8. The data in column (g) through (m) must be totalled on the last line of the schedule. The total amount in column (g) must be reported as Purchases on Page 401, line 10. The total amount in column (h) must be reported as Exchange Received on Page 401, line 12. The total amount in column (i) must be reported as Exchange Delivered on Page 401, line 13.
9. Footnote entries as required and provide explanations following all required data.

MegaWatt Hours Purchased (g)	POWER EXCHANGES: MegaWatt Hours Received (h)	POWER EXCHANGES: MegaWatt Hours Delivered (i)	COST/SETTLEMENT OF POWER: Demand Charges ($) (j)	COST/SETTLEMENT OF POWER: Energy Charges ($) (k)	COST/SETTLEMENT OF POWER: Other Charges ($) (l)	COST/SETTLEMENT OF POWER: Total (j+k+l) of Settlement ($) (m)	Line No.
96				5,088		5,088	1
7,672				496,741		496,741	2
2,203				147,761		147,761	3
					56	56	4
76				4,564		4,564	5
2,819				184,687		184,687	6
166				12,048		12,048	7
623				28,928		28,928	8
2,676				202,926		202,926	9
100				6,000		6,000	10
170				9,135		9,135	11
16				1,152		1,152	12
					71	71	13
501				18,635		18,635	14
2,347,731	34,701	31,015	17,324,032	65,012,868	148	82,337,048	

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

PURCHASED POWER (Account 555)
(Including power exchanges)

1. Report all power purchases made during the year. Also report exchanges of electricity (i.e., transactions involving a balancing of debits and credits for energy, capacity, etc.) and any settlements for imbalanced exchanges.
2. Enter the name of the seller or other party in an exchange transaction in column (a). Do not abbreviate or truncate the name or use acronyms. Explain in a footnote any ownership interest or affiliation the respondent has with the seller.
3. In column (b), enter a Statistical Classification Code based on the original contractual terms and conditions of the service as follows:

RQ - for requirements service. Requirements service is service which the supplier plans to provide on an ongoing basis (i.e., the supplier includes projects load for this service in its system resource planning). In addition, the reliability of requirement service must be the same as, or second only to, the supplier's service to its own ultimate consumers.

LF - for long-term firm service. "Long-term" means five years or longer and "firm" means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions (e.g., the supplier must attempt to buy emergency energy from third parties to maintain deliveries of LF service). This category should not be used for long-term firm service firm service which meets the definition of RQ service. For all transaction identified as LF, provide in a footnote the termination date of the contract defined as the earliest date that either buyer or seller can unilaterally get out of the contract.

IF - for intermediate-term firm service. The same as LF service expect that "intermediate-term" means longer than one year but less than five years.

SF - for short-term service. Use this category for all firm services, where the duration of each period of commitment for service is one year or less.

LU - for long-term service from a designated generating unit. "Long-term" means five years or longer. The availability and reliability of service, aside from transmission constraints, must match the availability and reliability of the designated unit.

IU - for intermediate-term service from a designated generating unit. The same as LU service expect that "intermediate-term" means longer than one year but less than five years.

EX - For exchanges of electricity. Use this category for transactions involving a balancing of debits and credits for energy, capacity, etc. and any settlements for imbalanced exchanges.

OS - for other service. Use this category only for those services which cannot be placed in the above-defined categories, such as all non-firm service regardless of the Length of the contract and service from designated units of Less than one year. Describe the nature of the service in a footnote for each adjustment.

Line No.	Name of Company or Public Authority (Footnote Affiliations)	Statistical Classification	FERC Rate Schedule or Tariff Number	Average Monthly Billing Demand (MW)	Actual Demand (MW)	
					Average Monthly NCP Demand	Average Monthly CP Demand
	(a)	(b)	(c)	(d)	(e)	(f)
1	East Kentucky Power Coop. Inc.	OS	(3)	NA	NA	NA
2	Fortis Energy Marketing & Trading GP	OS	(1)	NA	NA	NA
3	Illinois Municipal Electric Agency	OS	(6)	NA	NA	NA
4	Indiana Municipal Power Agency	OS	(7)	NA	NA	NA
5	Kansas City Power & Light Co	OS	(1)	NA	NA	NA
6	Kentucky Utilities Company	SF	(2)	NA	NA	NA
7	Merrill Lynch Commodities, Inc.	OS	(1)	NA	NA	NA
8	Midwest Independent Transmission Syst.	OS	(1)	NA	NA	NA
9	Midwest ISO Contingency Reserv Sharing	OS	(4)	NA	NA	NA
10	Ohio Valley Electric Corporation	OS	(8)	NA	NA	NA
11	Owensboro Municipal Utilities	IF	(9)	NA	NA	NA
12	PJM Interconnection Association	OS	(1)	NA	NA	NA
13	Progress Energy Ventures Inc.	OS	(1)	NA	NA	NA
14	Sempra Energy Trading Corp.	OS	(1)	NA	NA	NA
	Total					

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

PURCHASED POWER(Account 555) (Continued)
(Including power exchanges)

AD - for out-of-period adjustment. Use this code for any accounting adjustments or "true-ups" for service provided in prior reporting years. Provide an explanation in a footnote for each adjustment.

4. In column (c), identify the FERC Rate Schedule Number or Tariff, or, for non-FERC jurisdictional sellers, include an appropriate designation for the contract. On separate lines, list all FERC rate schedules, tariffs or contract designations under which service, as identified in column (b), is provided.
5. For requirements RQ purchases and any type of service involving demand charges imposed on a monnthly (or longer) basis, enter the monthly average billing demand in column (d), the average monthly non-coincident peak (NCP) demand in column (e), and the average monthly coincident peak (CP) demand in column (f). For all other types of service, enter NA in columns (d), (e) and (f). Monthly NCP demand is the maximum metered hourly (60-minute integration) demand in a month. Monthly CP demand is the metered demand during the hour (60-minute integration) in which the supplier's system reaches its monthly peak. Demand reported in columns (e) and (f) must be in megawatts. Footnote any demand not stated on a megawatt basis and explain.
6. Report in column (g) the megawatthours shown on bills rendered to the respondent. Report in columns (h) and (i) the megawatthours of power exchanges received and delivered, used as the basis for settlement. Do not report net exchange.
7. Report demand charges in column (j), energy charges in column (k), and the total of any other types of charges, including out-of-period adjustments, in column (l). Explain in a footnote all components of the amount shown in column (l). Report in column (m) the total charge shown on bills received as settlement by the respondent. For power exchanges, report in column (m) the settlement amount for the net receipt of energy. If more energy was delivered than received, enter a negative amount. If the settlement amount (l) include credits or charges other than incremental generation expenses, or (2) excludes certain credits or charges covered by the agreement, provide an explanatory footnote.
8. The data in column (g) through (m) must be totalled on the last line of the schedule. The total amount in column (g) must be reported as Purchases on Page 401, line 10. The total amount in column (h) must be reported as Exchange Received on Page 401, line 12. The total amount in column (i) must be reported as Exchange Delivered on Page 401, line 13.
9. Footnote entries as required and provide explanations following all required data.

MegaWatt Hours Purchased (g)	POWER EXCHANGES MegaWatt Hours Received (h)	MegaWatt Hours Delivered (i)	COST/SETTLEMENT OF POWER Demand Charges ($) (j)	Energy Charges ($) (k)	Other Charges ($) (l)	Total (j+k+l) of Settlement ($) (m)	Line No
2,692				107,723		107,723	1
4,282				314,597		314,597	2
11				951		951	3
11				951		951	4
314				24,135		24,135	5
1,471,558				45,589,608		45,589,608	6
1,252				98,539		98,539	7
17,281				1,106,928		1,106,928	8
332				158,582		158,582	9
830,683			17,324,032	16,302,209		33,626,241	10
11				631		631	11
532				30,137		30,137	12
253				20,274		20,274	13
37				2,978		2,978	14
2,347,731	34.701	31,015	17,324,032	65,012.868	148	82,337,048	

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

PURCHASED POWER (Account 555)
(Including power exchanges)

1. Report all power purchases made during the year. Also report exchanges of electricity (i.e., transactions involving a balancing of debits and credits for energy, capacity, etc.) and any settlements for imbalanced exchanges.
2. Enter the name of the seller or other party in an exchange transaction in column (a). Do not abbreviate or truncate the name or use acronyms. Explain in a footnote any ownership interest or affiliation the respondent has with the seller.
3. In column (b), enter a Statistical Classification Code based on the original contractual terms and conditions of the service as follows:

RQ - for requirements service. Requirements service is service which the supplier plans to provide on an ongoing basis (i.e., the supplier includes projects load for this service in its system resource planning). In addition, the reliability of requirement service must be the same as, or second only to, the supplier's service to its own ultimate consumers.

LF - for long-term firm service. "Long-term" means five years or longer and "firm" means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions (e.g., the supplier must attempt to buy emergency energy from third parties to maintain deliveries of LF service). This category should not be used for long-term firm service firm service which meets the definition of RQ service. For all transaction identified as LF, provide in a footnote the termination date of the contract defined as the earliest date that either buyer or seller can unilaterally get out of the contract.

IF - for intermediate-term firm service. The same as LF service expect that "intermediate-term" means longer than one year but less than five years.

SF - for short-term service. Use this category for all firm services, where the duration of each period of commitment for service is one year or less.

LU - for long-term service from a designated generating unit. "Long-term" means five years or longer. The availability and reliability of service, aside from transmission constraints, must match the availability and reliability of the designated unit.

IU - for intermediate-term service from a designated generating unit. The same as LU service expect that "intermediate-term" means longer than one year but less than five years.

EX - For exchanges of electricity. Use this category for transactions involving a balancing of debits and credits for energy, capacity, etc. and any settlements for imbalanced exchanges.

OS - for other service. Use this category only for those services which cannot be placed in the above-defined categories, such as all non-firm service regardless of the Length of the contract and service from designated units of Less than one year. Describe the nature of the service in a footnote for each adjustment.

Line No.	Name of Company or Public Authority (Footnote Affiliations) (a)	Statistical Classification (b)	FERC Rate Schedule or Tariff Number (c)	Average Monthly Billing Demand (MW) (d)	Actual Demand (MW) Average Monthly NCP Demand (e)	Average Monthly CP Demand (f)
1	Southern Company Services Inc	OS	(1)	NA	NA	NA
2	Southern Indiana Gas & Electric Co.	AD	(1)	NA	NA	NA
3	Tenaska Power Services Co	OS	(1)	NA	NA	NA
4	The Energy Authority	OS	(1)	NA	NA	NA
5	TransAlta Energy Marketing (U.S.) Inc	OS	(1)	NA	NA	NA
6	Westar Energy, Inc.	OS	(1)	NA	NA	NA
7	Inadvertant Interchange					
8						
9						
10						
11						
12						
13						
14						
	Total					

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

PURCHASED POWER(Account 555) (Continued)
(Including power exchanges)

AD - for out-of-period adjustment. Use this code for any accounting adjustments or "true-ups" for service provided in prior reporting years. Provide an explanation in a footnote for each adjustment.

4. In column (c), identify the FERC Rate Schedule Number or Tariff, or, for non-FERC jurisdictional sellers, include an appropriate designation for the contract. On separate lines, list all FERC rate schedules, tariffs or contract designations under which service, as identified in column (b), is provided.
5. For requirements RQ purchases and any type of service involving demand charges imposed on a monnthly (or longer) basis, enter the monthly average billing demand in column (d), the average monthly non-coincident peak (NCP) demand in column (e), and the average monthly coincident peak (CP) demand in column (f). For all other types of service, enter NA in columns (d), (e) and (f). Monthly NCP demand is the maximum metered hourly (60-minute integration) demand in a month. Monthly CP demand is the metered demand during the hour (60-minute integration) in which the supplier's system reaches its monthly peak. Demand reported in columns (e) and (f) must be in megawatts. Footnote any demand not stated on a megawatt basis and explain.
6. Report in column (g) the megawatthours shown on bills rendered to the respondent. Report in columns (h) and (i) the megawatthours of power exchanges received and delivered, used as the basis for settlement. Do not report net exchange.
7. Report demand charges in column (j), energy charges in column (k), and the total of any other types of charges, including out-of-period adjustments, in column (l). Explain in a footnote all components of the amount shown in column (l). Report in column (m) the total charge shown on bills received as settlement by the respondent. For power exchanges, report in column (m) the settlement amount for the net receipt of energy. If more energy was delivered than received, enter a negative amount. If the settlement amount (l) include credits or charges other than incremental generation expenses, or (2) excludes certain credits or charges covered by the agreement, provide an explanatory footnote.
8. The data in column (g) through (m) must be totalled on the last line of the schedule. The total amount in column (g) must be reported as Purchases on Page 401, line 10. The total amount in column (h) must be reported as Exchange Received on Page 401, line 12. The total amount in column (i) must be reported as Exchange Delivered on Page 401, line 13.
9. *Footnote entries as required and provide explanations following all required data.*

MegaWatt Hours Purchased (g)	POWER EXCHANGES MegaWatt Hours Received (h)	MegaWatt Hours Delivered (i)	COST/SETTLEMENT OF POWER Demand Charges ($) (j)	Energy Charges ($) (k)	Other Charges ($) (l)	Total (j+k+l) of Settlement ($) (m)	Line No
430				29,571		29,571	1
					21	21	2
46				5,428		5,428	3
270				25,567		25,567	4
137				17,840		17,840	5
481				58,554		58,554	6
	34,701	31,015					7
							8
							9
							10
							11
							12
							13
							14
2,347,731	34,701	31,015	17,324,032	65,012,868	148	82,337,048	

Schedule Page: 326 Line No.: 1 Column: b

Market Based Purchase

Schedule Page: 326 Line No.: 1 Column: c

(1) FERC-approved tariff and/or rate schedule as on file with the Commission.

Schedule Page: 326 Line No.: 2 Column: b

Market Based Purchase

Schedule Page: 326 Line No.: 2 Column: c

(1) FERC-approved tariff and/or rate schedule as on file with the Commission.

Schedule Page: 326 Line No.: 3 Column: b

Market Based Purchase

Schedule Page: 326 Line No.: 3 Column: c

(1) FERC-approved tariff and/or rate schedule as on file with the Commission.

Schedule Page: 326 Line No.: 4 Column: b

Price adjustment for December 2006 transaction.

Schedule Page: 326 Line No.: 4 Column: c

(1) FERC-approved tariff and/or rate schedule as on file with the Commission.

Schedule Page: 326 Line No.: 4 Column: l

Price adjustment for December 2006 transaction.

Schedule Page: 326 Line No.: 5 Column: b

Energy Imbalance

Schedule Page: 326 Line No.: 5 Column: c

(5) FERC Electric Tariff, Original Volume No. 2, Service Agreement No. 255

Schedule Page: 326 Line No.: 6 Column: b

Market Based Purchase

Schedule Page: 326 Line No.: 6 Column: c

(1) FERC-approved tariff and/or rate schedule as on file with the Commission.

Schedule Page: 326 Line No.: 7 Column: b

Market Based Purchase

Schedule Page: 326 Line No.: 7 Column: c

(1) FERC-approved tariff and/or rate schedule as on file with the Commission.

Schedule Page: 326 Line No.: 8 Column: b

Market Based Purchase

Schedule Page: 326 Line No.: 8 Column: c

(1) FERC-approved tariff and/or rate schedule as on file with the Commission.

Schedule Page: 326 Line No.: 9 Column: b

Market Based Purchase

Schedule Page: 326 Line No.: 9 Column: c

(1) FERC-approved tariff and/or rate schedule as on file with the Commission.

Schedule Page: 326 Line No.: 10 Column: b

Market Based Purchase

Schedule Page: 326 Line No.: 10 Column: c

(1) FERC-approved tariff and/or rate schedule as on file with the Commission.

Schedule Page: 326 Line No.: 11 Column: b

Market Based Purchase

Schedule Page: 326 Line No.: 11 Column: c

(1) FERC-approved tariff and/or rate schedule as on file with the Commission.

Schedule Page: 326 Line No.: 12 Column: b

Market Based Purchase

Schedule Page: 326 Line No.: 12 Column: c

(1) FERC-approved tariff and/or rate schedule as on file with the Commission.

Schedule Page: 326 Line No.: 13 Column: b

Price adjustment for December 2006 transaction.

Schedule Page: 326 Line No.: 13 Column: c

(1) FERC-approved tariff and/or rate schedule as on file with the Commission.

Schedule Page: 326 Line No.: 13 Column: l

Price adjustment for December 2006 transaction.

Schedule Page: 326 Line No.: 14 Column: b

Market Based Purchase

Schedule Page: 326 Line No.: 14 Column: c

(1) FERC-approved tariff and/or rate schedule as on file with the Commission.

Schedule Page: 326.1 Line No.: 1 Column: b

Energy Imbalance

Schedule Page: 326.1 Line No.: 1 Column: c

(3) E.ON U.S. LLC, on behalf of its Operating Companies: Louisville Gas & Electric Co. and Kentucky Utilities Co. OATT FERC Electric Tariff Third Rev. Vol. 1 (prior to July 13, 2007), Fourth Rev. Vol.1 (July 13, 2007 and after) and East Kentucky Power Coop. OATT FERC Electric Tariff Vol. 1 Second Rev.

Schedule Page: 326.1 Line No.: 2 Column: b

Market Based Purchase

Schedule Page: 326.1 Line No.: 2 Column: c

(1) FERC-approved tariff and/or rate schedule as on file with the Commission.

Schedule Page: 326.1 Line No.: 3 Column: b

Market Based Purchase

Schedule Page: 326.1 Line No.: 3 Column: c

(6) Interchange Agreement FERC Schedule No. 33

Schedule Page: 326.1 Line No.: 4 Column: b

Market Based Purchase

Schedule Page: 326.1 Line No.: 4 Column: c

(7) Interchange Agreement FERC Schedule No. 31

Schedule Page: 326.1 Line No.: 5 Column: b

Market Based Purchase

Schedule Page: 326.1 Line No.: 5 Column: c

(1) FERC-approved tariff and/or rate schedule as on file with the Commission.

Schedule Page: 326.1 Line No.: 6 Column: a

Louisville Gas and Electric Company and Kentucky Utilities Company are both owned by E.ON U.S. LLC.

Schedule Page: 326.1 Line No.: 6 Column: c

(2) FERC Rate Schedule No. 1. The Power Supply System Agreement, FERC Docket No. ER98-111-000

Schedule Page: 326.1 Line No.: 7 Column: b

Market Based Purchase

Schedule Page: 326.1 Line No.: 7 Column: c

(1) FERC-approved tariff and/or rate schedule as on file with the Commission.

Schedule Page: 326.1 Line No.: 8 Column: b

Market Based Purchase

Schedule Page: 326.1 Line No.: 8 Column: c

(1) FERC-approved tariff and/or rate schedule as on file with the Commission.

Schedule Page: 326.1 Line No.: 9 Column: a

The Midwest ISO Contingency Reserve Sharing Group (MISO CRSG) is not a signatory to the CRSG contract. The MISO CRSG is the group administrator and serves as the clearing house for the CRSG billing. The CRSG group is comprised of the following members: Alliant East, Alliant West, Ameren Illinois, Ameren Missouri, Ames Municipal, Basin Electric Power Cooperative, Big Rivers, City of Springfield, City of Columbia Missouri, Consumers, Dairyland Power Cooperative, DTE Energy, Duke Energy, Duke Energy Indiana, Duke Energy Kentucky, Duke Energy Ohio, East Kentucky Power Coop, E.ON US, First Energy, GEN-SYS Energy, Great River Energy, Hastings Municipal, Heartland Consumers Power Dist, Hoosier Energy R.E.C., Hutchinson Utilities Commission, Indianapolis Power & Light Co, Lincoln Electric System, Madison Gas & Electric, Manitoba Hydro, Michigan Electric Coordinated System, MidAmerican Energy Company, Minnesota Municipal Power Agency, Minnesota Power Inc, Minnkota Power Cooperative, Missouri River Energy Services, Montana-Dakota Utilities Inc, Municipal Energy Agency of Nebraska, Muscatine Power and Water, Nebraska Public Power District, Northern Indiana Public Service Co, Northwestern Energy, NSP Companies, Omaha Public Power District, Otter Tail Power Company, Rochester Public Utilities, So Minnesota Municipal Power Agency, Southern Illinois Power Coop, Upper Peninsula Power Co, Vectren, Western Area Power Administration, Willmar Municipal Utilities, Wisconsin Energy Corporation, Wisconsin Public Power Inc, and Wisconsin Public Service Corp.

Schedule Page: 326.1 Line No.: 9 Column: b

Emergency Power

Schedule Page: 326.1 Line No.: 9 Column: c

(4) MISO FERC Electric Tariff Rate Schedule No. 9

Schedule Page: 326.1 Line No.: 9 Column: g

MWH for Midwest ISO (MISO) members are excluded to avoid double-counting; MWH for MISO members are reported with the MISO as part of the energy markets invoice using the FERC Order 668 MWH netting requirement.

Schedule Page: 326.1 Line No.: 9 Column: k

Energy dollars for amount representing LMP are reported with the Midwest ISO (MISO) as part of the energy markets invoice using the FERC Order 668 MWH netting requirement.

Schedule Page: 326.1 Line No.: 10 Column: a

The Company owns 5.63% of the common stock of Ohio Valley Electric Corporation. Purchase of surplus power pursuant to Article 6 of the Intercompany Agreement among OVEC and Sponsoring Companies dated July 10, 1953.

Schedule Page: 326.1 Line No.: 10 Column: b

Surplus Power

Schedule Page: 326.1 Line No.: 10 Column: c

(8) Purchase of Surplus power pursuant to Intercompany Agreement among OVEC and Sponsoring Companies dated July 10, 1953.

Schedule Page: 326.1 Line No.: 11 Column: c

(9) FERC Electric Tariff FPC 74

Schedule Page: 326.1 Line No.: 12 Column: b

Market Based Purchase

Schedule Page: 326.1 Line No.: 12 Column: c

(1) FERC-approved tariff and/or rate schedule as on file with the Commission.

Schedule Page: 326.1 Line No.: 13 Column: b

Market Based Purchase

Schedule Page: 326.1 Line No.: 13 Column: c

(1) FERC-approved tariff and/or rate schedule as on file with the Commission.

Schedule Page: 326.1 Line No.: 14 Column: b

Market Based Purchase

Schedule Page: 326.1 Line No.: 14 Column: c

(1) FERC-approved tariff and/or rate schedule as on file with the Commission.

Schedule Page: 326.2 Line No.: 1 Column: b

Market Based Purchase

Schedule Page: 326.2 Line No.: 1 Column: c

(1) FERC-approved tariff and/or rate schedule as on file with the Commission.

Schedule Page: 326.2 Line No.: 2 Column: b

Price adjustment for December 2006 transaction.

Schedule Page: 326.2 Line No.: 2 Column: c

(1) FERC-approved tariff and/or rate schedule as on file with the Commission.

Schedule Page: 326.2 Line No.: 2 Column: l

Price adjustment for December 2006 transaction.

Schedule Page: 326.2 Line No.: 3 Column: b

Market Based Purchase

Schedule Page: 326.2 Line No.: 3 Column: c

(1) FERC-approved tariff and/or rate schedule as on file with the Commission.

Schedule Page: 326.2 Line No.: 4 Column: b

Market Based Purchase

Schedule Page: 326.2 Line No.: 4 Column: c

(1) FERC-approved tariff and/or rate schedule as on file with the Commission.

Schedule Page: 326.2 Line No.: 5 Column: b

Market Based Purchase

Schedule Page: 326.2 Line No.: 5 Column: c

(1) FERC-approved tariff and/or rate schedule as on file with the Commission.

Schedule Page: 326.2 Line No.: 6 Column: b

Market Based Purchase

Schedule Page: 326.2 Line No.: 6 Column: c

(1) FERC-approved tariff and/or rate schedule as on file with the Commission.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

TRANSMISSION OF ELECTRICITY FOR OTHERS (Account 456.1)
(Including transactions referred to as 'wheeling')

1. Report all transmission of electricity, i.e., wheeling, provided for other electric utilities, cooperatives, other public authorities, qualifying facilities, non-traditional utility suppliers and ultimate customers for the quarter.
2. Use a separate line of data for each distinct type of transmission service involving the entities listed in column (a), (b) and (c).
3. Report in column (a) the company or public authority that paid for the transmission service. Report in column (b) the company or public authority that the energy was received from and in column (c) the company or public authority that the energy was delivered to. Provide the full name of each company or public authority. Do not abbreviate or truncate name or use acronyms. Explain in a footnote any ownership interest in or affiliation the respondent has with the entities listed in columns (a), (b) or (c)
4. In column (d) enter a Statistical Classification code based on the original contractual terms and conditions of the service as follows: FNO - Firm Network Service for Others, FNS - Firm Network Transmission Service for Self, LFP - "Long-Term Firm Point to Point Transmission Service, OLF - Other Long-Term Firm Transmission Service, SFP - Short-Term Firm Point to Point Transmission Reservation, NF - non-firm transmission service, OS - Other Transmission Service and 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. See General Instruction for definitions of codes.

Line No.	Payment By (Company of Public Authority) (Footnote Affiliation) (a)	Energy Received From (Company of Public Authority) (Footnote Affiliation) (b)	Energy Delivered To (Company of Public Authority) (Footnote Affiliation) (c)	Statistical Classification (d)
1	East Kentucky Power Cooperative	East Kentucky Power Cooperative	East Kentucky Power Cooperative	FNO
2	East Kentucky Power Cooperative	East Kentucky Power Cooperative	East Kentucky Power Cooperative	NF
3	East Kentucky Power Cooperative	East Kentucky Power Cooperative	East Kentucky Power Cooperative	AD
4	Indiana Municipal Power Agency	Indiana Municipal Power Agency	MISO and PJM	OLF
5	Illinois Municipal Electric Agency	IL Municipal Electric Agency	Midwest ISO	OLF
6	LG&E Transactions	Louisville Gas and Electric Co.	Various	NF
7	LG&E Transactions	Louisville Gas and Electric Co.	Various	AD
8	LG&E Transactions	Louisville Gas and Electric Co.	Various	SFP
9	LG&E Transactions	Louisville Gas and Electric Co.	Various	LFP
10	Hoosier Energy	Midwest ISO	Hoosier Energy	FNO
11	Big Rivers Electric Corporation	Big Rivers Electric Corporation	Big Rivers Electric Corporation	NF
12	Big Rivers Electric Corporation	Big Rivers Electric Corporation	Big Rivers Electric Corporation	AD
13	Cargill Power Markets, LLC	LGEE	MISO and PJM	NF
14	Midwest ISO	Midwest ISO	Midwest ISO	AD
15				
16				
17				
18				
19				
20				
21				
22				
23				
24				
25				
26				
27				
28				
29				
30				
31				
32				
33				
34				
	TOTAL			

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

TRANSMISSION OF ELECTRICITY FOR OTHERS (Account 456)(Continued)
(Including transactions reffered to as 'wheeling')

5. In column (e), identify the FERC Rate Schedule or Tariff Number, On separate lines, list all FERC rate schedules or contract designations under which service, as identified in column (d), is provided.
6. Report receipt and delivery locations for all single contract path, "point to point" transmission service. In column (f), report the designation for the substation, or other appropriate identification for where energy was received as specified in the contract. In column (g) report the designation for the substation, or other appropriate identification for where energy was delivered as specified in the contract.
7. Report in column (h) the number of megawatts of billing demand that is specified in the firm transmission service contract. Demand reported in column (h) must be in megawatts. Footnote any demand not stated on a megawatts basis and explain.
8. Report in column (i) and (j) the total megawatthours received and delivered.

FERC Rate Schedule of Tariff Number (e)	Point of Receipt (Subsatation or Other Designation) (f)	Point of Delivery (Substation or Other Designation) (g)	Billing Demand (MW) (h)	TRANSFER OF ENERGY MegaWatt Hours Received (i)	TRANSFER OF ENERGY MegaWatt Hours Delivered (j)	Line No.
Vol 1 SA 4	East Kentucky Power	East Kentucky Power	51	299,475	290,330	1
Vol 1	East Kentucky Power	East Kentucky Power		170	153	2
Vol 1	East Kentucky Power	East Kentucky Power				3
Vol 1 SA 3	Trimble Co. Unit 1	PJM and MISO	67	477,281	477,281	4
Vol 1 SA 1	Trimble Co. Unit 1	Midwest ISO	63	449,956	449,956	5
Vol 1	Various	Various				6
Vol 1	Various	Various				7
Vol 1	Various	Various	26			8
Vol 1	Various	Various	17			9
Vol 1	Midwest ISO	Hoosier Energy	6	42,855	42,855	10
Vol 1	East Kentucky Power	Big Rivers Electric		254	254	11
Vol 1	East Kentucky Power	Big Rivers Electric				12
Vol 1	LGEE	PJM and MISO		3,416	3,311	13
N/A	Midwest ISO	N/A				14
						15
						16
						17
						18
						19
						20
						21
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						25
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						32
						33
						34
			230	1,273,407	1,264,140	

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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

TRANSMISSION OF ELECTRICITY FOR OTHERS (Account 456) (Continued)
(Including transactions reffered to as 'wheeling')

9. In column (k) through (n), report the revenue amounts as shown on bills or vouchers. In column (k), provide revenues from demand charges related to the billing demand reported in column (h). In column (l), provide revenues from energy charges related to the amount of energy transferred. In column (m), provide the total revenues from all other charges on bills or vouchers rendered, including out of period adjustments. Explain in a footnote all components of the amount shown in column (m). Report in column (n) the total charge shown on bills rendered to the entity Listed in column (a). If no monetary settlement was made, enter zero (11011) in column (n). Provide a footnote explaining the nature of the non-monetary settlement, including the amount and type of energy or service rendered.

10. The total amounts in columns (i) and (j) must be reported as Transmission Received and Transmission Delivered for annual report purposes only on Page 401, Lines 16 and 17, respectively.

11. Footnote entries and provide explanations following all required data.

REVENUE FROM TRANSMISSION OF ELECTRICITY FOR OTHERS

Demand Charges ($) (k)	Energy Charges ($) (l)	(Other Charges) ($) (m)	Total Revenues ($) (k+l+m) (n)	Line No.
1,088,096		249,931	1,338,027	1
	412	99	511	2
-39,940	-9,660	43,195	-6,405	3
				4
				5
	1,167,701	280,745	1,448,446	6
87,395	-116,277	1,655	-27,227	7
282,836		73,876	356,712	8
157,624		42,085	199,709	9
				10
	461	80	541	11
	-11	33	22	12
	12,358	3,472	15,830	13
	-130,512	-34,449	-164,961	14
				15
				16
				17
				18
				19
				20
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				25
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				27
				28
				29
				30
				31
				32
				33
				34
1,576,011	924,472	660,722	3,161,205	

Schedule Page: 328 Line No.: 1 Column: m

The total consists of East Kentucky Power Cooperative Schedule 1 and Schedule 2 charges related to firm transmission.

Schedule Page: 328 Line No.: 2 Column: m

The total consists of East Kentucky Power Cooperative Schedule 1 and Schedule 2 charges related to firm transmission.

Schedule Page: 328 Line No.: 3 Column: k

Amounts were reallocated between Louisville Gas and Electric Company and Kentucky Utilities Company or among the three revenue categories during the third and fourth quarters of 2007.

Schedule Page: 328 Line No.: 3 Column: l

This amounts consists of the following two adjustments:

-9,662
2
-9,660

The adjustment of -9,662 is due to an amount owed to East Kentucky Power Cooperative per the Settlement of Proceedings in FERC Docket No. ER06-1458.

The adjustment of 2 is related to the first and second quarters of 2007. Amounts were reallocated between Louisville Gas and Electric Company and Kentucky Utilities Company or among the three revenue categories during the third quarter of 2007.

Schedule Page: 328 Line No.: 3 Column: m

Amounts were reallocated between Louisville Gas and Electric Company and Kentucky Utilities Company or among the three revenue categories during the third and fourth quarters of 2007.

Schedule Page: 328 Line No.: 4 Column: m

Louisville Gas & Electric Company (LG&E) transmits electricity for Indiana Municipal Power Agency (IMPA) from Trimble County Unit 1 to the MISO-LG&E interface or the PJM-LG&E interface at no cost to IMPA. This agreement was reached between LG&E and IMPA as a result of LG&E's exit from the MISO.

Schedule Page: 328 Line No.: 5 Column: m

Louisville Gas & Electric Company (LG&E) transmits electricity for Illinois Municipal Electric Agency (IMEA) from Trimble County Unit 1 to the MISO-LG&E interface or the PJM-LG&E interface at no cost to IMEA. This agreement was reached between LG&E and IMEA as a result of LG&E's exit from the MISO.

Schedule Page: 328 Line No.: 6 Column: m

The total consists of Schedule 1 and Schedule 2 charges related to various counterparties.

Schedule Page: 328 Line No.: 7 Column: k

Amounts were reallocated between Louisville Gas and Electric Company and Kentucky Utilities Company or among the three revenue categories during the third quarter of 2007.

Schedule Page: 328 Line No.: 7 Column: l

Amounts were reallocated between Louisville Gas and Electric Company and Kentucky Utilities Company or among the three revenue categories during the third quarter of 2007.

Schedule Page: 328 Line No.: 7 Column: m

Amounts were reallocated between Louisville Gas and Electric Company and Kentucky Utilities Company or among the three revenue categories during the third and fourth quarters of 2007.

Schedule Page: 328 Line No.: 8 Column: m

The total consists of Schedule 1 and Schedule 2 charges related to various counterparties.

Schedule Page: 328 Line No.: 9 Column: m

The total consists of Schedule 1 and Schedule 2 charges related to various counterparties

Schedule Page: 328 Line No.: 10 Column: m

When Louisville Gas & Electric Company (LG&E) exited from the MISO, the FERC required the inclusion of Section 15.8 and Attachment E in the Company's Open Access Transmission

Tarrif (OATT). These sections of the OATT state that existing customers of the MISO will not be harmed by LG&E's exit from the MISO and will not have to pay an additional MISO pancaked charge for tranmission services. Hoosier Energy was included in that list of existing MISO customers.

Schedule Page: 328 Line No.: 11 Column: m

The total consists of Big Rivers Electric Corporation Schedule 1 and Schedule 2 charges.

Schedule Page: 328 Line No.: 12 Column: l

Amounts were reallocated between Louisville Gas and Electric Company and Kentucky Utilities Company or among the three revenue categories during the third quarter of 2007.

Schedule Page: 328 Line No.: 12 Column: m

Amounts were reallocated between Louisville Gas and Electric Company and Kentucky Utilities Company or among the three revenue categories during the third quarter of 2007.

Schedule Page: 328 Line No.: 13 Column: m

The total consists of Cargill Power Markets, LLC Schedule 1 and Schedule 2 charges.

Schedule Page: 328 Line No.: 14 Column: l

Louisville Gas and Electric Company no longer transmits electricity through the MISO, however, the MISO continues to make adjustments for previous charges related to the transmission of electricity. These adjustments can increase or decrease revenue depending on the individual circumstances of the charge being adjusted. During 2007, there were more adjustments to decrease revenue than to increase revenue, causing the net balance to be negative.

Schedule Page: 328 Line No.: 14 Column: m

Louisville Gas and Electric Company no longer transmits electricity through the MISO, however, the MISO continues to make adjustments for previous charges related to the transmission of electricity. These adjustments can increase or decrease revenue depending on the individual circumstances of the charge being adjusted. During 2007, there were more adjustments to decrease revenue than to increase revenue, causing the net balance to be negative. Other charges consist of the MISO Schedule 1 and Schedule 2 charges.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

TRANSMISSION OF ELECTRICITY BY OTHERS (Account 565)
(Including transactions referred to as "wheeling")

1. Report all transmission, i.e. wheeling or electricity provided by other electric utilities, cooperatives, municipalities, other public authorities, qualifying facilities, and others for the quarter.
2. In column (a) report each company or public authority that provided transmission service. Provide the full name of the company, abbreviate if necessary, but do not truncate name or use acronyms. Explain in a footnote any ownership interest in or affiliation with the transmission service provider. Use additional columns as necessary to report all companies or public authorities that provided transmission service for the quarter reported.
3. In column (b) enter a Statistical Classification code based on the original contractual terms and conditions of the service as follows: FNS - Firm Network Transmission Service for Self, LFP - Long-Term Firm Point-to-Point Transmission Reservations. OLF - Other Long-Term Firm Transmission Service, SFP - Short-Term Firm Point-to- Point Transmission Reservations, NF - Non-Firm Transmission Service, and OS - Other Transmission Service. See General Instructions for definitions of statistical classifications.
4. Report in column (c) and (d) the total megawatt hours received and delivered by the provider of the transmission service.
5. Report in column (e), (f) and (g) expenses as shown on bills or vouchers rendered to the respondent. In column (e) report the demand charges and in column (f) energy charges related to the amount of energy transferred. On column (g) report the total of all other charges on bills or vouchers rendered to the respondent, including any out of period adjustments. Explain in a footnote all components of the amount shown in column (g). Report in column (h) the total charge shown on bills rendered to the respondent. If no monetary settlement was made, enter zero in column (h). Provide a footnote explaining the nature of the non-monetary settlement, including the amount and type of energy or service rendered.
6. Enter "TOTAL" in column (a) as the last line.
7. Footnote entries and provide explanations following all required data.

Line No.	Name of Company or Public Authority (Footnote Affiliations) (a)	Statistical Classification (b)	TRANSFER OF ENERGY: Magawatt-hours Received (c)	TRANSFER OF ENERGY: Magawatt-hours Delivered (d)	EXPENSES FOR TRANSMISSION OF ELECTRICITY BY OTHERS: Demand Charges ($) (e)	Energy Charges ($) (f)	Other Charges ($) (g)	Total Cost of Transmission ($) (h)
1	Midwest ISO	FNS	15,715	15,715		7,155	4,027	11,182
2	Midwest ISO	NF	7,601	7,601		136,350	5,038	-131,312
3	Midwest ISO	AD				80,117	429	80,546
4	Kentucky Utilities Co	SFP	147,894	147,894	143,521		22,860	166,381
5	Kentucky Utilities Co	NF	344,931	344,931		701,362	106,960	808,322
6	Kentucky Utilities Co	OS	1,345,683	1,345,683	62,313	61,718	19,372	143,403
7	Kentucky Utilities Co	AD			976,708	1,410,731	306,721	2,694,160
8	PJM Interconnect	NF	745	745		305	6,122	6,427
9	Tennessee Valley Auth	NF	2,970	2,970		1,260		1,260
10	Tennessee Valley Auth	AD				10,933		10,933
11								
12								
13								
14								
15								
16								
	TOTAL		1,865,539	1,865,539	1,182,542	2,137,231	471,529	3,791,302

Name of Respondent	This Report is:	Date of Report	Year/Period of Report
Louisville Gas and Electric Company	(1) X An Original (2) _ A Resubmission	(Mo, Da, Yr) / /	2007/Q4

FOOTNOTE DATA

Schedule Page: 332 Line No.: 1 Column: g

Consists of Schedule 1, Schedule 2, Schedule 26 and pass through charges.

Schedule Page: 332 Line No.: 2 Column: f

Includes amounts per FERC Order ER05-273.

Schedule Page: 332 Line No.: 2 Column: g

Consists of Schedule 1, Schedule 2, Schedule 26 and pass through charges.

Schedule Page: 332 Line No.: 3 Column: c

Starting in the third quarter of 2007 there was a change in the methodology of the allocation between Louisville Gas and Electric Company and Kentucky Utilities Company (Louisville Gas and Electric Company and Kentucky Utilities Company are both owned by E.ON U.S. LLC.) and the three expense categories. This change was made retroactive to January 1, 2007 through a year-to-date reclass recorded in the third quarter.

Schedule Page: 332 Line No.: 3 Column: d

Starting in the third quarter of 2007 there was a change in the methodology of the allocation between Louisville Gas and Electric Company and Kentucky Utilities Company (Louisville Gas and Electric Company and Kentucky Utilities Company are both owned by E.ON U.S. LLC.) and the three expense categories. This change was made retroactive to January 1, 2007 through a year-to-date reclass recorded in the third quarter.

Schedule Page: 332 Line No.: 3 Column: f

Starting in the third quarter of 2007 there was a change in the methodology of the allocation between Louisville Gas and Electric Company and Kentucky Utilities Company (Louisville Gas and Electric Company and Kentucky Utilities Company are both owned by E.ON U.S. LLC.) and the three expense categories. This change was made retroactive to January 1, 2007 through a year-to-date reclass recorded in the third quarter.

Schedule Page: 332 Line No.: 3 Column: g

Consists of Schedule 1, Schedule 2, Schedule 26 and pass through charges.

Schedule Page: 332 Line No.: 4 Column: a

Louisville Gas & Electric Company and Kentucky Utilities Company are both owned by E.ON U.S. LLC.

Schedule Page: 332 Line No.: 4 Column: g

Consists of Schedule 1 and Schedule 2 Charges.

Schedule Page: 332 Line No.: 5 Column: a

Louisville Gas & Electric Company and Kentucky Utilities Company are both owned by E.ON U.S. LLC.

Schedule Page: 332 Line No.: 5 Column: g

Consists of Schedule 1 and Schedule 2 Charges.

Schedule Page: 332 Line No.: 6 Column: a

Louisville Gas & Electric Company and Kentucky Utilities Company are both owned by E.ON U.S. LLC.

Schedule Page: 332 Line No.: 6 Column: g

Consists of Schedule 1 and Schedule 2 charges.

Schedule Page: 332 Line No.: 7 Column: a

Louisville Gas & Electric Company and Kentucky Utilities Company are both owned by E.ON U.S. LLC.

Schedule Page: 332 Line No.: 7 Column: c

Starting in the third quarter of 2007 there was a change in the methodology of the allocation between Louisville Gas and Electric Company and Kentucky Utilities Company (Louisville Gas and Electric Company and Kentucky Utilities Company are both owned by E.ON U.S. LLC.) and the three expense categories. This change was made retroactive to January 1, 2007 through a year-to-date reclass recorded in the third quarter.

Schedule Page: 332 Line No.: 7 Column: d

Starting in the third quarter of 2007 there was a change in the methodology of the allocation between Louisville Gas and Electric Company and Kentucky Utilities Company (Louisville Gas and Electric Company and Kentucky Utilities Company are both owned by E.ON U.S. LLC.) and the three expense categories. This change was made retroactive to January

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1, 2007 through a year-to-date reclass recorded in the third quarter.

Schedule Page: 332 Line No.: 7 Column: e

Starting in the third quarter of 2007 there was a change in the methodology of the allocation between Louisville Gas and Electric Company and Kentucky Utilities Company (Louisville Gas and Electric Company and Kentucky Utilities Company are both owned by E.ON U.S. LLC.) and the three expense categories. This change was made retroactive to January 1, 2007 through a year-to-date reclass recorded in the third quarter.

Schedule Page: 332 Line No.: 7 Column: f

Starting in the third quarter of 2007 there was a change in the methodology of the allocation between Louisville Gas and Electric Company and Kentucky Utilities Company (Louisville Gas and Electric Company and Kentucky Utilities Company are both owned by E.ON U.S. LLC.) and the three expense categories. This change was made retroactive to January 1, 2007 through a year-to-date reclass recorded in the third quarter.

Schedule Page: 332 Line No.: 7 Column: g

Consists of Schedule 1 and Schedule 2 charges.

Starting in the third quarter of 2007 there was a change in the methodology of the allocation between Louisville Gas and Electric Company and Kentucky Utilities Company (Louisville Gas and Electric Company and Kentucky Utilities Company are both owned by E.ON U.S. LLC.) and the three expense categories. This change was made retroactive to January 1, 2007 through a year-to-date reclass recorded in the third quarter.

Schedule Page: 332 Line No.: 8 Column: f

Included in PJM non-firm point to point transmission service is a non-energy related charge of $69 that is considered "other" transmission expense. "Non-firm energy charges" includes amounts that were recorded as a non-firm transmission energy purchase instead of "other" in the general ledger accounts.

Schedule Page: 332 Line No.: 8 Column: g

Consists of Schedule 1, Schedule 2, Schedule 6A, Balance Operating Reserve and Synchronous Condensing Reserve.

Schedule Page: 332 Line No.: 10 Column: c

Starting in the third quarter of 2007 there was a change in the methodology of the allocation between Louisville Gas and Electric Company and Kentucky Utilities Company (Louisville Gas and Electric Company and Kentucky Utilities Company are both owned by E.ON U.S. LLC.) and the three expense categories. This change was made retroactive to January 1, 2007 through a year-to-date reclass recorded in the third quarter.

Schedule Page: 332 Line No.: 10 Column: d

Starting in the third quarter of 2007 there was a change in the methodology of the allocation between Louisville Gas and Electric Company and Kentucky Utilities Company (Louisville Gas and Electric Company and Kentucky Utilities Company are both owned by E.ON U.S. LLC.) and the three expense categories. This change was made retroactive to January 1, 2007 through a year-to-date reclass recorded in the third quarter.

Schedule Page: 332 Line No.: 10 Column: f

Starting in the third quarter of 2007 there was a change in the methodology of the allocation between Louisville Gas and Electric Company and Kentucky Utilities Company (Louisville Gas and Electric Company and Kentucky Utilities Company are both owned by E.ON U.S. LLC.) and the three expense categories. This change was made retroactive to January 1, 2007 through a year-to-date reclass recorded in the third quarter.

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Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo. Da, Yr) / /	Year/Period of Report End of 2007/Q4

MISCELLANEOUS GENERAL EXPENSES (Account 930.2) (ELECTRIC)

Line No.	Description (a)	Amount (b)
1	Industry Association Dues	250,379
2	Nuclear Power Research Expenses	
3	Other Experimental and General Research Expenses	542,359
4	Pub & Dist Info to Stkhldrs...expn servicing outstanding Securities	
5	Oth Expn >=5,000 show purpose, recipient, amount. Group if < $5,000	
6	Louisvile Metro Air Pollution Control District	47,101
7	Title Searches	8,403
8	Late Payment of Withholding Tax	5,307
9	Miscellaneous Debits and Credits	52,021
10		
11		
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46	TOTAL	905,570

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

DEPRECIATION AND AMORTIZATION OF ELECTRIC PLANT (Account 403, 404, 405)
(Except amortization of aquisition adjustments)

1. Report in section A for the year the amounts for : (b) Depreciation Expense (Account 403; (c) Depreciation Expense for Asset Retirement Costs (Account 403.1; (d) Amortization of Limited-Term Electric Plant (Account 404); and (e) Amortization of Other Electric Plant (Account 405).
2. Report in Section 8 the rates used to compute amortization charges for electric plant (Accounts 404 and 405). State the basis used to compute charges and whether any changes have been made in the basis or rates used from the preceding report year.
3. Report all available information called for in Section C every fifth year beginning with report year 1971, reporting annually only changes to columns (c) through (g) from the complete report of the preceding year.
Unless composite depreciation accounting for total depreciable plant is followed, list numerically in column (a) each plant subaccount, account or functional classification, as appropriate, to which a rate is applied. Identify at the bottom of Section C the type of plant included in any sub-account used.
In column (b) report all depreciable plant balances to which rates are applied showing subtotals by functional Classifications and showing composite total. Indicate at the bottom of section C the manner in which column balances are obtained. If average balances, state the method of averaging used.
For columns (c), (d), and (e) report available information for each plant subaccount, account or functional classification Listed in column (a). If plant mortality studies are prepared to assist in estimating average service Lives, show in column (f) the type mortality curve selected as most appropriate for the account and in column (g), if available, the weighted average remaining life of surviving plant. If composite depreciation accounting is used, report available information called for in columns (b) through (g) on this basis.
4 If provisions for depreciation were made during the year in addition to depreciation provided by application of reported rates, state at the bottom of section C the amounts and nature of the provisions and the plant items to which related.

A. Summary of Depreciation and Amortization Charges

Line No.	Functional Classification (a)	Depreciation Expense (Account 403) (b)	Depreciation Expense for Asset Retirement Costs (Account 403.1) (c)	Amortization of Limited Term Electric Plant (Account 404) (d)	Amortization of Other Electric Plant (Acc 405) (e)	Total (f)
1	Intangible Plant					
2	Steam Production Plant	57,306,584	130,464			57,437,048
3	Nuclear Production Plant					
4	Hydraulic Production Plant-Conventional	633,117	989			634,106
5	Hydraulic Production Plant-Pumped Storage					
6	Other Production Plant	7,421,913	6,732			7,428,645
7	Transmission Plant	5,932,908	171			5,933,079
8	Distribution Plant	25,304,139	366			25,304,505
9	Regional Transmission and Market Operation					
10	General Plant	162,405				162,405
11	Common Plant-Electric	5,537,937	26	4,587,972		10,125,935
12	TOTAL	102,299,003	138,748	4,587,972		107,025,723

B. Basis for Amortization Charges

Account	Rate	Plant Balance at 12/31/2007	Amortization
130200	Fully Amortized	100	-
330200	Fully Amortized	3,108	-
330300	20%	20,892,598	4,587,972

Name of Respondent	This Report Is:	Date of Report (Mo. Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

DEPRECIATION AND AMORTIZATION OF ELECTRIC PLANT (Continued)

C. Factors Used in Estimating Depreciation Charges

Line No.	Account No. (a)	Depreciable Plant Base (In Thousands) (b)	Estimated Avg. Service Life (c)	Net Salvage (Percent) (d)	Applied Depr. rates (Percent) (e)	Mortality Curve Type (f)	Average Remaining Life (g)
12							
13							
14							
15							
16							
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18							
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

REGULATORY COMMISSION EXPENSES

1. Report particulars (details) of regulatory commission expenses incurred during the current year (or incurred in previous years, if being amortized) relating to format cases before a regulatory body, or cases in which such a body was a party.
2. Report in columns (b) and (c), only the current year's expenses that are not deferred and the current year's amortization of amounts deferred in previous years.

Line No.	Description (Furnish name of regulatory commission or body the docket or case number and a description of the case) (a)	Assessed by Regulatory Commission (b)	Expenses of Utility (c)	Total Expense for Current Year (b) + (c) (d)	Deferred in Account 182.3 at Beginning of Year (e)
1	Federal Energy Regulatory Commission				
2	Annual Charge	545,027		545,027	
3	Administrative Charge, Project #289	162,159		162,159	
4					
5	Public Service Commission of Kentucky				
6	2003 Rate Case - Electric		111,478	111,478	
7	2003 Rate Case - Gas		78,843	78,843	
8	2003 ESM Audit		31,959	31,959	
9					
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45					
46	TOTAL	707,186	222,280	929,466	

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

REGULATORY COMMISSION EXPENSES (Continued)

3. Show in column (k) any expenses incurred in prior years which are being amortized. List in column (a) the period of amortization.
4. List in column (f), (g), and (h) expenses incurred during year which were charged currently to income, plant, or other accounts.
5. Minor items (less than $25,000) may be grouped.

EXPENSES INCURRED DURING YEAR				AMORTIZED DURING YEAR			
CURRENTLY CHARGED TO							
Department (f)	Account No. (g)	Amount (h)	Deferred to Account 182 3 (i)	Contra Account (j)	Amount (k)	Deferred in Account 182.3 End of Year (l)	Line No.
							1
Electric	928	545,027					2
Electric	928	162,159					3
							4
							5
Electric	928	111,478					6
Gas	928	78,843					7
Electric	928	31,959					8
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		929,466					46

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

RESEARCH, DEVELOPMENT, AND DEMONSTRATION ACTIVITIES

1. Describe and show below costs incurred and accounts charged during the year for technological research, development, and demonstration (R, D & D) project initiated, continued or concluded during the year. Report also support given to others during the year for jointly-sponsored projects.(Identify recipient regardless of affiliation.) For any R, D & D work carried with others, show separately the respondent's cost for the year and cost chargeable to others (See definition of research, development, and demonstration in Uniform System of Accounts).
2. Indicate in column (a) the applicable classification, as shown below:

Classifications:

A. *Electric R, D & D Performed Internally:*
- (1) Generation
  - a. hydroelectric
    - i. Recreation fish and wildlife
    - ii Other hydroelectric
  - b. Fossil-fuel steam
  - c. Internal combustion or gas turbine
  - d. Nuclear
  - e Unconventional generation
  - f. Siting and heat rejection
- (2) Transmission
  - a. Overhead
  - b. Underground
- (3) Distribution
- (4) Regional Transmission and Market Operation
- (5) Environment (other than equipment)
- (6) Other (Classify and include items in excess of $5,000.)
- (7) Total Cost Incurred

B. Electric, R, D & D Performed Externally:
- (1) Research Support to the electrical Research Council or the Electric Power Research Institute

Line No.	Classification (a)	Description (b)
1	EPRI B(1)	2007 Participation
2	Schmidt Consulting B(4)	E.ON Surveys, Market Research and Studies
3	Edison Electric Institute B(2)	Year 2007 Utility Air Regulatory Group fees
4	JD Power and Associates B(4)	JDP Residential Electric Study of Oversample Charges
5	Apogee Interactive B(4)	Software Subscription
6	Guideline B(4)	Research Services
7	Management Consulting B(4)	SME Study Analysis
8	Chartwell Inc B(4)	Chartwell Research Services
9	Other	Various
10	Total Cost	
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Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2007/Q4

RESEARCH, DEVELOPMENT, AND DEMONSTRATION ACTIVITIES (Continued)

(2) Research Support to Edison Electric Institute
(3) Research Support to Nuclear Power Groups
(4) Research Support to Others (Classify)
(5) Total Cost Incurred

3. Include in column (c) all R, D & D items performed internally and in column (d) those items performed outside the company costing $5,000 or more, briefly describing the specific area of R, D & D (such as safety, corrosion control, pollution, automation, measurement, insulation, type of appliance, etc). Group items under $5,000 by classifications and indicate the number of items grouped. Under Other, (A (6) and B (4)) classify items by type of R, D & D activity.

4. Show in column (e) the account number charged with expenses during the year or the account to which amounts were capitalized during the year, listing Account 107, Construction Work in Progress, first. Show in column (f) the amounts related to the account charged in column (e)

5. Show in column (g) the total unamortized accumulating of costs of projects. This total must equal the balance in Account 188, Research, Development, and Demonstration Expenditures, Outstanding at the end of the year.

6. If costs have not been segregated for R, D &D activities or projects, submit estimates for columns (c), (d), and (f) with such amounts identified by "Est."

7. Report separately research and related testing facilities operated by the respondent.

Costs Incurred Internally Current Year (c)	Costs Incurred Externally Current Year (d)	AMOUNTS CHARGED IN CURRENT YEAR Account (e)	AMOUNTS CHARGED IN CURRENT YEAR Amount (f)	Unamortized Accumulation (g)	Line No.
	401,835	930	401,835		1
	101,100	930	101,100		2
	60,778	921	60,778		3
	40,500	930	40,500		4
	16,750	930	16,750		5
	9,600	930	9,600		6
	8,295	930	8,295		7
	5,248	930	5,248		8
	7,181	930	7,181		9
	651,287		651,287		10
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

DISTRIBUTION OF SALARIES AND WAGES

Report below the distribution of total salaries and wages for the year. Segregate amounts originally charged to clearing accounts to Utility Departments, Construction, Plant Removals, and Other Accounts, and enter such amounts in the appropriate lines and columns provided. In determining this segregation of salaries and wages originally charged to clearing accounts, a method of approximation giving substantially correct results may be used.

Line No.	Classification (a)	Direct Payroll Distribution (b)	Allocation of Payroll charged for Clearing Accounts (c)	Total (d)
1	Electric			
2	Operation			
3	Production	18,110,267		
4	Transmission	604,652		
5	Regional Market			
6	Distribution	4,667,591		
7	Customer Accounts	960,068		
8	Customer Service and Informational	1,989		
9	Sales			
10	Administrative and General	690		
11	TOTAL Operation (Enter Total of lines 3 thru 10)	24,345,257		
12	Maintenance			
13	Production	8,802,430		
14	Transmission	155,580		
15	Regional Market			
16	Distribution	2,122,867		
17	Administrative and General	216,009		
18	TOTAL Maintenance (Total of lines 13 thru 17)	11,296,886		
19	Total Operation and Maintenance			
20	Production (Enter Total of lines 3 and 13)	26,912,697		
21	Transmission (Enter Total of lines 4 and 14)	760,232		
22	Regional Market (Enter Total of Lines 5 and 15)			
23	Distribution (Enter Total of lines 6 and 16)	6,790,458		
24	Customer Accounts (Transcribe from line 7)	960,068		
25	Customer Service and Informational (Transcribe from line 8)	1,989		
26	Sales (Transcribe from line 9)			
27	Administrative and General (Enter Total of lines 10 and 17)	216,699		
28	TOTAL Oper. and Maint. (Total of lines 20 thru 27)	35,642,143	7,750,557	43,392,700
29	Gas			
30	Operation			
31	Production-Manufactured Gas			
32	Production-Nat. Gas (Including Expl. and Dev.)			
33	Other Gas Supply	472,712		
34	Storage, LNG Terminaling and Processing	1,441,329		
35	Transmission	394,425		
36	Distribution	2,203,202		
37	Customer Accounts	771,056		
38	Customer Service and Informational	243		
39	Sales			
40	Administrative and General	67,923		
41	TOTAL Operation (Enter Total of lines 31 thru 40)	5,350,890		
42	Maintenance			
43	Production-Manufactured Gas			
44	Production-Natural Gas (Including Exploration and Development)			
45	Other Gas Supply			
46	Storage, LNG Terminaling and Processing	1,049,752		
47	Transmission	105,553		

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

DISTRIBUTION OF SALARIES AND WAGES (Continued)

Line No.	Classification (a)	Direct Payroll Distribution (b)	Allocation of Payroll charged for Clearing Accounts (c)	Total (d)
48	Distribution	3,405,681		
49	Administrative and General	70,037		
50	TOTAL Maint. (Enter Total of lines 43 thru 49)	4,631,023		
51	Total Operation and Maintenance			
52	Production-Manufactured Gas (Enter Total of lines 31 and 43)			
53	Production-Natural Gas (Including Expl. and Dev.) (Total lines 32,			
54	Other Gas Supply (Enter Total of lines 33 and 45)	472,712		
55	Storage, LNG Terminaling and Processing (Total of lines 31 thru	2,491,081		
56	Transmission (Lines 35 and 47)	499,978		
57	Distribution (Lines 36 and 48)	5,608,883		
58	Customer Accounts (Line 37)	771,056		
59	Customer Service and Informational (Line 38)	243		
60	Sales (Line 39)			
61	Administrative and General (Lines 40 and 49)	137,960		
62	TOTAL Operation and Maint. (Total of lines 52 thru 61)	9,981,913	2,222,878	12,204,791
63	Other Utility Departments			
64	Operation and Maintenance			
65	TOTAL All Utility Dept. (Total of lines 28, 62, and 64)	45,624,056	9,973,435	55,597,491
66	Utility Plant			
67	Construction (By Utility Departments)			
68	Electric Plant	4,188,069	4,069,555	8,257,624
69	Gas Plant	2,534,115	2,174,886	4,709,001
70	Other (provide details in footnote):	99,015	24,403	123,418
71	TOTAL Construction (Total of lines 68 thru 70)	6,821,199	6,268,844	13,090,043
72	Plant Removal (By Utility Departments)			
73	Electric Plant	511,224	297,579	808,803
74	Gas Plant	183,234	74,657	257,891
75	Other (provide details in footnote):	287	39	326
76	TOTAL Plant Removal (Total of lines 73 thru 75)	694,745	372,275	1,067,020
77	Other Accounts (Specify, provide details in footnote):			
78	Accounts Receivable (work for others)	1,262,228	279,471	1,541,699
79	Certain Civic, Political and Related Activities and Other	186,424	38,660	225,084
80	Accounts Receivable (Non-jurisdictional - Trimble County)	1,556,419	144,187	1,700,606
81				
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95	TOTAL Other Accounts	3,005,071	462,318	3,467,389
96	TOTAL SALARIES AND WAGES	56,145,071	17,076,872	73,221,943

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) X An Original (2) _ A Resubmission	/ /	2007/Q4

FOOTNOTE DATA

Schedule Page: 354 Line No.: 70 Column: b

Common Utility Plant

Schedule Page: 354 Line No.: 75 Column: b

Common Utility Plant

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2007/Q4

COMMON UTILITY PLANT AND EXPENSES

1. Describe the property carried in the utility's accounts as common utility plant and show the book cost of such plant at end of year classified by accounts as provided by Plant Instruction 13, Common Utility Plant, of the Uniform System of Accounts. Also show the allocation of such plant costs to the respective departments using the common utility plant and explain the basis of allocation used, giving the allocation factors.
2. Furnish the accumulated provisions for depreciation and amortization at end of year, showing the amounts and classifications of such accumulated provisions, and amounts allocated to utility departments using the Common utility plant to which such accumulated provisions relate, including explanation of basis of allocation and factors used.
3. Give for the year the expenses of operation, maintenance, rents, depreciation, and amortization for common utility plant classified by accounts as provided by the Uniform System of Accounts. Show the allocation of such expenses to the departments using the common utility plant to which such expenses are related. Explain the basis of allocation used and give the factors of allocation.
4. Give date of approval by the Commission for use of the common utility plant classification and reference to order of the Commission or other authorization

(1) See attached sheet, page 356.1.

(2) See attached sheet, page 356.1.

(3) Depreciation - Electric $5,537,963; Gas $1,952,047. Amortization - Electric $4,587,972; Gas $1,611,990.

Common Utility expense accounts are not maintained, but such expenses are allocated to Electric and Gas Departments as follows:

Customer Accounts Expenses (excluding for uncollectable accounts).

Allocated between departments based on average number of customers served by each department for the year ending December 31, 2006.

Customer Service and Informational Expenses.

Allocated between departments based on gross revenues from ultimate consumers by departments for the twelve month period.

Administrative and General Expenses

The administrative and general expenses are allocated on the basis of total direct costs.

(4) The property original cost studies made pursuant to the Uniform System of Accounts included a separate classification for Common Utility Plant. Orders were issued in connection with such studies by Public Service Commission of Kentucky on September 16, 1941, and January 5, 1945, and the Federal Power Commission on December 15, 1944.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

COMMON UTILITY PLANT AND EXPENSES

1. Describe the property carried in the utility's accounts as common utility plant and show the book cost of such plant at end of year classified by accounts as provided by Plant Instruction 13, Common Utility Plant, of the Uniform System of Accounts. Also show the allocation of such plant costs to the respective departments using the common utility plant and explain the basis of allocation used, giving the allocation factors.
2. Furnish the accumulated provisions for depreciation and amortization at end of year, showing the amounts and classifications of such accumulated provisions, and amounts allocated to utility departments using the Common utility plant to which such accumulated provisions relate, including explanation of basis of allocation and factors used.
3. Give for the year the expenses of operation, maintenance, rents, depreciation, and amortization for common utility plant classified by accounts as provided by the Uniform System of Accounts. Show the allocation of such expenses to the departments using the common utility plant to which such expenses are related. Explain the basis of allocation used and give the factors of allocation.
4. Give date of approval by the Commission for use of the common utility plant classification and reference to order of the Commission or other authorization.

Common Utility Plant (1)
Allocation to Utility Department (2)

	Electric 74%	Gas 26%	Balance End of Year
Account 101			
Intangible Plant			
301 Organization			$ 83,782
302 Franchises and Consents			4,200
303 Miscellaneous Intangible Plant			28,233,241
Total Intangible Plant			$ 28,321,223
General Plant			
389 Land and Land rights			$ 1,894,039
390 Structures and Improvements			61,647,731
391 Office Furniture and Equipment			38,704,215
392 Transportation Equipment			147,883
393 Stores Equipment			1,208,453
394 Tools, Shop and Garage Equipment			3,636,099
395 Laboratory Equipment			22,282
396 Power Operated Equipment			272,462
397 Communication Equipment			41,379,624
398 Miscellaneous Equipment			594,390
399 ARO Common Plant			3,735
Total Common Plant			$ 149,510,913
Total Accounts 101			$ 177,832,136
Account 107			28,559,694
Total Common Utility Plant	$152,729,954	$53,661,876	$ 206,391,830
Accumulated Provision for Depreciation of Common Utility Plant			
Balance at end of year	$59,215,570	$20,805,471	$ 80,021,041

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

COMMON UTILITY PLANT AND EXPENSES

1. Describe the property carried in the utility's accounts as common utility plant and show the book cost of such plant at end of year classified by accounts as provided by Plant Instruction 13, Common Utility Plant, of the Uniform System of Accounts. Also show the allocation of such plant costs to the respective departments using the common utility plant and explain the basis of allocation used, giving the allocation factors.
2. Furnish the accumulated provisions for depreciation and amortization at end of year, showing the amounts and classifications of such accumulated provisions, and amounts allocated to utility departments using the Common utility plant to which such accumulated provisions relate, including explanation of basis of allocation and factors used.
3. Give for the year the expenses of operation, maintenance, rents, depreciation, and amortization for common utility plant classified by accounts as provided by the Uniform System of Accounts. Show the allocation of such expenses to the departments using the common utility plant to which such expenses are related. Explain the basis of allocation used and give the factors of allocation.
4. Give date of approval by the Commission for use of the common utility plant classification and reference to order of the Commission or other authorization.

(1) Common plant consists of land, structures and equipment of a general nature used by all departments not specifically assignable to one department, and includes offices, storerooms, communication, transportation, and work equipment, etc.

(2) Based on estimated usage by departments

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2007/Q4

AMOUNTS INCLUDED IN ISO/RTO SETTLEMENT STATEMENTS

1. The respondent shall report below the details called for concerning amounts it recorded in Account 555, Purchase Power, and Account 447, Sales for Resale, for items shown on ISO/RTO Settlement Statements. Transactions should be separately netted for each ISO/RTO administered energy market for purposes of determining whether an entity is a net seller or purchaser in a given hour. Net megawatt hours are to be used as the basis for determining whether a net purchase or sale has occurred. In each monthly reporting period, the hourly sale and purchase net amounts are to be aggregated and separately reported in Account 447, Sales for Resale, or Account 555, Purchased Power, respectively

Line No.	Description of Item(s) (a)	Balance at End of Quarter 1 (b)	Balance at End of Quarter 2 (c)	Balance at End of Quarter 3 (d)	Balance at End of Year (e)
1	Energy				
2	Net Purchases (Account 555)	106,781	251,132	728,638	1,137,064
3	Net Sales (Account 447)	11,669,505	12,948,372	13,849,500	22,983,424
4	Transmission Rights				
5	Ancillary Services				
6	Other Items (list separately)				
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46	TOTAL	11,776,286	13,199,504	14,578,138	24,120,488

Schedule Page: 397 Line No.: 2 Column: b

The amount reflects transactions recorded in accordance with Louisville Gas and Electric Company's Power Supply System Agreement with Kentucky Utilities Company, as approved by the Kentucky Public Service Commission in October 1997, in which purchases and sales are calculated based on joint dispatch of the Companies' units. Such calculations do not distinguish between purchases and sales made in the Day Ahead and Real Time markets. Absent such a Power Supply System Agreement, the purchase amount recorded in accordance with FERC Order No. 668-A would have been $136,558.

Schedule Page: 397 Line No.: 2 Column: c

The amount reflects transactions recorded in accordance with Louisville Gas and Electric Company's Power Supply System Agreement with Kentucky Utilities Company, as approved by the Kentucky Public Service Commission in October 1997, in which purchases and sales are calculated based on joint dispatch of the Companies' units. Such calculations do not distinguish between purchases and sales made in the Day Ahead and Real Time markets. Absent such a Power Supply System Agreement, the purchase amount recorded in accordance with FERC Order No. 668-A would have been $274,868.

Schedule Page: 397 Line No.: 2 Column: d

The amount reflects transactions recorded in accordance with Louisville Gas and Electric Company's Power Supply System Agreement with Kentucky Utilities Company, as approved by the Kentucky Public Service Commission in October 1997, in which purchases and sales are calculated based on joint dispatch of the Companies' units Such calculations do not distinguish between purchases and sales made in the Day Ahead and Real Time markets. Absent such a Power Supply System Agreement, the purchase amount recorded in accordance with FERC Order No. 668-A would have been $751,540.

Schedule Page: 397 Line No.: 2 Column: e

The amount reflects transactions recorded in accordance with Louisville Gas and Electric Company's Power Supply System Agreement with Kentucky Utilities Company, as approved by the Kentucky Public Service Commission in October 1997, in which purchases and sales are calculated based on joint dispatch of the Companies' units. Such calculations do not distinguish between purchases and sales made in the Day Ahead and Real Time markets. Absent such a Power Supply System Agreement, the purchase amount recorded in accordance with FERC Order No. 668-A would have been $1,156,975.

Schedule Page: 397 Line No.: 3 Column: b

The amount reflects transactions recorded in accordance with Louisville Gas and Electric Company's Power Supply System Agreement with Kentucky Utilities Company, as approved by the Kentucky Public Service Commission in October 1997, in which purchases and sales are calculated based on joint dispatch of the Companies' units. Such calculations do not distinguish between purchases and sales made in the Day Ahead and Real Time markets. Absent such a Power Supply System Agreement, the sale amount recorded in accordance with FERC Order No. 668-A would have been $11,696,092.

Schedule Page: 397 Line No.: 3 Column: c

The amount reflects transactions recorded in accordance with Louisville Gas and Electric Company's Power Supply System Agreement with Kentucky Utilities Company, as approved by the Kentucky Public Service Commission in October 1997, in which purchases and sales are calculated based on joint dispatch of the Companies' units. Such calculations do not distinguish between purchases and sales made in the Day Ahead and Real Time markets. Absent such a Power Supply System Agreement, the sale amount recorded in accordance with FERC Order No. 668-A would have been $12,938,282.

Schedule Page: 397 Line No.: 3 Column: d

The amount reflects transactions recorded in accordance with Louisville Gas and Electric Company's Power Supply System Agreement with Kentucky Utilities Company, as approved by the Kentucky Public Service Commission in October 1997, in which purchases and sales are calculated based on joint dispatch of the Companies' units. Such calculations do not distinguish between purchases and sales made in the Day Ahead and Real Time markets. Absent such a Power Supply System Agreement, the sale amount recorded in accordance with FERC Order No. 668-A would have been $13,835,255.

Schedule Page: 397 Line No.: 3 Column: e

The amount reflects transactions recorded in accordance with Louisville Gas and Electric Company's Power Supply System Agreement with Kentucky Utilities Company, as approved by the Kentucky Public Service Commission in October 1997, in which purchases and sales are calculated based on joint dispatch of the Companies' units. Such calculations do

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not distinguish between purchases and sales made in the Day Ahead and Real Time markets. Absent such a Power Supply System Agreement, the sale amount recorded in accordance with FERC Order No. 668-A would have been $22,952,618.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

PURCHASES AND SALES OF ANCILLARY SERVICES

Report the amounts for each type of ancillary service shown in column (a) for the year as specified in Order No. 888 and defined in the respondents Open Access Transmission Tariff.

In columns for usage, report usage-related billing determinant and the unit of measure

(1) On line 1 columns (b), (c), (d), (e), (f) and (g) report the amount of ancillary services purchased and sold during the year.

(2) On line 2 columns (b) (c), (d), (e), (f), and (g) report the amount of reactive supply and voltage control services purchased and sold during the year.

(3) On line 3 columns (b) (c), (d), (e), (f), and (g) report the amount of regulation and frequency response services purchased and sold during the year.

(4) On line 4 columns (b), (c), (d), (e), (f), and (g) report the amount of energy imbalance services purchased and sold during the year.

(5) On lines 5 and 6, columns (b), (c), (d), (e), (f), and (g) report the amount of operating reserve spinning and supplement services purchased and sold during the period.

(6) On line 7 columns (b), (c), (d), (e), (f), and (g) report the total amount of all other types ancillary services purchased or sold during the year. Include in a footnote and specify the amount for each type of other ancillary service provided.

		Amount Purchased for the Year			Amount Sold for the Year		
		Usage - Related Billing Determinant			Usage - Related Billing Determinant		
Line No.	Type of Ancillary Service (a)	Number of Units (b)	Unit of Measure (c)	Dollars (d)	Number of Units (e)	Unit of Measure (f)	Dollars (g)
1	Scheduling, System Control and Dispatch	1,859,891	MWH	25,937	1,273,407	MWH	32,599
2	Reactive Supply and Voltage	1,859,891	MWH	442,296	1,273,407	MWH	628,123
3	Regulation and Frequency Response						
4	Energy Imbalance						
5	Operating Reserve - Spinning						
6	Operating Reserve - Supplement						
7	Other			145			
8	Total (Lines 1 thru 7)	3,719,782		468,378	2,546,814		660,722

Name of Respondent Louisville Gas and Electric Company	This Report is: (1) X An Original (2) __ A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2007/Q4

FOOTNOTE DATA

Schedule Page: 398 Line No.: 7 Column: b

Amounts are not associated with number of units or a unit of measure.

Schedule Page: 398 Line No.: 7 Column: d

Non-firm Transmission Energy Purchase	$ 69
Black Start Service	76

Total	$ 145

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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

MONTHLY TRANSMISSION SYSTEM PEAK LOAD

(1) Report the monthly peak load on the respondent's transmission system. If the respondent has two or more power systems which are not physically integrated, furnish the required information for each non-integrated system
(2) Report on Column (b) by month the transmission system's peak load.
(3) Report on Columns (c) and (d) the specified information for each monthly transmission - system peak load reported on Column (b).
(4) Report on Columns (e) through (j) by month the system' monthly maximum megawatt load by statistical classifications. See General Instruction for the definition of each statistical classification.

NAME OF SYSTEM:

Line No.	Month (a)	Monthly Peak MW - Total (b)	Day of Monthly Peak (c)	Hour of Monthly Peak (d)	Firm Network Service for Self (e)	Firm Network Service for Others (f)	Long-Term Firm Point-to-point Reservations (g)	Other Long-Term Firm Service (h)	Short-Term Firm Point-to-point Reservation (i)	Other Service (j)
1	January	2,080	31	800	1,792	60	165		63	
2	February	2,142	5	800	1,882	63	165		32	
3	March	1,843	6	800	1,596	50	165		32	
4	Total for Quarter 1	6,065			5,270	173	495		127	
5	April	2,184	30	1800	1,940	47	165		32	
6	May	2,591	30	1600	2,339	55	165		32	
7	June	2,711	27	1600	2,458	56	165		32	
8	Total for Quarter 2	7,486			6,737	158	495		96	
9	July	2,810	19	1500	2,549	64	165		32	
10	August	3,067	9	1600	2,799	71	165		32	
11	September	2,771	4	1700	2,542	67	130		32	
12	Total for Quarter 3	8,648			7,890	202	460		96	
13	October	2,570	8	1600	2,339	61	138		32	
14	November	1,800	30	800	1,584	46	138		32	
15	December	1,883	17	800	1,698	47	138			
16	Total for Quarter 4	6,253			5,621	154	414		64	
17	Total Year to Date/Year	28,452			25,518	687	1,864		383	

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) X An Original (2) _ A Resubmission	/ /	2007/Q4

FOOTNOTE DATA

Schedule Page: 400 Line No.: 1 Column: b

1,853 was previously reported, which excluded short-term reservations and other service. Such amounts were added based on the January 18, 2008 NOPR (Docket RM08-5-000) which provided clarity that this data should allow for the calculation of rates. Also, amounts previously reported for long-term reservations have been adjusted. Please see footnotes in column (g).

Schedule Page: 400 Line No.: 1 Column: f

61 was previously reported, based on generation data available at the time to calculate load.

Schedule Page: 400 Line No.: 1 Column: g

130 was previously reported, which represented only reservations for Indiana Municipal Power Agency (IMPA) of 67 MW and for Illinois Municipal Electric Agency (IMEA) of 63 MW.

Schedule Page: 400 Line No.: 1 Column: i

Zero was previously reported. Amount added based on the January 18, 2008 NOPR (Docket RM08-5-000) which provided clarity that this data should allow for the calculation of rates.

Schedule Page: 400 Line No.: 2 Column: b

1,945 was previously reported, which excluded short-term reservations and other service. Such amounts were added based on the January 18, 2008 NOPR (Docket RM08-5-000) which provided clarity that this data should allow for the calculation of rates. Also, amounts previously reported for long-term reservations have been adjusted. Please see footnotes in column (g).

Schedule Page: 400 Line No.: 2 Column: g

130 was previously reported, which represented only reservations for Indiana Municipal Power Agency (IMPA) of 67 MW and for Illinois Municipal Electric Agency (IMEA) of 63 MW.

Schedule Page: 400 Line No.: 2 Column: i

Zero was previously reported. Amount added based on the January 18, 2008 NOPR (Docket RM08-5-000) which provided clarity that this data should allow for the calculation of rates.

Schedule Page: 400 Line No.: 3 Column: b

1,646 was previously reported, which excluded short-term reservations and other service. Such amounts were added based on the January 18, 2008 NOPR (Docket RM08-5-000) which provided clarity that this data should allow for the calculation of rates. Also, amounts previously reported for long-term reservations have been adjusted. Please see footnotes in column (g).

Schedule Page: 400 Line No.: 3 Column: g

130 was previously reported, which represented only reservations for Indiana Municipal Power Agency (IMPA) of 67 MW and for Illinois Municipal Electric Agency (IMEA) of 63 MW.

Schedule Page: 400 Line No.: 3 Column: i

Zero was previously reported. Amount added based on the January 18, 2008 NOPR (Docket RM08-5-000) which provided clarity that this data should allow for the calculation of rates.

Schedule Page: 400 Line No.: 5 Column: b

1,989 was previously reported, which excluded short-term reservations and other service. Such amounts were added based on the January 18, 2008 NOPR (Docket RM08-5-000) which provided clarity that this data should allow for the calculation of rates. Also, amounts previously reported for long-term reservations have been adjusted. Please see footnotes in column (g).

Schedule Page: 400 Line No.: 5 Column: f

49 was previously reported, based on generation data available at the time to calculate load.

Schedule Page: 400 Line No.: 5 Column: g

130 was previously reported, which represented only reservations for Indiana Municipal Power Agency (IMPA) of 67 MW and for Illinois Municipal Electric Agency (IMEA) of 63 MW.

Schedule Page: 400 Line No.: 5 Column: i

Zero was previously reported. Amount added based on the January 18, 2008 NOPR (Docket

RM08-5-000) which provided clarity that this data should allow for the calculation of rates.

Schedule Page: 400 Line No.: 6 Column: b

2,393 was previously reported, which excluded short-term reservations and other service. Such amounts were added based on the January 18, 2008 NOPR (Docket RM08-5-000) which provided clarity that this data should allow for the calculation of rates. Also, amounts previously reported for long-term reservations have been adjusted. Please see footnotes in column (g).

Schedule Page: 400 Line No.: 6 Column: f

54 was previously reported, based on generation data available at the time to calculate load.

Schedule Page: 400 Line No.: 6 Column: g

130 was previously reported, which represented only reservations for Indiana Municipal Power Agency (IMPA) of 67 MW and for Illinois Municipal Electric Agency (IMEA) of 63 MW.

Schedule Page: 400 Line No.: 6 Column: i

Zero was previously reported. Amount added based on the January 18, 2008 NOPR (Docket RM08-5-000) which provided clarity that this data should allow for the calculation of rates.

Schedule Page: 400 Line No.: 7 Column: b

2,513 was previously reported, which excluded short-term reservations and other service. Such amounts were added based on the January 18, 2008 NOPR (Docket RM08-5-000) which provided clarity that this data should allow for the calculation of rates. Also, amounts previously reported for long-term reservations have been adjusted. Please see footnotes in column (g).

Schedule Page: 400 Line No.: 7 Column: f

55 was previously reported, based on generation data available at the time to calculate load.

Schedule Page: 400 Line No.: 7 Column: g

130 was previously reported, which represented only reservations for Indiana Municipal Power Agency (IMPA) of 67 MW and for Illinois Municipal Electric Agency (IMEA) of 63 MW.

Schedule Page: 400 Line No.: 7 Column: i

Zero was previously reported. Amount added based on the January 18, 2008 NOPR (Docket RM08-5-000) which provided clarity that this data should allow for the calculation of rates.

Schedule Page: 400 Line No.: 9 Column: b

2,613 was previously reported, which excluded short-term reservations and other service. Such amounts were added based on the January 18, 2008 NOPR (Docket RM08-5-000) which provided clarity that this data should allow for the calculation of rates. Also, amounts previously reported for long-term reservations have been adjusted. Please see footnotes in column (g).

Schedule Page: 400 Line No.: 9 Column: g

130 was previously reported, which represented only reservations for Indiana Municipal Power Agency (IMPA) of 67 MW and for Illinois Municipal Electric Agency (IMEA) of 63 MW.

Schedule Page: 400 Line No.: 9 Column: i

Zero was previously reported. Amount added based on the January 18, 2008 NOPR (Docket RM08-5-000) which provided clarity that this data should allow for the calculation of rates.

Schedule Page: 400 Line No.: 10 Column: b

2,870 was previously reported, which excluded short-term reservations and other service. Such amounts were added based on the January 18, 2008 NOPR (Docket RM08-5-000) which provided clarity that this data should allow for the calculation of rates. Also, amounts previously reported for long-term reservations have been adjusted. Please see footnotes in column (g).

Schedule Page: 400 Line No.: 10 Column: g

130 was previously reported, which represented only reservations for Indiana Municipal Power Agency (IMPA) of 67 MW and for Illinois Municipal Electric Agency (IMEA) of 63 MW.

Schedule Page: 400 Line No.: 10 Column: i

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Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) X An Original (2) _ A Resubmission	/ /	2007/Q4

FOOTNOTE DATA

Zero was previously reported. Amount added based on the January 18, 2008 NOPR (Docket RM08-5-000) which provided clarity that this data should allow for the calculation of rates.

Schedule Page: 400 Line No.: 11 Column: b

2,608 was previously reported, which excluded short-term reservations and other service. Such amounts were added based on the January 18, 2008 NOPR (Docket RM08-5-000) which provided clarity that this data should allow for the calculation of rates. Also, amounts previously reported for long-term reservations have been adjusted. Please see footnotes in column (g).

Schedule Page: 400 Line No.: 11 Column: f

66 was previously reported, based on generation data available at the time to calculate load.

Schedule Page: 400 Line No.: 11 Column: i

Zero was previously reported. Amount added based on the January 18, 2008 NOPR (Docket RM08-5-000) which provided clarity that this data should allow for the calculation of rates.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

ELECTRIC ENERGY ACCOUNT

Report below the information called for concerning the disposition of electric energy generated, purchased, exchanged and wheeled during the year.

Line No.	Item (a)	MegaWatt Hours (b)
1	SOURCES OF ENERGY	
2	Generation (Excluding Station Use):	
3	Steam	16,751,017
4	Nuclear	
5	Hydro-Conventional	140,996
6	Hydro-Pumped Storage	
7	Other	351,871
8	Less Energy for Pumping	
9	Net Generation (Enter Total of lines 3 through 8)	17,243,884
10	Purchases	2,347,731
11	Power Exchanges:	
12	Received	34,701
13	Delivered	31,015
14	Net Exchanges (Line 12 minus line 13)	3,686
15	Transmission For Other (Wheeling)	
16	Received	1,273,407
17	Delivered	1,264,140
18	Net Transmission for Other (Line 16 minus line 17)	9,267
19	Transmission By Others Losses	
20	TOTAL (Enter Total of lines 9, 10, 14, 18 and 19)	19,604,568

Line No.	Item (a)	MegaWatt Hours (b)
21	DISPOSITION OF ENERGY	
22	Sales to Ultimate Consumers (Including Interdepartmental Sales)	12,657,834
23	Requirements Sales for Resale (See instruction 4, page 311.)	
24	Non-Requirements Sales for Resale (See instruction 4, page 311.)	6,186,040
25	Energy Furnished Without Charge	1,133
26	Energy Used by the Company (Electric Dept Only, Excluding Station Use)	135,715
27	Total Energy Losses	623,846
28	TOTAL (Enter Total of Lines 22 Through 27) (MUST EQUAL LINE 20)	19,604,568

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2007/Q4

MONTHLY PEAKS AND OUTPUT

(1) Report the monthly peak load and energy output. If the respondent has two or more power which are not physically integrated, furnish the required information for each non- integrated system.
(2) Report on line 2 by month the system's output in Megawatt hours for each month.
(3) Report on line 3 by month the non-requirements sales for resale. Include in the monthly amounts any energy losses associated with the sales.
(4) Report on line 4 by month the system's monthly maximum megawatt load (60 minute integration) associated with the system.
(5) Report on lines 5 and 6 the specified information for each monthly peak load reported on line 4.

NAME OF SYSTEM: LG&E

Line No.	Month (a)	Total Monthly Energy (b)	Monthly Non-Requirments Sales for Resale & Associated Losses (c)	MONTHLY PEAK Megawatts (See Instr. 4) (d)	MONTHLY PEAK Day of Month (e)	MONTHLY PEAK Hour (f)
29	January	1,992,790	938,626	1,837	30	08:00 PM
30	February	1,695,845	675,378	1,885	5	08:00 PM
31	March	1,621,706	637,241	1,680	26	03:00 PM
32	April	1,391,532	450,103	1,942	30	05:00 PM
33	May	1,617,809	495,528	2,339	30	04:00 PM
34	June	1,642,870	406,624	2,477	26	04:00 PM
35	July	1,703,653	402,887	2,549	19	03:00 PM
36	August	1,825,276	292,625	2,834	16	03:00 PM
37	September	1,476,993	271,915	2,579	5	04:00 PM
38	October	1,458,034	444,396	2,339	8	04:00 PM
39	November	1,434,252	460,183	1,615	15	07:00 PM
40	December	1,743,808	710,534	1,777	5	07:00 PM
41	TOTAL	19,604,568	6,186,040			

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

STEAM-ELECTRIC GENERATING PLANT STATISTICS (Large Plants)

1. Report data for plant in Service only. 2. Large plants are steam plants with installed capacity (name plate rating) of 25,000 Kw or more. Report in this page gas-turbine and internal combustion plants of 10,000 Kw or more, and nuclear plants. 3. Indicate by a footnote any plant leased or operated as a joint facility. 4. If net peak demand for 60 minutes is not available, give data which is available, specifying period. 5. If any employees attend more than one plant, report on line 11 the approximate average number of employees assignable to each plant. 6. If gas is used and purchased on a therm basis report the Btu content or the gas and the quantity of fuel burned converted to Mct. 7. Quantities of fuel burned (Line 38) and average cost per unit of fuel burned (Line 41) must be consistent with charges to expense accounts 501 and 547 (Line 42) as show on Line 20. 8. If more than one fuel is burned in a plant furnish only the composite heat rate for all fuels burned.

Line No.	Item (a)	Plant Name: *Mill Creek* (b)			Plant Name: *Cane Run* (c)		
1	Kind of Plant (Internal Comb, Gas Turb, Nuclear	Steam			Steam		
2	Type of Constr (Conventional, Outdoor, Boiler, etc)	Conventional			Conventional		
3	Year Originally Constructed	1972			1954		
4	Year Last Unit was Installed	1982			1969		
5	Total Installed Cap (Max Gen Name Plate Ratings-MW)	1717.00			645.00		
6	Net Peak Demand on Plant - MW (60 minutes)	1496			634		
7	Plant Hours Connected to Load	7882			7544		
8	Net Continuous Plant Capability (Megawatts)	1472			563		
9	When Not Limited by Condenser Water	1472			563		
10	When Limited by Condenser Water	0			0		
11	Average Number of Employees	230			133		
12	Net Generation, Exclusive of Plant Use - KWh	10498129000			3544486000		
13	Cost of Plant: Land and Land Rights	1546851			1184107		
14	Structures and Improvements	125771273			44903926		
15	Equipment Costs	911559386			261728151		
16	Asset Retirement Costs	3245832			1219991		
17	Total Cost	1042123342			309036175		
18	Cost per KW of Installed Capacity (line 17/5) Including	606.9443			479.1259		
19	*Production Expenses: Oper, Supv, & Engr*	986388			373426		
20	Fuel	181376050			60990231		
21	Coolants and Water (Nuclear Plants Only)	0			0		
22	Steam Expenses	9346985			14986071		
23	Steam From Other Sources	0			0		
24	Steam Transferred (Cr)	0			0		
25	Electric Expenses	0			98361		
26	Misc Steam (or Nuclear) Power Expenses	7938244			5795141		
27	Rents	0			51252		
28	Allowances	2511			1339		
29	Maintenance Supervision and Engineering	297691			1225586		
30	Maintenance of Structures	1020212			862335		
31	Maintenance of Boiler (or reactor) Plant	18667932			8886690		
32	Maintenance of Electric Plant	3074356			1564786		
33	Maintenance of Misc Steam (or Nuclear) Plant	671879			369569		
34	Total Production Expenses	223382248			95204787		
35	Expenses per Net KWh	0.0213			0.0269		
36	Fuel: Kind (Coal, Gas, Oil, or Nuclear)	Coal			Coal		
37	Unit (Coal-tons/Oil-barrel/Gas-mcf/Nuclear-indicate)	tons			tons		
38	Quantity (Units) of Fuel Burned	4819016	0	0	1670209	0	0
39	Avg Heat Cont - Fuel Burned (btu/indicate if nuclear)	11526	0	0	11202	0	0
40	Avg Cost of Fuel/unit, as Delvd f.o.b. during year	36.320	0.000	0.000	35.580	0.000	0.000
41	Average Cost of Fuel per Unit Burned	36.080	0.000	0.000	34.940	0.000	0.000
42	Average Cost of Fuel Burned per Million BTU	1.623	0.000	0.000	1.623	0.000	0.000
43	Average Cost of Fuel Burned per KWh Net Gen	0.017	0.000	0.000	0.017	0.000	0.000
44	Average BTU per KWh Net Generation	10610.000	0.000	0.000	10604.000	0.000	0.000

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

STEAM-ELECTRIC GENERATING PLANT STATISTICS (Large Plants)*(Continued)*

9. Items under Cost of Plant are based on U. S. of A. Accounts. Production expenses do not include Purchased Power, System Control and Load Dispatching, and Other Expenses Classified as Other Power Supply Expenses. 10. For IC and GT plants, report Operating Expenses, Account Nos. 547 and 549 on Line 25 "Electric Expenses," and Maintenance Account Nos. 553 and 554 on Line 32, "Maintenance of Electric Plant." Indicate plants designed for peak load service. Designate automatically operated plants. 11. For a plant equipped with combinations of fossil fuel steam, nuclear steam, hydro, internal combustion or gas-turbine equipment, report each as a separate plant. However, if a gas-turbine unit functions in a combined cycle operation with a conventional steam unit, include the gas-turbine with the steam plant. 12. If a nuclear power generating plant, briefly explain by footnote (a) accounting method for cost of power generated including any excess costs attributed to research and development; (b) types of cost units used for the various components of fuel cost; and (c) any other informative data concerning plant type fuel used, fuel enrichment type and quantity for the report period and other physical and operating characteristics of plant.

Plant Name: *Trimble County* (d)	Plant Name: *Cane Run CT* (e)	Plant Name: *Paddy's Run* (f)	Line No.
Steam	Combustion Turbine	Combustion Turbine	1
Conventional	Conventional	Conventional	2
1990	1968	1968	3
1990	1968	2001	4
566.00	16.00	143.00	5
320	13	110	6
7343	33	165	7
383	14	119	8
383	14	119	9
0	14	119	10
121	0	0	11
3635945000	312000	35313000	12
3572032	0	0	13
161153166	68932	2201563	14
440225513	2725054	36609982	15
926010	0	216263	16
605876721	2793986	39027808	17
1070.4536	174.6241	272.9217	18
1009656	0	0	19
57421989	82657	2868636	20
0	0	0	21
2600286	0	0	22
0	0	0	23
0	0	0	24
792401	0	0	25
3758383	0	9566	26
0	2400	7620	27
94	0	0	28
699506	0	2048	29
644899	990	0	30
8178652	52286	0	31
1202894	0	498252	32
340384	1085	0	33
76649144	139418	3386122	34
0.0211	0.4469	0.0959	35

									Line No.
Coal				Gas	Oil		Gas		36
tons				mcf	barrels		mcf		37
1553094	0	0	0	8676	225	0	373114	0	38
11923	0	0	0	1025	140004	0	382440	0	39
36.280	0.000	0.000	0.000	8.425	42.441	0.000	7.688	0.000	40
35.820	0.000	0.000	0.000	8.425	42.441	0.000	7.688	0.000	41
1.548	0.000	0.000	0.000	8.219	7.218	0.000	7.501	0.000	42
0.016	0.000	0.000	0.000	0.322	0.113	0.000	0.081	0.000	43
10200.000	0.000	0.000	0.000	39176.000	15588.000	0.000	10830.000	0.000	44

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

STEAM-ELECTRIC GENERATING PLANT STATISTICS (Large Plants) *(Continued)*

1. Report data for plant in Service only. 2. Large plants are steam plants with installed capacity (name plate rating) of 25,000 Kw or more. Report in this page gas-turbine and internal combustion plants of 10,000 Kw or more, and nuclear plants. 3. Indicate by a footnote any plant leased or operated as a joint facility. 4. If net peak demand for 60 minutes is not available, give data which is available, specifying period. 5. If any employees attend more than one plant, report on line 11 the approximate average number of employees assignable to each plant. 6. If gas is used and purchased on a therm basis report the Btu content or the gas and the quantity of fuel burned converted to Mct. 7. Quantities of fuel burned (Line 38) and average cost per unit of fuel burned (Line 41) must be consistent with charges to expense accounts 501 and 547 (Line 42) as show on Line 20. 8. If more than one fuel is burned in a plant furnish only the composite heat rate for all fuels burned.

Line No.	Item (a)	Plant Name: Zorn (b)			Plant Name: *Brown CT* (c)		
1	Kind of Plant (Internal Comb, Gas Turb, Nuclear	Combustion Turbine			Combustion Turbine		
2	Type of Constr (Conventional, Outdoor, Boiler, etc)	Conventional			Conventional		
3	Year Originally Constructed	1969			1999		
4	Year Last Unit was Installed	1969			2001		
5	Total Installed Cap (Max Gen Name Plate Ratings-MW)	18.00			200.00		
6	Net Peak Demand on Plant - MW (60 minutes)	14			172		
7	Plant Hours Connected to Load	24			317		
8	Net Continuous Plant Capability (Megawatts)	14			179		
9	When Not Limited by Condenser Water	14			179		
10	When Limited by Condenser Water	14			179		
11	Average Number of Employees	0			0		
12	Net Generation, Exclusive of Plant Use - KWh	263000			64352000		
13	Cost of Plant: Land and Land Rights	0			0		
14	Structures and Improvements	8241			1108873		
15	Equipment Costs	1890807			69131190		
16	Asset Retirement Costs	2046			0		
17	Total Cost	1901094			70240063		
18	Cost per KW of Installed Capacity (line 17/5) Including	105.6163			351.2003		
19	Production Expenses: Oper, Supv, & Engr	0			15298		
20	Fuel	40506			6381872		
21	Coolants and Water (Nuclear Plants Only)	0			0		
22	Steam Expenses	0			0		
23	Steam From Other Sources	0			0		
24	Steam Transferred (Cr)	0			0		
25	Electric Expenses	0			786		
26	Misc Steam (or Nuclear) Power Expenses	2413			27411		
27	Rents	12816			0		
28	Allowances	0			0		
29	Maintenance Supervision and Engineering	0			19501		
30	Maintenance of Structures	0			59103		
31	Maintenance of Boiler (or reactor) Plant	0			0		
32	Maintenance of Electric Plant	9907			1224904		
33	Maintenance of Misc Steam (or Nuclear) Plant	0			98121		
34	Total Production Expenses	65642			7826996		
35	Expenses per Net KWh	0.2496			0.1216		
36	Fuel: Kind (Coal, Gas, Oil, or Nuclear)		Gas			Gas	Oil
37	Unit (Coal-tons/Oil-barrel/Gas-mcf/Nuclear-indicate)		mcf			mcf	barrels
38	Quantity (Units) of Fuel Burned	0	5870	0	0	733192	8324
39	Avg Heat Cont - Fuel Burned (btu/indicate if nuclear)	0	1025	0	0	1025	140000
40	Avg Cost of Fuel/unit, as Delvd f.o.b. during year	0.000	6.900	0.000	0.000	7.824	77.548
41	Average Cost of Fuel per Unit Burned	0.000	6.900	0.000	0.000	7.824	77.548
42	Average Cost of Fuel Burned per Million BTU	0.000	6.732	0.000	0.000	7.633	13.188
43	Average Cost of Fuel Burned per KWh Net Gen	0.000	0.154	0.000	0.000	0.095	0.161
44	Average BTU per KWh Net Generation	0.000	22878.000	0.000	0.000	12453.000	12227.000

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2007/Q4

STEAM-ELECTRIC GENERATING PLANT STATISTICS (Large Plants)*(Continued)*

9. Items under Cost of Plant are based on U. S. of A. Accounts. Production expenses do not include Purchased Power, System Control and Load Dispatching, and Other Expenses Classified as Other Power Supply Expenses. 10. For IC and GT plants, report Operating Expenses, Account Nos. 547 and 549 on Line 25 "Electric Expenses," and Maintenance Account Nos. 553 and 554 on Line 32, "Maintenance of Electric Plant." Indicate plants designed for peak load service. Designate automatically operated plants. 11. For a plant equipped with combinations of fossil fuel steam, nuclear steam, hydro, internal combustion or gas-turbine equipment, report each as a separate plant. However, if a gas-turbine unit functions in a combined cycle operation with a conventional steam unit, include the gas-turbine with the steam plant. 12. If a nuclear power generating plant, briefly explain by footnote (a) accounting method for cost of power generated including any excess costs attributed to research and development; (b) types of cost units used for the various components of fuel cost; and (c) any other informative data concerning plant type fuel used, fuel enrichment type and quantity for the report period and other physical and operating characteristics of plant.

Plant Name: *Trimble County CT* (d)	Plant Name: *Waterside* (e)	Plant Name: (f)	Line No.
Combustion Turbine	Combustion Turbine		1
Conventional	Conventional		2
2002	1923		3
2002	1964		4
410.00	0.00	0.00	5
320	0	0	6
1014	0	0	7
330	0	0	8
330	0	0	9
330	0	0	10
0	0	0	11
251631000	0	0	12
8133	41126	0	13
11452996	0	0	14
100049117	0	0	15
0	78907	0	16
111510246	120033	0	17
271.9762	0.0000	0.0000	18
0	0	0	19
21829178	0	0	20
0	0	0	21
0	0	0	22
0	0	0	23
0	0	0	24
335141	0	0	25
-412	6	0	26
0	1188	0	27
0	0	0	28
0	0	0	29
0	48269	0	30
0	0	0	31
224583	7812	0	32
0	0	0	33
22388490	57275	0	34
0.0890	0.0000	0.0000	35

(d)	(d)	(d)	(e)	(e)	(e)	(f)	(f)	(f)	Line No.
	Gas								36
	mcf								37
0	2820675	0	0	0	0	0	0	0	38
0	1025	0	0	0	0	0	0	0	39
0.000	7.739	0.000	0.000	0.000	0.000	0.000	0.000	0.000	40
0.000	7.739	0.000	0.000	0.000	0.000	0.000	0.000	0.000	41
0.000	7.550	0.000	0.000	0.000	0.000	0.000	0.000	0.000	42
0.000	0.087	0.000	0.000	0.000	0.000	0.000	0.000	0.000	43
0.000	11490.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	44

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

STEAM-ELECTRIC GENERATING PLANT STATISTICS (Large Plants) *(Continued)*

1. Report data for plant in Service only. 2. Large plants are steam plants with installed capacity (name plate rating) of 25,000 Kw or more. Report in this page gas-turbine and internal combustion plants of 10,000 Kw or more, and nuclear plants. 3. Indicate by a footnote any plant leased or operated as a joint facility. 4. If net peak demand for 60 minutes is not available, give data which is available, specifying period. 5. If any employees attend more than one plant, report on line 11 the approximate average number of employees assignable to each plant. 6. If gas is used and purchased on a therm basis report the Btu content or the gas and the quantity of fuel burned converted to Mct. 7. Quantities of fuel burned (Line 38) and average cost per unit of fuel burned (Line 41) must be consistent with charges to expense accounts 501 and 547 (Line 42) as show on Line 20. 8. If more than one fuel is burned in a plant furnish only the composite heat rate for all fuels burned.

Line No.	Item (a)	Plant Name: (b)			Plant Name: (c)		
1	Kind of Plant (Internal Comb, Gas Turb, Nuclear						
2	Type of Constr (Conventional, Outdoor, Boiler, etc)						
3	Year Originally Constructed						
4	Year Last Unit was Installed						
5	Total Installed Cap (Max Gen Name Plate Ratings-MW)	0.00			0.00		
6	Net Peak Demand on Plant - MW (60 minutes)	0			0		
7	Plant Hours Connected to Load	0			0		
8	Net Continuous Plant Capability (Megawatts)	0			0		
9	When Not Limited by Condenser Water	0			0		
10	When Limited by Condenser Water	0			0		
11	Average Number of Employees	0			0		
12	Net Generation, Exclusive of Plant Use - KWh	0			0		
13	Cost of Plant: Land and Land Rights	0			0		
14	Structures and Improvements	0			0		
15	Equipment Costs	0			0		
16	Asset Retirement Costs	0			0		
17	Total Cost	0			0		
18	Cost per KW of Installed Capacity (line 17/5) Including	0.0000			0.0000		
19	*Production* Expenses: Oper, Supv, & Engr	0			0		
20	Fuel	0			0		
21	Coolants and Water (Nuclear Plants Only)	0			0		
22	Steam Expenses	0			0		
23	Steam From Other Sources	0			0		
24	Steam Transferred (Cr)	0			0		
25	Electric Expenses	0			0		
26	Misc Steam (or Nuclear) Power Expenses	0			0		
27	Rents	0			0		
28	Allowances	0			0		
29	Maintenance Supervision and Engineering	0			0		
30	Maintenance of Structures	0			0		
31	Maintenance of Boiler (or reactor) Plant	0			0		
32	Maintenance of Electric Plant	0			0		
33	Maintenance of Misc Steam (or Nuclear) Plant	0			0		
34	Total Production Expenses	0			0		
35	Expenses per Net KWh	0.0000			0.0000		
36	Fuel: Kind (Coal, Gas, Oil, or Nuclear)						
37	Unit (Coal-tons/Oil-barrel/Gas-mcf/Nuclear-indicate)						
38	Quantity (Units) of Fuel Burned	0	0	0	0	0	0
39	Avg Heat Cont - Fuel Burned (btu/indicate if nuclear)	0	0	0	0	0	0
40	Avg Cost of Fuel/unit, as Delvd f.o.b. during year	0.000	0.000	0.000	0.000	0.000	0.000
41	Average Cost of Fuel per Unit Burned	0.000	0.000	0.000	0.000	0.000	0.000
42	Average Cost of Fuel Burned per Million BTU	0.000	0.000	0.000	0.000	0.000	0.000
43	Average Cost of Fuel Burned per KWh Net Gen	0.000	0.000	0.000	0.000	0.000	0.000
44	Average BTU per KWh Net Generation	0.000	0.000	0.000	0.000	0.000	0.000

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

STEAM-ELECTRIC GENERATING PLANT STATISTICS (Large Plants)*(Continued)*

9. Items under Cost of Plant are based on U. S. of A. Accounts. Production expenses do not include Purchased Power, System Control and Load Dispatching, and Other Expenses Classified as Other Power Supply Expenses. 10. For IC and GT plants, report Operating Expenses, Account Nos. 547 and 549 on Line 25 "Electric Expenses," and Maintenance Account Nos. 553 and 554 on Line 32, "Maintenance of Electric Plant." Indicate plants designed for peak load service. Designate automatically operated plants. 11. For a plant equipped with combinations of fossil fuel steam, nuclear steam, hydro, internal combustion or gas-turbine equipment, report each as a separate plant. However, if a gas-turbine unit functions in a combined cycle operation with a conventional steam unit, include the gas-turbine with the steam plant. 12. If a nuclear power generating plant, briefly explain by footnote (a) accounting method for cost of power generated including any excess costs attributed to research and development; (b) types of cost units used for the various components of fuel cost; and (c) any other informative data concerning plant type fuel used, fuel enrichment type and quantity for the report period and other physical and operating characteristics of plant.

Plant Name: (d)			Plant Name: (e)			Plant Name: (f)			Line No.
									1
									2
									3
									4
		0.00			0.00			0.00	5
		0			0			0	6
		0			0			0	7
		0			0			0	8
		0			0			0	9
		0			0			0	10
		0			0			0	11
		0			0			0	12
		0			0			0	13
		0			0			0	14
		0			0			0	15
		0			0			0	16
		0			0			0	17
		0.0000			0.0000			0.0000	18
		0			0			0	19
		0			0			0	20
		0			0			0	21
		0			0			0	22
		0			0			0	23
		0			0			0	24
		0			0			0	25
		0			0			0	26
		0			0			0	27
		0			0			0	28
		0			0			0	29
		0			0			0	30
		0			0			0	31
		0			0			0	32
		0			0			0	33
		0			0			0	34
		0.0000			0.0000			0.0000	35
									36
									37
0	0	0	0	0	0	0	0	0	38
0	0	0	0	0	0	0	0	0	39
0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	40
0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	41
0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	42
0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	43
0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	44

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) X An Original (2) _ A Resubmission	/ /	2007/Q4

FOOTNOTE DATA

Schedule Page: 402 Line No.: -1 Column: d

Parternship Expenses of Trimble County for 2007:

Line 19	Production Expenses: Oper, Supv, & Engr	$ (252,415)
Line 20	Fuel	(14,694,053)
Line 22	Steam Expenses	(656,755)
Line 25	Electric Expenses	(198,092)
Line 26	Misc Steam (or Nuclear) Power Expenses	(939,596)
Line 28	Allowances	(24)
Line 29	Maintenance Supervision and Engineering	(174,877)
Line 30	Maintenance of Structures	(161,225)
Line 31	Maintenance of Boiler (or Reactor) Plant	(2,044,664)
Line 32	Maintenance of Electric Plant	(300,724)
Line 33	Maintenance of Misc Steam (or Nuclear) Plant	(85,096)
Line 34	Total Production Expenses	$ (19,507,521)

Schedule Page: 402 Line No.: 1 Column: d

The statistics for Trimble County represent 100% of plant output and expenses. Louisville Gas and Electric Company owns 75% of the plant. See Note 10 of Notes to Financial Statements for additional information.

Schedule Page: 402 Line No.: 5 Column: f

The figure for Paddy's Run Nameplate Rating consists of 16 MW for unit GT-11, 33 MW for unit GT-12, and 53% (94 MW) of unit GT-13 with a 178 MW Nameplate Rating. The remaining 47% (84 MW) of GT-13 is owned by Kentucky Utilities Company.

Schedule Page: 402 Line No.: 11 Column: e

Employees at the Cane Run Plant include those assigned to the steam plant and the Cane Run CT site and are reflected in the Cane Run Steam Plant statistics.

Schedule Page: 402 Line No.: 11 Column: f

No production/operation employees are directly assigned to Paddy's Run turbines. Employees from the Cane Run Plant operate the Paddy's Run turbines.

Schedule Page: 402 Line No.: 17 Column: e

The Waterside CT's were retired in 2006. However, land and ARO assets amounting to $120,033 remain on the books.

Schedule Page: 402.1 Line No.: -1 Column: b

Zorn station is peak load only and is automatically operated.

Schedule Page: 402.1 Line No.: -1 Column: e

Waterside CT's were retired in 2006.

Schedule Page: 402.1 Line No.: -1 Column: f

Canal Generating Station is fully retired. However, an ARO of $305,347 remains on the books.

Schedule Page: 402.1 Line No.: 1 Column: e

Waterside station was jet-engine driven.

Schedule Page: 402.1 Line No.: 5 Column: c

The Nameplate Rating for Brown CT represents 53% ownership of unit #5, a 123 MW unit, and 38% ownership of units #6 and #7 for Louisville Gas and Electric Company. The remaining percentages of units 5-6-7 are owned by Kentucky Utilities Company. Total Nameplate Rating for these units are 177 MW per unit.

Schedule Page: 402.1 Line No.: 5 Column: d

The Nameplate Rating for Trimble County CT represents 29% ownership of Trimble County's units #5 and #6, and 37% ownership of units #7, #8, #9, and #10 for Louisville Gas and Electric Company. The remaining percentages for units 7, 8, 9, and 10 are owned by Kentucky Utilities Company. Total Nameplate Rating for these units are 199 MW per unit.

Schedule Page: 402.1 Line No.: 11 Column: b

Zorn station has no production/operation employees directly assigned. Employees from the Cane Run Plant maintain the Zorn Station.

Schedule Page: 402.1 Line No.: 11 Column: c

There are no production/operation employees at the E.W. Brown plant directly assigned to the CT portion of the plant.

Schedule Page: 402.1 Line No.: 11 Column: d

There are no production/operation employees at Trimble County directly assigned to the CT portion of the plant.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

HYDROELECTRIC GENERATING PLANT STATISTICS (Large Plants)

1. Large plants are hydro plants of 10,000 Kw or more of installed capacity (name plate ratings)
2. If any plant is leased, operated under a license from the Federal Energy Regulatory Commission, or operated as a joint facility, indicate such facts in a footnote. If licensed project, give project number.
3. If net peak demand for 60 minutes is not available, give that which is available specifying period.
4. If a group of employees attends more than one generating plant, report on line 11 the approximate average number of employees assignable to each plant

Line No.	Item (a)	FERC Licensed Project No. 289 Plant Name: Ohio Falls (b)	FERC Licensed Project No. 0 Plant Name: (c)
1	Kind of Plant (Run-of-River or Storage)	Run-of-River	
2	Plant Construction type (Conventional or Outdoor)	Conventional	
3	Year Originally Constructed	1928	
4	Year Last Unit was Installed	1928	
5	Total installed cap (Gen name plate Rating in MW)	83.00	0.00
6	Net Peak Demand on Plant-Megawatts (60 minutes)	56	0
7	Plant Hours Connect to Load	5,892	0
8	Net Plant Capability (in megawatts)		
9	(a) Under Most Favorable Oper Conditions	34	0
10	(b) Under the Most Adverse Oper Conditions	0	0
11	Average Number of Employees	7	0
12	Net Generation, Exclusive of Plant Use - Kwh	140,996,000	0
13	Cost of Plant		
14	Land and Land Rights	6	0
15	Structures and Improvements	4,616,552	0
16	Reservoirs, Dams, and Waterways	9,352,022	0
17	Equipment Costs	15,708,807	0
18	Roads, Railroads, and Bridges	29,931	0
19	Asset Retirement Costs	31,163	0
20	TOTAL cost (Total of 14 thru 19)	29,738,481	0
21	Cost per KW of Installed Capacity (line 20 / 5)	358.2950	0.0000
22	Production Expenses		
23	Operation Supervision and Engineering	60,785	0
24	Water for Power	38,855	0
25	Hydraulic Expenses	0	0
26	Electric Expenses	157,036	0
27	Misc Hydraulic Power Generation Expenses	132,980	0
28	Rents	222,932	0
29	Maintenance Supervision and Engineering	6,049	0
30	Maintenance of Structures	166,673	0
31	Maintenance of Reservoirs, Dams, and Waterways	10,094	0
32	Maintenance of Electric Plant	264,531	0
33	Maintenance of Misc Hydraulic Plant	0	0
34	Total Production Expenses (total 23 thru 33)	1,059,935	0
35	Expenses per net KWh	0.0075	0.0000

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Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

HYDROELECTRIC GENERATING PLANT STATISTICS (Large Plants) (Continued)

5. The items under Cost of Plant represent accounts or combinations of accounts prescribed by the Uniform System of Accounts. Production Expenses do not include Purchased Power, System control and Load Dispatching, and Other Expenses classified as "Other Power Supply Expenses."
6. Report as a separate plant any plant equipped with combinations of steam, hydro, internal combustion engine, or gas turbine equipment.

FERC Licensed Project No. 0 Plant Name: (d)	FERC Licensed Project No. 0 Plant Name: (e)	FERC Licensed Project No. 0 Plant Name: (f)	Line No.
			1
			2
			3
			4
0.00	0.00	0.00	5
0	0	0	6
0	0	0	7
			8
0	0	0	9
0	0	0	10
0	0	0	11
0	0	0	12
			13
0	0	0	14
0	0	0	15
0	0	0	16
0	0	0	17
0	0	0	18
0	0	0	19
0	0	0	20
0.0000	0.0000	0.0000	21
			22
0	0	0	23
0	0	0	24
0	0	0	25
0	0	0	26
0	0	0	27
0	0	0	28
0	0	0	29
0	0	0	30
0	0	0	31
0	0	0	32
0	0	0	33
0	0	0	34
0.0000	0.0000	0.0000	35

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

TRANSMISSION LINE STATISTICS

1. Report information concerning transmission lines, cost of lines, and expenses for year. List each transmission line having nominal voltage of 132 kilovolts or greater. Report transmission lines below these voltages in group totals only for each voltage.
2. Transmission lines include all lines covered by the definition of transmission system plant as given in the Uniform System of Accounts. Do not report substation costs and expenses on this page.
3. Report data by individual lines for all voltages if so required by a State commission.
4. Exclude from this page any transmission lines for which plant costs are included in Account 121, Nonutility Property.
5. Indicate whether the type of supporting structure reported in column (e) is: (1) single pole wood or steel; (2) H-frame wood, or steel poles; (3) tower; or (4) underground construction If a transmission line has more than one type of supporting structure, indicate the mileage of each type of construction by the use of brackets and extra lines. Minor portions of a transmission line of a different type of construction need not be distinguished from the remainder of the line.
6. Report in columns (f) and (g) the total pole miles of each transmission line. Show in column (f) the pole miles of line on structures the cost of which is reported for the line designated; conversely, show in column (g) the pole miles of line on structures the cost of which is reported for another line. Report pole miles of line on leased or partly owned structures in column (g). In a footnote, explain the basis of such occupancy and state whether expenses with respect to such structures are included in the expenses reported for the line designated.

Line No.	DESIGNATION From (a)	DESIGNATION To (b)	VOLTAGE (KV) (Indicate where other than 60 cycle, 3 phase) Operating (c)	VOLTAGE (KV) Designed (d)	Type of Supporting Structure (e)	LENGTH (Pole miles) (In the case of underground lines report circuit miles) On Structure of Line Designated (f)	LENGTH On Structures of Another Line (g)	Number Of Circuits (h)
1	Mill Creek Sub	Paddy's West Sub	345.00	345.00	ST	14.54		2
2	Paddy's West Sub	Northside Sub	345.00	345.00	ST, SP	14.52		1
3	Trimble County Sub	Clifty Creek Sub	345.00	345.00	ST,WP	12.35		2
4	Blue Lick Sub	Middletown Sub	345.00	345.00	ST	0.12	19.22	1
5	Buckner	Wises Landing	345.00	345.00	ST,SP	0.32	13.11	1
6	Middletown	Buckner	345.00	345.00	ST,SP	0.23	14.08	1
7	Middletown Sub	Trimble County Sub	345.00	345.00	ST	27.96		1
8	Mill Creek Sub	Blue Lick Sub	345.00	345.00	ST	0.24	11.80	1
9	Mill Creek Sub	Middletown Sub	345.00	345.00	ST	31.36		1
10	Paddy's Run Sub	T.V.A. Tower	161.00	161.00	ST	66.16	50.25	2
11	Appl Park Switching Station	Middletown Sub	138.00	138.00	ST	0.08	12.56	1
12	Appl Park Switching Station	Ethel Sub	138.00	138.00	WP, ST	1.95		1
13	Ashbottom Sub	Appl Park Switching Station	138.00	138.00	ST	4.61	1.30	1
14	Grade Lane	Fern Valley Sub	138.00	138.00	ST,SP	2.79		1
15	Ashbottom	Grade Lane	138.00	138.00	ST,SP	0.92		1
16	Ashbottom Sub	Manslick Sub	138.00	138.00	WP, ST	3.43		1
17	Ashby Sub	Pleasure Ridge Park Sub	138.00	138.00	WP,SP,CP	2.82		1
18	Beargrass Sub	Lyndon South Sub	138.00	138.00	ST	0.10	7.33	1
19	Beargrass Sub	Middletown Sub	138.00	138.00	ST	9.06	5.53	2
20	Beargrass Sub	Northside Sub	138.00	138.00	ST,SP	6.37		1
21	Beargrass Sub	Northside Sub	138.00	138.00	ST	0.23	6.12	1
22	Breckenridge Sub	Hurstbourne Sub	138.00	138.00	WP, SP,CP	3.89	0.17	1
23	Campground	Cane Run Switching Station	138.00	138.00	ST	3.08	3.29	2
24	Canal Sub	Waterside Switching Station	138.00	138.00	ST	0.05	1.32	1
25	Cane Run Switching Station	Ashbottom Sub	138.00	138.00	ST	9.64	7.87	3
26	Cane Run	Cane Run Switching Station	138.00	138.00	ST,WP	5.10		2
27	Cane Run	Cane Run Switching Station	138.00	138.00	ST ,WP	0.46	2.23	2
28	Cane Run	Cane Run Switching Station	138.00	138.00	ST	2.56		1
29	Cane Run	Cane Run Switching Station	138.00	138.00	ST	0.26	2.33	1
30	Cane Run Switching Station	International	138.00	138.00	ST,SP,WP	1.34	1.48	1
31	Centerfield Sub	Trimble County Sub	138.00	138.00	WP, ST	15.08	0.67	1
32	Dixie Sub	Algonquin Sub	138.00	138.00	WP,SP	0.80		1
33	Ethel Sub	Breckenridge Sub	138.00	138.00	WP, ST,SP	3.90		1
34	Fern Valley Sub	Okolona Sub	138.00	138.00	WP, SP	1.40		1
35	Fern Valley Sub	Watterson Sub	138 00	138 00	ST	3.92	1.36	1
36					TOTAL	664.80	229.33	80

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

TRANSMISSION LINE STATISTICS (Continued)

7. Do not report the same transmission line structure twice. Report Lower voltage Lines and higher voltage lines as one line. Designate in a footnote if you do not include Lower voltage lines with higher voltage lines. If two or more transmission line structures support lines of the same voltage, report the pole miles of the primary structure in column (f) and the pole miles of the other line(s) in column (g)
8. Designate any transmission line or portion thereof for which the respondent is not the sole owner. If such property is leased from another company, give name of lessor, date and terms of Lease, and amount of rent for year. For any transmission line other than a leased line, or portion thereof, for which the respondent is not the sole owner but which the respondent operates or shares in the operation of, furnish a succinct statement explaining the arrangement and giving particulars (details) of such matters as percent ownership by respondent in the line, name of co-owner, basis of sharing expenses of the Line, and how the expenses borne by the respondent are accounted for, and accounts affected. Specify whether lessor, co-owner, or other party is an associated company.
9. Designate any transmission line leased to another company and give name of Lessee, date and terms of lease, annual rent for year, and how determined. Specify whether lessee is an associated company.
10. Base the plant cost figures called for in columns (j) to (l) on the book cost at end of year.

Size of Conductor and Material (i)	COST OF LINE (Include in Column (j) Land, Land rights, and clearing right-of-way)			EXPENSES, EXCEPT DEPRECIATION AND TAXES				Line No.
	Land (j)	Construction and Other Costs (k)	Total Cost (l)	Operation Expenses (m)	Maintenance Expenses (n)	Rents (o)	Total Expenses (p)	
954 mcm	113,337	2,616,265	2,729,602					1
1024.5 mcm	102,753	4,108,058	4,210,811					2
954 mcm		2,746,513	2,746,513					3
954 mcm		797,804	797,804					4
954 mcm		2,990,335	2,990,335					5
954 mcm		2,660,313	2,660,313					6
954mcm	479,907	7,349,290	7,829,197					7
954 mcm		444,135	444,135					8
954 mcm	314,954	3,881,627	4,196,581					9
500 mcm	98,666	2,273,060	2,371,726					10
795 mcm	102,525	928,126	1,030,651					11
795 mcm	861	331,271	332,132					12
795 mcm	42,502	490,158	532,660					13
795 mcm		300,055	300,055					14
795 mcm		185,415	185,415					15
795 mcm		427,244	427,244					16
1272 mcm		1,021,141	1,021,141					17
795 mcm		115,848	115,848					18
795 mcm	159,406	1,251,523	1,410,929					19
1024.5 mcm	67,983	2,240,491	2,308,474					20
1024.5 mcm	6,427	492,125	498,552					21
1272 mcm	15,419	1,426,515	1,441,934					22
795 mcm	8,216	210,457	218,673					23
795 mcm		338,656	338,656					24
795 mcm	38,205	973,021	1,011,226					25
795 mcm	18,788	404,209	422,997					26
795 mcm		188,497	188,497					27
954 mcm		156,147	156,147					28
954 mcm		110,365	110,365					29
795 mcm		574,206	574,206					30
795 mcm	85,784	940,748	1,026,532					31
795 mcm	1,446	261,539	262,985					32
1272 mcm	27,072	1,175,813	1,202,885					33
1272 mcm		418,533	418,533					34
795 mcm	2,054	57,683	59,737					35
	7,814,792	108,140,332	115,955,124	76,997	695,122	5,204	777,323	36

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

TRANSMISSION LINE STATISTICS

1. Report information concerning transmission lines, cost of lines, and expenses for year. List each transmission line having nominal voltage of 132 kilovolts or greater. Report transmission lines below these voltages in group totals only for each voltage.
2. Transmission lines include all lines covered by the definition of transmission system plant as given in the Uniform System of Accounts. Do not report substation costs and expenses on this page.
3. Report data by individual lines for all voltages if so required by a State commission.
4. Exclude from this page any transmission lines for which plant costs are included in Account 121, Nonutility Property.
5. Indicate whether the type of supporting structure reported in column (e) is: (1) single pole wood or steel; (2) H-frame wood, or steel poles; (3) tower; or (4) underground construction If a transmission line has more than one type of supporting structure, indicate the mileage of each type of construction by the use of brackets and extra lines. Minor portions of a transmission line of a different type of construction need not be distinguished from the remainder of the line.
6. Report in columns (f) and (g) the total pole miles of each transmission line. Show in column (f) the pole miles of line on structures the cost of which is reported for the line designated; conversely, show in column (g) the pole miles of line on structures the cost of which is reported for another line. Report pole miles of line on leased or partly owned structures in column (g). In a footnote, explain the basis of such occupancy and state whether expenses with respect to such structures are included in the expenses reported for the line designated.

Line No.	DESIGNATION From (a)	DESIGNATION To (b)	VOLTAGE (KV) (Indicate where other than 60 cycle, 3 phase) Operating (c)	VOLTAGE (KV) Designed (d)	Type of Supporting Structure (e)	LENGTH (Pole miles) (In the case of underground lines report circuit miles) On Structure of Line Designated (f)	LENGTH On Structures of Another Line (g)	Number Of Circuits (h)
1	Hurstbourne Sub	Bluegrass Sub	138.00	138.00	SP,WP	2.02		1
2	*Knob Creek Sub*	*Tip Top Sub*	138.00	138.00	WP,ST,CP	11.79		1
3	Lyndon South Sub	Middletown Sub	138.00	138.00	ST,SP	5.58		1
4	Magazine Sub	Hancock Sub	138.00	138.00	SP, WP	2.34		1
5	Magazine Sub	Waterside Switching Station	138.00	138.00	ST, SP, WP	3.65		1
6	Manslick Sub	Mill Creek Sub	138.00	138.00	WP, ST	10.52		1
7	Middletown Sub	Centerfield Sub	138.00	138.00	WP, ST	12.27		1
8	Mill Creek Sub	Ashby Sub	138.00	138.00	WP, SP	5.56		1
9	Mill Creek Sub	Knob Creek Sub	138.00	138.00	WP, ST	2.80	3.59	1
10	Mill Creek Sub	Kosmosdale Prim. Meter Stn.	138.00	138.00	WP, ST	1.69		2
11	Mud Lane Sub	Blue Lick Sub	138.00	138.00	SP,WP	5.45		1
12	Okolona Sub	Mud Lane Sub	138.00	138.00	WP, ST	3.85	0.18	1
13	Paddy's Run Sub	Campground	138.00	138.00	ST	0.45		1
14	Paddy's Run Sub	Dixie Sub	138.00	138.00	WP,SP	3.58		1
15	Paddy's Run Sub	Ohio Falls Sub	138.00	138.00	ST	12.41	0.39	3
16	Paddy's Run Sub	Paddy's West Sub	138.00	138.00	ST	0.69	0.12	2
17	Plainview Sub	Hurstbourne Sub	138.00	138.00	WP, SP	2.18		1
18	Paddy's West Sub	PSI Connection Gallagher	138.00	138.00	SP	0.42		1
19	Northside Sub	Clifty Creek Sub	138.00	138.00	ST,WP	32.54		1
20	Northside Sub	Tower No. 43 at P.S.I.						
21		Connection	138.00	138.00	ST	0.19	0.04	1
22	Clifty Creek Sub	Tower No.220 Connection						
23		with CG&E Co.	138.00	138.00	ST	4.25	2.50	1
24	Watterson Sub	Middletown Sub	138.00	138.00	ST,WP	7.20	0.22	1
25	Tip Top Sub	Cloverport Sub	138.00	138.00	WP,SP,ST	35.51		
26	Waterside Station	Beargrass Sub	138.00	138.00	ST,SP	2.08		2
27	Waterside Station	Beargrass Sub	138.00	138.00	SP	0.25	1.81	1
28	Mill Creek Sub	Cane Run Sub	138.00	138.00	ST,SP	1.19	10.12	1
29	Overhead Lines under							
30	132KV		69.00	69.00	WP, ST	236.81	48.34	
31	Ashbottom Sub	Grade Lane Sub	138.00	138.00	Undg.(26)	0.58		1
32	Waterside Sub	Canal Sub	138.00	138.00	Undg.(26)	0.42		1
33	Magazine Sub	Hancock Sub	138.00	138.00	Undg. (26)	0.09		1
34	Magazine Sub	Waterside Station	138.00	138.00	Undg. (26)	0.42		1
35	Waterside Switching Station	Beargrass Sub	138.00	138.00	Undg. (26)	0.91		1
36					TOTAL	664.80	229.33	80

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

TRANSMISSION LINE STATISTICS (Continued)

7. Do not report the same transmission line structure twice. Report Lower voltage Lines and higher voltage lines as one line. Designate in a footnote if you do not include Lower voltage lines with higher voltage lines. If two or more transmission line structures support lines of the same voltage, report the pole miles of the primary structure in column (f) and the pole miles of the other line(s) in column (g)
8. Designate any transmission line or portion thereof for which the respondent is not the sole owner. If such property is leased from another company, give name of lessor, date and terms of Lease, and amount of rent for year. For any transmission line other than a leased line, or portion thereof, for which the respondent is not the sole owner but which the respondent operates or shares in the operation of, furnish a succinct statement explaining the arrangement and giving particulars (details) of such matters as percent ownership by respondent in the line, name of co-owner, basis of sharing expenses of the Line, and how the expenses borne by the respondent are accounted for, and accounts affected. Specify whether lessor, co-owner, or other party is an associated company.
9. Designate any transmission line leased to another company and give name of Lessee, date and terms of lease, annual rent for year, and how determined. Specify whether lessee is an associated company.
10. Base the plant cost figures called for in columns (j) to (l) on the book cost at end of year.

Size of Conductor and Material (i)	COST OF LINE (Include in Column (j) Land, Land rights, and clearing right-of-way) Land (j)	Construction and Other Costs (k)	Total Cost (l)	EXPENSES, EXCEPT DEPRECIATION AND TAXES Operation Expenses (m)	Maintenance Expenses (n)	Rents (o)	Total Expenses (p)	Line No.
1272 mcm	37,300	1,164,787	1,202,087					1
636 mcm	7,955	601,058	609,013					2
795 mcm	35,941	479,618	515,559					3
1272 mcm		1,427,746	1,427,746					4
795 mcm	2,601	1,077,925	1,080,526					5
636 mcm	16,570	1,289,354	1,305,924					6
795 mcm	42,761	792,177	834,938					7
1272 mcm	528	1,926,471	1,926,999					8
636 mcm	10,855	376,077	386,932					9
840.2 mcm		326,419	326,419					10
840.2 mcm	46,432	2,255,744	2,302,176					11
1272 mcm	79,825	1,149,756	1,229,581					12
795 mcm	1,455	64,918	66,373					13
795 mcm	27,351	771,578	798,929					14
300 mcm	81,226	977,581	1,058,807					15
954 mcm	2,763	347,720	350,483					16
1272 mcm	3,591	734,061	737,652					17
954 mcm		219,011	219,011					18
336.4 mcm	73,852	547,831	621,683					19
								20
954 mcm		39,159	39,159					21
								22
336.4 mcm	22,743	191,394	214,137					23
840.2 mcm		356,985	356,985					24
397.5 mcm	48,020	1,569,415	1,617,435					25
795 mcm	17,950	443,712	461,662					26
795 mcm		258,350	258,350					27
954 mcm	20,979	680,443	701,422					28
								29
Various	5,547,789	35,999,115	41,546,904					30
1500 kcmil cu		1,042,460	1,042,460					31
1750 mcm ho		74,247	74,247					32
1750 mcm cu		305,807	305,807					33
1750 mcm ho		64,915	64,915					34
1500 mcm cu		1,768,133	1,768,133					35
	7,814,792	108,140,332	115,955,124	76,997	695,122	5,204	777,323	36

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

TRANSMISSION LINE STATISTICS

1. Report information concerning transmission lines, cost of lines, and expenses for year. List each transmission line having nominal voltage of 132 kilovolts or greater. Report transmission lines below these voltages in group totals only for each voltage.
2. Transmission lines include all lines covered by the definition of transmission system plant as given in the Uniform System of Accounts. Do not report substation costs and expenses on this page.
3. Report data by individual lines for all voltages if so required by a State commission.
4. Exclude from this page any transmission lines for which plant costs are included in Account 121, Nonutility Property.
5. Indicate whether the type of supporting structure reported in column (e) is: (1) single pole wood or steel; (2) H-frame wood, or steel poles; (3) tower; or (4) underground construction If a transmission line has more than one type of supporting structure, indicate the mileage of each type of construction by the use of brackets and extra lines. Minor portions of a transmission line of a different type of construction need not be distinguished from the remainder of the line.
6. Report in columns (f) and (g) the total pole miles of each transmission line. Show in column (f) the pole miles of line on structures the cost of which is reported for the line designated; conversely, show in column (g) the pole miles of line on structures the cost of which is reported for another line. Report pole miles of line on leased or partly owned structures in column (g). In a footnote, explain the basis of such occupancy and state whether expenses with respect to such structures are included in the expenses reported for the line designated.

Line No.	DESIGNATION From (a)	DESIGNATION To (b)	VOLTAGE (KV) (Indicate where other than 60 cycle, 3 phase) Operating (c)	VOLTAGE (KV) Designed (d)	Type of Supporting Structure (e)	LENGTH (Pole miles) (In the case of underground lines report circuit miles) On Structure of Line Designated (f)	LENGTH On Structures of Another Line (g)	Number Of Circuits (h)
1	Waterside Switching Station	Beargrass Sub	138.00	138.00	Undg.(26)	0.90		1
2	Underground Lines under							
3	132KV		69.00	69.00	Undg. (26)	2.57		
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14								
15								
16								
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19								
20								
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23								
24								
25								
26								
27								
28								
29								
30								
31								
32								
33								
34	Exp Applicable to All Lines							
35								
36					TOTAL	664.80	229.33	80

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

TRANSMISSION LINE STATISTICS (Continued)

7. Do not report the same transmission line structure twice. Report Lower voltage Lines and higher voltage lines as one line. Designate in a footnote if you do not include Lower voltage lines with higher voltage lines. If two or more transmission line structures support lines of the same voltage, report the pole miles of the primary structure in column (f) and the pole miles of the other line(s) in column (g)
8. Designate any transmission line or portion thereof for which the respondent is not the sole owner. If such property is leased from another company, give name of lessor, date and terms of Lease, and amount of rent for year. For any transmission line other than a leased line, or portion thereof, for which the respondent is not the sole owner but which the respondent operates or shares in the operation of, furnish a succinct statement explaining the arrangement and giving particulars (details) of such matters as percent ownership by respondent in the line, name of co-owner, basis of sharing expenses of the Line, and how the expenses borne by the respondent are accounted for, and accounts affected. Specify whether lessor, co-owner, or other party is an associated company.
9. Designate any transmission line leased to another company and give name of Lessee, date and terms of lease, annual rent for year, and how determined. Specify whether lessee is an associated company.
10. Base the plant cost figures called for in columns (j) to (l) on the book cost at end of year.

Size of Conductor and Material (i)	COST OF LINE (Include in Column (j) Land, Land rights, and clearing right-of-way)			EXPENSES, EXCEPT DEPRECIATION AND TAXES				Line No.
	Land (j)	Construction and Other Costs (k)	Total Cost (l)	Operation Expenses (m)	Maintenance Expenses (n)	Rents (o)	Total Expenses (p)	
1500 mcm ho		1,528,849	1,528,849					1
								2
Various		2,400,330	2,400,330					3
								4
								5
								6
								7
								8
								9
								10
								11
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								28
								29
								30
								31
								32
								33
				76,997	695,122	5,204	777,323	34
								35
	7,814,792	108,140,332	115,955,124	76,997	695,122	5,204	777,323	36

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original - (2) [ ] A Resubmission	/ /	End of 2007/Q4

SUBSTATIONS

1. Report below the information called for concerning substations of the respondent as of the end of the year.
2. Substations which serve only one industrial or street railway customer should not be listed below.
3. Substations with capacities of Less than 10 MVa except those serving customers with energy for resale, may be grouped according to functional character, but the number of such substations must be shown.
4. Indicate in column (b) the functional character of each substation, designating whether transmission or distribution and whether attended or unattended. At the end of the page, summarize according to function the capacities reported for the individual stations in column (f).

Line No.	Name and Location of Substation (a)	Character of Substation (b)	VOLTAGE (In MVa) Primary (c)	Secondary (d)	Tertiary (e)
1	Aiken	Transmission*	69.00		
2	Algonquin	Transmission*	138.00	69.00	13.80
3	Appliance Park	Transmission*	138.00		
4	Ashbottom	Transmission*	138.00	69.00	13.80
5	Beargrass	Transmission*	138.00	69.00	13.80
6	Beargrass Pumping	Transmission*	69.00		
7	Blue Lick, Brooks, KY	Transmission*	345.00	138.00	
8	Blue Lick, Brooks, KY	Transmission*	345.00	161.00	
9	Blue Lick, Brooks, KY	Transmission*	138.00	69.00	13.80
10	Breckinridge	Transmission*	138.00	69.00	13.20
11	Canal	Transmission*	78.90	40.00	14.00
12	Canal	Transmission*	136.80	66.00	14.00
13	Cane Run	Transmission (G)	138.00	17.10	
14	Cane Run	Transmission (G)	138.00	20.90	
15	Cane Run Switching	Transmission*	138.00	69.00	13.80
16	Centerfield	Transmission	138.00	69.00	13.80
17	Clay	Transmission*	69.00		
18	Clifton	Transmission*	69.00		
19	Cloverport	Transmission*	138.00		
20	Eastwood	Transmission*	69.00		
21	Ethel	Transmission*	138.00	69.00	13.80
22	Farnsley	Transmission*	69.00		
23	Fern Valley	Transmission*	138.00	69.00	13.80
24	Grady	Transmission*	69.00		
25	Hancock	Transmission	138.00	69.00	13.80
26	Harrods Creek	Transmission*	69.00		
27	Lyndon	Transmission*	69.00		
28	Lyndon South, Lyndon, KY	Transmission*	138.00	69.00	13.80
29	Madison	Transmission*	69.00		
30	Middletown, Middletown, KY	Transmission*	345.00	138.00	
31	Middletown, Middletown, KY	Transmission*	138.00	69.00	
32	Middletown, Middletown, KY	Transmission*	138.00	69.00	13.80
33	Mill Creek, Kosmosdale, KY	Transmission	345.00	138.00	13.80
34	Mill Creek, Kosmosdale, KY	Transmission (G)	199.19	20.90	
35	Mill Creek, Kosmosdale, KY	Transmission	199.19	20.90	
36	Mill Creek, Kosmosdale, KY	Transmission	138.00	69.00	13.80
37	Mill Creek, Kosmosdale, KY	Transmission	138.00	69.00	14.00
38	Mud Lane	Transmission*	138.00	69.00	13.80
39	Northside, Jeffersonville, Indiana	Transmission*	345.00	138.00	13.80
40	Ohio Falls	Transmission (G)	69.00	13.80	

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2007/Q4

SUBSTATIONS (Continued)

5. Show in columns (I), (j), and (k) special equipment such as rotary converters, rectifiers, condensers, etc. and auxiliary equipment for increasing capacity.
6. Designate substations or major items of equipment leased from others, jointly owned with others, or operated otherwise than by reason of sole ownership by the respondent. For any substation or equipment operated under lease, give name of lessor, date and period of lease, and annual rent. For any substation or equipment operated other than by reason of sole ownership or lease, give name of co-owner or other party, explain basis of sharing expenses or other accounting between the parties, and state amounts and accounts affected in respondent's books of account. Specify in each case whether lessor, co-owner, or other party is an associated company.

Capacity of Substation (In Service) (In MVa) (f)	Number of Transformers In Service (g)	Number of Spare Transformers (h)	CONVERSION APPARATUS AND SPECIAL EQUIPMENT Type of Equipment (i)	Number of Units (j)	Total Capacity (In MVa) (k)	Line No.
			None			1
140	1		None			2
			None			3
224	2		None			4
185	1		None			5
			None			6
448	1		None			7
240	1		None			8
112	1		None			9
112	1		None			10
83	3		None			11
93	1		None			12
190	1	2	None			13
566	2		None			14
224	2		None			15
140	1		None			16
			None			17
			None			18
			None			19
			None			20
140	1		None			21
			None			22
80	2		None			23
			None			24
140	1		None			25
			None			26
			None			27
140	1		None			28
			None			29
1344	3		None			30
150	1		None			31
298	2	1	None			32
672	2		None			33
829	6	1	None			34
1144	6		None			35
40	1		None			36
40	1		None			37
140	1		None			38
448	1		None			39
134	2		Ground Transformer	1	4	40

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2007/Q4

SUBSTATIONS

1. Report below the information called for concerning substations of the respondent as of the end of the year.
2. Substations which serve only one industrial or street railway customer should not be listed below.
3. Substations with capacities of Less than 10 MVa except those serving customers with energy for resale, may be grouped according to functional character, but the number of such substations must be shown.
4. Indicate in column (b) the functional character of each substation, designating whether transmission or distribution and whether attended or unattended. At the end of the page, summarize according to function the capacities reported for the individual stations in column (f).

Line No.	Name and Location of Substation (a)	Character of Substation (b)	VOLTAGE (In MVa) Primary (c)	Secondary (d)	Tertiary (e)
1	Oxmoor	Transmission*	69.00		
2	Paddy's Run	Transmission (G)	144.90	16.00	
3	Paddy's Run	Transmission	93.00	79.67	14.00
4	Paddy's Run	Transmission	138.00	69.00	14.00
5	Paddy's West - Indiana	Transmission*	345.00	138.00	13.80
6	Seminole	Transmission*	69.00		
7	Shivley	Transmission*	69.00		
8	Taylor	Transmission*	69.00		
9	Tip Top, KY	Transmission*	135.00	66.00	14.00
10	Tip Top, KY	Transmission*	135.00	66.00	37.00
11	Trimble County CT	Transmission* (G)	362.25	18.00	
12	Trimble County	Transmission*	345.00	138.00	
13	Trimble County	Transmission* (G)	345.00	20.90	
14	Waterside	Transmission*	138.00		
15	Watterson	Transmission*	138.00	69.00	13.80
16	Total Transmission		8453.23	2697.17	368.80
17					
18	Aiken	Distribution*	69.00	12.47	
19	Algonquin	Distribution*	69.00	13.80	
20	Ashbottom	Distribution*	138.00	13.80	
21	Ashby	Distribution*	138.00	12.47	
22	Bishop	Distribution*	69.00	12.47	
23	Bluegrass	Distribution*	138.00	12.47	
24	Brandenburg, near Brandenburg, KY	Distribution*	69.00	12.47	
25	Breckenridge	Distribution*	69.00	13.80	
26	Breckenridge	Distribution*	69.00	12.47	
27	Campground	Distribution*	138.00	13.80	
28	Canal	Distribution*	69.00	13.80	
29	Cane Run	Distribution*	69.00	13.80	
30	Centerfield	Distribution*	138.00	12.47	
31	Clay	Distribution*	69.00	13.80	
32	Clifton	Distribution*	69.00	13.80	
33	Clifton	Distribution*	69.00	12.47	
34	Collins	Distribution*	69.00	12.47	
35	Crestwood , Crestwood, KY	Distribution*	69.00	12.47	
36	Dahila	Distribution*	69.00	12.47	
37	Del Park	Distribution*	69.00	13.80	
38	Dixie	Distribution*	138.00	12.47	
39	Ethel	Distribution*	69.00	13.80	
40	Ethel	Distribution*	69.00	12.47	

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2007/Q4

SUBSTATIONS (Continued)

5. Show in columns (I), (j), and (k) special equipment such as rotary converters, rectifiers, condensers, etc. and auxiliary equipment for increasing capacity.
6. Designate substations or major items of equipment leased from others, jointly owned with others, or operated otherwise than by reason of sole ownership by the respondent. For any substation or equipment operated under lease, give name of lessor, date and period of lease, and annual rent. For any substation or equipment operated other than by reason of sole ownership or lease, give name of co-owner or other party, explain basis of sharing expenses or other accounting between the parties, and state amounts and accounts affected in respondent's books of account. Specify in each case whether lessor, co-owner, or other party is an associated company.

Capacity of Substation (In Service) (In MVa) (f)	Number of Transformers In Service (g)	Number of Spare Transformers (h)	CONVERSION APPARATUS AND SPECIAL EQUIPMENT Type of Equipment (i)	Number of Units (j)	Total Capacity (In MVa) (k)	Line No.
			None			1
175	1		None			2
240	6		None			3
187	1		None			4
448	1		None			5
			None			6
			None			7
			None			8
34	1		None			9
45	1		None			10
1260	6		None			11
224	1		None			12
639	1		None			13
			None			14
152	2		None			15
11900	70	4		1	4	16
						17
73	2		None			18
101	3		Ground Transformer	4	12	19
60	2		Ground Transformer	2	10	20
56	2		None			21
56	2		None			22
45	1		None			23
11	1		None			24
40	2		Ground Transformer	2	5	25
84	3		None			26
45	1		Ground Transformer	1	5	27
60	2		Ground Transformer	2	8	28
120	2		Ground Transformer	9	60	29
45	1		None			30
50	2		Ground Transformer	2	10	31
40	2		Ground Transformer	2	9	32
56	2		None			33
56	2		None			34
56	2		None			35
56	2		None			36
45	1		Ground Transformer	1	5	37
45	1		None			38
25	1		Ground Transformer	1	4	39
56	2		None			40

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2007/Q4

SUBSTATIONS

1. Report below the information called for concerning substations of the respondent as of the end of the year.
2. Substations which serve only one industrial or street railway customer should not be listed below.
3. Substations with capacities of Less than 10 MVa except those serving customers with energy for resale, may be grouped according to functional character, but the number of such substations must be shown.
4. Indicate in column (b) the functional character of each substation, designating whether transmission or distribution and whether attended or unattended. At the end of the page, summarize according to function the capacities reported for the individual stations in column (f).

Line No.	Name and Location of Substation (a)	Character of Substation (b)	VOLTAGE (In MVa) Primary (c)	Secondary (d)	Tertiary (e)
1	Fairmount	Distribution*	69.00	12.47	
2	Farnsley, Shively, KY	Distribution*	69.00	12.47	
3	Fern Valley	Distribution*	138.00	13.80	
4	Fern Valley	Distribution*	138.00	12.47	
5	Floyd	Distribution*	69.00	13.80	
6	Ford Truck Plant	Distribution*	69.00	12.47	
7	Frey's Hill	Distribution*	69.00	12.47	
8	Grade Lane	Distribution*	138.00	13.80	
9	Grady	Distribution*	69.00	13.80	
10	Hancock	Distribution*	138.00	12.47	
11	Harmony Landing, near Goshen, KY	Distribution*	69.00	12.47	
12	Harrod's Creek	Distribution*	69.00	12.47	
13	Herman - Class B	Distribution*	13.80	4.16	
14	Highland #1	Distribution*	69.00	12.47	
15	Highland	Distribution*	69.00	13.80	
16	Hillcrest	Distribution*	69.00	12.47	
17	Hillcrest	Distribution*	69.00	13.80	
18	Hurstbourne, Jeffersontown, KY	Distribution*	138.00	12.47	
19	International	Distribution*	138.00	12.47	
20	Jeffersontown	Distribution*	69.00	12.47	
21	Kenwood	Distribution*	69.00	12.47	
22	Knob Creek, near Shepherdsville, KY	Distribution*	138.00	34.50	14.00
23	Locust	Distribution*	69.00	12.47	
24	Lyndon, KY	Distribution*	69.00	12.47	
25	Lyndon South	Distribution*	69.00	12.47	
26	Lynn	Distribution*	13.80	4.16	
27	Madison	Distribution*	69.00	13.80	
28	Magazine	Distribution*	13.80	4.16	
29	Magazine	Distribution*	69.00	13.80	
30	Manslick	Distribution*	138.00	12.47	
31	Mill Creek	Distribution*	138.00	12.47	
32	Mud Lane	Distribution*	138.00	12.47	
33	Nachand	Distribution*	69.00	12.47	
34	Okolona	Distribution*	138.00	12.47	
35	Oxmoor	Distribution*	69.00	12.47	
36	Paddy's Run	Distribution*	138.00	13.80	
37	Plainview	Distribution*	138.00	12.47	
38	Pleasure Ridge Park	Distribution*	138.00	12.47	
39	Seminole	Distribution*	69.00	13.80	
40	Seminole	Distribution*	69.00	12.47	

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2007/Q4

SUBSTATIONS (Continued)

5. Show in columns (I), (j), and (k) special equipment such as rotary converters, rectifiers, condensers, etc. and auxiliary equipment for increasing capacity.
6. Designate substations or major items of equipment leased from others, jointly owned with others, or operated otherwise than by reason of sole ownership by the respondent. For any substation or equipment operated under lease, give name of lessor, date and period of lease, and annual rent. For any substation or equipment operated other than by reason of sole ownership or lease, give name of co-owner or other party, explain basis of sharing expenses or other accounting between the parties, and state amounts and accounts affected in respondent's books of account. Specify in each case whether lessor, co-owner, or other party is an associated company.

Capacity of Substation (In Service) (In MVa) (f)	Number of Transformers In Service (g)	Number of Spare Transformers (h)	CONVERSION APPARATUS AND SPECIAL EQUIPMENT Type of Equipment (i)	Number of Units (j)	Total Capacity (In MVa) (k)	Line No.
37	2		None			1
56	2		None			2
78	2		Ground Transformer	2	9	3
101	3		None			4
45	1		Ground Transformer	1	5	5
90	2		None			6
73	2		None			7
134	2		Ground Transformer	2	10	8
66	3		Ground Transformer	2	9	9
45	1		None			10
28	1		None			11
56	2		None			12
11	2		None			13
45	1		Ground Transformer	1	5	14
33	1		None			15
45	1		Ground Transformer	1	5	16
33	1		None			17
90	2		None			18
90	2		None			19
39	2		None			20
56	2		None			21
30	1		None			22
45	1		None			23
28	1		None			24
28	1		None			25
12	2		None			26
90	2		Ground Transformer	2	10	27
15	2		Ground Transformer	3	15	28
111	3		None			29
45	1		None			30
28	1		Ground Transformer	2	19	31
90	2		None			32
84	3		None			33
45	1		None			34
56	2		None			35
335	6		Ground Transformer	5	70	36
45	1		None			37
45	1		None			38
95	3		Ground Transformer	4	19	39
45	1		None			40

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

SUBSTATIONS

1. Report below the information called for concerning substations of the respondent as of the end of the year.
2. Substations which serve only one industrial or street railway customer should not be listed below.
3. Substations with capacities of Less than 10 MVa except those serving customers with energy for resale, may be grouped according to functional character, but the number of such substations must be shown.
4. Indicate in column (b) the functional character of each substation, designating whether transmission or distribution and whether attended or unattended. At the end of the page, summarize according to function the capacities reported for the individual stations in column (f).

Line No.	Name and Location of Substation (a)	Character of Substation (b)	VOLTAGE (In MVa) Primary (c)	Secondary (d)	Tertiary (e)
1	Seminole	Distribution*	138.00	13.80	
2	Seventh Street	Distribution*	13.80	4.16	
3	*Shepherdsville, Shepherdsville, KY*	Distribution*	69.00	12.47	
4	Shively	Distribution*	69.00	12.47	
5	Shively	Distribution*	69.00	13.80	
6	Skylight, KY	Distribution*	69.00	12.47	
7	Smyrna	Distribution*	69.00	12.47	
8	South Park	Distribution*	69.00	12.47	
9	South Park	Distribution*	69.00	34.50	14.00
10	Southern	Distribution*	13.80	4.16	
11	Stewart	Distribution*	69.00	12.47	
12	Taylor	Distribution*	69.00	12.47	
13	Terry	Distribution*	69.00	12.47	
14	Tip Top	Distribution*	138.00	34.50	28.00
15	Trimble County	Distribution*	138.00	12.47	
16	Waterside	Distribution*	13.80	4.16	
17	Waterside	Distribution*	138.00	13.80	
18	Watterson	Distribution*	138.00	13.80	
19	Watterson	Distribution*	138.00	12.47	
20	Western	Distribution*	13.80	4.16	
21	Worthington	Distribution*	69.00	12.47	
22	WHAS	Distribution*	69.00	12.47	
23	21 Stations Less Than 10,000 Kva				
24	Total Distribution		7272.60	1099.79	56.00
25					
26					
27					
28					
29					
30					
31					
32	Summary				
33	Transmission 41				
34	Distribution 93				
35	Total 134				
36					
37	(1) Located in or near Louisville except as noted.				
38					
39	* Unattended				
40					

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

SUBSTATIONS (Continued)

5. Show in columns (I), (j), and (k) special equipment such as rotary converters, rectifiers, condensers, etc. and auxiliary equipment for increasing capacity.
6. Designate substations or major items of equipment leased from others, jointly owned with others, or operated otherwise than by reason of sole ownership by the respondent. For any substation or equipment operated under lease, give name of lessor, date and period of lease, and annual rent. For any substation or equipment operated other than by reason of sole ownership or lease, give name of co-owner or other party, explain basis of sharing expenses or other accounting between the parties, and state amounts and accounts affected in respondent's books of account. Specify in each case whether lessor, co-owner, or other party is an associated company.

Capacity of Substation (In Service) (In MVa) (f)	Number of Transformers In Service (g)	Number of Spare Transformers (h)	CONVERSION APPARATUS AND SPECIAL EQUIPMENT Type of Equipment (i)	Number of Units (j)	Total Capacity (In MVa) (k)	Line No.
67	1		None			1
13	2		None			2
21	2		None			3
45	1		Ground Transformer	1	5	4
25	1		None			5
11	1		None			6
56	2		None			7
28	1		None			8
11	1		None			9
14	2		None			10
65	3		None			11
84	3		None			12
73	2		None			13
101	2		None			14
11	1		Ground Transformer	2	48	15
18	2		Ground Transformer	2	30	16
197	3		None			17
22	1		Ground Transformer	1	4	18
73	2		None			19
14	2		None			20
44	1		None			21
17	2		None			22
126	27		None			23
4940	178			57	391	24
						25
						26
						27
						28
						29
						30
						31
						32
11900	70	4				33
4940	178					34
16840	248	4				35
						36
						37
						38
						39
						40

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Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) X An Original (2) _ A Resubmission	/ /	2007/Q4

FOOTNOTE DATA

Schedule Page: 426 Line No.: 13 Column: b

(G) Generation

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(G) Generation

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(G) Generation

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(G) Generation

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(G) Generation

Schedule Page: 426.1 Line No.: 11 Column: b

(G) Generation

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(G) Generation

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KPSC Annual Report for Major Natural Gas Companies – December 31, 2007

an e·on company

ANNUAL REPORT

Major Natural Gas Companies

Public Service Commission
of Kentucky

Exact Legal Name of Respondent (Company)	Year/Period of Report
Louisville Gas and Electric Company	End of 2007/Q4

Principal Payment and Interest Information

	Amount	Yes/No
Amount of Principal Payment During Calendar Year	$146,200,000.00	
Is Principal Current?		Y
Is Interest Current?		Y

Services Performed by Independent CPA

	Yes/No	A/C/R
Are your financial statements examined by a Certified Public Accountant?		
Enter Y for Yes or N for No	Y	
If yes, which service is performed?		
Enter an X on each appropriate line		
Audit		X
Compilation		
Review		

22200500 Louisville Gas and Electric Company 01/01/2007 - 12/31/2007

Gas Purchases

	Seller	Acct	Gas Purch MCF	Cost of Gas
	Total Gas Purchases	803	34,698,528	$274,519,156.00
	Performance Based Ratemaking Incentive (1)	803	0	$1,757,402.00
	Gas Supply Adjustments	803	0	($22,503,432.00)
	Wholesale Purchases	803	1,657,672	$10,293,576.00
Total			36,356,200	$264,066,702.00

Note:
(1) See Note 2 under "Notes to Financial Statements" concerning Performance Based Ratemaking.

Additional Information - Counties

Barren, Bullitt, Green, Hardin, Hart, Henry, Jefferson, Larue, Marion, Meade, Metcalfe, Nelson, Oldham, Shelby, Spencer, Trimble, Washington

22200500 Louisville Gas and Electric Company 01/01/2007 - 12/31/2007

Revenues, Customers and MCF Sales

	Revenues	MCFs Nat Gas Sold	Customers
Residential (480)	$217,361,077.00	19,811,486	299,887
Commercial and Industrial Sales (481)			
Small (or Commercial)	$87,161,039.00	8,705,820	24,279
Large (Or Industrial)	$13,752,947.00	1,476,164	272
Other Sales to Public Authorities (482)	$15,137,642.00	1,552,723	1,044
Interdepartmental Sales (484)	$0.00	0	0
Total Sales to Ultimate Customers	$333,412,705.00	31,546,193	325,482
Sales for Resale (483)	$11,482,983.00	1,657,672	0
Total Natural Gas Service	$344,895,688.00	33,203,865	325,482

BLANK

Identification (Ref Page: 1)

	Name	Address1	Address2	City	State	Zip	Phone
Exact Legal Name of Respondent							
	Louisville Gas & Electric Company						
Previous Name and Date of change (if name changed during the year)							
Name Address and Phone number of the contact person							
	Mimi Kelly	220 W. Main Street	P.O. Box 32010	Louisville	KY	40232	5026272482
Note File: Attestation and signature via Electronic Filing							

General Information - (1) (Ref Page: 101)

	Name	Address	City	State	Zip
Provide name and title of the Officer having custody of the general corporate books of account	S.B. Rives - Chief Financial Officer				
Provide Address of Office where the general Corporate books are kept		220 West Main Street	Louisville	KY	40202
Provide the Address of any other offices where other coprorate books are kept if different from where the general corporate books are kept					

22200500 Louisville Gas and Electric Company 01/01/2007 - 12/31/2007

General Information (2,3,4) (Ref Page: 101)

Provide the name of the State under the laws which respondent is incorporated and date

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

If at any time during the year the property of respondent was held by a receiver or trustee

give (a) the 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

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 gas service in the City of Louisville and adjacent territory in Kentucky.

BLANK

General Information - (5) (Ref Page: 101)

	Yes/No	Date
Have you engaged as the principal acountant to audit your financial statements an accountant who is not the principal account for the previous years certified financial statements?		
Enter Y for Yes or N for No	N	
If yes, Enter the date when such independend accountant was initially engaged		

BLANK

Corporations Controlled by Respondent (Ref Page: 103)

Name of Company (a)	Type (b)	Business (c)	Percent Voting Stock (d)
Not Applicable			0.00000000

Security Holders and Voting Powers - Part 1 (Ref Page: 107)

	Explain	Date	Total
1. Give date of the latest closing of the stock book prior to end of the year, and state the purpose of such closing:	Stock books not closed during the year.		
2. State the total number of votes cast at the latest general meeting prior to end of year for election of directors or the respondent and the number of such votes cast by proxy			
Total:			21,294,223
By Proxy:			21,294,223
3. Give the date and place of such a meeting	Louisville, KY	05/10/2007	
Voting Securities			
Number of votes as of Date:			21,294,223

Security Holders and Voting Powers - Part 2 (Ref Page: 107)

	Name	Address	Total Votes	Common Stock	Preferred Stock	Other
4. Total votes of all voting securities			21,294,223	21,294,233	0	0
5. Total number of all security holders			1	1	0	0
6. Total Votes of Security Holders listed below			0	0	0	0
	E.ON U.S. LLC (formerly LG&E Energy LLC)	Louisville, KY	21,294,223	21,294,223	0	0

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Important Changes During the Year (Ref Page: 108)

	Explain
Give particulars concerning the matters indicated below.	
1. Changes in and important additions to franchise rights:	None.
2. Acquisition of ownership in other companies by reorganization, merger or consolidation with other companies:	None.
3. Purchase or sale of an operating unit or system:	None.
4. Important leaseholds (other than leaseholds for natural gas lands) thant have been accquired or given assigned or surrendered:	None of a material nature.
5. Important extension or reduction of transmission or distribution system:	None of a material nature.
6. Obligations incurred as a result of issuance of securities or assumption of liabilities or guarantees.	At December 31, 2007, the Company had obtained authorization from the SEC under the Public Utility Holding Company Act of 2005 (PUHCA 2005) SEC File No. 70-09985 for the issuance of short-term debt up to $400 million through May 31, 2008. The Federal Power Act contained an exemption from FERC approval for securities issuances approved by the SEC under PUHCA 2005. In connection with the repeal of the PUHCA of 1935, the Company also received FERC authorization under the FPA Docket No. ES07-59-000 for up to $400 million in short-term debt through November 30, 2009. The Company's money pool balance decreased from $106 million at September 30, 2007 to $78 million at December 31, 2007. During the fourth quarter, the Company entered into one new long-term loan agreement totaling $47 million with Fidelia Corporation, an affiliated company. The loan bears interest at a rate of 5.72% and matures in November 2022. The loan was approved by the Kentucky Public Service Commission. See Note 7 of Notes to Financial Statements.
7. Changes in articles of incoporation or amendments to charter: Explain the nature and purpose of such changes or amendments:	None.
8. State the estimated annual effect and nature of any important wage scale changes during the year.	None of a material nature.
9. State briefly the status of any materially important legal proceedings pending at the end of the year and the results:	See Notes 2 and 9 of Notes to Financial Statements.
10. Describe briefly any materially important transactions not disclosed elsewhere in this report in which an officer, director, or associated company was a party or had a material interest.	None.
11. Estimated increase or decrease in annual revenues caused by important rate changes:	None.

22200500 Louisville Gas and Electric Company 01/01/2007 - 12/31/2007

Balance Sheet - Assets and Other Debits (Ref Page: 110)

	Balance Beginning of Year	Balance End of Year
1. UTILITY PLANT		
2. Utility Plant (101-106,114)	$3,903,922,638.00	$3,972,544,417.00
3. Construction Work in Progress (107)	$217,873,410.00	$344,441,784.00
4. TOTAL UTILITY PLANT	$4,121,796,048.00	$4,316,986,201.00
5. (Less) Accum. Prov. for Depr. Amort. Depl. (108,111,115)	$1,766,590,602.00	$1,859,847,713.00
6. Net Utility Plant (Line 4 less Line 5)	$2,355,205,446.00	$2,457,138,488.00
7. Nuclear Fuel (120.1-120.4,120.6)		$0.00
8. (Less) Accum. Prov. for Amort. of Nucl. Assemblies (120.5)		$0.00
9. Nuclear Fuel (Line 7 less Line 8)		$0.00
10. Net Utility Plant (Enter Total of Line 6 and Line 9)	$2,355,205,446.00	$2,457,138,488.00
11. Utility Plant Adjustments (116)		$0.00
12. Gas Stored-Base Gas (117.1)	$2,139,990.00	$2,139,990.00
13. System Balancing Gas (117.2)		$0.00
14. Gas Stored Underground - Non Current (117.3)		$0.00
15. Gas Owned to System Gas (117.4)		$0.00
16. OTHER PROPERTY AND INVESTMENTS		
17. Nonutility Property (121)	$80,698.00	$75,240.00
18. (Less) Accum. Prov. for Depr. and Amort. (122)	$63,360.00	$63,360.00
19. Investment in Associated Companies (123)		$0.00
20. Investments in Subsidiary Companies (123.1)		$0.00
21.		
22. Noncurrent Portion of Allowances		$0.00
23. Other Investments (124)	$594,286.00	$594,286.00
24. Special Funds (125-128)	$2,840,300.00	$25,874,231.00
25. TOTAL Other Property and Investments	$3,451,924.00	$26,480,397.00
26. CURRENT AND ACCRUED ASSETS		
27. Cash (131)	$6,603,229.00	$4,312,502.00

22200500 Louisville Gas and Electric Company 01/01/2007 - 12/31/2007

Balance Sheet - Assets and Other Debits (Ref Page: 110)

	Balance Beginning of Year	Balance End of Year
28. Special Deposits (132-134)	$15,605,848.00	$6,919,973.00
29. Working Fund (135)	$23,780.00	$21,280.00
30. Temporary Cash Investments (136)	$5,458.00	$35,917.00
31. Notes Receivable (141)		$0.00
32. *Customer Accounts Receivable* (142)	$84,338,640.00	$96,948,965.00
33. Other Accounts Receivable (143)	$29,508,161.00	$28,810,091.00
34. (Less) Accum. Prov. for Uncollectible Acct. Credit (144)	$1,649,125.00	$1,790,471.00
35. Notes Receivable from Associated Companies (145)		$0.00
6. Accounts Receivable from Assoc. Companies (146)	$19,407,514.00	$32,982.00
37. Fuel Stock (151)	$37,861,747.00	$45,925,807.00
38. Fuel Stock Expenses Undistributed (152)		$0.00
39. Residuals (Elec) and Extracted Products (153)		$0.00
40. Plant Materials and Operating Supplies (154)	$25,262,980.00	$26,407,267.00
41. Merchandise (155)		$0.00
42. Other Materials and Supplies (156)		$0.00
43. Nuclear Materials Held for Sale (157)		$0.00
44. Allowances (158.1 and 158.2)	$15,403.00	$11,459.00
45. (Less) Noncurrent Portion of Allowances		$0.00
46. Stores Expense Undistributed (163)	$4,433,231.00	$4,584,570.00
47. Gas Stored Underground - Current (164.1)	$82,837,901.00	$81,188,407.00
48. Liquefied Natural Gas Stored and Held for Processing (164.2-164.3)		$0.00
49. Prepayments (165)	$5,379,921.00	$5,339,357.00
50. Advances for Gas (166-167)		$0.00
51. Interest and Dividends Receivable (171)	$175,044.00	$220,496.00
52. Rents Receivable (172)	$37,467.00	$435,309.00
53. Accrued Utility Revenues (173)	$52,720,000.00	$64,669,000.00

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Balance Sheet - Assets and Other Debits (Ref Page: 110)

	Balance Beginning of Year	Balance End of Year
54. Miscellaneous Current and Accrued Assets (174)		$3,834.00
54.a Derivative Instrument Assets (175)	$895,627.00	$537,979.00
54.b Derivative Instrument Assets - Hedges (176)		$0.00
55. TOTAL Current and Accrued Assets (Lines 27 - 54.b)	$363,462,846.00	$364,614,724.00
56. DEFERRED DEBITS		
57. Unamortized Debt Expenses (181)	$8,132,045.00	$9,898,130.00
58. Extraordinary Property Losses (181.1)		$0.00
59. Unrecovered Plant and Regulatory Study Costs (182.2)		$0.00
60. Other Regulatory Assets (182.3)	$163,619,703.00	$151,022,049.00
61. Prelim. Survey and Investigation Charges (Electric) (183)	$69,034.00	$384,463.00
62. Prelim. Sur. and Invest. Charges (Gas) (183.1,183.2)		$0.00
63. Clearing Accounts (184)	$756,750.00	$499,108.00
64. Temporary Facilities (185)		$0.00
65. Miscellaneous Deferred Debits (186)	$36,346,566.00	$34,320,956.00
66. Def. Losses from Disposition of Utility Plt. (187)		$0.00
67. Research, Devel. and Demonstration Expend. (188)		$0.00
68. Unamortized Loss on Reacquired Debt (189)	$19,623,273.00	$19,100,231.00
69. Accumulated Deferred Income Taxes (190)	$56,085,158.00	$52,162,134.00
70. Unrecovered Purchased Gas Costs (191)		$0.00
71. TOTAL Deferred Debits (Lines 57-70)	$284,632,529.00	$267,387,071.00
72. Total Assets and other Debits (Total Lines 10-15,22,55,71)	$3,008,892,735.00	$3,117,760,670.00

Note:
Lines 24 and 28:
During 2007, certain amounts in account 134 were reclassified to account 128, as they were determined to be long-term in nature. In addition, account 128 includes $14,152,203 of prepaid pension. There was no prepaid pension in 2006.

22200500 Louisville Gas and Electric Company 01/01/2007 - 12/31/2007

Balance Sheet - Liabilities and Other Credits (Ref Page: 112)

	Balance Beginning of Year	Balance End of Year
1. PROPRIETARY CAPITAL		
2. Common Stock Issued (201)	$425,170,424.00	$425,170,424.00
3. Preferred Stock Issued (204)	$71,519,300.00	$0.00
4. Capital Stock Subscribed (202,205)		$0.00
5. Stock Liability for Conversion (203,206)		$0.00
6. Premium on Capital Stock (207)		$0.00
7. Other Paid-In Capital Stock (208-211)	$40,005,699.00	$60,000,000.00
8. Installments Received on Capital stock (212)		$0.00
9. (Less) Discount on Capital Stock (213)		$0.00
10. (Less) Capital Stock Expense (214)	$1,924,169.00	$835,889.00
11. Retained Earnings (215,215.1,216)	$639,104,730.00	$689,961,390.00
12. Unappropriated Undistributed Subsidaiary Earnings (216.1)		$0.00
13. (Less) Reacquired Capital Stock (217)	$12,125.00	$0.00
14. Accumulated Other Comprehensive Income (219)	($9,305,657.00)	($13,132,184.00)
15. TOTAL Proprietary Capital	$1,164,558,202.00	$1,161,163,741.00
16. LONG TERM DEBT		
17. Bonds (221)	$574,304,000.00	$574,304,000.00
18. (Less) Reacquired Bonds (222)		$0.00
19. Advances from Associated Companies (223)	$225,000,000.00	$410,000,000.00
20. Other Long-Term Debt (224)	$20,000,000.00	$0.00
21. Unamortized Premium on Long-Term Debt (225)		$0.00
22. (Less) Unamortized Discount on LongTerm Debt (226)		$0.00
23. (Less) Current Portion of Long Term Debt		$0.00
24. TOTAL Long Term Debt	$819,304,000.00	$984,304,000.00
25. OTHER NONCURRENT LIABILITIES		
26. Obligations Under Capital Leases-NonCurrent (227)		$23,649.00
27. Accumulated Provision for Property Insurance (228.1)		$0.00

Balance Sheet - Liabilities and Other Credits (Ref Page: 112)

	Balance Beginning of Year	Balance End of Year
28. Accumulated Provision for Injuries and Damages (228.2)		$5,601,154.00
29. Accumulated Provision for Pensions and Benefits (228.3)	$99,316,147.00	$97,643,181.00
30. Accumulated Miscellaneous Operating Provisions (228.4)		$0.00
31. Accumulated Provision for Rate Refunds (229)		$0.00
32. Asset Retirement Obligations (230)	$28,430,702.00	$29,582,676.00
33. TOTAL OTHER Noncurrent Liabilities	$127,746,849.00	$132,850,660.00
34. CURRENT AND ACCRUED LIABILITIES		
35. Current Portion of Long-Term Debt		$0.00
36. Notes Payable (231)		$0.00
37. Accounts Payable (232)	$162,796,168.00	$115,160,770.00
38. Notes Payable to Associated Companies (233)	$67,824,000.00	$78,241,200.00
39. Account Payable to Associated Companies (234)	$54,907,690.00	$56,768,214.00
40. Customer Deposits (235)	$18,146,501.00	$19,373,313.00
41. Taxes Accrued (236)	$28,624,485.00	$4,746,862.00
42. Interest Accrued (237)	$2,324,124.00	$1,981,717.00
43. Dividends Declared (238)	$906,340.00	$0.00
44. Matured Long-Term Debt (239)		$0.00
45. Matured Interests (240)		$0.00
46. Tax Collections Payable (241)	$1,350,185.00	$1,446,316.00
47. Miscellaneous current and Accrued Liabilities (242)	$7,075,407.00	$11,357,668.00
48. Obligatons Under Capital Leases - Current (243)		$405,438.00
49. Derivative Instrument Liabilities (244)	$119,895.00	$152,956.00
50. Derivative Instrument Liabilities - Hedges (245)		$0.00
51. TOTAL Current and Accrued Liabilities	$344,074,795.00	$289,634,454.00
52. DEFERRED CREDITS		
53. Customer Advances for Construction (252)	$16,806,393.00	$9,612,516.00
54. Accumulated Deferred Investment Tax Credits (255)	$41,070,237.00	$46,098,962.00

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Balance Sheet - Liabilities and Other Credits (Ref Page: 112)

	Balance Beginning of Year	Balance End of Year
55. Deferred Gains from Disposition of Utility Plant (256)		$0.00
56. Other Deferred Credits (253)	$51,278,035.00	$40,862,253.00
57. Other Regulatory Liabilities (254)	$55,370,571.00	$55,115,538.00
58. Unamortized gain on Reacquired Debt (257)		$0.00
59. Accumulated Deferred Income Taxes (281-283)	$388,683,653.00	$398,118,546.00
60. TOTAL Deferred Credits	$553,208,889.00	$549,807,815.00
61. TOTAL Liabilities and Other Credits (Total Lines 15,24,33,51 and 60)	$3,008,892,735.00	$3,117,760,670.00

Note:
Line 28:
During 2007, Workers' Compensation was reclassified from account 232 to account 228.2, as it was determined to be long-term in nature.

22200500 Louisville Gas and Electric Company 01/01/2007 - 12/31/2007

Statement of Income for the Year (Ref Page: 114)

	Total (c)	Total - Prev Yr (d)	Electric (e)	Gas (g)	Other (i)
1..UTILITY OPERATING INCOME					
2. Gas Operating Revenues (400)	$1,285,137,296.00	$1,337,890,107.00	$932,455,567.00	$352,681,729.00	$0.00
3. Operating Expenses					
4. Operation Expenses (401)	$826,345,485.00	$891,529,395.00	$533,846,915.00	$292,498,570.00	$0.00
5. Maintenance Expenses (402)	$82,541,993.00	$79,035,654.00	$69,228,361.00	$13,313,632.00	$0.00
6. Depreciation Expense (403)	$119,425,164.00	$117,779,352.00	$102,299,003.00	$17,126,161.00	$0.00
7. Depreciation Expense for Asset Retirement Costs (403.1)	$147,902.00	$202,919.00	$138,748.00	$9,154.00	$0.00
8. Amort and Depl of Utility Plant (404-405)	$6,199,962.00	$5,867,355.00	$4,587,972.00	$1,611,990.00	$0.00
9. Amort of Utility Plant Acq. Adj (406)	$0.00		$0.00	$0.00	$0.00
10. Amort of Property Losses Unrecovered Plant and Regulatory Study Costs (407.1)	$0.00		$0.00	$0.00	$0.00
11. Amort. of Conversion Expenses (407.2)	$0.00		$0.00	$0.00	$0.00
12. Regulatory Debits (407.3)	$0.00		$0.00	$0.00	$0.00
13. (Less) Regulatory Credits (407.4)	$1,940,744.00	$2,260,937.00	$1,511,554.00	$429,190.00	$0.00
14. Taxes Other than Income Taxes (408.1)	$21,896,663.00	$21,708,691.00	$16,260,079.00	$5,636,584.00	$0.00
15. Income Taxes - Federal (409.1)	$34,624,585.00	$62,654,784.00	$40,724,342.00	($6,099,757.00)	$0.00
16. Income Taxes - Other (409.1)	$7,620,509.00	$11,361,385.00	$8,811,442.00	($1,190,933.00)	$0.00

22200500 Louisville Gas and Electric Company 01/01/2007 - 12/31/2007

Statement of Income for the Year (Ref Page: 114)

	Total (c)	Total - Prev Yr (d)	Electric (e)	Gas (g)	Other (i)
17. Provision for Deferred Income Taxes (410.1)	$39,299,707.00	$52,600,230.00	$24,558,126.00	$14,741,581.00	$0.00
18. (Less) Provision for Deferred Income Taxes (411.1)	$28,323,682.00	$60,838,114.00	$26,116,207.00	$2,207,475.00	$0.00
19. Investment Tax Credit Adj. - Net (411.4)	$5,028,725.00	($1,021,662.00)	$5.193,800.00	($165,075.00)	$0.00
20. (Less) Gains from Disp. of Utility Plant (411.6)	$0.00		$0.00	$0.00	$0.00
21. Losses from Disp. of Utility Plant (411.7)	$0.00		$0.00	$0.00	$0.00
22. (Less) Gains from Disposition of Allowances (411.8)	$553,093.00	$1,004,608.00	$553,093.00	$0.00	$0.00
23. Losses from Disposition of Allowances (411.9)	$0.00		$0.00	$0.00	$0.00
24. Accretion Expense (411.10)	$1,780,917.00	$2,058,041.00	$1,360,881.00	$420,036.00	$0.00
25. Total Utility Operating Expenses (Enter Total of Lines 4 - 22)	$1,114,094,093.00	$1,179,672,497.00	$778,828,815.00	$335,265,278.00	$0.00
26. Net Utility Operating Income (Line 2 less line 23 - Carry forward to pg 117 line 25)	$171,043,203.00	$158,217,610.00	$153,626,752.00	$17,416,451.00	$0.00

Statement of Income (continued) (Ref Page: 116)

	Current Year	Previous Year
27. Net Utility Operating Income (Carried from pg 114)	$171,043,203.00	$158,217,610.00
28. Other Income and Deductions		
29. Other Income		
30. Nonutility Operating Income		
31. Revenues From Merchandising, Jobbing and Contract Work (415)	($225.00)	$129,304.00
32. (Less) Costs and Exp. of Merchandising, Job. and Contract Work (416)	$29,494.00	$211,758.00
33. Revenues From Nonutility Operations (417)	$1,555,185.00	$1,174,684.00
34. (Less) Expenses of Nonutility Operations (417.1)	$0.00	
35. Nonoperating Rental Income (418)	$0.00	$604.00
36. Equity in Earnings of Subsidiary Companies (418.1)	$0.00	
37. Interest and Dividend Income (419)	$1,391,693.00	$1,463,963.00
38. Allowance for Other Funds Used During Construction (419.1)	$0.00	
39. Miscellaneous Nonoperating Income (421)	$366,121.00	($483,038.00)
40. Gain on Disposition of Property (421.1)	$459,948.00	
41. TOTAL Other Income	$3,743,228.00	$2,073,759.00
42. Other Income Deductions		
43. Loss on Disposition of Property (421.2)	$102,931.00	$690,191.00
44. Miscellaneous Amortization (425)	$0.00	
45. Miscellaneous Income Deductions (426.1 - 426.5)	$4,147,073.00	$4,317,301.00
46. TOTAL Other Income Deductions	$4,250,004.00	$5,007,492.00
47. Taxes Applic. to Other Income and Deductions		
48. Taxes Other Than Income Taxes (408.2)	$1,444.00	$21,180.00
49. Income Taxes - Federal (409.2)	($554,282.00)	($1,890,908.00)
50. Income Taxes - Other (409.2)	($125,334.00)	($410,236.00)
51. Provision for Deferred Inc. Taxes (410.2)	$986,199.00	$275,754.00

Statement of Income (continued) (Ref Page: 116)

	Current Year	Previous Year
52. (Less) Provision for Deferred Income Taxes CR (411.2)	$9,972.00	$207,234.00
53. Investment Tax Credit Adj. - Net (411.5)	$0.00	
54. (Less) Investment Tax Credits (420)	$0.00	
55. TOTAL Taxes on Other Income and Deduct.	$298,055.00	($2,211,444.00)
56. Net Other Income and Deductions (Lines 39,44,53)	($804,831.00)	($722,289.00)
57. Interest Charges		
58. Interest on Long Term Debt (427)	$27,325,819.00	$23,182,203.00
59. Amort of Debt Disc. and Expense (428)	$401,067.00	$408,648.00
60. Amortization of Loss on Reacquired Debt (428.1)	$1,035,406.00	$1,021,632.00
61. (Less) Amort. of Premium on Debt - CR (429)	$0.00	
62. (Less) Amortization of Gain on Reacquired Debt - CR (429.1)	$0.00	
63. Interest on Debt to Assoc. Companies (430)	$21,171,199.00	$12,805,158.00
64. Other Interest Expense (431)	($78,484.00)	$3,249,084.00
65. (Less) Allowance for Borrowed Funds Used During Construction CR (432)	$0.00	
66. Net Interest Charges	$49,855,007.00	$40,666,725.00
67. Income Before Extraordinay Items (Lines 25,54,and 64)	$120,383,365.00	$116,828,596.00
68. Extraordinary Items		
69. Extraordinary Income (434)	$0.00	
70. (Less) Extraordinary Deductions (435)	$0.00	
71. Net Extraordinary Items (Lines 67 less 68)	$0.00	
72. Income Taxes - Federal and Other (409.3)	$0.00	
73. Extraordinary Items After Taxes (Lines 69 less 70)	$0.00	
74. Net Income (Lines 67 and 73)	$120,383,365.00	$116,828,596.00

Statement of Retained Earnings for the Year (Ref Page: 118)

Item(a)		Acct(b)	Amount(c)
UNAPPROPRIATED RETAINED EARNINGS (216)			
State balance and purpose of each appropriated retained earnings amount at end of year and			
1. Balance - Beginning of the Year			$639,104,730.00
Changes (Identify by prescribed retained earnings accounts)			
give accounting entries for any applications of appropriated retained earnings during the year.			
Adjustments to Retained Earnings (439)			
Credit:	FIN 48 Adjustment	0	$202,186.00
4. TOTAL Credits to Retained Earnings (439)			$202,186.00
Debit:	Preferred Stock Buy Back	0	($3,787,255.00)
5. TOTAL Debits to Retained Earnings (439)			($3,787,255.00)
6. Balance Transferred from Income (433 less 418.1)		0	$120,383,365.00
Appropriations of Retained Earnings (436)			
8. TOTAL appropriations of Retained Earnings (436)			
Dividends Declared - Preferred stock (437)			
	$25 Par Value Auction Rate Cumulative	0	($316,636.00)
	Without Par Value Auction Rate Cumulative	0	($625,000.00)
10. TOTAL Dividends Declared - Preferred Stock (437)		0 0	($941,636.00)
Dividends Declared - Common Stock (438)			
	Without Par Value	0	($65,000,000.00)
12. TOTAL Dividends Declared - Common Stock (438)			($65,000,000.00)

22200500 Louisville Gas and Electric Company 01/01/2007 - 12/31/2007

Statement of Cash Flows (Ref Page: 120)

Description	Amounts
1. Net Cash Flow From Operating Activities:	
2. Net Income (Line 72 c on page 117)	$120,383,365.00
3. Noncash Charges (Credits) to Income:	
4. Depreciation and Depletion	$119,573,066.00
Amortization of (Specifiy)	
5. Plant	$6,199,962.00
6. Deferred Income Taxes (Net)	$13,357,917.00
7. Investment Tax Credit Adjustment (Net)	$5,028,725.00
8. Net (Increase) Decrease in Receivables	($18,938,354.00)
9. Net (Increase) Decrease in Inventory	($7,710,192.00)
10. Net (Increase) Decrease in Allowances Inventory	$3,944.00
11. Net Increase (Decrease) in Payables and Acccrued Expenses	($82,471,108.00)
12. Net (Increase) Decrease in Other Regulatory Assets	$12,597,654.00
13. Net Increase (Decrease) in Other Regulatory Liabilities	($255,033.00)
14. (Less) Allowance for Other Funds Used During Construction	
15. (Less) Undistributed Earnings from Subsidiary Companies	
Other:	
16. Other	($18,354,099.00)
16. Change in Other Deferred Debits	$2,025,610.00
16. Change in Other Deferred Credits	($10,415,782.00)
17. Net Cash Provided by (Used in) Operating Activities (Total lines 2 thru 16)	$141,025,675.00
Cash Flows from Investment Activities:	
21. Construction and Acquisition of Plant (Including Land):	
22. Gross Additions to Utility Plant (Less nuclear fuel)	($165,718,773.00)
23. Gross Additions to Nuclear Fuel	

Statement of Cash Flows (Ref Page: 120)

Description	Amounts
24. Gross Additions to Common Utility Plant	($29,121,326.00)
25. Gross Additions to Nonutility Plant	
26. (Less) Allowance for Other Funds Used During Construction	
Other	
27.	
Cash Outflows for Plant (Total lines 22-27)	($194,840,099.00)
30. Acquisition of Other Noncurrent Assets (d)	
31. Proceeds from Disposal of Noncurrent Assets (d)	
32. Retirements of Property,Plant and Equipment	
33. Investments in and Advances to Assoc. and Subsidary Companies	
34. Contributions and Advances from Assoc. and Subsidiary Companies	
35. Disposition of Investments in (and Advances to) Associated and Subsidiary Companies	
37. Purchase of Investment Securities (a)	
38. Proceeds from Sales of Investment Securities (a)	
40. Loans Made or Purchased	
41. Collections on Loans	
43. Net (Increase) Decrease in Receivables	
44. Net (Increase) Decrease in Inventory	
45. Net (Increase) Decrease in Allowances Held for Speculation	
46. Net Increase (Decrease) in Payables and Accrued Expenses	
Other:	
47. Loss from Disposal of Fixed Assets	($357,016.00)
47. Change in Restricted Cash	($3,036,153.00)
48. Net Cash Provided by (used in) Investing Activities (Lines 28-47)	($198,233,268.00)

22200500 Louisville Gas and Electric Company 01/01/2007 - 12/31/2007

Statement of Cash Flows (Ref Page: 120)

Description		Amount
Cash Flows from Financing Activities:		
52. Proceeds from Issuance of:		
53. Long - Term Debt (b)		$308,320,562.00
54. Preferred Stock		
55. Common Stock		
Other:		
56	Net Increase in Short-Term Capital Lease Oblig	$405,438.00
57. Net Increase in Short-Term Debt (c)		$10,417,200.00
Other		
58.	Net Increase in Long-Term Capital Lease Oblig	$23,650.00
59. Cash Provided by Outside Sources (Total lines 53-58)		$319,166,850.00
61. Payments for Retirement of:		
62. Long-Term Debt (b)		($126,000,000.00)
63. Preferred Stock		($91,643,113.00)
64. Common Stock		
Other:		
65.	Change in Contributed Capital	$20,000,000.00
66. Net Decrease in Short-Term Debt (c)		
68. Dividends on Preferred Stock		($4,416,712.00)
69. Dividends on Common Stock		($65,000,000.00)
70. Net Cash Provided by (used in) Financing Activities (Lines 59-69)		$52,107,025.00
Net Increase (Decrease) in Cash and Cash Equivalents (Total Lines 18,49,71)		($5,100,568.00)
Cash and Cash Equivalents at Beginning of Year		$9,448,987.00
Cash and Cash Equivalents at End of Year		$4,348,419.00

Statement of Cash Flows (Ref Page: 120) - NOTES

Note:
Line 16 Other

Other operating cash flows:

Net salvage and cost of removal	($6,394,036)
Depreciation charged to balance sheet accts	483,120
Amortization of Debt Expenses	401,068
Amortization of Loss on Bonds	1,035,327
Net decrease in Prepayments	40,564
Net decrease in Derivative Assets	353,814
Net increase in Preliminary Survey	(315,428)
Net decrease in Clearing Accounts	257,642
Net increase in Other Comprehensive Income	(3,826,527)
Net decrease in Customer Advances for Const.	(7,193,877)
Net increase in Asset Retirement Obligations	1,151,974
Net decrease in Prov. for Postrtmnt Benefits	(1,672,968)
Net adjustment to Ret Earnings (FIN 48 effect)	202,186
Net adjustment for Noncash Capital Lease	(2,876,958)
Total	($18,354,099)

Cash and Cash Equivalents at the End of Year

Cash and cash equivalents is comprised of the following amounts:

Cash (Acct 131)	$4,312,502
Temporary Cash Investments (Acct 136)	35,917
Total Cash and Cash Equiv at End of Period	$4,348,419

Summary of Utility Plant and Accumulated Provisions for Depreciation Amortization and Depletion (Ref Page: 200)

	Total (b)	Electric (c)	Gas (d)	Other (Total)	Common (h)
Utility Plant					
In Service					
3. Plant In Service (Classified)	$3,969,018,445.00	$3,242,752,617.00	$548,433,692.00	$0.00	$177,832,136.00
4. Property under Capital Leases	$2,876,958.00	$2,876,958.00	$0.00	$0.00	$0.00
5. Plant Purchased or Sold					
6. Completed Construction not Classified					
7. *Experimental Plant* Unclassifed					
8. Total - Utility Plant (Lines 3-7)	$3,971,895,403.00	$3,245,629,575.00	$548,433,692.00	$0.00	$177,832,136.00
9. Leased to Others					
10. Held for Future Use	$649,014.00	$649,014.00	$0.00	$0.00	$0.00
11. Construction Work in Progress	$344,441,784.00	$253,332,707.00	$62,549,383.00	$0.00	$28,559,694.00
12. Acquisition Adjustments					
13. Total Utility Plant (Lines 8 - 12)	$4,316,986,201.00	$3,499,611,296.00	$610,983,075.00	$0.00	$206,391,830.00
14. Accum. Prov. for Depr, Amort, And Depl.	*$1,859,847,713.00*	*$1,573,660,209.00*	*$206,166,463.00*	$0.00	$80,021,041.00
15. Net Utility Plant (Line 13 less 14)	$2,457,138,488.00	$1,925,951,087.00	$404,816,612.00	$0.00	$126,370,789.00
16. Detail of Accumulated Provisions for Depreciation *Amortization and Depletion*					
17. In Service					
18. Depreciation	$1,842,294,083.00	$1,573,660,109.00	$206,165,663.00	$0.00	$62,468,311.00
19. Amort. and Depl. of Production Natural Gas Land and Land Rights					

Summary of Utility Plant and Accumulated Provisions for Depreciation Amortization and Depletion (Ref Page: 200)

	Total (b)	Electric (c)	Gas (d)	Other (e-g)	Common (h)
20. Amort of Underground Storage Land and Land Rights	$800.00	$0.00	$800.00	$0.00	$0.00
21. Amort of Other Utility Plant	$17,552,830.00	$100.00	$0.00	$0.00	$17,552,730.00
22. Total In Service (Lines 18-21)	$1,859,847,713.00	$1,573,660,209.00	$206,166,463.00	$0.00	$80,021,041.00
23. Leased to Others					
24. Depreciation					
25. Amortization and Depletion					
26. Total Leased to Others (Lines 24 and 25)					
27. Held for Future Use					
28. Depreciation					
29. Amortization					
30. Total Held for Future Use (Lines 28 and 29)					
31. Abandonment of Leases (Naturual Gas)					
32. Amort. Of Plant Aquision Adj.					
33. Total Accumulated Provisions (Should agree with Line 14, Total 22,26,30,31 and 32)	$1,859,847,713.00	$1,573,660,209.00	$206,166,463.00	$0.00	$80,021,041.00

Gas Plant in Service - Intangible and Production Plant (Ref Page: 204)

	Bal Beg Yr (b)	Addition (c)	Retirements (d)	Adjustments (e)	Transfers (f)	Bal End Yr (g)
INTANGIBLE PLANT						
2. Organization (301)						
3. Franchises and Consents (302)	$1,187.00	$0.00	$0.00	$0.00	$0.00	$1,187.00
4. Miscellaneous Intangible Plant (303)						
5. Total Intangible Plant	$1,187.00	$0.00	$0.00	$0.00	$0.00	$1,187.00
PRODUCTION PLANT						
7. Natural Gas Production and Gathering Plant						
8. Producing Lands (325.1)						
9. Producing Leaseholds (325.2)						
10. Gas Rights (325.3)						
11. Rights of Way (325.4)						
12. Other Land and Land Rights (325.5)						
13. Gas Well Structures (326)						
14. Field Compressor Station Structures (327)						
15. Field Measuring and Regulating Station Equipment (328)						
16. Other Structures (329)						
17. Producing Gas Wells - Well Construction (330)						
18. Producing Gas Wells - Well Equipment (331)						
19. Field Lines (332)						

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Gas Plant In Service - Intangible and Production Plant (Ref Page: 204)

	Bal Beg Yr (b)	Addition (c)	Retirements (d)	Adjustments (e)	Transfers (f)	Bal End Yr (g)
20. Field Compressor Station Equipment (333)						
21. Field Measuring and Regulating Station Equipment (334)						
22. Drilnig and Cleaning Equipment (335)						
23. Purification Equipment (336)						
24. Other Equipment (337)						
25. Unsuccessful Exploration and Development Costs (338)						
26. Asset Retirement Costs for Natural Gas Production and Gathering Plant (339)						
27. Total Production and Gathering Plant						
28. PRODUCTS EXTRACTION PLANT						
29. Land and Land Rights (340)						
30. Structures and Improvements (341)						
31. Extraction and Refining Equipment (342)						
32. Pipe Lines (343)						
33. Extracted Products Storage Equipment (344)						
34. Compressor Equipment (345)						

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Gas Plant in Service - Intangible and Production Plant (Ref Page: 204)

	Bal Beg Yr (b)	Addition (c)	Retirement (d)	Adjustment (e)	Transfer (f)	Bal End Yr (g)
35. Gas Measuring and Regulating Equipment (346)						
36. Other Equipment (347)						
37. Asset Retirement Costs for Products Extraction Plant (348)						
38. Total Products Extraction Plant						
39. Total Natural Gas Production Plant (Lines 27 and 38)						
40. Manufactured Gas Production Plant						
41. Total Production Plant (Lines 39 and 40)						

Gas Plant in Service - Storage and Processing (Ref Page: 206)

	Bal Beg Yr (b)	Additions (c)	Retirements (d)	Adjustments (e)	Transfers (f)	Bal End Yr (g)
NATURAL GAS STORAGE AND PROCESSING PLANT						
Underground Storage Plant						
44. Land (350.1)	$32,865.00	$0.00	$0.00	$0.00	$0.00	$32,865.00
45. Rights-of-Way (350.2)	$63,678.00	$0.00	$0.00	$0.00	$0.00	$63,678.00
46. Structures and Improvements (351)	$2,943,556.00	$65,475.00	$0.00	$0.00	$0.00	$3,009,031.00
47. Wells (352)	$8,765,659.00	$0.00	$0.00	$0.00	$0.00	$8,765,659.00
48. Storage Leaseholds and Rights (352.1)	$548,241.00	$0.00	$0.00	$0.00	$0.00	$548,241.00
49. Reservoirs (352.2)	$400,511.00	$0.00	$0.00	$0.00	$0.00	$400,511.00
50. Non-recoverable Natural Gas (352.3)	$9,648,855.00	$0.00	$0.00	$0.00	$0.00	$9,648,855.00
51. Lines (353)	$12,786,744.00	$0.00	$17,940.00	$0.00	$0.00	$12,768,804.00
52. Compressor Station Equipment (354)	$13,961,771.00	$1,206,200.00	$47,351.00	$0.00	$0.00	$15,120,620.00
53. Measuring and Regulating Equipment (355)	$387,810.00	$0.00	$0.00	$0.00	$0.00	$387,810.00
54. Purification Equipment (356)	$9,934,256.00	$5,533.00	$6,130.00	$0.00	$0.00	$9,933,659.00
55. Other Equipment (357)	$1,033,211.00	$0.00	$0.00	$0.00	$0.00	$1,033,211.00
56. Asset Retirement Costs for Underground Storage Plant (358)	$541,132.00	$0.00	$0.00	$0.00	$0.00	$541,132.00
57. Total Underground Storage Plant	$61,048,289.00	$1,277,208.00	$71,421.00	$0.00	$0.00	$62,254,076.00
Other Storage Plant						

Gas Plant in Service - Storage and Processing (Ref Page: 206)

	Bal Beg Yr (b)	Addition (c)	Retirements (d)	Adjustments (e)	Transfers (f)	Bal End Yr (g)
59. Land and Land Rights (360)						
60. Structures and Imporvements (361)						
61. Gas Holders (362)						
62. Purification Equipment (363)						
63. Liquefaction Equipment (363.1)						
64. Vaporaizing Equipment (363.2)						
65. Compressor Equipment (363.3)						
66. Measuring and Regulating equipment (363.4)						
67. Other Equipment (363.5)						
68. Asset Retirement Costs for Other Storage Plant (363.6)						
69. Total Other storage Plant						
70. Base Load Liquefied natural Gas Terminaling and Processing Plant						
71. Land and Land Rights (364.1)						
72. Structures and Improvements (364.2)						
73. LNG Processing Terminal Equipments (364.3)						

Gas Plant in Service - Storage and Processing (Ref Page: 206)

	Bal Beg Yr (b)	Addition (c)	Retirements (d)	Adjustments (e)	Transfers (f)	Bal End Yr (g)
74. LNG Transportation Equipment (364.4)						
75. Measuring and Regulating Equipment (364.5)						
76. Compressor Station Equipment (364.6)						
77. Communications Equipment (364.7)						
78. Other Equipment (364.8)						
79. Asset Retirement Costs for Base Load Liquefied Natual Gas Terminaling and Processing Plant (364.9)						
80. Total Base Load Liquefied Nat'l Gas, Terminal and Processing Plant						
76. Total Nat'l Gas Storage and Processing Plant (57,69,80)	$61,048,289.00	$1,277,208.00	$71,421.00	$0.00	$0.00	$62,254,076.00

Gas Plant in Service - Transmission,Distribution and General (Ref Page: 206)

	Bal Beg Yr (b)	Addition (c)	Retirements (d)	Adjustments (e)	Transfers (f)	Bal End Yr (g)
TRANSMISSION PLANT						
83. Land and Land Rights (365.1)	$0.00					
84. Rights-of-Way (365.2)	$220,660.00	$0.00	$0.00	$0.00	$0.00	$220,660.00
85. Structures and Improvements (366)						
86. Mains (367)	$12,673,431.00	$7,817.00	$0.00	$0.00	$0.00	$12,681,248.00
87. Compressor Station Equipment (368)						
88. Measuring and Regulating Sstation Equipment (369)						
89. Communication Equipment (370)						
90. Other Equipment (371)						
91. Asset Retirement Costs for Transmission Plant (372)						
92. Total Transmission Plant	$12,894,091.00	$7,817.00	$0.00	$0.00	$0.00	$12,901,908.00
DISTRIBUTION PLANT ( )						
94. Land and Land Rights (374)	$136,061.00	$0.00	$0.00	$0.00	($2,319.00)	$133,742.00
95. Structures and Improvements (375)	$729,374.00	$0.00	$0.00	$0.00	$0.00	$729,374.00
96. Mains (376)	$262,334,572.00	$12,423,032.00	$1,556,298.00	$0.00	$0.00	$273,201,306.00
97. Compressor Station Equipment (377)						
98. Measuring and Regulating Station Equipment - General (378)	$7,853,390.00	$207,864.00	$10,455.00	$0.00	$0.00	$8,050,799.00

Gas Plant in Service - Transmission,Distribution and General (Ref Page: 206)

	Bal Beg Yr (b)	Addition (c)	Retirements (d)	Adjustments (e)	Transfers (f)	Bal End Yr (g)
99. Measuring and Regulating Station Equipment - City Gate (379)	*$3,846,545.00*	*$37,526.00*	*$19,580.00*	$0.00	$0.00	$3,864,491.00
100. Services (380)	$125,366,092.00	$10,964,805.00	$14,110.00	$0.00	$0.00	$136,316,787.00
101. Meters (381)	$21,171,720.00	$913,070.00	$0.00	$0.00	$0.00	$22,084,790.00
102. Meter Installations (382)	$9,136,344.00	$245,106.00	$0.00	$0.00	$0.00	$9,381,450.00
103. House Regulators (383)	*$4,598,092.00*	*$560,908.00*	*$217,609.00*	$0.00	$0.00	$4,941,391.00
104. House Regulator Installations (384)	$4,707,358.00	$619,869.00	$29,174.00	$0.00	$0.00	$5,298,053.00
105. Industrial Measunng and Regulating Station Equipment (385)	$159,361.00	$0.00	$0.00	$0.00	$0.00	$159,361.00
106. Other Property on Customers Premises (386)						
107. Other Equipment (387)	$51,113.00	$0.00	$0.00	$0.00	$0.00	$51,113.00
108. Asset Retirement Costs for Distribution Plant (388)	*$30,769.00*	*$0.00*	*$0.00*	$0.00	$0.00	$30,769.00
109. Total Distribution Plant	$440,120,791.00	$25,972,180.00	*$1,847,226.00*	*$0.00*	*($2,319.00)*	*$464,243,426.00*
GENERAL PLANT						
111. Land and Land Rights (389)						
112. Structures and Improvements (390)						
113. Office Furniture and Equipment (391)						

Gas Plant in Service - Transmission,Distribution and General (Ref Page: 206)

	Bal Beg Yr (b)	Addition (c)	Retirements (d)	Adjustments (e)	Transfers (f)	Bal End Yr (g)
114. Transportation Equipment (392)	$3,387,686.00	$25,727.00	$998,112.00	$0.00	($33,408.00)	$2,383,893.00
115. Stores Equipment (393)						
116. Tools, Shop and garage Equipment (394)	$3,474,778.00	$272,924.00	$2,749.00	$0.00	$0.00	$3,744,953.00
117. Laboratory Equipment (395)	$439,513.00	$0.00	$2,730.00	$0.00	$0.00	$436,783.00
118. Power Operated Equipment (396)	$3,044,257.00	$0.00	$576,790.00	$0.00	$0.00	$2,467,467.00
119. Communication Equipment (397)						
120. Miscellaneous equipment (398)						
121. Subtotal (Lines 104-113)	$10,346,234.00	$298,651.00	$1,578,381.00	$0.00	($33,408.00)	$9,033,096.00
122. Other Tangible Property (399)						
123. Asset Retirement Costs for General Plant (399.1)						
124. Total General Plant (Lines 121,122 and 123)	$10,346,234.00	$298,651.00	$1,578,381.00	$0.00	($33,408.00)	$9,033,096.00
125. Total Accounts 101 and 106	$524,410,592.00	$27,555,856.00	$3,497,028.00	$0.00	($35,727.00)	$548,433,692.00
126. Gas Plant Purchased						
127. (Less) Gas Plant Sold						
128. Experimental Gas Plant Unclassified						
Total Gas Plant In Service (Lines 125-128)	$524,410,592.00	$27,555,856.00	$3,497,028.00	$0.00	($35,727.00)	$548,433,692.00

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Gas Property and Capacity Leased From Others (Ref Page: 212)

Name of Lessor (a)	(b)	Description of Lease (c)	Lease Payments For Current Year
Total			

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Construction Work in Progress - (Acct 107) (Ref Page: 216)

Project (a)	Construction WIP (b)	Est Add Cost
UNDERGROUND STORAGE	$0.00	$0.00
Enhance Doe Run Shale Gas Recovery System	$930,142.00	$0.00
Muldraugh Engine Panel Upgrade Phase 1,2,3	$613,729.00	$0.00
Muldraugh SPCC Compliance Phase 1	$607,716.00	$0.00
Minor Projects	$3,552,397.00	$0.00
0	$0.00	$0.00
TRANSMISSION	$0.00	$0.00
Minor Projects	$922,963.00	$0.00
0	$0.00	$0.00
DISTRIBUTION	$0.00	$0.00
Replace Co. Gas Service RC419	$8,671,093.00	$0.00
New Business Gas Service RC419	$8,318,082.00	$0.00
Gas Main Extension RC406	$6,945,616.00	$0.00
Large Scale Main Replacements	$5,544,074.00	$0.00
New Business Subdivision U/G RC341	$4,560,871.00	$0.00
Priority Main Replacement	$3,038,946.00	$0.00
New Business Connect Service RC419	$2,918,849.00	$0.00
Public Works Gas RC406	$1,664,293.00	$0.00
Farm Tap Regulator Upgrade	$1,597,956.00	$0.00
LG&E Gas Meters	$925,333.00	$0.00
New Business Gas Service RC341	$912,438.00	$0.00
Westport Road Gas Relocation	$882,478.00	$0.00
New Business Gas Service RC402	$824,819.00	$0.00
Repair Third Party Damages RC419	$714,313.00	$0.00
Residential Gas Regulator Replacement	$712,157.00	$0.00
Mill Creek Inst Measurement & Regulator Equipment	$612,660.00	$0.00

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Construction Work in Progress - (Acct 107) (Ref Page: 216)

	Project (a)	Construction WIP (b)	Est Add'l Cost (c)
	Old Henry Road Main Extension	$589,167.00	$0.00
	Highway Relocations Gas Central	$509,451.00	$0.00
	Purchase Regulators - Res and Comm	$504,329.00	$0.00
	Minor Projects	$4,947,233.00	$0.00
	0	$0.00	$0.00
	GENERAL PLANT	$0.00	$0.00
	Minor Projects	$528,278.00	$0.00
TOTAL		$62,549,383.00	$0.00

General Description of Construction Overhead Procedure - Components of Formulat (Ref Page: 218)

	Amount (b)	Capitalization Ration (Percent) (c)	Cost Rate Percentage (d)
Please include all notes requested for construction overhead with the hard copy.			
Uppercase Vars (S,D,P,C,W) fall under Amount (b) column		0	0
Lowercase Vars (s,d,p,c) fall under Cost Rate Percentage (d) column			
1. Components of Formula (Derived from actual book balances and actual cost rates):			
Average Short-Term Debt (Var S)			
Short-Term Interest (Var s)			0
Long Term Debt (Vars D and d)		0	0
Preferred Stock (Vars P and p)		0	0
Common Equity (Vars C and c)		0	0
Total Capitalization			
Average Construction Work in Progress Balance (Var W)		0	0
2. Gross Rate for Borrowed Funds s(S/W) + d[(D/(D+P+C))(1-(S/W)]			
3. Rate for Other Funds [1-(S/W)][p(P/D+P+C)) + c(C/(D+P+C))]			
4. Weighted Average Rate Actually Used for the Year:			
a. Rate for Borrowed Funds			0
b. Rate for Other Funds			0

General Description of Construction Overhead Procedure - Components of Formulat (Ref Page: 218) - NOTES

LOCAL ENGINEERING:

Salaries and expenses of Construction and Services Dept., Electric Service and Delivery Dept., and Gas Dept. personnel engaged in construction work, but not assignable to a particular work order ("WO"), are charged to engineering clearing WOs which have been set up in a clearing account for each dept. Examples of such charges are: work with the construction budget; cost of estimating; construction work; preparation of field reports; conferences on construction matters; general supervision of construction projects, etc.

Each month the costs accumulated in these clearing WOs are allocated to specific WOs coming under the direct supervision of the depts. The WOs are spread based on total direct cost of WOs.

The labor and expenses of engineers and foremen who are directly assigned to a particular WO are charged to that WO.

SERVICE CONTRACT CHARGES:

These expenses are charged direct to construction and other projects based on service performed.

EMPLOYEE BENEFITS:

Vacation, holiday, sick and other off-duty payments by respondent, together with payments by LG&E for hospitalization, dental, group life insurance and pension costs, are charged to construction based on the ratio of direct labor charged to construction to the total direct labor.

ADMINISTRATIVE AND GENERAL EXPENSES:

The allocation of admin and general expenses to construction is based on a study of the estimated time engaged in construction activities by persons and depts charging time to FERC Acct 920. The admin and general salaries and expenses (FERC Acct 920-921) applicable to construction are allocated to all construction WO on the basis of total direct costs.

ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION (AFUDC):

LG&E does not capitalize an AFUDC for gas utility plant.

Note:

Accumulated Provision for Depreciation of Gas Utility Plant (Acct 108) (Ref Page: 219)

	Description	Total (b)	Gas Plant In Service (c)	Held for Future (d)	Leased (e)
A. BALANCES AND CHANGES DURING YEAR					
Balance beginning of Year		$195,901,452.00	$195,901,452.00	$0.00	$0.00
Depreciation Provisions for Year, Charged to					
Depreciation Expense (403)		$15,174,124.00	$15,174,124.00	$0.00	$0.00
Depreciation Expense for Asset Retirement Costs (403.1)	0	$9,144.00	$9,144.00	$0.00	
Expense of Gas Plant Leased to Others (413)					
Transportation Expenses - Clearing		$266,660.00	$266,660.00	$0.00	$0.00
Other Clearing Accounts					
Other Clearing (Specify)	Acc Cost Rem on ARO Parent Asset 403 and 254	($55,100.00)	($55,100.00)	$0.00	$0.00
Total Deprec. Prov. for Year		$15,394,828.00	$15,394,828.00	$0.00	$0.00
Net Charges for Plant Retired					
Book Cost of Plant Retired		($3,497,028.00)	($3,497,028.00)	$0.00	$0.00
Cost of Removal		($798,771.00)	($798,771.00)	$0.00	$0.00
Salvage (Credit)		$210,400.00	$210,400.00	$0.00	$0.00
Total Net Chrgs for Plant Ret		$4,506,199.00	$4,506,199.00	$0.00	$0.00
Other Debit or Credit Items (Describe)					
	Other	($624,418.00)	($624,418.00)	$0.00	$0.00
Balance at End of Year		$206,165,663.00	$206,165,663.00	$0.00	$0.00
B. BALANCES AT END OF YEAR ACCORDING TO FUNCTIONAL CLASSIFICATIONS					

Accumulated Provision for Depreciation of Gas Utility Plant (Acct 108) (Ref Page: 219)

Description	Total(b)	Gas Plant In Service(c)	Held for Future(d)	Leased(e)
Productions - Manufactured Gas				
Prodcution of Gathering-Natural Gas				
Products Extraction - Natural Gas				
Underground Gas Storage	$32,554,935.00	$32,554,935.00	$0.00	$0.00
Other Storage Plant	$0.00	$0.00	$0.00	$0.00
Base Load LNG Terminaling and Processing Plant				
Transmision	$11,759,597.00	$11,759,597.00	$0.00	$0.00
Distribution	$156,228,613.00	$156,228,613.00	$0.00	$0.00
General	$5,622,518.00	$5,622,518.00	$0.00	$0.00
Total	$206,165,663.00	$206,165,663.00	$0.00	$0.00

Note:
Page 219 Distribution Gas Plant In Service contains $19,163 of ARO Distribution Gas Plant in Service and $156,209,450 of Distribution Gas Plant.

Page 219 Underground Gas Storage contains $401,124 of ARO Underground Gas Storage and $32,153,811 of Underground Gas Storage.

Gas Stored Accounts (Lines 1-5) (Ref Page: 220)

	117.1 (b)	117.2 (c)	117.3 (d)	117.4 (e)	164.1 (f)	164.2 (g)	164.3 (h)	Total (i)
Balance at Beginning of Year	$2,139,990.00	$0.00	$0.00	$0.00	$82,837,901.00	$0.00	$0.00	$84,977,891.00
Gas delivered to Storage	$0.00	$0.00	$0.00	$0.00	$90,172,083.00	$0.00	$0.00	$90,172,083.00
Gas Withdrawn from Storage	$0.00	$0.00	$0.00	$0.00	$91,821,577.00	$0.00	$0.00	$91,821,577.00
Other Debits and Credits								
Balance at End of Year	$2,139,990.00	$0.00	$0.00	$0.00	$81,188,407.00	$0.00	$0.00	$83,328,397.00

Note:
Line 3, Column f includes $2,515,556 for 345,803 Mcf of gas lost in storage operations; charged to Account 823, Gas Losses.

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Gas Stored Accounts (Lines 6-7) (Ref Page: 220)

	117.1 (b)	117.2 (c)	117.3 (d)	117.4 (e)	164.1 (f)	164.2 (g)	164.3 (h)	Total (i)
MCF	$2,930,000.00	$0.00	$0.00	$0.00	$11,253,000.00	$0.00	$0.00	$14,183,000.00
Amount Per MCF	$0.73	$0.00	$0.00	$0.00	$7.21	$0.00	$0.00	$5.88

Investments (123,124,136) (Ref Page: 222)

	Description of Investment (a)	(b)	Book Cost at Beginning of	Purchases or Additions (d)	Sales or Other Disposition
Investments in Associated Companies (123)					
(123)					
Other Investments (124)					
(124)	Ohio Valley Electric Corporation Common Stock (1)		$594,286.00	$0.00	$0.00
Temporary Case Investments (136)					
(136)					

Investments (123,124,136) (Ref Page: 222) (Part Two)

	Description of Investment (a)	Principal Amount No. of (e)	Book Cost End of Year (g)	Revenues for Year (h)	Gain or Loss (i)
Investments in Associated Companies (123)					
(123)					
Other Investments (124)					
(124)	Ohio Valley Electric Corporation Common Stock (1)	$5,630.00	$594,286.00	$253,350.00	$0.00
Temporary Case Investments (136)					
(136)					

Note:
(1) Acquired 1952-53.

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Investments in Subsidiary Companies (123.1) (Ref Page: 224)

Description	Date Acquired (b)	Date Maturity (c)	Investment Beg of Yr (d)	Equity in Subsidiary (e)	Revenues (f)	Investment End of Yr (g)	Invest Disposed of (h)
TOTAL							

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Prepayments (Ref Page: 230)

	Balance at End of Year
Prepaid Insurance	$2,554,590.00
Prepaid Rents	
Prepaid Taxes	$969,694.00
Prepaid Interest	
Miscellaneous Prepayments	$1,815,073.00
Total	$5,339,357.00

Note:
The Miscellaneous Prepayments line is comprised of Power Pool, $1,146,960, Rights of Way, $280,000, Mtce Contract, $146,314, OSI-Transmission, 139,790, Risk Management $90,000 and Vehicle License, $12,009.

Extraordinary Property Losses (182.1) (Ref Page: 230)

Description	Balance Beg Yr (b)	Total Loss (c)	Losses During Yr	Acct (d)	Written Off (e)	Balance (f)
None	$0.00	$0.00	$0.00		$0.00	$0.00
TOTAL						

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Unrecovered Plant and Regulatory Study costs (182.2) (Ref Page: 230)

Description	Balance Beg Yr ($)	Total Loss ($)	Losses During Yr	Acct (#)	Written Off ($)	Balance ($)
None	$0.00	$0.00	$0.00		$0.00	$0.00
TOTAL						

Other Regualatory Assets (Acct 182.3) (Ref Page: 232)

	Description and Purpose (a)	Bal Beg Yr (b)	Debits (c)	Written Off Acct (d)	Written Off Amt (e)	Balance End Yr (f)
	SFAS 158 - PENSION AND POSTRETIREMENT	$126,288,471.00	$33,347,398.00	228.3	$49,652,246.00	$109,983,623.00
	ASSET RETIREMENT OBLIGATION - ELECTRIC	$0.00	$19,077,951.00	407.4/411	$118,487.00	$18,959,464.00
	ASSET RETIREMENT OBLIGATION	$22,239,656.00	$0.00	182.3	$22,239,656.00	$0.00
	MILL CREEK ASH POND RECOVERED THROUGH ECR	$1,952,560.00	$2,838,460.00	501	$1,072,010.00	$3,719,010.00
	MISO EXIT FEE	$13,139,016.00	$0.00		$0.00	$13,139,016.00
	ASSET RETIREMENT OBLIGATION - GAS		$5,200,741.00	407.4/411	$2,939.00	$5,197,802.00
	ASSET RETIREMENT OBLIGATION - COMMON		$23,134.00	0	$0.00	$23,134.00
Total		$163,619,703.00	$60,487,684.00		$73,085,338.00	$151,022,049.00

Note:
Asset Retirement Obligation was reclassed in 2007 to the following accounts:

Asset Retirement Obligation - Electric
Asset Retirement Obligation - Gas
Asset Retirement Obligation - Common

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Miscellaneous Deferred Debits (Acct 186) (Ref Page: 233)

	Description (a)	Bal Beg Yr (b)	Debits (c)	CR Acct (d)	CR Amt (e)	Bal End Yr (f)
	Manufactured Gas Plants (Jan-02 to Sep-08)	$142,285.00	$0.00	930.2	$81,306.00	$60,979.00
	Gas Supply Adj - Unbilled and Collectible Cust	$14,073,275.00	$16,665,100.00	803/253	$14,793,141.00	$15,945,234.00
	Gas PBR	$6,489,085.00	$2,537,347.00	803/253	$4,765,056.00	$4,261,376.00
	Financing Expenses	$176,904.00	$2,764,855.00	181	$2,941,759.00	$0.00
	Regulatory Expenses - Electric	$143,438.00	$0.00	928	$143,438.00	$0.00
	Regulatory Expenses - Gas	$78,843.00	$0.00	928	$78,843.00	$0.00
	Merger Surcredit Settlement (Jul-98 to Jun-08)	$2,073,219.00	$338,000.00	440-489	$1,638,146.00	$773,073.00
	Cellular Antenna Billable Chgs	$0.00	$34,437.00	0	$0.00	$34,437.00
	Fuel Adjustment Clause	$3,867,000.00	$14,987,000.00	440-445	$9,380,000.00	$9,474,000.00
	Environmental Cost Recovery	$9,302,517.00	$24,371,980.00	440-445	$30,095,495.00	$3,579,002.00
	Customer Credit A/R	$0.00	$1,093,259.00	142	$900,404.00	$192,855.00
Misc. Work in Progress						
Total		$36,346,566.00	$62,791,978.00		$64,817,588.00	$34,320,956.00

Note:
Merger Surcredit Settlement (Jul-98 to Jun-08), column (d):
The range of credit accounts is 440-445 and 480-489.

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Accumulated Deferred Income Taxes (Acct 190) (Ref Page: 234)

Description	Bal Beg Yr	Amt 410.1 (c)	Amt 411.1 (d)	Amt 410.2 (e)	Amt 411.2 (f)
Account 190					
Electric	$48,057,391.00	$2,931,875.00	$504,059.00	$842,500.00	$7,827.00
Gas	$8,027,767.00	$264,387.00	$438,419.00	$143,699.00	$2,145.00
Other (Define)					
Total	$56,085,158.00	$3,196,262.00	$942,478.00	$986,199.00	$9,972.00
Other (Specify)					
TOTAL Acct 190	$56,085,158.00	$3,196,262.00	$942,478.00	$986,199.00	$9,972.00
Classification of TOTAL					
Federal INcome TAx	$47,353,881.00	$2,536,347.00	$357,110.00	$834,231.00	$2,908.00
State Income Tax	$8,731,277.00	$659,915.00	$585,368.00	$151,968.00	$7,064.00
Local Income Tax					

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Accumulated Deferred Income Taxes (Acct 190) (Ref Page: 234) (Part Two)

Description	Debit Adj Acct (g)	Debit Amount (h)	Credit Acct (i)	Credit Amount (j)	Balance End Yr (k)
Account 190					
Electric	219	$1,817,485.00	254	$2,898,025.00	$43,714,362.00
Gas	219	$454,370.00	254	$66,843.00	$8,447,772.00
Other (Define)					
Total		$2,271,855.00		$2,964,868.00	$52,162,134.00
Other (Specify)					
TOTAL Acct 190		$2,271,855.00		$2,964,868.00	$52,162,134.00
Classification of TOTAL					
Federal INcome TAx		$2,033,597.00		$2,507,559.00	$43,869,359.00
State Income Tax		$238,258.00		$457,309.00	$8,292,775.00
Local Income Tax					

Capital Stock (Accounts 201 and 204) (Ref Page: 250)

	Class, Series and Name of	Num Shares Auth (b)	Par or Stated Value (c)	Call Price (d)	Outstanding Shares (e)
Common Stock					
	Common Stock, Without Par Value	75,000,000	$0.00	$0.00	$21,294,223.00
Total Common Stock		75,000,000	$0.00	$0.00	$21,294,223.00
Preferred Stock					
	Preferred Stock, Cumulative $25 Par Value, 5%	1,720,000	$25.00	$0.00	$0.00
	Auction Rate Without Par Value	6,750,000	$100.00	$0.00	$0.00
Total Preferred Stock		8,470,000	$125.00	$0.00	$0.00
TOTAL Capital Stock		83,470,000	$125.00	$0.00	$21,294,223.00
Other					

Capital Stock (Accounts 201 and 204) (Ref Page: 250) (Part Two)

	Class Series and Name	Outstanding Amt (f)	Num Held Rqd 217 (g)	Cost Held Rqd 217 (h)	Num Held Sinking (i)	Num Held Amount (j)
Common Stock						
	Common Stock Without Par Value	$425,170,424.00	0	$0.00	0	$0.00
Total Common Stock		$425,170,424.00	0	$0.00	0	$0.00
Preferred Stock						
	Preferred Stock, Cumulative $25 Par Value, 5%	$0.00	0	$0.00	0	$0.00
	Auction Rate Without Par Value	$0.00	0	$0.00	0	$0.00
Total Preferred Stock		$0.00	0	$0.00	0	$0.00
TOTAL Capital Stock		$425,170,424.00	0	$0.00	0	$0.00
Other						

Note:
There is no Call Price for Common Stock Without Par Value.

The Common Stock of Louisville Gas and Electric Company is owned by its parent company, E.ON U.S. LLC.

Capital Stock Subscribed, Liability for Conversion Premium and Installments Received (Ref Page: 252)

Description(a)	(b)	Shares (b)	Amount (d)
Capital Stock Subscribed (202,205)			
This is not applicable for LG&E		0	$0.00
Total Capital Stock Subscribed			
Stock Liability for Conversion (203,206)			
This is not applicable for LG&E		0	$0.00
Total Stock Liability for Conversion			
Premium on Capital Stock (207)			
This is not applicable for LG&E		0	$0.00
Total Premium on Capital Stock (207)			
Installments Received on Capital Stock (212)			
This is not applicable for LG&E		0	$0.00
Total Installments Received on Capital Stock (212)			

Other Paid-In Capital (208-211) (Ref Page: 253)

Item (a)		Amount (b)
(a) Donations Received from Stockholders (208)		
Total (208)		
(b) Reduction in Par or Stated Value (209)		
Total (209)		
(c) Gain or Resale or Cancellation of Reacquired Capital Stock (210)		
	Balance January 1, 2007	$5,699.00
	Redemption April 16, 2007, 5% $25 Par Value	($5,699.00)
	0	$0.00
Total (210)		
(d) Miscellaneous Paid-In Capital (211)		
	Contributed Cap - Misc. January 1, 2007	$40,000,000.00
	Contributed Cap December 21, 2007	$20,000,000.00
Total (211)		$60,000,000.00
Total Accts 208-211		$60,000,000.00

Note:
Preferred Stock of the Company was redeemed April 16, 2007.

Discount on Capital Stock (Act 213) (Ref Page: 254)

Class and Series (a)	Balance End of Year (b)
This account not applicable for LG&E	0
TOTAL	

Capital Stock Expense (Act 214) (Ref Page: 254)

	Class and Series (a)	Balance End of Year (b)
	Expenses on Common Stock	$835,889.00
	0	$0.00
TOTAL		$835,889.00

Note:
The Company redeemed its preferred stock on April 16, 2007. As a result, the stock expense relating to the Auction Rate preferred stock was charged off. The account charged to is 439001, Adjustments to Retained Earnings.

Long-Term Debt (221,222,223 and 224) (Ref Page: 256)

	Class Series and Name (a)	Nominal Date of Issue (b)	Date of Maturity (c)	Outstanding (d)	Interest Rate (in %) (e)
Acct 221 Bonds					
(221)	Series S, due 09/01/2017, Variable (refinanced)	09/17/1992	04/26/2007	$0.00	0.0000
(221)	Series T, due 09/01/2017, Variable (refinanced)	09/17/1992	04/26/2007	$0.00	0.0000
(221)	Series U, due 08/15/2013, Variable (refinanced)	08/15/1993	04/26/2007	$0.00	0.0000
(221)	Jefferson Co. 2000 Series A, due 5/1/27, variable	05/19/2000	05/01/2027	$25,000,000.00	0.0000
(221)	Trimble Co. 2000 Series A due 8/1/30, variable	08/01/2000	08/01/2030	$83,335,000.00	0.0000
(221)	Jefferson Co. 2001 Series A, due 9/1/27, variable	09/11/2001	09/01/2027	$10,104,000.00	0.0000
(221)	Jefferson Co. 2001 Series A, due 9/1/26, variable	03/06/2002	09/01/2026	$22,500,000.00	0.0000
(221)	Trimble Co. 2001 Series A, due 9/1/26, variable	03/06/2002	09/01/2026	$27,500,000.00	0.0000
(221)	Jefferson Co. 2001 Series B due 11/1/27, variable	03/22/2002	11/01/2027	$35,000,000.00	0.0000
(221)	Trimble Co. 2001 Series B, due 11/1/27, variable	03/22/2002	11/01/2027	$35,000,000.00	0.0000
(221)	Trimble Co. 2002 Series A, due 10/1/32, variable	10/15/2002	10/01/2032	$41,665,000.00	0.0000
(221)	Louisville Metro 2003 Series A, due 10/1/33, varia	11/20/2003	10/01/2033	$128,000,000.00	0.0000
(221)	Louisville Metro 2005 Series A, due 2/1/35, variab	04/13/2005	02/01/2035	$40,000,000.00	0.0000
(221)	Louisville Metro 2007 Series A, due 6/1/33, variab	04/26/2007	06/01/2033	$31,000,000.00	0.0000
(221)	Trimble Co. 2007 Series A due 6/1/33, variable	04/26/2007	06/01/2033	$60,000,000.00	0.0000

Long-Term Debt (221,222,223 and 224) (Ref Page: 256)

	Class, Series and Name (a)	Nominal Date of Issue (b)	Date of Maturity (c)	Outstanding (d)	Interest Rate (in %) (e)
(221)	Louisville Metro 2007 Series B, due 6/1/33, variab	04/26/2007	06/01/2033	$35,200,000.00	0.0000
(221)	Interest Rate Swaps			$0.00	0.0000
Total (221)				$574,304,000.00	
Acct 222 Reacquired Bonds					
(222)					0
Total (222)					
Acct 223 Advances from Associated Companies					
(223)	Notes Payable to Fidelia 4.55%, due 4/30/13	04/30/2003	04/30/2013	$100,000,000.00	4.5500
(223)	Notes Payable to Fidelia 5.31%, due 8/15/13	08/15/2003	08/15/2013	$100,000,000.00	5.3100
(223)	Notes Payable to Fidelia 4.33%, due 1/16/12	01/15/2004	01/16/2012	$25,000,000.00	4.3300
(223)	Notes Payable to Fidelia 5.98%, due 4/13/37	04/13/2007	04/13/2037	$70,000,000.00	5.9800
(223)	Notes Payable to Fidelia 5.93%, due 4/13/31	04/13/2007	04/13/2031	$68,000,000.00	5.9300
(223)	Notes Payable to Fidelia 5.72%, due 11/26/22	11/26/2007	11/26/2022	$47,000,000.00	5.7200
(223)				$0.00	0.0000
Total (223)				$410,000,000.00	
Acct 224 Other Long-Term Debt					
(224)	5.875 Mandatorily Redeemable Preferred Stock	05/27/1993	04/16/2007	$0.00	0.0000
(224)				$0.00	0.0000
Total (224)				$0.00	

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Long-Term Debt (221,222,223 and 224) (Ref Page: 256) (Part Two)

Acct 221 Bonds

	Class Series and Name (a)	Interest Amount (i)	Held - Reacquired Bonds	Held - Sinking and Other	Redemption Price Per 100
(221)	Series S, due 09/01/2017, Variable (refinanced)	$350,482.00	$0.00	$0.00	$0.00
(221)	Series T, due 09/01/2017, Variable (refinanced)	$670,143.00	$0.00	$0.00	$0.00
(221)	Series U, due 08/15/2013, Variable (refinanced)	$392,885.00	$0.00	$0.00	$0.00
(221)	Jefferson Co. 2000 Series A, due 5/1/27, variable	$937,882.00	$0.00	$0.00	$0.00
(221)	Trimble Co. 2000 Series A, due 8/1/30, variable	$3,377,447.00	$0.00	$0.00	$0.00
(221)	Jefferson Co, 2001 Series A, due 9/1/27, variable	$401,811.00	$0.00	$0.00	$0.00
(221)	Jefferson Co. 2001 Series A, due 9/1/26, variable	$822,985.00	$0.00	$0.00	$0.00
(221)	Trimble Co. 2001 Series A, due 9/1/26, variable	$1,005,871.00	$0.00	$0.00	$0.00
(221)	Jefferson Co. 2001 Series B, due 11/1/27, variable	$1,284,858.00	$0.00	$0.00	$0.00
(221)	Trimble Co. 2001 Series B, due 11/1/27, variable	$1,282,270.00	$0.00	$0.00	$0.00
(221)	Trimble Co. 2002 Series A, due 10/1/32, variable	$1,619,393.00	$0.00	$0.00	$0.00
(221)	Louisville Metro 2003 Series A, due 10/1/33, varia	$4,770,187.00	$0.00	$0.00	$0.00
(221)	Louisville Metro 2005 Series A, due 2/1/35, variab	$1,458,839.00	$0.00	$0.00	$0.00
(221)	Louisville Metro 2007 Series A, due 6/1/33, variab	$789,313.00	$0.00	$0.00	$0.00
(221)	Trimble Co. 2007 Series A, due 6/1/33, variable	$1,886,000.00	$0.00	$0.00	$0.00

Long-Term Debt (221,222,223 and 224) (Ref Page: 256) (Part Two)

	Class Series and Name (a)	Interest Amount (i)	Held - Reacquired Bonds (j)	Held - Sinking and Other (k)	Redemption Price Per $100 (l)
(221)	Louisville Metro 2007 Series B, due 6/1/33, variab	$900,504.00	$0.00	$0.00	$0.00
(221)	Interest Rate Swaps	$1,592,721.00	$0.00	$0.00	$0.00
Total (221)		$23,543,591.00	$0.00	$0.00	$0.00
Acct 222 Reacquired Bonds					
(222)					
Total (222)					
Acct 223 Advances from Associated Companies					
(223)	Notes Payable to Fidelia 4.55%, due 4/30/13	$4,550,000.00	$0.00	$0.00	$0.00
(223)	Notes Payable to Fidelia 5.31%, due 8/15/13	$5,310,000.00	$0.00	$0.00	$0.00
(223)	Notes Payable to Fidelia 4.33%, due 1/16/12	$1,082,500.00	$0.00	$0.00	$0.00
(223)	Notes Payable to Fidelia 5.98%, due 4/13/37	$2,999,967.00	$0.00	$0.00	$0.00
(223)	Notes Payable to Fidelia 5.93%, due 4/13/31	$2,889,887.00	$0.00	$0.00	$0.00
(223)	Notes Payable to Fidelia 5.72%, due 11/26/22	$261,372.00	$0.00	$0.00	$0.00
(223)		$0.00	$0.00	$0.00	$0.00
Total (223)		$17,093,726.00	$0.00	$0.00	$0.00
Acct 224 Other Long Term *Debt*					
(224)	5.875 Mandatorily Redeemable Preferred Stock	$345,972.00	$0.00	$0.00	$0.00
(224)		$0.00	$0.00	$0.00	$0.00
Total (224)		$345,972.00	$0.00	$0.00	$0.00

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Note:
(1) Debt premium and expenses are being amortized over the lives of the related issues.
(2) Pollution Control Bonds (PCB) issued by Jefferson and Trimble Counties, KY are secured by the assignment of loan payments by LG&E to the Counties pursuant to loan agreements.
(3) As of December 31, 2007, LG&E had five interest-rate swap agreements to hedge its exposure to tax exempt rates related to its PCB Variable Rate Series. LG&E's positions under the swap agreements are to pay a fixed rate and receive a variable rate based on the London Interbank Offer Rate (LIBOR) or the Securities Industry and Financial Markets Association's ("SIFMA") municipal swap index. The swap agreement terms are:

Notional Amount	Maturity	Payable	Receivable
$83,335,000	11/01/2020	Fixed 5.495%	SIFMA Index
$32,000,000	10/01/2032	Fixed 3.657%	68% of 1 mo LIBOR
$32,000,000	10/01/2032	Fixed 3.645%	68% of 1 mo LIBOR
$32,000,000	10/01/2032	Fixed 3.695%	68% of 1 mo LIBOR
$32,000,000	10/01/2032	Fixed 3.648%	68% of 1 mo LIBOR

(4) In April 2007, LG&E completed a series of financial transactions impacting its secured debt. The $31M Series S, $35.2M Series T and the $60M Series U bonds were refinanced and replaced with new unsecured tax-exempt bonds of the same amount maturing in 2033. The outstanding preferred stock was redeemed and LG&E agreed with Fidelia Corp. to eliminate the second lien on its two secured loans. All of LG&E's first mortgage bonds were released and terminated. LG&E no longer has any secured debt and is no longer subject to periodic reporting under the Securities Exchange Act of 1934.
(5) During 2007, LG&E executed three long-term loans with Fidelia Corp.:

Amount	Interest Rate	Date Issued	Maturity Date
$ 70,000,000	5.98%	04/13/2007	04/13/2037
$ 68,000,000	5.93%	04/13/2007	04/13/2031
$ 47,000,000	5.72%	11/26/2007	11/26/2022

Unamortized Debt Expense (181,225,226) (Ref Page: 258)

	Designation of Long-Term	Principal Amount of Debt	Total Expense Premium or	Amortization Period From (d)	Amortization Period To (e)
Acct 181					
(181)	Preferred Stock $5.875, due 07/01/2008	$25,000,000.00	$312,827.00	07/01/2003	04/16/2007
(181)		$0.00	$0.00		
(181)	Series S, due 09/01/2017	$31,000,000.00	$312,946.00	09/17/1992	04/26/2007
(181)	Series T, due 09/01/2017	$60,000,000.00	$418,276.00	09/17/1992	04/26/2007
(181)	Jefferson Co. 2001 Series A, due 09/01/2027	$10,104,000.00	$515,808.00	09/11/2001	09/01/2027
(181)	Series U, due 08/15/2013	$35,200,000.00	$234,448.00	08/15/1993	04/26/2007
(181)	Jefferson Co. 2000 Series A, due 05/01/2027	$25,000,000.00	$645,041.00	05/19/2000	05/01/2027
(181)	Trimble Co. 2000 Series A, due 08/01/2030	$83,335,000.00	$1,145,612.00	08/01/2000	08/01/2030
(181)	Jefferson Co. 2001 Series A, due 09/01/2026	$22,500,000.00	$241,747.00	03/06/2002	09/01/2026
(181)	Trimble Co. 2001 Series A, due 09/01/2026	$27,500,000.00	$262,949.00	03/06/2002	09/01/2026
(181)	Jefferson Co. 2001 Series B, due 11/01/2027	$35,000,000.00	$280,338.00	03/22/2002	11/01/2027
(181)	Trimble Co. 2001 Series B, due 11/01/2027	$35,000,000.00	$280,377.00	03/22/2002	11/01/2027
(181)	Trimble Co. 2002 Series A, due 10/01/2032	$41,665,000.00	$1,102,896.00	10/15/2002	10/01/2032
(181)	Louisville Metro 2003 Series A, due 10/01/2033	$128,000,000.00	$3,492,464.00	11/20/2003	10/01/2033
(181)	Louisville Metro 2005 Series A, due 02/01/2035	$40,000,000.00	$1,088,142.00	04/13/2005	02/01/2035
(181)	Louisville Metro 2007 Series A, due 06/01/2033	$31,000,000.00	$647,968.00	04/26/2007	06/01/2033

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Unamortized Debt Expense (181,225,226) (Ref Page: 258)

	DesignationOfLongTerm	PrincipalAmountOfDebt	TotalExpensePremium or	AmortizationPeriodFrom (d)	AmortizationPeriodTo (e)
(181)	Trimble Co. 2007 Series A, due 06/01/2033	$60,000,000.00	$1,239,280.00	04/26/2007	06/01/2033
(181)	Louisville Metro 2007 Series B, due 06/01/2033	$35,200,000.00	$609,534.00	04/26/2007	06/01/2033
(181)		$0.00	$0.00		
Total (181)		$725,504,000.00	$12,830,653.00		
Acct 225					
(225)					
Total (225)					
Acct 226					
(226)					
Total (226)					

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Unamortized Debt Expense (181,225,226) (Ref Page: 258) (Part Two)

	Designation of Long-Term	Beginning of Year (f)	Debits (g)	Credits (h)	Balance End of Year (i)
Acct 181					
(181)	Preferred Stock, $5.875, due 07/01/2008	$85,280.00	$0.00	$85,280.00	$0.00
(181)		$0.00	$0.00	$0.00	$0.00
(181)	Series S, due 09/01/2017	$133,922.00	$0.00	$133,922.00	$0.00
(181)	Series T, due 09/01/2017	$177,095.00	$0.00	$177,095.00	$0.00
(181)	Jefferson Co. 2001 Series A, due 09/01/2027	$410,004.00	$0.00	$19,836.00	$390,168.00
(181)	Series U, due 08/15/2013	$76,992.00	$0.00	$76,992.00	$0.00
(181)	Jefferson Co. 2000 Series A, due 05/01/2027	$485,914.00	$0.00	$23,903.00	$462,011.00
(181)	Trimble Co. 2000 Series A, due 08/01/2030	$902,711.00	$0.00	$38,280.00	$864,431.00
(181)	Jefferson Co. 2001 Series A, due 09/01/2026	$194,158.00	$0.00	$9,876.00	$184,282.00
(181)	Trimble Co. 2001 Series A, due 09/01/2026	$211,189.00	$0.00	$10,740.00	$200,449.00
(181)	Jefferson Co. 2001 Series B, due 11/01/2027	$228,051.00	$0.00	$10,944.00	$217,107.00
(181)	Trimble Co. 2001 Series B, due 11/01/2027	$228,085.00	$0.00	$10,944.00	$217,141.00
(181)	Trimble Co. 2002 Series A, due 10/01/2032	$948,518.00	$0.00	$36,840.00	$911,678.00
(181)	Louisville Metro 2003 Series A, due 10/01/2033	$3,021,504.00	$119,233.00	$115,726.00	$3,025,011.00
(181)	Louisville Metro 2005 Series A, due 02/01/2035	$1,028,622.00	$0.00	$36,624.00	$991,998.00
(181)	Louisville Metro 2007 Series A, due 06/01/2033		$647,968.00	$15,936.00	$632,032.00

Unamortized Debt Expense (181,225,226) (Ref Page: 258) (Part Two)

Acct	Designation of Long-Term	Beginning of Year (f)	Debits (g)	Credits (h)	Balance End of Year (i)
(181)	Trimble Co. 2007 Series A, due 06/01/2033		$1,239,280.00	$31,940.00	$1,207,340.00
(181)	Louisville Metro 2007 Series B, due 06/01/2033		$609,534.00	$15,052.00	$594,482.00
(181)			$0.00	$0.00	$0.00
Total (181)		$8,132,045.00	$2,616,015.00	$849,930.00	$9,898,130.00
Acct 225					
(225)					
Total (225)					
Acct 226					
(226)					
Total (226)					

Note:
(1) See Note 1 - Page 256 footnotes
(2) See Note 3 - Page 256 footnotes
(3) Total credits in column (h) relating to amortization of debt expense charged to Account 428 is $401,068. The remaining debits and credits in columns (g) and (h) represent transfers-in and transfers-out of new and old unamortized debt expense balances related to the refinancings discussed in Note (5) of Page 256.

Unamortized Loss and Gain on Reqcquired Debt (189,257) (Ref Page: 260)

	Designation of	Date Reacquired (b)	Principal of Debt	Net Gain or Loss (d)	Balance Beginning of	Balance End of Year (f)
Acct 189						
(189)	0		$0.00	$0.00	$0.00	$0.00
(189)	1985 Series J, due 07/01/1995	08/01/1990	$25,000,000.00	$787,340.00	$267,715.00	$236,214.00
(189)	0		$0.00	$0.00	$0.00	$0.00
(189)	0		$0.00	$0.00	$0.00	$0.00
(189)	First Mortgage Bonds, due 10/01/2009	12/01/1990	$25,000,000.00	$1,787,442.00	$262,163.00	$166,835.00
(189)	0		$0.00	$0.00	$0.00	$0.00
(189)	1976 Series A, due 09/01/2006	08/01/1993	$35,200,000.00	$439,383.00	$144,282.00	$122,370.00
(189)	1975 Series A, due 09/01/2000	10/01/1992	$31,000,000.00	$286,757.00	$122,357.00	$110,885.00
(189)	1987 Series A, due 08/01 1997	10/01/1992	$60,000,000.00	$2,574,187.00	$1,098,426.00	$995,442.00
(189)	1990 Series A, due 06/15/2015	06/01/2000	$25,000,000.00	$2,171,404.00	$1,647,399.00	$1,566,375.00
(189)	1990 Series A TC, due 11/01/2020	08/01/2000	$83,335,000.00	$4,298,037.00	$3,388,777.00	$3,245,077.00
(189)	1996 Series A JC, due 09/01/2026	03/01/2002	$22,500,000.00	$1,896,244.00	$1,522,729.00	$1,445,305.00
(189)	1996 Series A TC, due 09/01/2026	03/01/2002	$27,500,000.00	$1,601,630.00	$1,286,125.00	$1,220,725.00
(189)	1997 Series A JC, due 11/01/2027	03/01/2002	$35,000,000.00	$1,256,362.00	$1,021,859.00	$972,803.00
(189)	1997 Series A TC, due 11/01/2027	03/01/2002	$35,000,000.00	$1,251,639.00	$1,018,023.00	$969,159.00
(189)	1990 Series B TC, due 11/01/2020	10/01/2002	$41,665,000.00	$1,671,182.00	$1,437,282.00	$1,381,470.00

Unamortized Loss and Gain on Reqcquired Debt (189,257) (Ref Page: 260)

	Designation of	Date Reacquired (b)	Principal of Debt	Net Gain or Loss (d)	Balance Beginning of	Balance End of Year (f)
(189)	1995 Series A JC, due 04/15/2023	11/01/2005	$40,000,000.00	$1,397,647.00	$1,315,564.00	$1,268,716.00
(189)	1993 Series B JC, due 10/15/2020	11/01/2003	$26,000,000.00	$5,683,169.00	$5,090,572.00	$4,900,265.00
(189)	Preferred Stock, $5.875, due 07/01/2008	04/16/2007	$20,000,000.00	$105,990.00		$131,557.00
(189)	Series S, due 09/01/2017	04/26/2007	$31,000,000.00	$130,784.00		$127,059.00
(189)	Series T, due 09/01/2017	04/26/2007	$60,000,000.00	$172,943.00		$168,017.00
(189)	Series U, due 08/15/2013	04/26/2007	$35,200,000.00	$74,067.00		$71,957.00
Total (189)			$658,400,000.00	$27,586,207.00	$19,623,273.00	$19,100,231.00
Acct 257						
(257)						
Total (257)						

Reconciliation of Reported Net Income with Taxable Income for Federal Income Taxes (Ref Page: 261)

Details (a)	Amount (b)
Net Income for the Year	$120,383,365.00
Reconciling Items for the Year	
Taxable Income Not Reported on Books	
Contributions In Aid Of Construction	$4,886,000.00
Regulatory Expenses	$2,295,501.00
Demand Side Management	$1,233,126.00
Other	$388,967.00
Deductions Recorded on Books Not Deducted For Return	
Utility Operating Income	$34,624,585.00
Other Income and Deductions	($554,282.00)
Provision for Deferred Income Taxes-Net	$11,952,252.00
Deferred State Income Taxes	$1,909,601.00
MISO Exit Fees	$3,341,946.00
Loss on Reacquired Debt Amortization	$1,035,406.00
Pensions	$2,169,634.00
Investment Tax Credit	$8,979,626.00
Capitalized Interest	$6,543,000.00
SFAS 106 Postretirement	$996,730.00
Other	$1,941,290.00
Income Recorded on Books Not Included In Return	
Amortization of Investment Tax Credit	$3,950,901.00
Other	$1,204,132.00
Deductions on Return Not Charged Against Book Income	
Purchased Gas Adjustment	$20,881,254.00
Cost of Removal	$6,690,000.00
Tax over Book Depreciation, Net	$1,825,000.00
State Income Tax Deduction	$1,248,427.00

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Reconciliation of Reported Net Income with Taxable Income for Federal Income Taxes (Ref Page: 261)

	Details (a)	Amount (b)
	IRC 199 Manufacturing Deduction	$5,212,654.00
	Current State Income Taxes	$8,203,577.00
	Environmental Cost Recovery Ash Hauling	$1,766,450.00
	SFAS 143	$539,507.00
	Other	$3,271,096.00
Federal Tax Net Income		$147,333,749.00
Show Computation of Tax		
	35% Rounded	$51,566,812.00
	Add: Adjustment of Prior Years' Taxes to Actual	($8,017,152.00)
	Add: Investment Tax Credits & Other	($9,479,357.00)
	Total	$34,070,303.00

Note:

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Taxes Accrued, Prepaid and Charged During Year (Ref Page: 262)

Kind of Tax (a)	Bal Beg Yr Taxes Accrd (b)	Bal Beg Yr Prepaid Taxes (c)	Taxes Chgd (d)
FEDERAL:	$0.00	$0.00	$0.00
Income	$6,350,985.00	$0.00	$33,678,493.00
FICA	$561,717.00	$0.00	$5,377,049.00
FIN 48	$0.00	$0.00	$232,500.00
KENTUCKY AND OTHER STATES:	$0.00	$0.00	$0.00
Auto License	$0.00	$0.00	$66,193.00
Income	$7,726,946.00	$0.00	$7,330,029.00
Public Service Commission	$0.00	$952,236.00	$1,921,930.00
6% Use (Kentucky)	$10,879.00	$0.00	$3,781,546.00
5% Use (Indiana)	$0.00	$0.00	$11,284.00
FIN 48	$0.00	$0.00	$292,769.00
FEDERAL & KENTUCKY	$0.00	$0.00	$0.00
Unemployment Insurance	$47,989.00	$0.00	$97,960.00
LOCAL	$0.00	$0.00	$0.00
Occupational	$0.00	$0.00	$0.00
	$0.00	$0.00	$0.00
	$0.00	$0.00	$0.00
	$0.00	$0.00	$0.00
	$0.00	$0.00	$0.00
KENTUCKY & LOCAL	$0.00	$0.00	$0.00
Property Taxes	$13,925,969.00	$0.00	$13,701,371.00
Total	$28,624,485.00	$952,236.00	$66,491,124.00

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Taxes Accrued, Prepaid and Charged During Year (Ref Page: 262) (Part Two)

L#	Kind of (Instruction) (a)	Taxes Paid (e)	Adj (f)	Bal Acct - 236 (g)	Bal Prepaid - 165 (h)
	FEDERAL:	$0.00	$0.00	$0.00	$0.00
	Income	$46,136,948.00	$0.00	($6,107,470.00)	$0.00
	FICA	$5,319,808.00	$0.00	$618,958.00	$0.00
	FIN 48	$0.00	$0.00	$232,500.00	$0.00
	KENTUCKY AND OTHER STATES:	$0.00	$0.00	$0.00	$0.00
	Auto License	$66,193.00	$0.00	$0.00	$0.00
	Income	$15,889,647.00	$0.00	($832,672.00)	$0.00
	Public Service Commission	$1,939,388.00	$0.00	$0.00	$969,694.00
	6% Use (Kentucky)	$3,265,257.00	$0.00	$527,168.00	$0.00
	5% Use (Indiana)	$11,284.00	$0.00	$0.00	$0.00
	FIN 48	$0.00	$0.00	$292,769.00	$0.00
	FEDERAL & KENTUCKY:	$0.00	$0.00	$0.00	$0.00
	Unemployment Insurance	$92,400.00	$0.00	$53,549.00	$0.00
	LOCAL:	$0.00	$0.00	$0.00	$0.00
	Occupational	$0.00	$0.00	$0.00	$0.00
		$0.00	$0.00	$0.00	$0.00
		$0.00	$0.00	$0.00	$0.00
		$0.00	$0.00	$0.00	$0.00
		$0.00	$0.00	$0.00	$0.00
	KENTUCKY & LOCAL:	$0.00	$0.00	$0.00	$0.00
	Property Taxes	$17,665,280.00	$0.00	$9,962,060.00	$0.00
Total		$90,386,205.00	$0.00	$4,746,862.00	$969,694.00

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Taxes Accr, Prepd and Charged - Distribution of Taxes (Ref Page: 262)

Kind of Tax (See Instruction) (a)	Electric (408.1, 409.1) (i)	Gas (408.1, 409.1) (j)	Other (408.1, 409.1) (k)	Other Inc. and Ded. (l)
FEDERAL:	$0.00	$0.00	$0.00	$0.00
Income	$40,724,342.00	($6,099,757.00)	$0.00	($554,282.00)
FICA	$4,962,274.00	$1,224,584.00	$0.00	$0.00
FIN 48	$0.00	$0.00	$0.00	$0.00
KENTUCKY & OTHER STATES:	$0.00	$0.00	$0.00	$0.00
Auto License	$0.00	$0.00	$0.00	$0.00
Income	$8,811,442.00	($1,190,933.00)	$0.00	($125,334.00)
Public Service Commission	$1,225,869.00	$696,061.00	$0.00	$0.00
6% Use (Kentucky)	$1,316.00	$0.00	$0.00	$0.00
6% Use (Indiana)	$0.00	$0.00	$0.00	$0.00
FIN 48	$0.00	$0.00	$0.00	$0.00
FEDERAL & KENTUCKY	$0.00	$0.00	$0.00	$0.00
Unemployment Insurance	$139,327.00	$32,978.00	$0.00	$0.00
LOCAL	$0.00	$0.00	$0.00	$0.00
Occupational	$14,583.00	$4,113.00	$0.00	$0.00
KENTUCKY & LOCAL	$0.00	$0.00	$0.00	$0.00
Property Taxes	$9,916,710.00	$3,678,848.00	$0.00	$1,444.00
Total	$65,795,863.00	($1,654,106.00)	$0.00	($678,172.00)

Taxes Accr, Prepd and Charged - Distribution of Taxes (Ref Page: 262) (Part Two)

	Kind of Instruction (a)	Ext Items (409.3) (m)	Other Opn Income (n)	Adj to Ret Earnings (439)	Other (p)
	FEDERAL:	$0.00	$0.00	$0.00	$0.00
	Income	$0.00	$0.00	$0.00	($391,810.00)
	FICA	$0.00	$0.00	$0.00	($809,809.00)
	FIN 48	$0.00	$0.00	$0.00	$232,500.00
	KENTUCKY & OTHER STATES:	$0.00	$0.00	$0.00	$0.00
	Auto License	$0.00	$0.00	$0.00	$66,193.00
	Income	$0.00	$0.00	$0.00	($165,146.00)
	Public Service Commission	$0.00	$0.00	$0.00	$0.00
	6% Use (Kentucky)	$0.00	$0.00	$0.00	$3,780,230.00
	5% Use (Indiana)	$0.00	$0.00	$0.00	$11,284.00
	FIN 48	$0.00	$0.00	$0.00	$292,769.00
	FEDERAL & KENTUCKY:	$0.00	$0.00	$0.00	$0.00
	Unemployment Insurance	$0.00	$0.00	$0.00	($74,345.00)
	LOCAL:	$0.00	$0.00	$0.00	$0.00
	Occupational	$0.00	$0.00	$0.00	($18,696.00)
	KENTUCKY & LOCAL:	$0.00	$0.00	$0.00	$0.00
	Property Taxes	$0.00	$0.00	$0.00	$104,369.00
Total		$0.00	$0.00	$0.00	$3,027,539.00

Note:
The balance of ($6,107,470) for Federal income taxes accrued at 12/31/07 reflects an overpayment of Federal income taxes.
The balance of ($832,672) for Kentucky income taxes at 12/31/07 reflects an overpayment of Kentucky income taxes.
The negative balance of ($391,910) for Federal income taxes and ($832,672) for Kentucky income taxes in Other Accounts is due to the timing of estimated tax payments.

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Miscellaneous Current and Accrued Liabilities (242) (Ref Page: 268)

	Item (a)	Balance End of Year (b)
	VESTED VACATION PAY ACCRUED	$4,682,762.00
	POSTRETIREMENT BENEFITS	$3,139,992.00
	CUSTOMER OVERPAYMENTS	$2,925,300.00
	U OF KY CTR FOR APPLIED ENERGY RESEARCH GRANT	$250,000.00
	HOME ENERGY ASSISTANCE	$212,505.00
	UNEARNED REVENUE	$147,109.00
TOTAL		$11,357,668.00

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Other Deferred Credits (253) (Ref Page: 269)

Description (a)	Balance Beg Yr (b)	Debits Acct (c)	Debit Amt (d)	Credits (e)	Balance End Yr (f)
Gas Purchase Cash Refunds - Texas Gas	$134,857.00	253, 431, 547, 803	$137,904.00	$3,047.00	$0.00
Gas Supply Clause - Refundable to Customers	$30,468,111.00	186, 253, 803	$32,991,120.00	$11,888,972.00	$9,365,963.00
Brown CT Long Term Service Agreement	$1,834,348.00	107, 232, 553	$940,063.00	$3,771,645.00	$4,665,930.00
KU-EKPC Settlement	$0.00	566	$0.00	$670,560.00	$670,560.00
U of K Ctr - Applied Energy Research Grant	$220,569.00	232, 426	$250,000.00	$29,431.00	$0.00
Demand Side Mgmt - Refundable Costs	$3,028,288.00	186	$882,535.00	$2,115,660.00	$4,261,413.00
PPD Trans Sys Fee - MCI Telecom (1990 - 2009)	$48,396.00	454	$22,296.00	$0.00	$26,100.00
PPD Trans Sys Fee - East KY Pwr Coop (1989 - 2019)	$148,912.00	242, 454	$175,987.00	$27,075.00	$0.00
Margin Deposit	$0.00	131, 431	$0.00	$5,237.00	$5,237.00
Long-Term Derivative Liability	$15,394,554.00	186, 219	$12,036,874.00	$18,135,256.00	$21,492,936.00
Deferred Compensation	$0.00	926	$0.00	$374,114.00	$374,114.00
TOTAL:	$51,278,035.00		$47,436,779.00	$37,020,997.00	$40,862,253.00

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Accumulated Deferred Income Taxes - Other Property (282) (Ref Page: 274)

Acct (a)	Balance Beg Yr (b)	Amt Acct 410.1 (c)	Amt Acct 411.1 (d)	Amt Acct 410.2 (e)	Amt Acct 411.2 (f)
Account 282					
Electric	$314,713,152.00	$21,796,477.00	$22,942,535.00	$0.00	$0.00
Gas	$52,060,039.00	$3,518,074.00	$1,599,155.00	$0.00	$0.00
Other (Define)					
Total	$366,773,191.00	$25,314,551.00	$24,541,690.00	$0.00	$0.00
Other (specify)					
TOTAL Acct 282	$366,773,191.00	$25,314,551.00	$24,541,690.00	$0.00	$0.00
Classification of Total					
Federal Income Tax	$314,294,340.00	$20,776,029.00	$20,348,039.00	$0.00	$0.00
State Income Tax	$52,478,851.00	$4,538,522.00	$4,193,651.00	$0.00	$0.00
Local Income tax					

Accumulated Deferred Income Taxes - Other Property (282) (Ref Page: 274) (Part Two)

	Acct (a)	Debit Adj Acct (g)	Debit Adj Amt (h)	Credit Adj Acct (i)	Credit Adj Amt (j)	Balance End Yr (k)
Account 282						
Electric			$0.00	254	$771,326.00	$314,338,420.00
Gas		254	$58,674.00		$0.00	$53,920,284.00
Other (Define)						
Total			$58,674.00		$771,326.00	$368,258,704.00
Other (specify)						
TOTAL Acct 282			$58,674.00		$771,326.00	$368,258,704.00
Classification of Total						
Federal Income Tax			($13,237.00)		$522,880.00	$315,258,447.00
State Income Tax			$71,911.00		$248,446.00	$53,000,257.00
Local Income tax						

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Accumulated Deferred Income Taxes - Other (283) (Ref Page: 276)

Acct (a)	Balance Beg Yr (b)	Amt Acct 410.1 (c)	Amt Acct 411.1 (d)	Amt Acct 410.2 (e)	Amt Acct 411.2 (f)
Account 283					
Electric	$27,325,387.00	($197,028.00)	$2,669,616.00	$0.00	$0.00
Gas	($5,414,925.00)	$10,985,922.00	$169,898.00	$0.00	$0.00
Other					
Total	$21,910,462.00	$10,788,894.00	$2,839,514.00	$0.00	$0.00
Other (Specify)					
TOTAL (Acct 283)	$21,910,462.00	$10,788,894.00	$2,839,514.00	$0.00	$0.00
Classification of Total					
Federal Income Tax	$18,368,721.00	$9,117,100.00	$2,268,142.00	$0.00	$0.00
State Income Tax	$3,541,741.00	$1,671,794.00	$571,372.00	$0.00	$0.00
Local Income tax					

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Accumulated Deferred Income Taxes - Other (283) (Ref Page: 276) (Part Two)

	Acct (a)	Debit Adj Acct (g)	Debit Adj Amt (h)	Credit Adj Acct (i)	Credit Adj Amt (j)	Balance End (k)
Account 283						
Electric			$0.00		$0.00	$24,458,743.00
Gas			$0.00		$0.00	$5,401,099.00
Other						
Total			$0.00		$0.00	$29,859,842.00
Other (Specify)						
TOTAL (Acct 283)			$0.00		$0.00	$29,859,842.00
Classification of Total						
Federal Income Tax			$0.00		$0.00	$25,217,679.00
State Income Tax			$0.00		$0.00	$4,642,163.00
Local Income tax						

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Other Regualatory Liabilities (Acct 254) (Ref Page: 278)

Description and Purpose (a)	Bal Beg Yr (b)	Debits Acct Credited (c)	Debits Amount (d)	Credits (e)	Balance End Yr (f)
SFAS 109 - Income Taxes	$54,001,458.00	190/282	$12,050,270.00	$8,372,750.00	$50,323,938.00
Asset Retirement Obligation	$255,129.00	254	$255,129.00	$0.00	$0.00
MISO Schedule 10 Charges	$1,113,984.00	0	$0.00	$3,341,946.00	$4,455,930.00
Asset Retirement Obligation - Electric		0	$0.00	$225,470.00	$225,470.00
Asset Retirement Obligation - Gas		0	$0.00	$110,200.00	$110,200.00
Total	$55,370,571.00		$12,305,399.00	$12,050,366.00	$55,115,538.00

Note:
Asset Retirement Obligation was reclassed in 2007 to the following accounts:

Asset Retirement Obligation - Electric
Asset Retirement Obligation - Gas

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Gas Operating Revenues (Ref Page: 301)

	Rev for Transition Current	Rev for Transition Prev Yr	GRI and ACA Current Yr (d)	GRI and ACA Prev Yr (e)	Other Current Yr (f)
Sales (480-484)	$344,895,688.00	$387,210,998.00	$0.00	$0.00	$0.00
Intracompany Transfers (485)	$0.00		$0.00		$0.00
Forfeited Discounts (487)	$1,529,228.00	$2,075,264.00	$0.00	$0.00	$0.00
Miscellaneous Service Revenues (488)	$51,620.00	$60,880.00	$0.00	$0.00	$0.00
Revenues from Transportaion of Gas of Others Through Gathering Facilities (489.1)	$5,659,399.00	$5,332,608.00	$0.00	$0.00	$0.00
Revenues from Transportaion of Gas of Others Through Transmission Facilities (489.2)					
Revenues from Transportaion of Gas of Others Through Distribution Facilities (489.3)					
Sales of Prod. Ext. from Natural Gas (490)					
Revenues from Natural Gas Proc. by Others (491)					
Incidental gasoline and Oil Sales (492)					
Rent from Gas Property (493)	$408,111.00	$402,060.00	$0.00	$0.00	$0.00
Interdepartmental Rents (494)	$101,328.00	$107,268.00	$0.00	$0.00	$0.00
Other Gas Revenues (495)	$36,355.00	$40,500.00	$0.00	$0.00	$0.00
Subtotal	$352,681,729.00	$395,229,578.00	$0.00	$0.00	$0.00
(Less) Provision for Rate Refunds (496)					
Total	$352,681,729.00	$395,229,578.00	$0.00	$0.00	$0.00

Gas Operating Revenues (Ref Page: 301) (Part Two)

	Rev for Transition	Other Prev Yr (g)	Total Current Yr (h)	Total Prev Yr (i)	MCF Current Yr (h)	MCF Prev Yr (i)
Sales (480-484)	$344,895,688.00	$0.00	$344,895,688.00	$387,210,998.00	33,203,865	29,085,221
Intracompany Transfers (485)	$0.00		$0.00		0	
Forfeited Discounts (487)	$1,529,228.00	$0.00	$1,529,228.00	$2,075,264.00	0	0
Miscellaneous Service Revenues (488)	$51,620.00	$0.00	$51,620.00	$60,880.00	0	0
Revenues from Transportaion of Gas of Others Through Gathering Facilities (489.1)	$5,659,399.00	$0.00	$5,659,399.00	$5,332,608.00	11,917,246	0
Revenues from Transportaion of Gas of Others Through Transmission Facilities (489.2)						
Revenues from Transportaion of Gas of Others Through Distribution Facilities (489.3)						
Sales of Prod. Ext. from Natural Gas (490)						
Revenues from Natural Gas Proc. by Others (491)						
Incidental gasoline and Oil Sales (492)						
Rent from Gas Property (493)	$408,111.00	$0.00	$408,111.00	$402,060.00	0	0
Interdepartmental Rents (494)	$101,328.00	$0.00	$101,328.00	$107,268.00	0	0
Other Gas Revenues (495)	$36,355.00	$0.00	$36,355.00	$40,500.00	0	0
Subtotal	$352,681,729.00	$0.00	$352,681,729.00	$395,229,578.00	45,121,111	29,085,221

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Gas Operating Revenues (Ref Page: 301) (Part Two)

	Rev for Transition	Other Prev Yr (g)	Total Current Yr (h)	Total Prev Yr (i)	MCF Current Yr (j)	MCF Prev Yr (k)
(Less) Provision for Rate Refunds (496)						
Total	$352,681,729.00	$0.00	$352,681,729.00	$395,229,578.00	45,121,111	29,085,221

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Rev From Transportation of Gas through Gathering Facilities (489.1) (Ref Page: 302)

Rate Schedule and Zone	Rev for Transition Costs	Rev for Transition Costs	Rev for GRI and ACA	Rev for GRI and ACA	Other Rev (Current)
	$0.00		$0.00		

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Rev From Transportation of Gas through Gathering Facilities (489.1) (Ref Page: 302) (Part Two)

Rate Schedule and Zone	Other Rev Previous (g)	Total Operating Rev	Total Operating Rev	MCF Current (j)	MCF Previous (k)
	$0.00		$0.00		0

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Rev From Transportation of Gas through Transmission Facilities (489.2) (Ref Page: 304)

Rate Schedule and Zone	Rev for Transition Costs	Rev for Transition Costs	Rev for GRI and ACA	Rev for GRI and ACA	Other Rev Amount (f)
		$0.00		$0.00	

Rev From Stroring Gas of Others (489.4) (Ref Page: 306)

Rate Schedule and Zone	Rev for Transition Costs	Rev for Transition Costs	Rev for GRI and ACA	Rev for GRI and ACA	Other Rev - Current(f)
		$0.00		$0.00	

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Other Gas Revenues (495) (Ref Page: 308)

Description of Transaction	Revenue (In Dollars)
Miscellaneous - All minor items	$36,355.00
	$36,355.00

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Gas Operation and Maintenance - 1. Production (Ref Page: 317)

	Amt for Current Yr (b)	Amt for Prev Yr (c)
1. PRODUCTION EXPENSES		
A. Manufactured Gas Production		
Manufactured Gas Production		
B. Natural Gas Production		
B1. Natural Gas Produciton and Gathering		
Operation		
Operation Supervision and Engineering (750)		
Production Maps and Records (751)		
Gas Well Expenses (752)		
Field Lines Expenses (753)		
Field compressor Station Expenses (754)		
Field Compressor Station Fuel and Power (755)		
Field Measuring and Regulating Station Expenses (756)		
Purification Expenses (757)		
Gas Well Royalties (758)		
Other Expenses (759)		
Rents (760)		
18. Total Operation		
Maintenance		
Maintenance Supervision and Engineering (761)		
Maintenance of Structures and Improvements (762)		
Maintenance of Producing Gas Wells (763)		
Maintenance of Field Lines (764)		
Maintenance of Field Compressor Station Equipment (765)		
Maintenance of Field Measuring and Regulating Station Equipment (766)		
Maintenance of Purification Equipment (767)		

Gas Operation and Maintenance - 1. Production (Ref Page: 317)

	Amt for Current Yr (b)	Amt for Prev Yr (b)
Maintenance of Drilling and Cleaning Equipment (768)		
Maintenance of Other Equipment (769)		
29. Total Maintenance		
Total Natural Gas Production and Gathering (Lines 18,29(		
B2. Products Extraction		
Operation		
Operation Supervision and Engineering (770)		
Operation Labor (771)		
Gas Shrinkage (772)		
Fuel (773)		
Power (774)		
Materials (775)		
Operation Supplies and Expenses (776)		
Gas Processed by Others (777)		
Royalties on Products Extracted (778)		
Marketing Expenses (779)		
Products Purchased for Resale (780)		
Variation in Products Inventory (781)		
(Less) Extracted Products Used by the Utility - Credit (782)		
Rents (783)		
47. Total Operation		
Maintenance		
Maintenance Supervision and Engineering (784)		
Maintenance of Structures and Improvements (785)		
Maintenance of Extraction and Refining Equipment (786)		
Maintenance of Pipe Lines (787)		
Maintenance of Extracted Products Storage Equipment (788)		

22200500 Louisville Gas and Electric Company 01/01/2007 - 12/31/2007

Gas Operation and Maintenance - 1. Production (Ref Page: 317)

	Amount Current Year (b)	Amount Previous Year (c)
Maintenance of Compressor Equipment (789)		
Maintenance of Gas Measuring and Regulating Equipment (790)		
Maintenance of Other Equipment (791)		
57. Total Maintenance		
58. Total Products Extraction (Lines 47 and 57)		
C. Exploration and Development		
Operation		
Delay Rentals (795)		
Nonproductive Well Drilling (796)		
Abandoned Leases (797)		
Other Exporation (798)		
65. Total Exploration and Development		
D. Other Gas Supply Expenses		
Operation		
Natural Gas Well Head Purchases (800)		
Natural Gas Well Head Purchases, Intracompany Transfers (800.1)		
Natural Gas Field Line Purchases (801)		
Natural Gas Gasoline Plant Outlet Purchases (802)		
Natural Gas Transmission Line Purchases (803)	$264,066,702.00	$269,873,519.00
Natural Gas City Gate Purchases (804)		
Liquified Natural Gas Purchases (804.1)		
Other Gas Purchases (805)		
(Less) Purchases Gas Cost Adjustments (805.1)		
77. Total Purchased Gas	$264,066,702.00	$269,873,519.00
78. Exchange Gas (806)		
Purchased Gas Expense		

22200500 Louisville Gas and Electric Company 01/01/2007 - 12/31/2007

Gas Operation and Maintenance - 1. Production (Ref Page: 317)

	Amt for Current Yr (b)	Amt for Prev Yr (c)
Well Expense - Purchased Gas (807.1)		
Operation of Purchased Gas Measuring Stations (807.2)		
Maintenance of PUrchased Gas Measuring Stations (807.3)		
Purchased Gas Calculations Expenses (807.4)	$31,093.00	$27,850.00
Other Purchased Gas Expenses (807.5)	$607,933.00	$517,822.00
85. Total Purchased Gas Expenses	$639,026.00	$545,672.00
Gas Withdrawn from Storage - Debit (808.1)	$89,308,021.00	$120,999,754.00
(Less) Gas Delivered to Storage (Credit) (808.2)	$90,172,083.00	$82,024,841.00
Withdrawals of Liquefied natural Gas for Processing - Debit (809.1)		
(Less) Delleveries of Natural Gas for Processing- Credit (809.2)		
Gas used In Utility Operation - Credit		
91. Gas Used for Compressor Station Fuel - Credit (810)	($874,944.00)	($1,330,924.00)
92..Gas Used for Products Extraction - Credit (811)		
93. Gas Used for Other Utility Operations - Credit (812)	($9,409,937.00)	($12,815,583.00)
94. Total Gas Used in Utility Operations - Credit (91-93)	($10,284,881.00)	($14,146,507.00)
95. Other Gas Supply Expenses (813)	$37,436.00	$35,865.00
97. Total Other Gas Supply Exp (77,78,85,86-89,94,95)	$253,592,221.00	$295,283,462.00
Total Production Expenses (3,30,58,65,96)	$253,592,221.00	$295,283,462.00

Gas Operation and Maintenance - 2. Natural Gas Storage (Ref Page: 320)

	Amt for Current Yr (b)	Amt for Prev Yr (c)
2. NATURAL GAS STORAGE, TERMINALING AND PROCESSING EXPENSES		
A. Underground Storage Expenses		
Operation		
Operation Supervision and Engineering (814)	$513,136.00	$409,959.00
Maps and Records (815)		
Wells Expenses (816)	$451,307.00	$15,353.00
Lines Expenses (817)	$556,901.00	$451,865.00
Compressor Station Expenses (818)	$1,119,546.00	$991,921.00
Compressor Station Fuel and Power (819)	$799,964.00	$1,125,500.00
Measuring and Regulating Station Expenses (820)		
Purification Expenses (821)	$1,488,374.00	$1,681,221.00
Exploration and Development (822)		
Gas Losses (823)	$2,515,556.00	$3,056,047.00
Other Expenses (824)	$8,440.00	$35,238.00
Storage well Royalties (825)	$45,556.00	$48,530.00
Rents (826)	$41,050.00	$36,430.00
114. Total Operation	$7,539,830.00	$7,852,064.00
Maintenance		
Maintenance Supervision and Engineering (830)	$330,530.00	$255,593.00
Maintenance of Structures and Improvements (831)		
Maintenance of Reservoirs and Wells (832)	$470,455.00	$414,411.00
Maintenance of Lines (833)	$91,541.00	($12,439.00)
Maintenance of Compressor Station Equipment (834)	$904,999.00	$1,190,532.00
Maintenance of Measuring and Regulating Station Equipment (835)	$49,318.00	$13,546.00
Maintenance of Purification Equipmetn (836)	$229,877.00	$290,125.00

Gas Operation and Maintenance - 2. Natural Gas Storage (Ref Page: 320)

	Amt. for Current Yr (b)	Amt. for Prev. Yr (c)
Maintenance of Other Equipment (837)	$90,806.00	$115,812.00
124. Total Maintenance	$2,167,526.00	$2,267,580.00
Total Underground Storage (Lines 114 and 124)	$9,707,356.00	$10,119,644.00
B. Other Storage Expenses		
Operation		
Operation Supervision and Engineering (840)		
Operation Labor and Expenses (841)		
Rents (842)		
Fuel (842.1)		
Power (842.2)		
Gas Losses (842.3)		
134. Total Operation		
Maintenance		
Maintenance Supervision and Engineering (843.1)		
Maintenance of Structures and Improvements (843.2)		
Maintenance of Gas Holders (843.3)		
Maintenance of Purification Equipment (843.4)		
Maintenance of Liquefaction Equipment (843.5)		
Maintenance of Vaporizing Equipment (843.6)		
Maintenance of Compressor Equipment (843.7)		
Maintenance of Measuring and Regulating Equipment (843.8)		
Maintenance of Other Equipment (843.9)		
145. TOTAL Maintenance		
Total Other Storage Expenses (Lines 134 and 145)		
C. Liquefied Natural Gas Terminaling and Processing Expenses		
Operation		
Operation Supervision and Engineering (844.1)		

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Gas Operation and Maintenance - 2. Natural Gas Storage (Ref Page: 320)

	Amt for Current Yr (B)	Amt for Prev Yr (C)
LNG Processing Terminal Labor and Expenses (844.2)		
Liquefaction Processing Labor and Expenses (844.3)		
Liquefaction Transportaion Labor and Expenses (844.4)		
Measuring and Regulating Labor and Expenses (844.5)		
Compressor Station Labor and Expenses (544.6)		
Communication System Expenses (844.7)		
System Control and Load Dispatching (844.8)		
Fuel (845.1)		
Power (845.2)		
Rents (845.3)		
Demurrage Charges (845.4)		
(Less) Wharfage Receipts - Credit (845.5)		
Processing Liquefied or Vaporized Gas by Others (845.6)		
Gas Losses (846.1)		
Other Expenses (846.2)		
Total Operation		
Maintenance		
Maintenance Supervision and Engineering (847.1)		
Maintenance of Structures and Improvements (847.2)		
Maintenance of LNG Processing Terminal equipment (847.3)		
Maintenance of LNG Transportation Equipment (847.4)		
Maintenance of Measuring and Regulating Equipment (847.5)		
Maintenance of Compressor Station Equipment (847.6)		
Maintenance of Communication Equipment (847.7)		
Maintenance of Other Equipment (847.8)		
175: Total Maintenance		

Gas Operation and Maintenance - 2. Natural Gas Storage (Ref Page: 320)

	Amt for Current Yr (b)	Amt for Prev Yr (c)
176. Total Liquified Nat Gas Terminaling and Proc Exp (Lines 165 and 175)		
177. Total Natural Gas Storage (Lines 125,146 and 176)	$9,707,356.00	$10,119,644.00

Gas Operation and Maintenance - 3 through 8 (Ref Page: 323)

	Amount Current Yr (b)	Amount Prev Yr (c)
3. TRANSMISSION EXPENSES		
Operation		
Operation Supervision and Engineering (850)	$4,418.00	$17,599.00
System Control and Load Dispatching (851)	$266,246.00	$255,329.00
Communication System Expenses (852)		$29.00
Compressor Station labor and Expenses (853)		
Gas for Compressor Station Fuel (854)		
Other Fuel and Power for Compressor Stations (855)		
Mains Expenses (856)	$340,205.00	$240,187.00
Measuring and Regulating Stations Expenses (857)		
Transmission and Compression of Gas by Others (858)		
Other Expenses (859)		
Rents (860)	$5,232.00	$4,770.00
191. Total Operation	$616,101.00	$517,914.00
Maintenance		
Maintenance Supervision and Engineering (861)		
Maintenance of Structures and Improvements (862)		
Maintenance of Mains (863)	$649,692.00	$706,684.00
Maintenance of Compressor Station Equipment (864)		
Maintenance of Measuring and Regulating Station Equipment (865)		
Maintenance of Communication Equipment (866)		
Maintenance of Other Equipment (867)		
200. Total Maintenance	$649,692.00	$706,684.00
201. Total Transmission Expenses (Total 191 and 200)	$1,265,793.00	$1,224,598.00
4. DISTRIBUTION EXPENSES		
Operation		

Gas Operation and Maintenance - 3 through 8 (Ref Page: 323)

	Amt for Current Yr (b)	Amt for Prev Yr (c)
Operation Supervision and Engineering (870)	$365,534.00	$347,104.00
Distribution Load Dispatching (871)		
Compressor Station Labor and Expenses (872)		
Compressor Station Fuel and Power (873)		
Mains and Services Expenses (874)	$3,044,727.00	$2,449,620.00
Measuring and Regulating station Expenses - General (875)	$616,389.00	$483,487.00
Measuring and Regulating Station Expenses - Industrial (876)	$315,364.00	$324,928.00
Measuring and Regulating Station Expenses - City Gas Check Station (877)	$137,312.00	$174,979.00
Meter and House Regulator Expenses (878)	$24,985.00	$51,773.00
Customer Installations Expenses (879)	$200,748.00	$214,842.00
Other Expenses (880)	$3,069,139.00	$3,127,914.00
Rents (881)	$9,799.00	$9,963.00
216. Total Operation	$7,784,017.00	$7,184,610.00
Maintenance		
Maintenance Supervision and Engineering (885)	$522,008.00	$495,374.00
Maintenance of Structures and Improvements (886)		
Maintenance of Mains (887)	$5,710,328.00	$4,672,076.00
Maintenance of Compressor Station Equipment (888)		
Maintenance of Measuring and Regulating Station Equipment - General (889)	$50,232.00	$90,505.00
Maintenance of Measuring and Regulating Station Equipment - Industrial (890)	$116,326.00	$100,685.00
Maintenance of Measuring and Regulating Station Equipment - City Gate Check Station (891)	$260,903.00	$296,318.00
Maintenance of Services (892)	$1,826,235.00	$972,347.00
Maintenance of Meters and House Regulators (893)		
Maintenance of Other Equipment (894)	$233,047.00	$101,179.00

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Gas Operation and Maintenance - 3 through 8 (Ref Page: 323)

	Amt for Current Yr (b)	Amt for Prev Yr (c)
228. Total Maintenance	$8,719,079.00	$6,728,484.00
229. Total Distribution Expenses (Lines 216 and 228)	$16,503,096.00	$13,913,094.00
5. CUSTOMER ACCOUNTS EXPENSES		
Operation		
Supervision (901)	$542,015.00	$607,128.00
Meter Reading Expenses (902)	$1,624,959.00	$1,649,440.00
Customer Records and Collections Expenses (903)	$3,801,261.00	$3,591,972.00
Uncollectible Accounts (904)	$870,284.00	$2,475,240.00
Miscellaneous Customer Accounst Expenses (905)	$134,333.00	$152,296.00
237. Total Customer Accounts Expenses	$6,972,852.00	$8,476,076.00
6. CUSTOMER SERVICE AND INFORMATIONAL EXPENSES		
Operation		
Supervision (907)	$75,792.00	$118,439.00
Customer Assistance Expenses (908)	$2,225,652.00	$2,000,181.00
Informational and Instructional Expenses (909)	$199,308.00	$182,928.00
Miscellaneous Customer Service and Informational Expenses (910)	$335,702.00	$83,429.00
244. Total Customer Service and Informational Expenses	$2,836,454.00	$2,384,977.00
7. SALES EXPENSES		
Operation		
Supervision (911)		
Demonstrating and Selling Expenses (912)		
Advertising Expenses (913)	$24,142.00	$2,165.00
Miscellaneous Sales Expenses (916)		
251. TOTAL Sales Expenses	$24,142.00	$2,165.00
8. ADMINISTRATIVE AND GENERAL EXPENSES		
Operation		

22200500 Louisville Gas and Electric Company 01/01/2007 - 12/31/2007

Gas Operation and Maintenance - 3 through 8 (Ref Page: 323)

	Amt for Current Yr (b)	Amt for Prev Yr (c)
Administrative and General Salaries (920)	$3,500,640.00	$3,395,046.00
Office Supplies and Expenses (921)	$1,659,355.00	$1,804,962.00
(Less) Administrative Expenses Transferred - Credit (922)	$259,338.00	$263,724.00
Outside Services Employed (923)	$2,044,896.00	$860,926.00
Property Insurance (924)	$213,088.00	$175,275.00
Injuries and Damanges (925)	$344,007.00	$467,962.00
Employee Pensions and benefits (926)	$5,208,388.00	$6,581,626.00
Franchise Requirements (927)	$513,286.00	$503,083.00
Regulatory Commission Expenses (928)	$78,843.00	
(Less) Duplicate Charges - Credit (929)	$794,591.00	$1,163,127.00
General Advertising Expenses (930.1)	$91,424.00	$94,572.00
Miscellaneous General Expenses (930.2)	$181,116.00	$2,177,797.00
Rents (931)	$351,839.00	$366,511.00
267. Total Operation	$13,132,953.00	$15,000,909.00
Maintenance		
269. Maintenance of General Plant (935)	$1,777,335.00	$1,900,021.00
270. Total Administrative and General (Total 267 and 269)	$14,910,288.00	$16,900,930.00
Total Gas O and M Expenses (Total Lines 97,177,201,229,237,244,251 and 270)	$305,812,202.00	$348,304,946.00

Exchange and Imbalance Transactions (Ref Page: 328)

	Zone/Rate Schedule(b)	Gas Received Amount(b)	Gas Received MCF (c)	Gas Delivered Amount(d)	Gas Delivered MCF(e)
Total					

22200500 Louisville Gas and Electric Company 01/01/2007 - 12/31/2007

Gas Used in Utility Operations (Ref Page: 331)

Purpose (a)	Acct Charged (b)	Natural Gas Used MCF (c)	Natural Gas Amount of Credit (d)	Manufactured Gas MCF (e)	Manufactured Gas Amount of Credit (f)
Gas Used for Compressor Station Fuel - Credit (810)	819/834	121,813	$874,944.00	0	$0.00
Gas Used For Products Extration - Credit (811)					
Gas Shrinkage and Other Usage in Respondent's Own Processing					
Gas Shrinkage, etc. for Respondent's Gas Processed by Others					
Gas Used for Other Utility Operations - Credit (812)					
(Report seperately each principal use. Group minor uses.)					
City Gate Stations	877	9,031	$66,536.00	0	$0.00
Gas Used for Ignition & Stab @ Elec Gen Stations	501	449,799	$3,760,308.00	0	$0.00
Gas Used in Electric Generation	547	712,750	$5,484,578.00	0	$0.00
Various	Various	13,315	$98,515.00	0	$0.00
		0	$0.00	0	$0.00
		0	$0.00	0	$0.00
Total		1,306,708	$10,284,881.00	0	$0.00

Transmission and Compression of Gas by Others (858) (Ref Page: 332)

Name of Company and Desc. of (b)	Amount of Payment (c)	MCF of Gas (d)

22200500 Louisville Gas and Electric Company 01/01/2007 - 12/31/2007

Other Gas Supply Expenses (813) (Ref Page: 334)

	Description (a)	Amount (b)
	MISC GAS SUPPLY LABOR, TRANSPORTATION & OTHER EXP	$37,436.00
Total		$37,436.00

22200500 Louisville Gas and Electric Company 01/01/2007 - 12/31/2007

Miscellaneous General Expenses (Acct 930.2) (Ref Page: 335)

Description	Amount
Industry association dues	$30,445.00
Experimental and general research expenses:	
a. Gas Research Institute (GRI)	
b. Other	$48,150.00
Publishing and distributing information and reports to stockholders, trustee, registrar and transfer agent fees and expenses and other expenses	
Other	
Amortization of Manufactured Gas Plant	$81,306.00
Miscellaneous Debits and Credits	$21,215.00
	$0.00
Total	$181,116.00

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Depreciation, Depletion and Amortization of Gas Plant (403,403.1,404.1,404.2,404.3,405) (Ref Page: 336)

	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Intangible Plant							
Production Plant, manufactured gas							
Production and gathering plant, natural gas							
Products extraction plant							
Underground gas storage plant	$1,452,614.00	$9,083.00	$0.00	$0.00	$0.00	$0.00	$1,461,697.00
Other storage plant							
Base load LNG terminaling and processing plant							
Transmission plant	$216,764.00	$0.00	$0.00	$0.00	$0.00	$0.00	$216,764.00
Distribution plant	$13,359,299.00	$61.00	$0.00	$0.00	$0.00	$0.00	$13,359,360.00
General Plant	$145,447.00	$0.00	$0.00	$0.00	$0.00	$0.00	$145,447.00
Common plant - gas	$1,952,037.00	$10.00	$0.00	$0.00	$1,611,990.00	$0.00	$3,564,037.00
Other							
Total	$17,126,161.00	$9,154.00	$0.00	$0.00	$1,611,990.00	$0.00	$18,747,305.00

22200500 Louisville Gas and Electric Company 01/01/2007 - 12/31/2007

Depreciation, Depletion and Amortization of Gas Plant (cont) (Ref Page: 338)

	Functional Classification (a)	Plant Bases (thousands) (b)	Applied Depr or Amort Rates (c)
Production and Gathering Plant			
Offshore			
Onshore			
	Underground Gas Storage Plant	62,161	2
Underground Gas Storage Plant			
Transmission Plant			
Offshore			
Onshore			
	Onshore	12,902	2
General Plant			
	General Plant	4,685	4
	Distribution Plant	464,184	3

KPSC Annual Report for Major Natural Gas Companies – December 31, 2007

ANNUAL REPORT

Major Natural Gas Companies

Public Service Commission
of Kentucky

Exact Legal Name of Respondent (Company)	Year/Period of Report
Louisville Gas and Electric Company	End of 2007/Q4

Principal Payment and Interest Information

	[illegible]	[illegible]
Amount of Principal Payment During Calendar Year	$146,200,000.00	
Is Principal Current?	Y	
Is Interest Current?	Y	

22200500 Louisville Gas and Electric Company 01/01/2007 - 12/31/2007

Services Performed by Independent CPA

	Yes/No	A/C/R
Are your financial statements examined by a Certified Public Accountant?		
Enter Y for Yes or N for No	Y	
If yes, which service is performed?		
Enter an X on each appropriate line		
Audit		X
Compilation		
Review		

22200500 Louisville Gas and Electric Company 01/01/2007 - 12/31/2007

Gas Purchases

	Seller	Acct	Gas Purch MCF	Cost of Gas
	Total Gas Purchases	803	34,698,528	$274,519,156.00
	Performance Based Ratemaking Incentive (1)	803	0	$1,757,402.00
	Gas Supply Adjustments	803	0	($22,503,432.00)
	Wholesale Purchases	803	1,657,672	$10,293,576.00
Total			36,356,200	$264,066,702.00

Note:
(1) See Note 2 under "Notes to Financial Statements" concerning Performance Based Ratemaking.

Additional Information - Counties

Barren, Bullitt, Green, Hardin, Hart, Henry, Jefferson, Larue, Marion, Meade, Metcalfe, Nelson, Oldham, Shelby, Spencer, Trimble, Washington

22200500 Louisville Gas and Electric Company 01/01/2007 - 12/31/2007

Revenues, Customers and MCF Sales

	Revenues	MCFs Nat Gas Sold	Customers
Residential (480)	$217,361,077.00	19,811,486	299,887
Commercial and Industrial Sales (481)			
Small (or Commercial)	$87,161,039.00	8,705,820	24,279
Large (Or Industrial)	$13,752,947.00	1,476,164	272
Other Sales to Public Authorities (482)	$15,137,642.00	1,552,723	1,044
Interdepartmental Sales (484)	$0.00	0	0
Total Sales to Ultimate Customers	$333,412,705.00	31,546,193	325,482
Sales for Resale (483)	$11,482,983.00	1,657,672	0
Total Natural Gas Service	$344,895,688.00	33,203,865	325,482

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Identification (Ref Page: 1)

	Name	Address1	Address2	City	State	Zip	Phone
Exact Legal Name of Respondent							
	Louisville Gas & Electric Company						
Previous Name and Date of change (if name changed during the year)							
Name Address and Phone number of the contact person							
	Mimi Kelly	220 W. Main Street	P.O. Box 32010	Louisville	KY	40232	5026272482
Note File: Attestation and signature via Electronic Filing							

General Information - (1) (Ref Page: 101)

	Name	Address	City	State	Zip
Provide name and title of the Officer having custody of the general corporate books of account	S.B. Rives - Chief Financial Officer				
Provide Address of Office where the general Corporate books are kept		220 West Main Street	Louisville	KY	40202
Provide the Address of any other offices where other coprorate books are kept if different from where the general corporate books are kept					

General Information (2,3,4) (Ref Page: 101)

	State
Provide the name of the State under the laws which respondent is incorporated and date	
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
If at any time during the year the property of respondent was held by a receiver or trustee	
give (a) the 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
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 gas service in the City of Louisville and adjacent territory in Kentucky.

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General Information - (5) (Ref Page: 101)

	Yes/No	Date
Have you engaged as the principal acountant to audit your financial statements an accountant who is not the principal account for the previous years certified financial statements?		
Enter Y for Yes or N for No	N	
If yes, Enter the date when such independend accountant was initially engaged		

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Corporations Controlled by Respondent (Ref Page: 103)

Name of Company (a)	Type (b)	Business (c)	Percent Voting Stock (d)
Not Applicable			0.00000000

Security Holders and Voting Powers - Part 1 (Ref Page: 107)

	Explain	Date	Total
1. Give date of the latest closing of the stock book prior to end of the year, and state the purpose of such closing:	Stock books not closed during the year.		
2. State the total number of votes cast at the latest general meeting prior to end of year for election of directors of the respondent and the number of such votes cast by proxy			
Total:			21,294,223
By Proxy:			21,294,223
3. Give the date and place of such a meeting	Louisville, KY	05/10/2007	
Voting Securities			
Number of votes as of Date:			21,294,223

22200500 Louisville Gas and Electric Company 01/01/2007 - 12/31/2007

Security Holders and Voting Powers - Part 2 (Ref Page: 107)

	Name	Address	Total Votes	Common Stock	Preferred Stock	Other
4. Total votes of all voting securities			21,294,223	21,294,233	0	0
5. Total number of all security holders			1	1	0	0
6. Total Votes of Security Holders listed below			0	0	0	0
	E.ON U.S. LLC (formerly LG&E Energy LLC)	Louisville, KY	21,294,223	21,294,223	0	0

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Important Changes During the Year (Ref Page: 108)

	Explain
Give particulars concerning the matters indicated below.	
1. Changes in and important additions to franchise rights:	None.
2. Acquisition of ownership in other companies by reorganization, merger or consolidation with other companies:	None.
3. Purchase or sale of an operating unit or system:	None.
4. Important leaseholds (other than leaseholds for natural gas lands) thant have been accquired or given assigned or surrendered:	None of a material nature.
5. Important extension or reduction of transmission or distribution system:	None of a material nature.
6. Obligations incurred as a result of issuance of securities or assumption of liabilities or guarantees.	At December 31, 2007, the Company had obtained authorization from the SEC under the Public Utility Holding Company Act of 2005 (PUHCA 2005) SEC File No. 70-09985 for the issuance of short-term debt up to $400 million through May 31, 2008. The Federal Power Act contained an exemption from FERC approval for securities issuances approved by the SEC under PUHCA 2005. In connection with the repeal of the PUHCA of 1935, the Company also received FERC authorization under the FPA Docket No. ES07-59-000 for up to $400 million in short-term debt through November 30, 2009. The Company's money pool balance decreased from $106 million at September 30, 2007 to $78 million at December 31, 2007. During the fourth quarter, the Company entered into one new long-term loan agreement totaling $47 million with Fidelia Corporation, an affiliated company. The loan bears interest at a rate of 5.72% and matures in November 2022. The loan was approved by the Kentucky Public Service Commission. See Note 7 of Notes to Financial Statements.
7. Changes in articles of incoporation or amendments to charter: Explain the nature and purpose of such changes or amendments:	None.
8. State the estimated annual effect and nature of any important wage scale changes during the year.	None of a material nature.
9. State briefly the status of any materially important legal proceedings pending at the end of the year and the results.	See Notes 2 and 9 of Notes to Financial Statements.
10. Describe briefly any materially important transactions not disclosed elsewhere in this report in which an officer, director, or associated company was a party or had a material interest.	None.
11. Estimated increase or decrease in annual revenues caused by important rate changes:	None.

22200500 Louisville Gas and Electric Company 01/01/2007 - 12/31/2007

Balance Sheet - Assets and Other Debits (Ref Page: 110)

	Balance Beginning of Year	Balance End of Year
1. UTILITY PLANT		
2. Utility Plant (101-106,114)	$3,903,922,638.00	$3,972,544,417.00
3. Construction Work in Progress (107)	$217,873,410.00	$344,441,784.00
4. TOTAL UTILITY PLANT	$4,121,796,048.00	$4,316,986,201.00
5. (Less) Accum. Prov. for Depr. Amort. Depl. (108,111,115)	$1,766,590,602.00	$1,859,847,713.00
6. Net Utility Plant (Line 4 less Line 5)	$2,355,205,446.00	$2,457,138,488.00
7. Nuclear Fuel (120.1-120.4,120.6)		$0.00
8. (Less) Accum. Prov. for Amort. of Nucl. Assemblies (120.5)		$0.00
9. Nuclear Fuel (Line 7 less Line 8)		$0.00
10. Net Utility Plant (Enter Total of Line 6 and Line 9)	$2,355,205,446.00	$2,457,138,488.00
11. Utility Plant Adjustments (116)		$0.00
12. Gas Stored-Base Gas (117.1)	$2,139,990.00	$2,139,990.00
13. System Balancing Gas (117.2)		$0.00
14. Gas Stored Underground - Non Current (117.3)		$0.00
15. Gas Owned to System Gas (117.4)		$0.00
16. OTHER PROPERTY AND INVESTMENTS		
17. Nonutility Property (121)	$80,698.00	$75,240.00
18. (Less) Accum. Prov. for Depr. and Amort. (122)	$63,360.00	$63,360.00
19. Investment in Associated Companies (123)		$0.00
20. Investments in Subsidiary Companies (123.1)		$0.00
21.		
22. Noncurrent Portion of Allowances		$0.00
23. Other Investments (124)	$594,286.00	$594,286.00
24. Special Funds (125-128)	$2,840,300.00	$25,874,231.00
25. TOTAL Other Property and Investments	$3,451,924.00	$26,480,397.00
26. CURRENT AND ACCRUED ASSETS		
27. Cash (131)	$6,603,229.00	$4,312,502.00

Balance Sheet - Assets and Other Debits (Ref Page: 110)

	Balance Beginning of Year	Balance End of Year
28. Special Deposits (132-134)	$15,605,848.00	$6,919,973.00
29. Working Fund (135)	$23,780.00	$21,280.00
30. Temporary Cash Investments (136)	$5,458.00	$35,917.00
31. Notes Receivable (141)		$0.00
32. *Customer Accounts Receivable* (142)	$84,338,640.00	$96,948,965.00
33. Other Accounts Receivable (143)	$29,508,161.00	$28,810,091.00
34. (Less) Accum. Prov. for Uncollectible Acct. Credit (144)	$1,649,125.00	$1,790,471.00
35. Notes Receivable from Associated Companies (145)		$0.00
6. Accounts Receivable from Assoc. Companies (146)	$19,407,514.00	$32,982.00
37. Fuel Stock (151)	$37,861,747.00	$45,925,807.00
38. Fuel Stock Expenses Undistributed (152)		$0.00
39. Residuals (Elec) and Extracted Products (153)		$0.00
40. Plant Materials and Operating Supplies (154)	$25,262,980.00	$26,407,267.00
41. Merchandise (155)		$0.00
42. Other Materials and Supplies (156)		$0.00
43. Nuclear Materials Held for Sale (157)		$0.00
44. Allowances (158.1 and 158.2)	$15,403.00	$11,459.00
45. (Less) Noncurrent Portion of Allowances		$0.00
46. Stores Expense Undistributed (163)	$4,433,231.00	$4,584,570.00
47. Gas Stored Underground - Current (164.1)	$82,837,901.00	$81,188,407.00
48. Liquefied Natural Gas Stored and Held for Processing (164.2-164.3)		$0.00
49. Prepayments (165)	$5,379,921.00	$5,339,357.00
50. Advances for Gas (166-167)		$0.00
51. Interest and Dividends Receivable (171)	$175,044.00	$220,496.00
52. Rents Receivable (172)	$37,467.00	$435,309.00
53. Accrued Utility Revenues (173)	$52,720,000.00	$64,669,000.00

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22200500 Louisville Gas and Electric Company 01/01/2007 - 12/31/2007

Balance Sheet - Assets and Other Debits (Ref Page: 110)

	Balance Beginning of Year	Balance End of Year
54. Miscellaneous Current and Accrued Assets (174)		$3,834.00
54.a Derivative Instrument Assets (175)	$895,627.00	$537,979.00
54.b Derivative Instrument Assets - Hedges (176)		$0.00
55. TOTAL Current and Accrued Assets (Lines 27 - 54.b)	$363,462,846.00	$364,614,724.00
56. DEFERRED DEBITS		
57. Unamortized Debt Expenses (181)	$8,132,045.00	$9,898,130.00
58. Extraordinary Property Losses (181.1)		$0.00
59. Unrecovered Plant and Regulatory Study Costs (182.2)		$0.00
60. Other Regulatory Assets (182.3)	$163,619,703.00	$151,022,049.00
61. Prelim. Survey and Investigation Charges (Electric) (183)	$69,034.00	$384,463.00
62. Prelim. Sur. and Invest. Charges (Gas) (183.1,183.2)		$0.00
63. Clearing Accounts (184)	$756,750.00	$499,108.00
64. Temporary Facilities (185)		$0.00
65. Miscellaneous Deferred Debits (186)	$36,346,566.00	$34,320,956.00
66. Def. Losses from Disposition of Utility Plt. (187)		$0.00
67. Research, Devel. and Demonstration Expend. (188)		$0.00
68. Unamortized Loss on Reacquired Debt (189)	$19,623,273.00	$19,100,231.00
69. Accumulated Deferred Income Taxes (190)	$56,085,158.00	$52,162,134.00
70. Unrecovered Purchased Gas Costs (191)		$0.00
71. TOTAL Deferred Debits (Lines 57-70)	$284,632,529.00	$267,387,071.00
72. Total Assets and other Debits (Total Lines 10-15,22,55,71)	$3,008,892,735.00	$3,117,760,670.00

Note:
Lines 24 and 28:
During 2007, certain amounts in account 134 were reclassified to account 128, as they were determined to be long-term in nature. In addition, account 128 includes $14,152,203 of prepaid pension. There was no prepaid pension in 2006.

22200500 Louisville Gas and Electric Company 01/01/2007 - 12/31/2007

Balance Sheet - Liabilities and Other Credits (Ref Page: 112)

	Balance Beginning of Year	Balance End of Year
1. PROPRIETARY CAPITAL		
2. Common Stock Issued (201)	$425,170,424.00	$425,170,424.00
3. Preferred Stock Issued (204)	$71,519,300.00	$0.00
4. Capital Stock Subscribed (202,205)		$0.00
5. Stock Liability for Conversion (203,206)		$0.00
6. Premium on Capital Stock (207)		$0.00
7. Other Paid-In Capital Stock (208-211)	$40,005,699.00	$60,000,000.00
8. Installments Received on Capital stock (212)		$0.00
9. (Less) Discount on Capital Stock (213)		$0.00
10. (Less) Capital Stock Expense (214)	$1,924,169.00	$835,889.00
11. Retained Earnings (215,215.1,216)	$639,104,730.00	$689,961,390.00
12. Unappropriated Undistributed Subsidaiary Earnings (216.1)		$0.00
13. (Less) Reacquired Capital Stock (217)	$12,125.00	$0.00
14. Accumulated Other Comprehensive Income (219)	($9,305,657.00)	($13,132,184.00)
15. TOTAL Proprietary Capital	$1,164,558,202.00	$1,161,163,741.00
16. LONG TERM DEBT		
17. Bonds (221)	$574,304,000.00	$574,304,000.00
18. (Less) Reacquired Bonds (222)		$0.00
19. Advances from Associated Companies (223)	$225,000,000.00	$410,000,000.00
20. Other Long-Term Debt (224)	$20,000,000.00	$0.00
21. Unamortized Premium on Long-Term Debt (225)		$0.00
22. (Less) Unamortized Discount on LongTerm Debt (226)		$0.00
23. (Less) Current Portion of Long Term Debt		$0.00
24. TOTAL Long Term Debt	$819,304,000.00	$984,304,000.00
25. OTHER NONCURRENT LIABILITIES		
26. Obligations Under Capital Leases-NonCurrent (227)		$23,649.00
27. Accumulated Provision for Property Insurance (228.1)		$0.00

Balance Sheet - Liabilities and Other Credits (Ref Page: 112)

	Balance Beginning of Year	Balance End of Year
28. Accumulated Provision for Injuries and Damages (228.2)		$5,601,154.00
29. Accumulated Provision for Pensions and Benefits (228.3)	$99,316,147.00	$97,643,181.00
30. Accumulated Miscellaneous Operating Provisions (228.4)		$0.00
31. Accumulated Provision for Rate Refunds (229)		$0.00
32. Asset Retirement Obligations (230)	$28,430,702.00	$29,582,676.00
33. TOTAL OTHER Noncurrent Liabilities	$127,746,849.00	$132,850,660.00
34. CURRENT AND ACCRUED LIABILITIES		
35. Current Portion of Long-Term Debt		$0.00
36. Notes Payable (231)		$0.00
37. Accounts Payable (232)	$162,796,168.00	$115,160,770.00
38. Notes Payable to Associated Companies (233)	$67,824,000.00	$78,241,200.00
39. Account Payable to Associated Companies (234)	$54,907,690.00	$56,768,214.00
40. Customer Deposits (235)	$18,146,501.00	$19,373,313.00
41. Taxes Accrued (236)	$28,624,485.00	$4,746,862.00
42. Interest Accrued (237)	$2,324,124.00	$1,981,717.00
43. Dividends Declared (238)	$906,340.00	$0.00
44. Matured Long-Term Debt (239)		$0.00
45. Matured Interests (240)		$0.00
46. Tax Collections Payable (241)	$1,350,185.00	$1,446,316.00
47. Miscellaneous current and Accrued Liabilities (242)	$7,075,407.00	$11,357,668.00
48. Obligatons Under Capital Leases - Current (243)		$405,438.00
49. Derivative Instrument Liabilities (244)	$119,895.00	$152,956.00
50. Derivative Instrument Liabilities - Hedges (245)		$0.00
51. TOTAL Current and Accrued Liabilities	$344,074,795.00	$289,634,454.00
52. DEFERRED CREDITS		
53. Customer Advances for Construction (252)	$16,806,393.00	$9,612,516.00
54. Accumulated Deferred Investment Tax Credits (255)	$41,070,237.00	$46,098,962.00

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Balance Sheet - Liabilities and Other Credits (Ref Page: 112)

	Balance Beginning of Year	Balance End of Year
55. Deferred Gains from Disposition of Utility Plant (256)		$0.00
56. Other Deferred Credits (253)	$51,278,035.00	$40,862,253.00
57. Other Regulatory Liabilities (254)	$55,370,571.00	$55,115,538.00
58. Unamortized gain on Reacquired Debt (257)		$0.00
59. Accumulated Deferred Income Taxes (281-283)	$388,683,653.00	$398,118,546.00
60. TOTAL Deferred Credits	$553,208,889.00	$549,807,815.00
61. TOTAL Liabilities and Other Credits (Total Lines 15,24,33,51 and 60)	$3,008,892,735.00	$3,117,760,670.00

Note:
Line 28:
During 2007, Workers' Compensation was reclassified from account 232 to account 228.2, as it was determined to be long-term in nature.

Statement of Income for the Year (Ref Page: 114)

	Total (c)	Total - Prev Yr (d)	Electric (e)	Gas (g)	Other (i)
1..UTILITY OPERATING INCOME					
2. Gas Operating Revenues (400)	$1,285,137,296.00	$1,337,890,107.00	$932,455,567.00	$352,681,729.00	$0.00
3. Operating Expenses					
4. Operation Expenses (401)	$826,345,485.00	$891,529,395.00	$533,846,915.00	$292,498,570.00	$0.00
5. Maintenance Expenses (402)	$82,541,993.00	$79,035,654.00	$69,228,361.00	$13,313,632.00	$0.00
6. Depreciation Expense (403)	$119,425,164.00	$117,779,352.00	$102,299,003.00	$17,126,161.00	$0.00
7. Depreciation Expense for Asset Retirement Costs (403.1)	$147,902.00	$202,919.00	$138,748.00	$9,154.00	$0.00
8. Amort and Depl of Utility Plant (404-405)	$6,199,962.00	$5,867,355.00	$4,587,972.00	$1,611,990.00	$0.00
9. Amort of Utility Plant Acq. Adj (406)	$0.00		$0.00	$0.00	$0.00
10. Amort of Property Losses, Unrecovered Plant and Regulatory Study Costs (407.1)	$0.00		$0.00	$0.00	$0.00
11. Amort. of Conversion Expenses (407.2)	$0.00		$0.00	$0.00	$0.00
12. Regulatory Debits (407.3)	$0.00		$0.00	$0.00	$0.00
13. (Less) Regulatory Credits (407.4)	$1,940,744.00	$2,260,937.00	$1,511,554.00	$429,190.00	$0.00
14. Taxes Other than Income Taxes (408.1)	$21,896,663.00	$21,708,691.00	$16,260,079.00	$5,636,584.00	$0.00
15. Income Taxes - Federal (409.1)	$34,624,585.00	$62,654,794.00	$40,724,342.00	($6,099,757.00)	$0.00
16. Income Taxes - Other (409.1)	$7,620,509.00	$11,361,385.00	$8,811,442.00	($1,190,933.00)	$0.00

Statement of Income for the Year (Ref Page: 114)

	Total (c)	Total - Prev Yr (d)	Electric (e)	Gas (g)	Other (i)
17. Provision for Deferred Income Taxes (410.1)	$39,299,707.00	$52,600,230.00	$24,558,126.00	$14,741,581.00	$0.00
18. (Less) Provision for Deferred Income Taxes (411.1)	$28,323,682.00	$60,838,114.00	$26,116,207.00	$2,207,475.00	$0.00
19. Investment Tax Credit Adj. - Net (411.4)	$5,028,725.00	($1,021,662.00)	$5.193,800.00	($165,075.00)	$0.00
20. (Less) Gains from Disp. of Utility Plant (411.6)	$0.00		$0.00	$0.00	$0.00
21. Losses from Disp. of Utility Plant (411.7)	$0.00		$0.00	$0.00	$0.00
22. (Less) Gains from Disposition of Allowances (411.8)	$553,093.00	$1,004,606.00	$553,093.00	$0.00	$0.00
23. Losses from Disposition of Allowances (411.9)	$0.00		$0.00	$0.00	$0.00
24. Accretion Expense (411.10)	$1,780,917.00	$2,058,041.00	$1,360,881.00	$420,036.00	$0.00
25. Total Utility Operating Expenses (Enter Total of Lines 4 - 22)	$1,114,094,093.00	$1,179,672,497.00	$778,828,815.00	$335,265,278.00	$0.00
26. Net Utility Operating Income (Line 2 less line 23 - Carry forward to pg 117 line 25)	$171,043,203.00	$158,217,610.00	$153,626,752.00	$17,416,451.00	$0.00

Statement of Income (continued) (Ref Page: 116)

	Current Year	Previous Year
27. Net Utility Operating Income (Carried from pg 114)	$171,043,203.00	$158,217,610.00
28. Other Income and Deductions		
29. Other Income		
30. Nonutility Operating Income		
31. Revenues From Merchandising, Jobbing and Contract Work (415)	($225.00)	$129,304.00
32. (Less) Costs and Exp. of Merchandising, Job. and Contract Work (416)	$29,494.00	$211,758.00
33. Revenues From Nonutility Operations (417)	$1,555,185.00	$1,174,684.00
34. (Less) Expenses of Nonutility Operations (417.1)	$0.00	
35. Nonoperating Rental Income (418)	$0.00	$604.00
36. Equity in Earnings of Subsidiary Companies (418.1)	$0.00	
37. Interest and Dividend Income (419)	$1,391,693.00	$1,463,963.00
38. Allowance for Other Funds Used During Construction (419.1)	$0.00	
39. Miscellaneous Nonoperating Income (421)	$366,121.00	($483,038.00)
40. Gain on Disposition of Property (421.1)	$459,948.00	
41. TOTAL Other Income	$3,743,228.00	$2,073,759.00
42. Other Income Deductions		
43. Loss on Disposition of Property (421.2)	$102,931.00	$690,191.00
44. Miscellaneous Amortization (425)	$0.00	
45. Miscellaneous Income Deductions (426.1 - 426.5)	$4,147,073.00	$4,317,301.00
46. TOTAL Other Income Deductions	$4,250,004.00	$5,007,492.00
47. Taxes Applic. to Other Income and Deductions		
48. Taxes Other Than Income Taxes (408.2)	$1,444.00	$21,180.00
49. Income Taxes - Federal (409.2)	($554,282.00)	($1,890,908.00)
50. Income Taxes - Other (409.2)	($125,334.00)	($410,236.00)
51. Provision for Deferred Inc. Taxes (410.2)	$986,199.00	$275,754.00

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Statement of Income (continued) (Ref Page: 116)

	Current Year	Previous Year
52. (Less) Provision for Deferred Income Taxes CR (411.2)	$9,972.00	$207,234.00
53. Investment Tax Credit Adj. - Net (411.5)	$0.00	
54. (Less) Investment Tax Credits (420)	$0.00	
55. TOTAL Taxes on Other Income and Deduct.	$298,055.00	($2,211,444.00)
56. Net Other Income and Deductions (Lines 39,44,53)	($804,831.00)	($722,289.00)
57. Interest Charges		
58. Interest on Long Term Debt (427)	$27,325,819.00	$23,182,203.00
59. Amort of Debt Disc. and Expense (428)	$401,067.00	$408,648.00
60. Amortization of Loss on Reacquired Debt (428.1)	$1,035,406.00	$1,021,632.00
61. (Less) Amort. of Premium on Debt - CR (429)	$0.00	
62. (Less) Amortization of Gain on Reacquired Debt - CR (429.1)	$0.00	
63. Interest on Debt to Assoc. Companies (430)	$21,171,199.00	$12,805,158.00
64. Other Interest Expense (431)	($78,484.00)	$3,249,084.00
65. (Less) Allowance for Borrowed Funds Used During Construction CR (432)	$0.00	
66. Net Interest Charges	$49,855,007.00	$40,666,725.00
67. Income Before Extraordinay Items (Lines 25,54 and 64)	$120,383,365.00	$116,828,596.00
68. Extraordinary Items		
69. Extraordinary Income (434)	$0.00	
70. (Less) Extraordinary Deductions (435)	$0.00	
71. Net Extraordinary Items (Lines 67 less 68)	$0.00	
72. Income Taxes - Federal and Other (409.3)	$0.00	
73. Extraordinary Items After Taxes (Lines 69 less 70)	$0.00	
74. Net Income (Lines 67 and 73)	$120,383,365.00	$116,828,596.00

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Statement of Retained Earnings for the Year (Ref Page: 118)

Item(a)		Acct(b)	Amount(c)
UNAPPROPRIATED RETAINED EARNINGS (216)			
State balance and purpose of each appropriated retained earnings amount at end of year and			
1. Balance - Beginning of the Year			$639,104,730.00
Changes (Identify by prescribed retained earnings accounts)			
give accounting entries for any applications of appropriated retained earnings during the year.			
Adjustments to Retained Earnings (439)			
Credit:	FIN 48 Adjustment	0	$202,186.00
4. TOTAL Credits to Retained Earnings (439)			$202,186.00
Debit:	Preferred Stock Buy Back	0	($3,787,255.00)
5. TOTAL Debits to Retained Earnings (439)			($3,787,255.00)
6. Balance Transferred from Income (433 less 418.1)		0	$120,383,365.00
Appropriations of Retained Earnings (436)			
8. TOTAL appropriations of Retained Earnings (436)			
Dividends Declared - Preferred stock (437)			
	$25 Par Value Auction Rate Cumulative	0	($316,636.00)
	Without Par Value Auction Rate Cumulative	0	($625,000.00)
10. TOTAL Dividends Declared - Preferred Stock (437)		0 0	($941,636.00)
Dividends Declared - Common Stock (438)			
	Without Par Value	0	($65,000,000.00)
12. TOTAL Dividends Declared - Common Stock (438)			($65,000,000.00)

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Statement of Cash Flows (Ref Page: 120)

Description	Amounts
1. Net Cash Flow From Operating Activities:	
2. Net Income (Line 72 c on page 117)	$120,383,365.00
3. Noncash Charges (Credits) to Income:	
4. Depreciation and Depletion	$119,673,066.00
Amortization of (Specifiy)	
5. Plant	$6,199,962.00
6. Deferred Income Taxes (Net)	$13,357,917.00
7. Investment Tax Credit Adjustment (Net)	$5,028,725.00
8. Net (Increase) Decrease in Receivables	($18,938,354.00)
9. Net (Increase) Decrease in Inventory	($7,710,192.00)
10. Net (Increase) Decrease in Allowances Inventory	$3,944.00
11. Net Increase (Decrease) in Payables and Acccrued Expenses	($82,471,108.00)
12. Net (Increase) Decrease in Other Regulatory Assets	$12,597,654.00
13. Net Increase (Decrease) in Other Regulatory Liabilities	($255,033.00)
14. (Less) Allowance for Other Funds Used During Construction	
15. (Less) Undistributed Earnings from Subsidiary Companies	
Other:	
16. Other	($18,354,099.00)
16. Change in Other Deferred Debits	$2,025,610.00
16. Change in Other Deferred Credits	($10,415,782.00)
17. Net Cash Provided by (Used in) Operating Activities (Total lines 2 thru 16)	$141,025,675.00
Cash Flows from Investment Activities:	
21. Construction and Acquisition of Plant (Including Land):	
22. Gross Additions to Utility Plant (Less nuclear fuel)	($165,718,773.00)
23. Gross Additions to Nuclear Fuel	

Statement of Cash Flows (Ref Page: 120)

Description		Amounts
24. Gross Additions to Common Utility Plant		($29,121,326.00)
25. Gross Additions to Nonutility Plant		
26. (Less) Allowance for Other Funds Used During Construction		
Other		
27.		
Cash Outflows for Plant (Total lines 22-27)		($194,840,099.00)
30. Acquisition of Other Noncurrent Assets (d)		
31. Proceeds from Disposal of Noncurrent Assets (d)		
32. Retirements of Property,Plant and Equipment		
33. Investments in and Advances to Assoc. and Subsidary Companies		
34. Contributions and Advances from Assoc. and Subsidiary Companies		
35. Disposition of Investments in (and Advances to) Associated and Subsidiary Companies		
37. Purchase of Investment Securities (a)		
38. Proceeds from Sales of Investment Securities (a)		
40. Loans Made or Purchased		
41. Collections on Loans		
43. Net (Increase) Decrease in Receivables		
44. Net (Increase) Decrease in Inventory		
45. Net (Increase) Decrease in Allowances Held for Speculation		
46. Net Increase (Decrease) in Payables and Accrued Expenses		
Other:		
47.	Loss from Disposal of Fixed Assets	($357,016.00)
47.	Change in Restricted Cash	($3,036,153.00)
48. Net Cash Provided by (used in) Investing Activities (Lines 28-47)		($198,233,268.00)

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Statement of Cash Flows (Ref Page: 120)

Description		Amount
Cash Flows from Financing Activities:		
52. Proceeds from Issuance of:		
53. Long - Term Debt (b)		$308,320,562.00
54. Preferred Stock		
55. Common Stock		
Other:		
56	Net Increase in Short-Term Capital Lease Oblig	$405,438.00
57. Net Increase in Short-Term Debt (c)		$10,417,200.00
Other		
58.	Net Increase in Long-Term Capital Lease Oblig	$23,650.00
59. Cash Provided by Outside Sources (Total lines 53-58)		$319,166,850.00
61. Payments for Retirement of:		
62. Long-Term Debt (b)		($126,000,000.00)
63. Preferred Stock		($91,643,113.00)
64. Common Stock		
Other:		
65.	Change in Contributed Capital	$20,000,000.00
66. Net Decrease in Short-Term Debt (c)		
68. Dividends on Preferred Stock		($4,416,712.00)
69. Dividends on Common Stock		($65,000,000.00)
70. Net Cash Provided by (used in) Financing Activities (Lines 59-69)		$52,107,025.00
Net Increase (Decrease) in Cash and Cash Equivalents (Total Lines 18,49,71)		($5,100,568.00)
Cash and Cash Equivalents at Beginning of Year		$9,448,987.00
Cash and Cash Equivalents at End of Year		$4,348,419.00

Note:
Line 16 Other

Other operating cash flows:

Net salvage and cost of removal	($6,394,036)
Depreciation charged to balance sheet accts	483,120
Amortization of Debt Expenses	401,068
Amortization of Loss on Bonds	1,035,327
Net decrease in Prepayments	40,564
Net decrease in Derivative Assets	353,814
Net increase in Preliminary Survey	(315,428)
Net decrease in Clearing Accounts	257,642
Net increase in Other Comprehensive Income	(3,826,527)
Net decrease in Customer Advances for Const.	(7,193,877)
Net increase in Asset Retirement Obligations	1,151,974
Net decrease in Prov. for Postrtrmnt Benefits	(1,672,968)
Net adjustment to Ret Earnings (FIN 48 effect)	202,186
Net adjustment for Noncash Capital Lease	(2,876,958)

Total	($18,354,099)

Cash and Cash Equivalents at the End of Year

Cash and cash equivalents is comprised of the following amounts:

Cash (Acct 131)	$4,312,502
Temporary Cash Investments (Acct 136)	35,917

Total Cash and Cash Equiv at End of Period	$4,348,419

Summary of Utility Plant and Accumulated Provisions for Depreciation Amortization and Depletion (Ref Page: 200)

	Total (b)	Electric (c)	Gas (d)	Other (Total)	Common (h)
Utility Plant					
In Service					
3. Plant In Service (Classified)	$3,969,018,445.00	$3,242,752,617.00	$548,433,692.00	$0.00	$177,832,136.00
4. Property under Capital Leases	$2,876,958.00	$2,876,958.00	$0.00	$0.00	$0.00
5. Plant Purchased or Sold					
6. Completed Construction not Classified					
7. Experimental Plant Unclassifed					
8. Total - Utility Plant (Lines 3-7)	$3,971,895,403.00	$3,245,629,575.00	$548,433,692.00	$0.00	$177,832,136.00
9. Leased to Others					
10. Held for Future Use	$649,014.00	$649,014.00	$0.00	$0.00	$0.00
11. Construction Work in Progress	$344,441,784.00	$253,332,707.00	$62,549,383.00	$0.00	$28,559,694.00
12. Acquisition Adjustments					
13. Total Utility Plant (Lines 8 - 12)	$4,316,986,201.00	$3,499,611,296.00	$610,983,075.00	$0.00	$206,391,830.00
14. Accum. Prov. for Depr, Amort, And Depl.	$1,859,847,713.00	$1,573,660,209.00	$206,166,463.00	$0.00	$80,021,041.00
15. Net Utility Plant (Line 13 less 14)	$2,457,138,488.00	$1,925,951,087.00	$404,816,612.00	$0.00	$126,370,789.00
16. Detail of Accumulated Provisions for Depreciation Amortization and Depletion					
17. In Service					
18. Depreciation	$1,842,294,083.00	$1,573,660,109.00	$206,165,663.00	$0.00	$62,468,311.00
19. Amort. and Depl. of Production Natural Gas Land and Land Rights					

Summary of Utility Plant and Accumulated Provisions for Depreciation Amortization and Depletion (Ref Page: 200)

	Total (b)	Electric (c)	Gas (d)	Other (e)(f)	Common (h)
20. Amort of Underground Storage Land and Land Rights	$800.00	$0.00	$800.00	$0.00	$0.00
21. Amort of Other Utility Plant	$17,552,830.00	$100.00	$0.00	$0.00	$17,552,730.00
22. Total In Service (Lines 18-21)	$1,859,847,713.00	$1,573,660,209.00	$206,166,463.00	$0.00	$80,021,041.00
23. Leased to Others					
24. Depreciation					
25. Amortization and Depletion					
26. Total Leased to Others (Lines 24 and 25)					
27. Held for Future Use					
28. Depreciation					
29. Amortization					
30. Total Held for Future Use (Lines 28 and 29)					
31. Abandonment of Leases (Naturual Gas)					
32. Amort. Of Plant Aquision Adj.					
33. Total Accumulated Provisions (Should agree with Line 14, Total 22,26,30,31 and 32)	$1,859,847,713.00	$1,573,660,209.00	$206,166,463.00	$0.00	$80,021,041.00

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Gas Plant in Service - Intangible and Production Plant (Ref Page: 204)

	Bal Beg Yr (b)	Addition (c)	Retirements (d)	Adjustments (e)	Transfers (f)	Bal End Yr (g)
INTANGIBLE PLANT						
2. Organization (301)						
3. Franchises and Consents (302)	$1,187.00	$0.00	$0.00	$0.00	$0.00	$1,187.00
4. Miscellaneous Intangible Plant (303)						
5. Total Intangible Plant	$1,187.00	$0.00	$0.00	$0.00	$0.00	$1,187.00
PRODUCTION PLANT						
7. Natural Gas Production and Gathering Plant						
8. Producing Lands (325.1)						
9. Producing Leaseholds (325.2)						
10. Gas Rights (325.3)						
11. Rights of Way (325.4)						
12. Other Land and Land Rights (325.5)						
13. Gas Well Structures (326)						
14. Field Compressor Station Structures (327)						
15. Field Measuring and Regulating Station Equipment (328)						
16. Other Structures (329)						
17. Producing Gas Wells - Well Construction (330)						
18. Producing Gas Wells - Well Equipment (331)						
19. Field Lines (332)						

Gas Plant In Service - Intangible and Production Plant (Ref Page: 204)

	Bal Beg Yr (b)	Addition (c)	Retirements (d)	Adjustments (e)	Transfers (f)	Bal End Yr (g)
20. Field Compressor Station Equipment (333)						
21. Field Measuring and Regulating Station Equipment (334)						
22. Drillnig and Cleaning Equipment (335)						
23. Purification Equipment (336)						
24. Other Equipment (337)						
25. Unsuccessful Exploration and Development Costs (338)						
26. Asset Retirement Costs for Natural Gas Production and Gathering Plant (339)						
27. Total Production and Gathering Plant						
28. PRODUCTS EXTRACTION PLANT						
29. Land and Land Rights (340)						
30. Structures and Improvements (341)						
31. Extraction and Refining Equipment (342)						
32. Pipe Lines (343)						
33. Extracted Products Storage Equipment (344)						
34. Compressor Equipment (345)						

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Gas Plant in Service - Intangible and Production Plant (Ref Page: 204)

	Bal Beg Yr (b)	Addition (c)	Retirements (d)	Adjustments (e)	Transfers (f)	Bal End Yr (g)
35. Gas Measuring and Regulating Equipment (346)						
36. Other Equipment (347)						
37. Asset Retirement Costs for Products Extraction Plant (348)						
38. Total Products Extraction Plant						
39. Total Natural Gas Production Plant (Lines 27 and 38)						
40. Manufactured Gas Production Plant						
41. Total Production Plant (Lines 39 and 40)						

Gas Plant in Service - Storage and Processing (Ref Page: 206)

	Bal Beg Yr (b)	Additions (c)	Retirements (d)	Adjustments (e)	Transfers (f)	Bal End Yr (g)
NATURAL GAS STORAGE AND PROCESSING PLANT						
Underground Storage Plant						
44. Land (350.1)	$32,865.00	$0.00	$0.00	$0.00	$0.00	$32,865.00
45. Rights-of-Way (350.2)	$63,678.00	$0.00	$0.00	$0.00	$0.00	$63,678.00
46. Structures and Improvements (351)	$2,943,556.00	$65,475.00	$0.00	$0.00	$0.00	$3,009,031.00
47. Wells (352)	$8,765,659.00	$0.00	$0.00	$0.00	$0.00	$8,765,659.00
48. Storage Leaseholds and Rights (352.1)	$548,241.00	$0.00	$0.00	$0.00	$0.00	$548,241.00
49. Reservoirs (352.2)	$400,511.00	$0.00	$0.00	$0.00	$0.00	$400,511.00
50. Non-recoverable Natural Gas (352.3)	$9,648,855.00	$0.00	$0.00	$0.00	$0.00	$9,648,855.00
51. Lines (353)	$12,786,744.00	$0.00	$17,940.00	$0.00	$0.00	$12,768,804.00
52. Compressor Station Equipment (354)	$13,961,771.00	$1,206,200.00	$47,351.00	$0.00	$0.00	$15,120,620.00
53. Measuring and Regulating Equipment (355)	$387,810.00	$0.00	$0.00	$0.00	$0.00	$387,810.00
54. Purification Equipment (356)	$9,934,256.00	$5,533.00	$6,130.00	$0.00	$0.00	$9,933,659.00
55. Other Equipment (357)	$1,033,211.00	$0.00	$0.00	$0.00	$0.00	$1,033,211.00
56. Asset Retirement Costs for Underground Storage Plant (358)	$541,132.00	$0.00	$0.00	$0.00	$0.00	$541,132.00
57. Total Underground Storage Plant	$61,046,289.00	$1,277,208.00	$71,421.00	$0.00	$0.00	$62,254,076.00
Other Storage Plant						

Gas Plant in Service - Storage and Processing (Ref Page: 206)

	Bal Beg Yr (b)	Addition (c)	Retirements (d)	Adjustments (e)	Transfers (f)	Bal End Yr (g)
59. Land and Land Rights (360)						
60. Structures and Imporvements (361)						
61. Gas Holders (362)						
62. Purification Equipment (363)						
63. Liquefaction Equipment (363.1)						
64. Vaporaizing Equipment (363.2)						
65. Compressor Equipment (363.3)						
66. Measuring and Regulating equipment (363.4)						
67. Other Equipment (363.5)						
68. Asset Retirement Costs for Other Storage Plant (363.6)						
69. Total Other storage Plant						
70. Base Load Liquefied natural Gas Terminaling and Processing Plant						
71. Land and Land Rights (364.1)						
72. Structures and Improvements (364.2)						
73. LNG Processing Terminal Equipments (364.3)						

Gas Plant in Service - Storage and Processing (Ref Page: 206)

	Bal Beg Yr (b)	Additions (c)	Retirements (d)	Adjustments (e)	Transfers (f)	Bal End Yr (g)
74. LNG Transportation Equipment (364.4)						
75. Measuring and Regulating Equipment (364.5)						
76. Compressor Station Equipment (364.6)						
77. Communications Equipment (364.7)						
78. Other Equipment (364.8)						
79. Asset Retirement Costs for Base Load Liquefied Natual Gas Terminaling and Processing Plant (364.9)						
80. Total Base Load Liquefied Nat'l Gas, Terminal and Processing Plant						
76. Total Nat'l Gas Storage and Processing Plant (57,69,80)	$61,048,289.00	$1,277,208.00	$71,421.00	$0.00	$0.00	$62,254,076.00

Gas Plant in Service - Transmission,Distribution and General (Ref Page: 206)

	Bal Beg Yr (b)	Addition (c)	Retirements (d)	Adjustments (e)	Transfers (f)	Bal End Yr (g)
TRANSMISSION PLANT						
83. Land and Land Rights (365.1)	$0.00					
84. Rights-of-Way (365.2)	$220,660.00	$0.00	$0.00	$0.00	$0.00	$220,660.00
85. Structures and Improvements (366)						
86. Mains (367)	$12,673,431.00	$7,817.00	$0.00	$0.00	$0.00	$12,681,248.00
87. Compressor Station Equipment (368)						
88. Measuring and Regulating Sstation Equipment (369)						
89. Communication Equipment (370)						
90. Other Equipment (371)						
91. Asset Retirement Costs for Transmission Plant (372)						
92. Total Transmission Plant	$12,894,091.00	$7,817.00	$0.00	$0.00	$0.00	$12,901,908.00
DISTRIBUTION PLANT ( )						
94. Land and Land Rights (374)	$136,061.00	$0.00	$0.00	$0.00	($2,319.00)	$133,742.00
95. Structures and Improvements (375)	$729,374.00	$0.00	$0.00	$0.00	$0.00	$729,374.00
96. Mains (376)	$262,334,572.00	$12,423,032.00	$1,556,298.00	$0.00	$0.00	$273,201,306.00
97. Compressor Station Equipment (377)						
98. Measuring and Regulating Station Equipment - General (378)	$7,853,390.00	$207,864.00	$10,455.00	$0.00	$0.00	$8,050,799.00

Gas Plant in Service - Transmission,Distribution and General (Ref Page: 206)

	Bal Beg Yr (b)	Addition (c)	Retirements (d)	Adjustments (e)	Transfers (f)	Bal End Yr (g)
99. Measuring and Regulating Station Equipment - City Gate (379)	$3,846,545.00	$37,526.00	$19,580.00	$0.00	$0.00	$3,864,491.00
100. Services (380)	$125,366,092.00	$10,964,805.00	$14,110.00	$0.00	$0.00	$136,316,787.00
101. Meters (381)	$21,171,720.00	$913,070.00	$0.00	$0.00	$0.00	$22,084,790.00
102. Meter Installations (382)	$9,136,344.00	$245,106.00	$0.00	$0.00	$0.00	$9,381,450.00
103. House Regulators (383)	$4,598,092.00	$560,908.00	$217,609.00	$0.00	$0.00	$4,941,391.00
104. House Regulator Installations (384)	$4,707,358.00	$619,869.00	$29,174.00	$0.00	$0.00	$5,298,053.00
105. Industrial Measurnng and Regulating Station Equipment (385)	$159,361.00	$0.00	$0.00	$0.00	$0.00	$159,361.00
106. Other Property on Customers Premises (386)						
107. Other Equipment (387)	$51,113.00	$0.00	$0.00	$0.00	$0.00	$51,113.00
108. Asset Retirement Costs for Distribution Plant (388)	$30,769.00	$0.00	$0.00	$0.00	$0.00	$30,769.00
109. Total Distribution Plant	$440,120,791.00	$25,972,180.00	$1,847,226.00	$0.00	($2,319.00)	$464,243,426.00
GENERAL PLANT						
111. Land and Land Rights (389)						
112. Structures and Improvements (390)						
113. Office Furniture and Equipment (391)						

Gas Plant in Service - Transmission,Distribution and General (Ref Page: 206)

	Bal Beg Yr (b)	Additions (c)	Retirements (d)	Adjustments (e)	Transfers (f)	Bal End Yr (g)
114. Transportation Equipment (392)	$3,387,686.00	$25,727.00	$996,112.00	$0.00	($33,408.00)	$2,383,893.00
115. Stores Equipment (393)						
116. Tools, Shop and garage Equipment (394)	$3,474,778.00	$272,924.00	$2,749.00	$0.00	$0.00	$3,744,953.00
117. Laboratory Equipment (395)	$439,513.00	$0.00	$2,730.00	$0.00	$0.00	$436,783.00
118. Power Operated Equipment (396)	$3,044,257.00	$0.00	$576,790.00	$0.00	$0.00	$2,467,467.00
119. Communication Equipment (397)						
120. Miscellaneous equipment (398)						
121. Subtotal (Lines 104-113)	$10,346,234.00	$298,651.00	$1,578,381.00	$0.00	($33,408.00)	$9,033,096.00
122. Other Tangible Property (399)						
123. Asset Retirement Costs for General Plant (399.1)						
124. Total General Plant (Lines 121,122 and 123)	$10,346,234.00	$298,651.00	$1,578,381.00	$0.00	($33,408.00)	$9,033,096.00
125. Total Accounts 101 and 106	$524,410,592.00	$27,555,856.00	$3,497,028.00	$0.00	($35,727.00)	$548,433,692.00
126. Gas Plant Purchased						
127. (Less) Gas Plant Sold						
128. Experimental Gas Plant Unclassified						
Total Gas Plant In Service (Lines 125-128)	$524,410,592.00	$27,555,856.00	$3,497,028.00	$0.00	($35,727.00)	$548,433,692.00

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Gas Property and Capacity Leased From Others (Ref Page: 212)

Name of Lessor (a)	(b)	Description of Lease (c)	Lease Payments For Current Year
Total			

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Construction Work in Progress - (Acct 107) (Ref Page: 216)

Project (a)	Construction WIP (b)	Est Add Cost
UNDERGROUND STORAGE	$0.00	$0.00
Enhance Doe Run Shale Gas Recovery System	$930,142.00	$0.00
Muldraugh Engine Panel Upgrade Phase 1,2,3	$613,729.00	$0.00
Muldraugh SPCC Compliance Phase 1	$807,716.00	$0.00
Minor Projects	$3,552,397.00	$0.00
0	$0.00	$0.00
TRANSMISSION	$0.00	$0.00
Minor Projects	$922,963.00	$0.00
0	$0.00	$0.00
DISTRIBUTION	$0.00	$0.00
Replace Co. Gas Service RC419	$8,671,093.00	$0.00
New Business Gas Service RC419	$8,318,082.00	$0.00
Gas Main Extension RC406	$6,945,616.00	$0.00
Large Scale Main Replacements	$5,544,074.00	$0.00
New Business Subdivision U/G RC341	$4,560,871.00	$0.00
Priority Main Replacement	$3,038,946.00	$0.00
New Business Connect Service RC419	$2,918,849.00	$0.00
Public Works Gas RC406	$1,664,293.00	$0.00
Farm Tap Regulator Upgrade	$1,597,956.00	$0.00
LG&E Gas Meters	$925,333.00	$0.00
New Business Gas Service RC341	$912,438.00	$0.00
Westport Road Gas Relocation	$882,478.00	$0.00
New Business Gas Service RC402	$824,819.00	$0.00
Repair Third Party Damages RC419	$714,313.00	$0.00
Residential Gas Regulator Replacement	$712,157.00	$0.00
Mill Creek Inst Measurement & Regulator Equipment	$612,660.00	$0.00

Construction Work in Progress - (Acct 107) (Ref Page: 216)

	Project (a)	Construction WIP (b)	Est Add'l Cost (c)
	Old Henry Road Main Extension	$589,167.00	$0.00
	Highway Relocations Gas Central	$509,451.00	$0.00
	Purchase Regulators - Res and Comm	$504,329.00	$0.00
	Minor Projects	$4,947,233.00	$0.00
	0	$0.00	$0.00
	GENERAL PLANT	$0.00	$0.00
	Minor Projects	$528,278.00	$0.00
TOTAL		$62,549,383.00	$0.00

General Description of Construction Overhead Procedure - Components of Formulat (Ref Page: 218)

	Amount (b)	Capitalization Ratio (Percent) (c)	Cost Rate Percentage (d)
Please include all notes requested for construction overhead with the hard copy.			
Uppercase Vars (S,D,P,C,W) fall under Amount (b) column		0	0
Lowercase Vars (s,d,p,c) fall under Cost Rate Percentage (d) column			
1. Components of Formula (Derived from actual book balances and actual cost rates):			
Average Short-Term Debt (Var S)			
Short-Term Interest (Var s)			0
Long Term Debt (Vars D and d)		0	0
Preferred Stock (Vars P and p)		0	0
Common Equity (Vars C and c)		0	0
Total Capitalization			
Average Construction Work in Progress Balance (Var W)		0	0
2. Gross Rate for Borrowed Funds s(S/W) + d[(D/(D+P+C))(1-(S/W)]			
3. Rate for Other Funds [1-(S/W)][p(P/D+P+C)) + c(C/(D+P+C))]			
4. Weighted Average Rate Actually Used for the Year:			
a. Rate for Borrowed Funds			0
b. Rate for Other Funds			0

General Description of Construction Overhead Procedure - Components of Formulat (Ref Page: 218) - NOTES

LOCAL ENGINEERING:

Salaries and expenses of Construction and Services Dept., Electric Service and Delivery Dept., and Gas Dept. personnel engaged in construction work, but not assignable to a particular work order ("WO"), are charged to engineering clearing WOs which have been set up in a clearing account for each dept. Examples of such charges are: work with the construction budget; cost of estimating; construction work; preparation of field reports; conferences on construction matters; general supervision of construction projects, etc.

Each month the costs accumulated in these clearing WOs are allocated to specific WOs coming under the direct supervision of the depts. The WOs are spread based on total direct cost of WOs.

The labor and expenses of engineers and foremen who are directly assigned to a particular WO are charged to that WO.

SERVICE CONTRACT CHARGES:

These expenses are charged direct to construction and other projects based on service performed.

EMPLOYEE BENEFITS:

Vacation, holiday, sick and other off-duty payments by respondent, together with payments by LG&E for hospitalization, dental, group life insurance and pension costs, are charged to construction based on the ratio of direct labor charged to construction to the total direct labor.

ADMINISTRATIVE AND GENERAL EXPENSES:

The allocation of admin and general expenses to construction is based on a study of the estimated time engaged in construction activities by persons and depts charging time to FERC Acct 920. The admin and general salaries and expenses (FERC Acct 920-921) applicable to construction are allocated to all construction WO on the basis of total direct costs.

ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION (AFUDC):

LG&E does not capitalize an AFUDC for gas utility plant.

Note:

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Accumulated Provision for Depreciation of Gas Utility Plant (Acct 108) (Ref Page: 219)

Item	Description	Total (b)	Gas Plant in Service (c)	Held for Future (d)	Leased (e)
A. BALANCES AND CHANGES DURING YEAR					
Balance beginning of Year		$195,901,452.00	$195,901,452.00	$0.00	$0.00
Depreciation Provisions for Year, Charged to					
Depreciation Expense (403)		$15,174,124.00	$15,174,124.00	$0.00	$0.00
Depreciation Expense for Asset Retirement Costs (403.1)	0	$9,144.00	$9,144.00	$0.00	
Expense of Gas Plant Leased to Others (413)					
Transportation Expenses - Clearing		$266,660.00	$266,660.00	$0.00	$0.00
Other Clearing Accounts					
Other Clearing (Specify)	Acc Cost Rem on ARO Parent Asset 403 and 254	($55,100.00)	($55,100.00)	$0.00	$0.00
Total Deprec. Prov. for Year		$15,394,828.00	$15,394,828.00	$0.00	$0.00
Net Charges for Plant Retired					
Book Cost of Plant Retired		($3,497,028.00)	($3,497,028.00)	$0.00	$0.00
Cost of Removal		($798,771.00)	($798,771.00)	$0.00	$0.00
Salvage (Credit)		$210,400.00	$210,400.00	$0.00	$0.00
Total Net Chrgs for Plant Ret		$4,506,199.00	$4,506,199.00	$0.00	$0.00
Other Debit or Credit Items (Describe)					
	Other	($624,418.00)	($624,418.00)	$0.00	$0.00
Balance at End of Year		$206,165,663.00	$206,165,663.00	$0.00	$0.00
B. BALANCES AT END OF YEAR ACCORDING TO FUNCTIONAL CLASSIFICATIONS					

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Accumulated Provision for Depreciation of Gas Utility Plant (Acct 108) (Ref Page: 219)

Description	Total (b)	Gas Plant In Service (c)	Held for Future Use (d)	Leased (e)
Productions - Manufactured Gas				
Prodcution of Gathering-Natural Gas				
Products Extraction - Natural Gas				
Underground Gas Storage	$32,554,935.00	$32,554,935.00	$0.00	$0.00
Other Storage Plant	$0.00	$0.00	$0.00	$0.00
Base Load LNG Terminaling and Processing Plant				
Transmision	$11,759,597.00	$11,759,597.00	$0.00	$0.00
Distribution	$156,228,613.00	$156,228,613.00	$0.00	$0.00
General	$5,622,518.00	$5,622,518.00	$0.00	$0.00
Total	$206,165,663.00	$206,165,663.00	$0.00	$0.00

Note:
Page 219 Distribution Gas Plant In Service contains $19,163 of ARO Distribution Gas Plant in Service and $156,209,450 of Distribution Gas Plant.

Page 219 Underground Gas Storage contains $401,124 of ARO Underground Gas Storage and $32,153,811 of Underground Gas Storage.

Gas Stored Accounts (Lines 1-5) (Ref Page: 220)

	117.1 (b)	117.2 (c)	117.3 (d)	117.4 (e)	164.1 (f)	164.2 (g)	164.3 (h)	Total (i)
Balance at Beginning of Year	$2,139,990.00	$0.00	$0.00	$0.00	$82,837,901.00	$0.00	$0.00	$84,977,891.00
Gas delivered to Storage	$0.00	$0.00	$0.00	$0.00	$90,172,083.00	$0.00	$0.00	$90,172,083.00
Gas Withdrawn from Storage	$0.00	$0.00	$0.00	$0.00	$91,821,577.00	$0.00	$0.00	$91,821,577.00
Other Debits and Credits								
Balance at End of Year	$2,139,990.00	$0.00	$0.00	$0.00	$81,188,407.00	$0.00	$0.00	$83,328,397.00

Note:
Line 3, Column f includes $2,515,556 for 345,803 Mcf of gas lost in storage operations; charged to Account 823, Gas Losses.

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Gas Stored Accounts (Lines 6-7) (Ref Page: 220)

	117.1 (b)	117.2 (c)	117.3 (d)	117.4 (e)	164.1 (f)	164.2 (g)	164.3 (h)	Total (i)
MCF	$2,930,000.00	$0.00	$0.00	$0.00	$11,253,000.00	$0.00	$0.00	$14,183,000.00
Amount Per MCF	$0.73	$0.00	$0.00	$0.00	$7.21	$0.00	$0.00	$5.88

Investments (123,124,136) (Ref Page: 222)

	Description of Investment (a)	(b)	Book Cost at Beginning of	Purchases or Additions (d)	Sales or Other Disposition
Investments in Associated Companies (123)					
(123)					
Other Investments (124)					
(124)	Ohio Valley Electric Corporation Common Stock (1)		$594,286.00	$0.00	$0.00
Temporary Case Investments (136)					
(136)					

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Investments (123,124,136) (Ref Page: 222) (Part Two)

	Description of Investment (a)	Principal Amt or No (e)	Book Cost End of Year (g)	Revenues for Year (h)	Gain or Loss (i)
Investments in Associated Companies (123)					
(123)					
Other Investments (124)					
(124)	Ohio Valley Electric Corporation Common Stock (1)	$5,630.00	$594,286.00	$253,350.00	$0.00
Temporary Case Investments (136)					
(136)					

Note:
(1) Acquired 1952-53.

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Investments in Subsidiary Companies (123.1) (Ref Page: 224)

Description	Date Acquired (b)	Date Maturity (c)	Investment Beg of Yr (d)	Equity in Subsidiary (e)	Revenues (f)	Investment End of Yr (g)	Invest Disposed of (h)
TOTAL							

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Prepayments (Ref Page: 230)

	Balance at End of Year
Prepaid Insurance	$2,554,590.00
Prepaid Rents	
Prepaid Taxes	$969,694.00
Prepaid Interest	
Miscellaneous Prepayments	$1,815,073.00
Total	$5,339,357.00

Note:
The Miscellaneous Prepayments line is comprised of Power Pool, $1,146,960, Rights of Way, $280,000, Mtce Contract, $146,314, OSI-Transmission, 139,790, Risk Management $90,000 and Vehicle License, $12,009.

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Extraordinary Property Losses (182.1) (Ref Page: 230)

Description	Balance Beg Yr (b)	Total Loss (b)	Losses During Yr	Acct (d)	Written Off (e)	Balance (f)
None	$0.00	$0.00	$0.00		$0.00	$0.00
TOTAL						

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Unrecovered Plant and Regulatory Study costs (182.2) (Ref Page: 230)

Description	Balance Beg Yr ($)	Total Loss ($)	Losses During Yr	Acct (#)	Written Off ($)	Balance ($)
None	$0.00	$0.00	$0.00		$0.00	$0.00
TOTAL						

Other Regualatory Assets (Acct 182.3) (Ref Page: 232)

	Description and Purpose (a)	Bal Beg Yr (b)	Debits (c)	Written off Acct (d)	Written off Amt (e)	Balance End Yr (f)
	SFAS 158 - PENSION AND POSTRETIREMENT	$126,288,471.00	$33,347,398.00	228.3	$49,652,246.00	$109,983,623.00
	ASSET RETIREMENT OBLIGATION - ELECTRIC	$0.00	$19,077,951.00	407.4/411	$118,487.00	$18,959,464.00
	ASSET RETIREMENT OBLIGATION	$22,239,656.00	$0.00	182.3	$22,239,656.00	$0.00
	MILL CREEK ASH POND RECOVERED THROUGH ECR	$1,952,560.00	$2,838,460.00	501	$1,072,010.00	$3,719,010.00
	MISO EXIT FEE	$13,139,016.00	$0.00		$0.00	$13,139,016.00
	ASSET RETIREMENT OBLIGATION - GAS		$5,200,741.00	407.4/411	$2,939.00	$5,197,802.00
	ASSET RETIREMENT OBLIGATION - COMMON		$23,134.00	0	$0.00	$23,134.00
Total		$163,619,703.00	$60,487,684.00		$73,085,338.00	$151,022,049.00

Note:
Asset Retirement Obligation was reclassed in 2007 to the following accounts:

Asset Retirement Obligation - Electric
Asset Retirement Obligation - Gas
Asset Retirement Obligation - Common

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Miscellaneous Deferred Debits (Acct 186) (Ref Page: 233)

	Description (a)	Bal Beg Yr (b)	Debits (c)	CR Acct (d)	CR Amt (e)	Bal End Yr (f)
	Manufactured Gas Plants (Jan-02 to Sep-08)	$142,285.00	$0.00	930.2	$81,306.00	$60,979.00
	Gas Supply Adj - Unbilled and Collectible Cust	$14,073,275.00	$16,665,100.00	803/253	$14,793,141.00	$15,945,234.00
	Gas PBR	$6,489,085.00	$2,537,347.00	803/253	$4,765,056.00	$4,261,376.00
	Financing Expenses	$176,904.00	$2,764,855.00	181	$2,941,759.00	$0.00
	Regulatory Expenses - Electric	$143,438.00	$0.00	928	$143,438.00	$0.00
	Regulatory Expenses - Gas	$78,843.00	$0.00	928	$78,843.00	$0.00
	Merger Surcredit Settlement (Jul-98 to Jun-08)	$2,073,219.00	$338,000.00	440-489	$1,638,146.00	$773,073.00
	Cellular Antenna Billable Chgs	$0.00	$34,437.00	0	$0.00	$34,437.00
	Fuel Adjustment Clause	$3,867,000.00	$14,987,000.00	440-445	$9,380,000.00	$9,474,000.00
	Environmental Cost Recovery	$9,302,517.00	$24,371,980.00	440-445	$30,095,495.00	$3,579,002.00
	Customer Credit A/R	$0.00	$1,093,259.00	142	$900,404.00	$192,855.00
Misc. Work in Progress						
Total		$36,346,566.00	$62,791,978.00		$64,817,588.00	$34,320,956.00

Note:
Merger Surcredit Settlement (Jul-98 to Jun-08), column (d):
The range of credit accounts is 440-445 and 480-489.

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Accumulated Deferred Income Taxes (Acct 190) (Ref Page: 234)

Description	Bal Beg Yr	Amt 410.1 (c)	Amt 411.1 (d)	Amt 410.2 (e)	Amt 411.2 (f)
Account 190					
Electric	$48,057,391.00	$2,931,875.00	$504,059.00	$842,500.00	$7,827.00
Gas	$8,027,767.00	$264,387.00	$438,419.00	$143,699.00	$2,145.00
Other (Define)					
Total	$56,085,158.00	$3,196,262.00	$942,478.00	$986,199.00	$9,972.00
Other (Specify)					
TOTAL Acct 190	$56,085,158.00	$3,196,262.00	$942,478.00	$986,199.00	$9,972.00
Classification of TOTAL					
Federal INcome TAx	$47,353,881.00	$2,536,347.00	$357,110.00	$834,231.00	$2,908.00
State Income Tax	$8,731,277.00	$659,915.00	$585,368.00	$151,968.00	$7,064.00
Local Income Tax					

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Accumulated Deferred Income Taxes (Acct 190) (Ref Page: 234) (Part Two)

Description	Debit Adj Acct (g)	Debit Amount (h)	Credit Acct (i)	Credit Amount (j)	Balance End Yr (k)
Account 190					
Electric	219	$1,817,485.00	254	$2,898,025.00	$43,714,362.00
Gas	219	$454,370.00	254	$66,843.00	$8,447,772.00
Other (Define)					
Total		$2,271,855.00		$2,964,868.00	$52,162,134.00
Other (Specify)					
TOTAL Acct 190		$2,271,855.00		$2,964,868.00	$52,162,134.00
Classification of TOTAL					
Federal INcome TAx		$2,033,597.00		$2,507,559.00	$43,869,359.00
State Income Tax		$238,258.00		$457,309.00	$8,292,775.00
Local Income Tax					

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Capital Stock (Accounts 201 and 204) (Ref Page: 250)

	Class, Series and Name of (a)	Num Shares Auth (b)	Par or Stated Value (c)	Call Price (d)	Outstanding Shares (e)
Common Stock					
	Common Stock, Without Par Value	75,000,000	$0.00	$0.00	$21,294,223.00
Total Common Stock		75,000,000	$0.00	$0.00	$21,294,223.00
Preferred Stock					
	Preferred Stock, Cumulative $25 Par Value, 5%	1,720,000	$25.00	$0.00	$0.00
	Auction Rate Without Par Value	6,750,000	$100.00	$0.00	$0.00
Total Preferred Stock		8,470,000	$125.00	$0.00	$0.00
TOTAL Capital Stock		83,470,000	$125.00	$0.00	$21,294,223.00
Other					

Capital Stock (Accounts 201 and 204) (Ref Page: 250) (Part Two)

	Class Series and Name	Outstanding Amt (f)	Num Held Rqd 217 (g)	Cost Held Rqd 217 (h)	Num Held Sinking (i)	Num Held Amount (j)
Common Stock						
	Common Stock Without Par Value	$425,170,424.00	0	$0.00	0	$0.00
Total Common Stock		$425,170,424.00	0	$0.00	0	$0.00
Preferred Stock						
	Preferred Stock, Cumulative $25 Par Value, 5%	$0.00	0	$0.00	0	$0.00
	Auction Rate Without Par Value	$0.00	0	$0.00	0	$0.00
Total Preferred Stock		$0.00	0	$0.00	0	$0.00
TOTAL Capital Stock		$425,170,424.00	0	$0.00	0	$0.00
Other						

Note:
There is no Call Price for Common Stock Without Par Value.

The Common Stock of Louisville Gas and Electric Company is owned by its parent company, E.ON U.S. LLC.

Capital Stock Subscribed, Liability for Conversion Premium and Installments Received (Ref Page: 252)

Description (a)	(b)	Shares (b)	Amount (c)
Capital Stock Subscribed (202,205)			
This is not applicable for LG&E		0	$0.00
Total Capital Stock Subscribed			
Stock Liability for Conversion (203,206)			
This is not applicable for LG&E		0	$0.00
Total Stock Liability for Conversion			
Premium on Capital Stock (207)			
This is not applicable for LG&E		0	$0.00
Total Premium on Capital Stock (207)			
Installments Received on Capital Stock (212)			
This is not applicable for LG&E		0	$0.00
Total Installments Received on Capital Stock (212)			

Other Paid-In Capital (208-211) (Ref Page: 253)

Item (a)		Amount (b)
(a) Donations Received from Stockholders (208)		
Total (208)		
(b) Reduction in Par or Stated Value (209)		
Total (209)		
(c) Gain or Resale or Cancellation of Reacquired Capital Stock (210)		
	Balance January 1, 2007	$5,699.00
	Redemption April 16, 2007, 5% $25 Par Value	($5,699.00)
	0	$0.00
Total (210)		
(d) Miscellaneous Paid-In Capital (211)		
	Contributed Cap - Misc. January 1, 2007	$40,000,000.00
	Contributed Cap December 21, 2007	$20,000,000.00
Total (211)		$60,000,000.00
Total Accts 208-211		$60,000,000.00

Note:
Preferred Stock of the Company was redeemed April 16, 2007.

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Discount on Capital Stock (Act 213) (Ref Page: 254)

Class and Series (a)	Balance End of Year (b)
This account not applicable for LG&E	0
TOTAL	

Capital Stock Expense (Act 214) (Ref Page: 254)

	Class and Series (a)	Balance End of Year (b)
	Expenses on Common Stock	$835,889.00
	0	$0.00
TOTAL		$835,889.00

Note:
The Company redeemed its preferred stock on April 16, 2007. As a result, the stock expense relating to the Auction Rate preferred stock was charged off. The account charged to is 439001, Adjustments to Retained Earnings.

Long-Term Debt (221,222,223 and 224) (Ref Page: 256)

	Class, Series and Name (a)	Nominal Date of Issue (b)	Date of Maturity (c)	Outstanding (d)	Interest Rate (%) (e)
Acct 221 Bonds					
(221)	Series S, due 09/01/2017, Variable (refinanced)	09/17/1992	04/26/2007	$0.00	0.0000
(221)	Series T, due 09/01/2017, Variable (refinanced)	09/17/1992	04/26/2007	$0.00	0.0000
(221)	Series U, due 08/15/2013, Variable (refinanced)	08/15/1993	04/26/2007	$0.00	0.0000
(221)	Jefferson Co. 2000 Series A, due 5/1/27, variable	05/19/2000	05/01/2027	$25,000,000.00	0.0000
(221)	Trimble Co. 2000 Series A, due 8/1/30, variable	08/01/2000	08/01/2030	$83,335,000.00	0.0000
(221)	Jefferson Co, 2001 Series A, due 9/1/27, variable	09/11/2001	09/01/2027	$10,104,000.00	0.0000
(221)	Jefferson Co. 2001 Series A, due 9/1/26, variable	03/06/2002	09/01/2026	$22,500,000.00	0.0000
(221)	Trimble Co. 2001 Series A, due 9/1/26, variable	03/06/2002	09/01/2026	$27,500,000.00	0.0000
(221)	Jefferson Co. 2001 Series B, due 11/1/27, variable	03/22/2002	11/01/2027	$35,000,000.00	0.0000
(221)	Trimble Co. 2001 Series B, due 11/1/27, variable	03/22/2002	11/01/2027	$35,000,000.00	0.0000
(221)	Trimble Co. 2002 Series A, due 10/1/32, variable	10/15/2002	10/01/2032	$41,665,000.00	0.0000
(221)	Louisville Metro 2003 Series A, due 10/1/33, varia	11/20/2003	10/01/2033	$128,000,000.00	0.0000
(221)	Louisville Metro 2005 Series A, due 2/1/35, variab	04/13/2005	02/01/2035	$40,000,000.00	0.0000
(221)	Louisville Metro 2007 Series A, due 6/1/33, variab	04/26/2007	06/01/2033	$31,000,000.00	0.0000
(221)	Trimble Co. 2007 Series A, due 6/1/33, variable	04/26/2007	06/01/2033	$60,000,000.00	0.0000

Long-Term Debt (221,222,223 and 224) (Ref Page: 256)

	Class, Series and Name (a)	Nominal Date of Issue (b)	Date of Maturity (c)	Outstanding (d)	Interest Rate (in %) (e)
(221)	Louisville Metro 2007 Series B, due 6/1/33, variab	04/26/2007	06/01/2033	$35,200,000.00	0.0000
(221)	Interest Rate Swaps			$0.00	0.0000
Total (221)				$574,304,000.00	
Acct 222 Reacquired Bonds					
(222)					0
Total (222)					
Acct 223 Advances from Associated Companies					
(223)	Notes Payable to Fidelia 4.55%, due 4/30/13	04/30/2003	04/30/2013	$100,000,000.00	4.5500
(223)	Notes Payable to Fidelia 5.31%, due 8/15/13	08/15/2003	08/15/2013	$100,000,000.00	5.3100
(223)	Notes Payable to Fidelia 4.33%, due 1/16/12	01/15/2004	01/16/2012	$25,000,000.00	4.3300
(223)	Notes Payable to Fidelia 5.98%, due 4/13/37	04/13/2007	04/13/2037	$70,000,000.00	5.9800
(223)	Notes Payable to Fidelia 5.93%, due 4/13/31	04/13/2007	04/13/2031	$68,000,000.00	5.9300
(223)	Notes Payable to Fidelia 5.72%, due 11/26/22	11/26/2007	11/26/2022	$47,000,000.00	5.7200
(223)				$0.00	0.0000
Total (223)				$410,000,000.00	
Acct 224 Other Long Term Debt					
(224)	5.875 Mandatorily Redeemable Preferred Stock	05/27/1993	04/16/2007	$0.00	0.0000
(224)				$0.00	0.0000
Total (224)				$0.00	

Long-Term Debt (221,222,223 and 224) (Ref Page: 256) (Part Two)

Acct 221 Bonds

	Class, Series and Name (a)	Interest Amount (i)	Held - Reacquired Bonds	Held - Sinking and Other	Redemption Price Per 100
(221)	Series S, due 09/01/2017, Variable (refinanced)	$350,482.00	$0.00	$0.00	$0.00
(221)	Series T, due 09/01/2017, Variable (refinanced)	$670,143.00	$0.00	$0.00	$0.00
(221)	Series U, due 08/15/2013, Variable (refinanced)	$392,885.00	$0.00	$0.00	$0.00
(221)	Jefferson Co. 2000 Series A, due 5/1/27, variable	$937,882.00	$0.00	$0.00	$0.00
(221)	Trimble Co. 2000 Series A, due 8/1/30, variable	$3,377,447.00	$0.00	$0.00	$0.00
(221)	Jefferson Co. 2001 Series A, due 9/1/27, variable	$401,811.00	$0.00	$0.00	$0.00
(221)	Jefferson Co. 2001 Series A, due 9/1/26, variable	$822,985.00	$0.00	$0.00	$0.00
(221)	Trimble Co. 2001 Series A, due 9/1/26, variable	$1,005,871.00	$0.00	$0.00	$0.00
(221)	Jefferson Co. 2001 Series B, due 11/1/27, variable	$1,284,858.00	$0.00	$0.00	$0.00
(221)	Trimble Co. 2001 Series B, due 11/1/27, variable	$1,282,270.00	$0.00	$0.00	$0.00
(221)	Trimble Co. 2002 Series A, due 10/1/32, variable	$1,619,393.00	$0.00	$0.00	$0.00
(221)	Louisville Metro 2003 Series A, due 10/1/33, varia	$4,770,187.00	$0.00	$0.00	$0.00
(221)	Louisville Metro 2005 Series A, due 2/1/35, variab	$1,458,839.00	$0.00	$0.00	$0.00
(221)	Louisville Metro 2007 Series A, due 6/1/33, variab	$789,313.00	$0.00	$0.00	$0.00
(221)	Trimble Co. 2007 Series A, due 6/1/33, variable	$1,886,000.00	$0.00	$0.00	$0.00

Long-Term Debt (221,222,223 and 224) (Ref Page: 256) (Part Two)

	Class Series and Name (a)	Interest Amount (i)	Held - Reacquired Bonds	Held - Sinking and Other	Redemption Price Per $100
(221)	Louisville Metro 2007 Series B, due 6/1/33, variab	$900,504.00	$0.00	$0.00	$0.00
(221)	Interest Rate Swaps	$1,592,721.00	$0.00	$0.00	$0.00
Total (221)		$23,543,591.00	$0.00	$0.00	$0.00
Acct 222 Reacquired Bonds					
(222)					
Total (222)					
Acct 223 Advances from Associated Companies					
(223)	Notes Payable to Fidelia 4.55%, due 4/30/13	$4,550,000.00	$0.00	$0.00	$0.00
(223)	Notes Payable to Fidelia 5.31%, due 8/15/13	$5,310,000.00	$0.00	$0.00	$0.00
(223)	Notes Payable to Fidelia 4.33%, due 1/16/12	$1,082,500.00	$0.00	$0.00	$0.00
(223)	Notes Payable to Fidelia 5.98%, due 4/13/37	$2,999,967.00	$0.00	$0.00	$0.00
(223)	Notes Payable to Fidelia 5.93%, due 4/13/31	$2,889,887.00	$0.00	$0.00	$0.00
(223)	Notes Payable to Fidelia 5.72%, due 11/26/22	$261,372.00	$0.00	$0.00	$0.00
(223)		$0.00	$0.00	$0.00	$0.00
Total (223)		$17,093,726.00	$0.00	$0.00	$0.00
Acct 224 Other Long Term Debt					
(224)	5.875 Mandatorily Redeemable Preferred Stock	$345,972.00	$0.00	$0.00	$0.00
(224)		$0.00	$0.00	$0.00	$0.00
Total (224)		$345,972.00	$0.00	$0.00	$0.00

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Note:
(1) Debt premium and expenses are being amortized over the lives of the related issues.
(2) Pollution Control Bonds (PCB) issued by Jefferson and Trimble Counties, KY are secured by the assignment of loan payments by LG&E to the Counties pursuant to loan agreements.
(3) As of December 31, 2007, LG&E had five interest-rate swap agreements to hedge its exposure to tax exempt rates related to its PCB Variable Rate Series. LG&E's positions under the swap agreements are to pay a fixed rate and receive a variable rate based on the London Interbank Offer Rate (LIBOR) or the Securities Industry and Financial Markets Association's ("SIFMA") municipal swap index. The swap agreement terms are:

Notional Amount	Maturity	Payable	Receivable
$83,335,000	11/01/2020	Fixed 5.495%	SIFMA Index
$32,000,000	10/01/2032	Fixed 3.657%	68% of 1 mo LIBOR
$32,000,000	10/01/2032	Fixed 3.645%	68% of 1 mo LIBOR
$32,000,000	10/01/2032	Fixed 3.695%	68% of 1 mo LIBOR
$32,000,000	10/01/2032	Fixed 3.648%	68% of 1 mo LIBOR

(4) In April 2007, LG&E completed a series of financial transactions impacting its secured debt. The $31M Series S, $35.2M Series T and the $60M Series U bonds were refinanced and replaced with new unsecured tax-exempt bonds of the same amount maturing in 2033. The outstanding preferred stock was redeemed and LG&E agreed with Fidelia Corp. to eliminate the second lien on its two secured loans. All of LG&E's first mortgage bonds were released and terminated. LG&E no longer has any secured debt and is no longer subject to periodic reporting under the Securities Exchange Act of 1934.
(5) During 2007, LG&E executed three long-term loans with Fidelia Corp.:

Amount	Interest Rate	Date Issued	Maturity Date
$ 70,000,000	5.98%	04/13/2007	04/13/2037
$ 68,000,000	5.93%	04/13/2007	04/13/2031
$ 47,000,000	5.72%	11/26/2007	11/26/2022

Unamortized Debt Expense (181,225,226) (Ref Page: 258)

	Designation of Long-Term	Principal Amount of Debt	Total Expense Premium or	Amortization Period From (d)	Amortization Period To (e)
Acct 181					
(181)	Preferred Stock $5.875, due 07/01/2008	$25,000,000.00	$312,827.00	07/01/2003	04/16/2007
(181)		$0.00	$0.00		
(181)	Series S, due 09/01/2017	$31,000,000.00	$312,946.00	09/17/1992	04/26/2007
(181)	Series T, due 09/01/2017	$60,000,000.00	$418,276.00	09/17/1992	04/26/2007
(181)	Jefferson Co. 2001 Series A, due 09/01/2027	$10,104,000.00	$515,808.00	09/11/2001	09/01/2027
(181)	Series U, due 08/15/2013	$35,200,000.00	$234,448.00	08/15/1993	04/26/2007
(181)	Jefferson Co. 2000 Series A, due 05/01/2027	$25,000,000.00	$645,041.00	05/19/2000	05/01/2027
(181)	Trimble Co. 2000 Series A, due 08/01/2030	$83,335,000.00	$1,145,612.00	08/01/2000	08/01/2030
(181)	Jefferson Co. 2001 Series A, due 09/01/2026	$22,500,000.00	$241,747.00	03/06/2002	09/01/2026
(181)	Trimble Co. 2001 Series A, due 09/01/2026	$27,500,000.00	$262,949.00	03/06/2002	09/01/2026
(181)	Jefferson Co. 2001 Series B, due 11/01/2027	$35,000,000.00	$280,338.00	03/22/2002	11/01/2027
(181)	Trimble Co. 2001 Series B, due 11/01/2027	$35,000,000.00	$280,377.00	03/22/2002	11/01/2027
(181)	Trimble Co. 2002 Series A, due 10/01/2032	$41,665,000.00	$1,102,896.00	10/15/2002	10/01/2032
(181)	Louisville Metro 2003 Series A, due 10/01/2033	$128,000,000.00	$3,492,464.00	11/20/2003	10/01/2033
(181)	Louisville Metro 2005 Series A, due 02/01/2035	$40,000,000.00	$1,088,142.00	04/13/2005	02/01/2035
(181)	Louisville Metro 2007 Series A, due 06/01/2033	$31,000,000.00	$647,968.00	04/26/2007	06/01/2033

Unamortized Debt Expense (181,225,226) (Ref Page: 258)

	Designation of Long-Term	Principal Amount of Debt	Total Expense Premium or	Amortization Period From (d)	Amortization Period To (e)
(181)	Trimble Co. 2007 Series A, due 06/01/2033	$60,000,000.00	$1,239,280.00	04/26/2007	06/01/2033
(181)	Louisville Metro 2007 Series B, due 06/01/2033	$35,200,000.00	$609,534.00	04/26/2007	06/01/2033
(181)		$0.00	$0.00		
Total (181)		$725,504,000.00	$12,830,653.00		
Acct 225					
(225)					
Total (225)					
Acct 226					
(226)					
Total (226)					

Unamortized Debt Expense (181,225,226) (Ref Page: 258) (Part Two)

	Designation of Long-Term	Beginning of Year (f)	Debits (g)	Credits (h)	Balance End of Year (i)
Acct 181					
(181)	Preferred Stock, $5.875, due 07/01/2008	$85,280.00	$0.00	$85,280.00	$0.00
(181)		$0.00	$0.00	$0.00	$0.00
(181)	Series S, due 09/01/2017	$133,922.00	$0.00	$133,922.00	$0.00
(181)	Series T, due 09/01/2017	$177,095.00	$0.00	$177,095.00	$0.00
(181)	Jefferson Co. 2001 Series A, due 09/01/2027	$410,004.00	$0.00	$19,836.00	$390,168.00
(181)	Series U, due 08/15/2013	$76,992.00	$0.00	$76,992.00	$0.00
(181)	Jefferson Co. 2000 Series A, due 05/01/2027	$485,914.00	$0.00	$23,903.00	$462,011.00
(181)	Trimble Co. 2000 Series A, due 08/01/2030	$902,711.00	$0.00	$38,280.00	$864,431.00
(181)	Jefferson Co. 2001 Series A, due 09/01/2026	$194,158.00	$0.00	$9,876.00	$184,282.00
(181)	Trimble Co. 2001 Series A, due 09/01/2026	$211,189.00	$0.00	$10,740.00	$200,449.00
(181)	Jefferson Co. 2001 Series B, due 11/01/2027	$228,051.00	$0.00	$10,944.00	$217,107.00
(181)	Trimble Co. 2001 Series B, due 11/01/2027	$228,085.00	$0.00	$10,944.00	$217,141.00
(181)	Trimble Co. 2002 Series A, due 10/01/2032	$948,518.00	$0.00	$36,840.00	$911,678.00
(181)	Louisville Metro 2003 Series A, due 10/01/2033	$3,021,504.00	$119,233.00	$115,726.00	$3,025,011.00
(181)	Louisville Metro 2005 Series A, due 02/01/2035	$1,028,622.00	$0.00	$36,624.00	$991,998.00
(181)	Louisville Metro 2007 Series A, due 06/01/2033		$647,968.00	$15,936.00	$632,032.00

Unamortized Debt Expense (181,225,226) (Ref Page: 258) (Part Two)

	Designation of Long-Term	Beginning of Year (f)	Debits (g)	Credits (h)	Balance End of Year (i)
(181)	Trimble Co. 2007 Series A, due 06/01/2033		$1,239,280.00	$31,940.00	$1,207,340.00
(181)	Louisville Metro 2007 Series B, due 06/01/2033		$609,534.00	$15,052.00	$594,482.00
(181)			$0.00	$0.00	$0.00
Total (181)		$8,132,045.00	$2,616,015.00	$849,930.00	$9,898,130.00
Acct 225					
(225)					
Total (225)					
Acct 226					
(226)					
Total (226)					

Note:
(1) See Note 1 - Page 256 footnotes
(2) See Note 3 - Page 256 footnotes
(3) Total credits in column (h) relating to amortization of debt expense charged to Account 428 is $401,068. The remaining debits and credits in columns (g) and (h) represent transfers-in and transfers-out of new and old unamortized debt expense balances related to the refinancings discussed in Note (5) of Page 256.

Unamortized Loss and Gain on Reqcquired Debt (189,257) (Ref Page: 260)

	Designation of	Date Reacquired (b)	Principal of Debt	Net Gain or Loss (d)	Balance Beginning of	Balance End of Year (f)
Acct 189						
(189)	0		$0.00	$0.00	$0.00	$0.00
(189)	1985 Series J, due 07/01/1995	08/01/1990	$25,000,000.00	$787,340.00	$267,715.00	$236,214.00
(189)	0		$0.00	$0.00	$0.00	$0.00
(189)	0		$0.00	$0.00	$0.00	$0.00
(189)	First Mortgage Bonds, due 10/01/2009	12/01/1990	$25,000,000.00	$1,787,442.00	$262,163.00	$166,835.00
(189)	0		$0.00	$0.00	$0.00	$0.00
(189)	1976 Series A, due 09/01/2006	08/01/1993	$35,200,000.00	$439,383.00	$144,282.00	$122,370.00
(189)	1975 Series A, due 09/01/2000	10/01/1992	$31,000,000.00	$286,757.00	$122,357.00	$110,885.00
(189)	1987 Series A, due 08/01/1997	10/01/1992	$60,000,000.00	$2,574,187.00	$1,098,426.00	$995,442.00
(189)	1990 Series A, due 06/15/2015	06/01/2000	$25,000,000.00	$2,171,404.00	$1,647,399.00	$1,566,375.00
(189)	1990 Series A TC, due 11/01/2020	08/01/2000	$83,335,000.00	$4,298,037.00	$3,388,777.00	$3,245,077.00
(189)	1996 Series A JC, due 09/01/2026	03/01/2002	$22,500,000.00	$1,896,244.00	$1,522,729.00	$1,445,305.00
(189)	1996 Series A TC, due 09/01/2026	03/01/2002	$27,500,000.00	$1,601,630.00	$1,286,125.00	$1,220,725.00
(189)	1997 Series A JC, due 11/01/2027	03/01/2002	$35,000,000.00	$1,256,362.00	$1,021,859.00	$972,803.00
(189)	1997 Series A TC, due 11/01/2027	03/01/2002	$35,000,000.00	$1,251,639.00	$1,018,023.00	$969,159.00
(189)	1990 Series B TC, due 11/01/2020	10/01/2002	$41,665,000.00	$1,671,182.00	$1,437,282.00	$1,381,470.00

22200500 Louisville Gas and Electric Company 01/01/2007 - 12/31/2007

Unamortized Loss and Gain on Reqcquired Debt (189,257) (Ref Page: 260)

	Designation of	Date Reacquired (b)	Principal of Debt	Net Gain or Loss (d)	Balance Beginning of	Balance End of Year (f)
(189)	1995 Series A JC, due 04/15/2023	11/01/2005	$40,000,000.00	$1,397,647.00	$1,315,564.00	$1,268,716.00
(189)	1993 Series B JC, due 10/15/2020	11/01/2003	$26,000,000.00	$5,683,169.00	$5,090,572.00	$4,900,265.00
(189)	Preferred Stock, $5.875, due 07/01/2008	04/16/2007	$20,000,000.00	$105,990.00		$131,557.00
(189)	Series S, due 09/01/2017	04/26/2007	$31,000,000.00	$130,784.00		$127,059.00
(189)	Series T, due 09/01/2017	04/26/2007	$60,000,000.00	$172,943.00		$168,017.00
(189)	Series U, due 08/15/2013	04/26/2007	$35,200,000.00	$74,067.00		$71,957.00
Total (189)			$658,400,000.00	$27,586,207.00	$19,623,273.00	$19,100,231.00
Acct 257						
(257)						
Total (257)						

22200500 Louisville Gas and Electric Company 01/01/2007 - 12/31/2007

Reconciliation of Reported Net Income with Taxable Income for Federal Income Taxes (Ref Page: 261)

Detail (a)		Amount (b)
Net Income for the Year		$120,383,365.00
Reconciling Items for the Year		
Taxable Income Not Reported on Books		
	Contributions In Aid Of Construction	$4,886,000.00
	Regulatory Expenses	$2,295,501.00
	Demand Side Management	$1,233,126.00
	Other	$388,967.00
Deductions Recorded on Books Not Deducted For Return		
	Utility Operating Income	$34,624,585.00
	Other Income and Deductions	($554,282.00)
	Provision for Deferred Income Taxes-Net	$11,952,252.00
	Deferred State Income Taxes	$1,909,601.00
	MISO Exit Fees	$3,341,946.00
	Loss on Reacquired Debt Amortization	$1,035,406.00
	Pensions	$2,169,634.00
	Investment Tax Credit	$8,979,626.00
	Capitalized Interest	$6,543,000.00
	SFAS 106 Postretirement	$996,730.00
	Other	$1,941,290.00
Income Recorded on Books Not Included In Return		
	Amortization of Investment Tax Credit	$3,950,901.00
	Other	$1,204,132.00
Deductions on Return Not Charged Against Book Income		
	Purchased Gas Adjustment	$20,881,254.00
	Cost of Removal	$6,690,000.00
	Tax over Book Depreciation, Net	$1,825,000.00
	State Income Tax Deduction	$1,248,427.00

22200500 Louisville Gas and Electric Company 01/01/2007 - 12/31/2007

Reconciliation of Reported Net Income with Taxable Income for Federal Income Taxes (Ref Page: 261)

	Details (a)	Amount (b)
	IRC 199 Manufacturing Deduction	$5,212,654.00
	Current State Income Taxes	$8,203,577.00
	Environmental Cost Recovery Ash Hauling	$1,766,450.00
	SFAS 143	$539,507.00
	Other	$3,271,096.00
Federal Tax Net Income		$147,333,749.00
Show Computation of Tax		
	35% Rounded	$51,566,812.00
	Add: Adjustment of Prior Years' Taxes to Actual	($8,017,152.00)
	Add: Investment Tax Credits & Other	($9,479,357.00)
	Total	$34,070,303.00

Note:

22200500 Louisville Gas and Electric Company 01/01/2007 - 12/31/2007

Taxes Accrued, Prepaid and Charged During Year (Ref Page: 262)

	Kind of Tax (Instruction) (a)	Bal Beg Yr Taxes Accr (b)	Bal Beg Yr Prepaid Taxes (c)	Taxes Chrgd (d)
	FEDERAL:	$0.00	$0.00	$0.00
	Income	$6,350,985.00	$0.00	$33,678,493.00
	FICA	$561,717.00	$0.00	$5,377,049.00
	FIN 48	$0.00	$0.00	$232,500.00
	KENTUCKY AND OTHER STATES:	$0.00	$0.00	$0.00
	Auto License	$0.00	$0.00	$66,193.00
	Income	$7,726,946.00	$0.00	$7,330,029.00
	Public Service Commission	$0.00	$952,236.00	$1,921,930.00
	6% Use (Kentucky)	$10,879.00	$0.00	$3,781,546.00
	5% Use (Indiana)	$0.00	$0.00	$11,284.00
	FIN 48	$0.00	$0.00	$292,769.00
	FEDERAL & KENTUCKY	$0.00	$0.00	$0.00
	Unemployment Insurance	$47,989.00	$0.00	$97,960.00
	LOCAL	$0.00	$0.00	$0.00
	Occupational	$0.00	$0.00	$0.00
		$0.00	$0.00	$0.00
		$0.00	$0.00	$0.00
		$0.00	$0.00	$0.00
		$0.00	$0.00	$0.00
	KENTUCKY & LOCAL	$0.00	$0.00	$0.00
	Property Taxes	$13,925,969.00	$0.00	$13,701,371.00
Total		$28,624,485.00	$952,236.00	$66,491,124.00

Taxes Accrued, Prepaid and Charged During Year (Ref Page: 262) (Part Two)

	Kind of Taxation (a)	Taxes Paid (e)	Adj (f)	Bal Accr - 236 (g)	Bal Prepaid - 165 (h)
	FEDERAL:	$0.00	$0.00	$0.00	$0.00
	Income	$46,136,948.00	$0.00	($6,107,470.00)	$0.00
	FICA	$5,319,808.00	$0.00	$618,958.00	$0.00
	FIN 48	$0.00	$0.00	$232,500.00	$0.00
	KENTUCKY AND OTHER STATES:	$0.00	$0.00	$0.00	$0.00
	Auto License	$66,193.00	$0.00	$0.00	$0.00
	Income	$15,889,647.00	$0.00	($832,672.00)	$0.00
	Public Service Commission	$1,939,388.00	$0.00	$0.00	$969,694.00
	6% Use (Kentucky)	$3,265,257.00	$0.00	$527,168.00	$0.00
	5% Use (Indiana)	$11,284.00	$0.00	$0.00	$0.00
	FIN 48	$0.00	$0.00	$292,769.00	$0.00
	FEDERAL & KENTUCKY:	$0.00	$0.00	$0.00	$0.00
	Unemployment Insurance	$92,400.00	$0.00	$53,549.00	$0.00
	LOCAL:	$0.00	$0.00	$0.00	$0.00
	Occupational	$0.00	$0.00	$0.00	$0.00
		$0.00	$0.00	$0.00	$0.00
		$0.00	$0.00	$0.00	$0.00
		$0.00	$0.00	$0.00	$0.00
		$0.00	$0.00	$0.00	$0.00
	KENTUCKY & LOCAL:	$0.00	$0.00	$0.00	$0.00
	Property Taxes	$17,665,280.00	$0.00	$9,962,060.00	$0.00
Total		$90,386,205.00	$0.00	$4,746,862.00	$969,694.00

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Taxes Accr, Prepd and Charged - Distribution of Taxes (Ref Page: 262)

Kind of Jurisdiction (a)	Electric (408.1, 409.1) (i)	Gas (408.1, 409.1) (j)	Other (408.1, 409.1) (k)	Other Inc and Ded (l)
FEDERAL:	$0.00	$0.00	$0.00	$0.00
Income	$40,724,342.00	($6,099,757.00)	$0.00	($554,282.00)
FICA	$4,962,274.00	$1,224,584.00	$0.00	$0.00
FIN 48	$0.00	$0.00	$0.00	$0.00
KENTUCKY & OTHER STATES:	$0.00	$0.00	$0.00	$0.00
Auto License	$0.00	$0.00	$0.00	$0.00
Income	$8,811,442.00	($1,190,933.00)	$0.00	($125,334.00)
Public Service Commission	$1,225,869.00	$696,061.00	$0.00	$0.00
6% Use (Kentucky)	$1,316.00	$0.00	$0.00	$0.00
6% Use (Indiana)	$0.00	$0.00	$0.00	$0.00
FIN 48	$0.00	$0.00	$0.00	$0.00
FEDERAL & KENTUCKY:	$0.00	$0.00	$0.00	$0.00
Unemployment Insurance	$139,327.00	$32,978.00	$0.00	$0.00
LOCAL:	$0.00	$0.00	$0.00	$0.00
Occupational	$14,583.00	$4,113.00	$0.00	$0.00
KENTUCKY & LOCAL:	$0.00	$0.00	$0.00	$0.00
Property Taxes	$9,916,710.00	$3,678,848.00	$0.00	$1,444.00
Total	$65,795,863.00	($1,654,106.00)	$0.00	($678,172.00)

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Taxes Accr, Prepd and Charged - Distribution of Taxes (Ref Page: 262) (Part Two)

Kind of Instruction (a)	Ext Items (409.3) (m)	Other Opn Income (n)	Adj to Ret Earnings (439) (o)	Other (p)
FEDERAL:	$0.00	$0.00	$0.00	$0.00
Income	$0.00	$0.00	$0.00	($391,810.00)
FICA	$0.00	$0.00	$0.00	($809,809.00)
FIN 48	$0.00	$0.00	$0.00	$232,500.00
KENTUCKY & OTHER STATES:	$0.00	$0.00	$0.00	$0.00
Auto License	$0.00	$0.00	$0.00	$66,193.00
Income	$0.00	$0.00	$0.00	($165,146.00)
Public Service Commission	$0.00	$0.00	$0.00	$0.00
6% Use (Kentucky)	$0.00	$0.00	$0.00	$3,780,230.00
5% Use (Indiana)	$0.00	$0.00	$0.00	$11,284.00
FIN 48	$0.00	$0.00	$0.00	$292,769.00
FEDERAL & KENTUCKY:	$0.00	$0.00	$0.00	$0.00
Unemployment Insurance	$0.00	$0.00	$0.00	($74,345.00)
LOCAL:	$0.00	$0.00	$0.00	$0.00
Occupational	$0.00	$0.00	$0.00	($18,696.00)
KENTUCKY & LOCAL:	$0.00	$0.00	$0.00	$0.00
Property Taxes	$0.00	$0.00	$0.00	$104,369.00
Total	$0.00	$0.00	$0.00	$3,027,539.00

Note:
The balance of ($6,107,470) for Federal income taxes accrued at 12/31/07 reflects an overpayment of Federal income taxes.
The balance of ($832,672) for Kentucky income taxes at 12/31/07 reflects an overpayment of Kentucky income taxes.
The negative balance of ($391,910) for Federal income taxes and ($832,672) for Kentucky income taxes in Other Accounts is due to the timing of estimated tax payments.

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Miscellaneous Current and Accrued Liabilities (242) (Ref Page: 268)

Item (a)	Balance End of Year (b)
VESTED VACATION PAY ACCRUED	$4,682,762.00
POSTRETIREMENT BENEFITS	$3,139,992.00
CUSTOMER OVERPAYMENTS	$2,925,300.00
U OF KY CTR FOR APPLIED ENERGY RESEARCH GRANT	$250,000.00
HOME ENERGY ASSISTANCE	$212,505.00
UNEARNED REVENUE	$147,109.00
TOTAL	$11,357,668.00

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Other Deferred Credits (253) (Ref Page: 269)

Description (a)	Balance Beg Yr (b)	Debits Acct (c)	Debit Amt (d)	Credits (e)	Balance End Yr (f)
Gas Purchase Cash Refunds - Texas Gas	$134,857.00	253, 431, 547, 803	$137,904.00	$3,047.00	$0.00
Gas Supply Clause - Refundable to Customers	$30,468,111.00	186, 253, 803	$32,991,120.00	$11,888,972.00	$9,365,963.00
Brown CT Long Term Service Agreement	$1,834,348.00	107, 232, 553	$940,063.00	$3,771,645.00	$4,665,930.00
KU-EKPC Settlement	$0.00	566	$0.00	$670,560.00	$670,560.00
U of K Ctr - Applied Energy Research Grant	$220,569.00	232, 426	$250,000.00	$29,431.00	$0.00
Demand Side Mgmt - Refundable Costs	$3,028,288.00	186	$882,535.00	$2,115,660.00	$4,261,413.00
PPD Trans Sys Fee - MCI Telecom (1990 - 2009)	$48,396.00	454	$22,296.00	$0.00	$26,100.00
PPD Trans Sys Fee - East KY Pwr Coop (1989 - 2019)	$148,912.00	242, 454	$175,987.00	$27,075.00	$0.00
Margin Deposit	$0.00	131, 431	$0.00	$5,237.00	$5,237.00
Long-Term Derivative Liability	$15,394,554.00	186, 218	$12,036,874.00	$18,135,256.00	$21,492,936.00
Deferred Compensation	$0.00	926	$0.00	$374,114.00	$374,114.00
TOTAL	$51,278,035.00		$47,436,779.00	$37,020,997.00	$40,862,253.00

Accumulated Deferred Income Taxes - Other Property (282) (Ref Page: 274)

Acct (a)	Balance Beg Yr (b)	Amt Acct 410.1 (c)	Amt Acct 411.1 (d)	Amt Acct 410.2 (e)	Amt Acct 411.2 (f)
Account 282					
Electric	$314,713,152.00	$21,796,477.00	$22,942,535.00	$0.00	$0.00
Gas	$52,060,039.00	$3,518,074.00	$1,599,155.00	$0.00	$0.00
Other (Define)					
Total	$366,773,191.00	$25,314,551.00	$24,541,690.00	$0.00	$0.00
Other (specify)					
TOTAL Acct 282	$366,773,191.00	$25,314,551.00	$24,541,690.00	$0.00	$0.00
Classification of Total					
Federal Income Tax	$314,294,340.00	$20,776,029.00	$20,348,039.00	$0.00	$0.00
State Income Tax	$52,478,851.00	$4,538,522.00	$4,193,651.00	$0.00	$0.00
Local Income tax					

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Accumulated Deferred Income Taxes - Other Property (282) (Ref Page: 274) (Part Two)

	Acct (f)	Debit Adj Acct (g)	Debit Adj Amt (h)	Credit Adj Acct (i)	Credit Adj Amt (j)	Balance End Yr
Account 282						
Electric			$0.00	254	$771,326.00	$314,338,420.00
Gas		254	$58,674.00		$0.00	$53,920,284.00
Other (Define)						
Total			$58,674.00		$771,326.00	$368,258,704.00
Other (specify)						
TOTAL Acct 282			$58,674.00		$771,326.00	$368,258,704.00
Classification of Total						
Federal Income Tax			($13,237.00)		$522,880.00	$315,258,447.00
State Income Tax			$71,911.00		$248,446.00	$53,000,257.00
Local Income tax						

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Accumulated Deferred Income Taxes - Other (283) (Ref Page: 276)

Acct (a)	Balance Beg Yr (b)	Amt Acct 410.1 (c)	Amt Acct 411.1 (d)	Amt Acct 410.2 (e)	Amt Acct 411.2 (f)
Account 283					
Electric	$27,325,387.00	($197,028.00)	$2,669,616.00	$0.00	$0.00
Gas	($5,414,925.00)	$10,985,922.00	$169,898.00	$0.00	$0.00
Other					
Total	$21,910,462.00	$10,788,894.00	$2,839,514.00	$0.00	$0.00
Other (Specify)					
TOTAL (Acct 283)	$21,910,462.00	$10,788,894.00	$2,839,514.00	$0.00	$0.00
Classification of Total					
Federal Income Tax	$18,368,721.00	$9,117,100.00	$2,268,142.00	$0.00	$0.00
State Income Tax	$3,541,741.00	$1,671,794.00	$571,372.00	$0.00	$0.00
Local Income tax					

Accumulated Deferred Income Taxes - Other (283) (Ref Page: 276) (Part Two)

Acct (a)	Debit Adj Acct (g)	Debit Adj Amt (h)	Credit Adj Acct (i)	Credit Adj Amt (j)	Balance End (k)
Account 283					
Electric		$0.00		$0.00	$24,458,743.00
Gas		$0.00		$0.00	$5,401,099.00
Other					
Total		$0.00		$0.00	$29,859,842.00
Other (Specify)					
TOTAL (Acct 283)		$0.00		$0.00	$29,859,842.00
Classification of Total					
Federal Income Tax		$0.00		$0.00	$25,217,679.00
State Income Tax		$0.00		$0.00	$4,642,163.00
Local Income tax					

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Other Regualatory Liabilities (Acct 254) (Ref Page: 278)

	Description and Purpose (a)	Bal Beg Yr (b)	Debit Acct Credited (c)	Debits Amount (d)	Credits (e)	Balance End Yr (f)
	SFAS 109 - Income Taxes	$54,001,458.00	190/282	$12,050,270.00	$8,372,750.00	$50,323,938.00
	Asset Retirement Obligation	$255,129.00	254	$255,129.00	$0.00	$0.00
	MISO Schedule 10 Charges	$1,113,984.00	0	$0.00	$3,341,946.00	$4,455,930.00
	Asset Retirement Obligation - Electric		0	$0.00	$225,470.00	$225,470.00
	Asset Retirement Obligation - Gas		0	$0.00	$110,200.00	$110,200.00
Total		$55,370,571.00		$12,305,399.00	$12,050,366.00	$55,115,538.00

Note:
Asset Retirement Obligation was reclassed in 2007 to the following accounts:

Asset Retirement Obligation - Electric
Asset Retirement Obligation - Gas

Gas Operating Revenues (Ref Page: 301)

	Rev for Transition Current	Rev for Transition Prev Yr	GRI and ACA Current Yr (d)	GRI and ACA Prev Yr (e)	Other Current Yr (f)
Sales (480-484)	$344,895,688.00	$387,210,998.00	$0.00	$0.00	$0.00
Intracompany Transfers (485)	$0.00		$0.00		$0.00
Forfeited Discounts (487)	$1,529,228.00	$2,075,264.00	$0.00	$0.00	$0.00
Miscellaneous Service Revenues (488)	$51,620.00	$60,880.00	$0.00	$0.00	$0.00
Revenues from Transportaion of Gas of Others Through Gathering Facilities (489.1)	$5,659,399.00	$5,332,608.00	$0.00	$0.00	$0.00
Revenues from Transportaion of Gas of Others Through Transmission Facilities (489.2)					
Revenues from Transportaion of Gas of Others Through Distribution Facilities (489.3)					
Sales of Prod. Ext. from Natural Gas (490)					
Revenues from Natural Gas Proc. by Others (491)					
Incidental gasoline and Oil Sales (492)					
Rent from Gas Property (493)	$408,111.00	$402,060.00	$0.00	$0.00	$0.00
Interdepartmental Rents (494)	$101,328.00	$107,268.00	$0.00	$0.00	$0.00
Other Gas Revenues (495)	$36,355.00	$40,500.00	$0.00	$0.00	$0.00
Subtotal	$352,681,729.00	$395,229,578.00	$0.00	$0.00	$0.00
(Less) Provision for Rate Refunds (496)					
Total	$352,681,729.00	$395,229,578.00	$0.00	$0.00	$0.00

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Gas Operating Revenues (Ref Page: 301) (Part Two)

	Rev for Transition	Other Prev Yr (g)	Total Current Yr (h)	Total Prev Yr (i)	MCF Current Yr (h)	MCF Prev Yr (i)
Sales (480-484)	$344,895,688.00	$0.00	$344,895,688.00	$387,210,998.00	33,203,865	29,085,221
Intracompany Transfers (485)	$0.00		$0.00		0	
Forfeited Discounts (487)	$1,529,228.00	$0.00	$1,529,228.00	$2,075,264.00	0	0
Miscellaneous Service Revenues (488)	$51,620.00	$0.00	$51,620.00	$60,880.00	0	0
Revenues from Transportaion of Gas of Others Through Gathering Facilities (489.1)	$5,659,399.00	$0.00	$5,659,399.00	$5,332,608.00	11,917,246	0
Revenues from Transportaion of Gas of Others Through Transmission Facilities (489.2)						
Revenues from Transportaion of Gas of Others Through Distribution Facilities (489.3)						
Sales of Prod. Ext. from Natural Gas (490)						
Revenues from Natural Gas Proc. by Others (491)						
Incidental gasoline and Oil Sales (492)						
Rent from Gas Property (493)	$408,111.00	$0.00	$408,111.00	$402,060.00	0	0
Interdepartmental Rents (494)	$101,328.00	$0.00	$101,328.00	$107,268.00	0	0
Other Gas Revenues (495)	$36,355.00	$0.00	$36,355.00	$40,500.00	0	0
Subtotal	$352,681,729.00	$0.00	$352,681,729.00	$395,229,578.00	45,121,111	29,085,221

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Gas Operating Revenues (Ref Page: 301) (Part Two)

	Rev for Transition	Other Prev Yr (g)	Total Current Yr (h)	Total Prev Yr (i)	MCF Current Yr (j)	MCF Prev Yr (k)
(Less) Provision for Rate Refunds (496)						
Total	$352,681,729.00	$0.00	$352,681,729.00	$395,229,578.00	45,121,111	29,085,221

Rev From Transportation of Gas through Gathering Facilities (489.1) (Ref Page: 302)

Rate Schedule and Zone	Rev for Transition Costs	Rev for Transition Costs	Rev for GRI and ACA	Rev for GRI and ACA	Other Rev (Current)
		$0.00		$0.00	

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Rev From Transportation of Gas through Gathering Facilities (489.1) (Ref Page: 302) (Part Two)

Rate Schedule and Zone	Other Rev Previous (g)	Total Operating Rev	Total Operating Rev	MCF (Current) (j)	MCF Previous (k)
	$0.00		$0.00		0

Rev From Transportation of Gas through Transmission Facilities (489.2) (Ref Page: 304)

Rate Schedule and Zone	Rev for Transition Costs	Rev for Transition Costs	Rev for GRI and ACA	Rev for GRI and ACA	Other Rev Amount (f)
	$0.00		$0.00		

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Rev From Stroring Gas of Others (489.4) (Ref Page: 306)

Rate Schedule and Zone	Rev for Transition Costs	Rev for Transition Costs	Rev for GRI and ACA	Rev for GRI and ACA	Other Rev - Current
		$0.00		$0.00	

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22200500 Louisville Gas and Electric Company 01/01/2007 - 12/31/2007

Other Gas Revenues (495) (Ref Page: 308)

Description of Transaction	Revenue in Dollars
Miscellaneous - All minor items	$36,355.00
	$36,355.00

22200500 Louisville Gas and Electric Company 01/01/2007 - 12/31/2007

Gas Operation and Maintenance - 1. Production (Ref Page: 317)

	Amt for Current Yr (b)	Amt for Prev Yr (c)
1. PRODUCTION EXPENSES		
A. Manufactured Gas Production		
Manufactured Gas Production		
B. Natural Gas Production		
B1. Natural Gas Produclton and Gathering		
Operation		
Operation Supervision and Engineering (750)		
Production Maps and Records (751)		
Gas Well Expenses (752)		
Field Lines Expenses (753)		
Field compressor Station Expenses (754)		
Field Compressor Station Fuel and Power (755)		
Field Measuring and Regulating Station Expenses (756)		
Purification Expenses (757)		
Gas Well Royalties (758)		
Other Expenses (759)		
Rents (760)		
18. Total Operation		
Maintenance		
Maintenance Supervision and Engineering (761)		
Maintenance of Structures and Improvements (762)		
Maintenance of Producing Gas Wells (763)		
Maintenance of Field Lines (764)		
Maintenance of Field Compressor Station Equipment (765)		
Maintenance of Field Measuring and Regulating Station Equipment (766)		
Maintenance of Purification Equipment (767)		

Gas Operation and Maintenance - 1. Production (Ref Page: 317)

	Amt for Current Yr (b)	Amt for Prev Yr (b)
Maintenance of Drilling and Cleaning Equipment (768)		
Maintenance of Other Equipment (769)		
29. Total Maintenance		
Total Natural Gas Production and Gathering (Lines 18,29(		
B2. Products Extraction		
Operation		
Operation Supervision and Engineering (770)		
Operation Labor (771)		
Gas Shrinkage (772)		
Fuel (773)		
Power (774)		
Materials (775)		
Operation Supplies and Expenses (776)		
Gas Processed by Others (777)		
Royalties on Products Extracted (778)		
Marketing Expenses (779)		
Products Purchased for Resale (780)		
Variation in Products Inventory (781)		
(Less) Extracted Products Used by the Utility - Credit (782)		
Rents (783)		
47. Total Operation		
Maintenance		
Maintenance Supervision and Engineering (784)		
Maintenance of Structures and Improvements (785)		
Maintenance of Extraction and Refining Equipment (786)		
Maintenance of Pipe Lines (787)		
Maintenance of Extracted Products Storage Equipment (788)		

22200500 Louisville Gas and Electric Company 01/01/2007 - 12/31/2007

Gas Operation and Maintenance - 1. Production (Ref Page: 317)

	Amount Current Year (b)	Amount Previous Year (c)
Maintenance of Compressor Equipment (789)		
Maintenance of Gas Measuring and Regulating Equipment (790)		
Maintenance of Other Equipment (791)		
57. Total Maintenance		
58. Total Products Extraction (Lines 47 and 57)		
C. Exploration and Development		
Operation		
Delay Rentals (795)		
Nonproductive Well Drilling (796)		
Abandoned Leases (797)		
Other Exporation (798)		
65. Total Exploration and Development		
D. Other Gas Supply Expenses		
Operation		
Natural Gas Well Head Purchases (800)		
Natural Gas Well Head Purchases, Intracompany Transfers (800.1)		
Natural Gas Field Line Purchases (801)		
Natural Gas Gasoline Plant Outlet Purchases (802)		
Natural Gas Transmission Line Purchases (803)	$264,066,702.00	$269,873,519.00
Natural Gas City Gate Purchases (804)		
Liquified Natural Gas Purchases (804.1)		
Other Gas Purchases (805)		
(Less) Purchases Gas Cost Adjustments (805.1)		
77. Total Purchased Gas	$264,066,702.00	$269,873,519.00
78. Exchange Gas (806)		
Purchased Gas Expense		

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Gas Operation and Maintenance - 1. Production (Ref Page: 317)

	Amt for Current Yr (b)	Amt for Prev Yr (c)
Well Expense - Purchased Gas (807.1)		
Operation of Purchased Gas Measuring Stations (807.2)		
Maintenance of PUrchased Gas Measuring Stations (807.3)		
Purchased Gas Calculations Expenses (807.4)	$31,093.00	$27,850.00
Other Purchased Gas Expenses (807.5)	$607,933.00	$517,822.00
85. Total Purchased Gas Expenses	$639,026.00	$545,672.00
Gas Withdrawn from Storage - Debit (808.1)	$89,308,021.00	$120,999,754.00
(Less) Gas Delivered to Storage (Credit) (808.2)	$90,172,083.00	$82,024,841.00
Withdrawals of Liquefied natural Gas for Processing - Debit (809.1)		
(Less) Delleveries of Natural Gas for Processing- Credit (809.2)		
Gas used In Utility Operation - Credit		
91. Gas Used for Compressor Station Fuel - Credit (810)	($874,944.00)	($1,330,924.00)
92..Gas Used for Products Extraction - Credit (811)		
93. Gas Used for Other Utility Operations - Credit (812)	($9,409,937.00)	($12,815,583.00)
94. Total Gas Used in Utility Operations - Credit (91-93)	($10,284,881.00)	($14,146,507.00)
95. Other Gas Supply Expenses (813)	$37,436.00	$35,865.00
97. Total Other Gas Supply Exp (77,78,85,86-89,94,95)	$253,592,221.00	$295,283,462.00
Total Production Expenses (3,30,58,65,96)	$253,592,221.00	$295,283,462.00

Gas Operation and Maintenance - 2. Natural Gas Storage (Ref Page: 320)

	Amt for Current Yr (b)	Amt for Prev Yr (c)
2. NATURAL GAS STORAGE, TERMINALING AND PROCESSING EXPENSES		
A. Underground Storage Expenses		
Operation		
Operation Supervision and Engineering (814)	$513,136.00	$409,959.00
Maps and Records (815)		
Wells Expenses (816)	$451,307.00	$15,353.00
Lines Expenses (817)	$556,901.00	$451,865.00
Compressor Station Expenses (818)	$1,119,546.00	$991,921.00
Compressor Station Fuel and Power (819)	$799,964.00	$1,125,500.00
Measuring and Regulating Station Expenses (820)		
Purification Expenses (821)	$1,488,374.00	$1,681,221.00
Exploration and Development (822)		
Gas Losses (823)	$2,515,556.00	$3,056,047.00
Other Expenses (824)	$8,440.00	$35,238.00
Storage well Royalties (825)	$45,556.00	$48,530.00
Rents (826)	$41,050.00	$36,430.00
114. Total Operation	$7,539,830.00	$7,852,064.00
Maintenance		
Maintenance Supervision and Engineering (830)	$330,530.00	$255,593.00
Maintenance of Structures and Improvements (831)		
Maintenance of Reservoirs and Wells (832)	$470,455.00	$414,411.00
Maintenance of Lines (833)	$91,541.00	($12,439.00)
Maintenance of Compressor Station Equipment (834)	$904,999.00	$1,190,532.00
Maintenance of Measuring and Regulating Station Equipment (835)	$49,318.00	$13,546.00
Maintenance of Purification Equipmetn (836)	$229,877.00	$290,125.00

Gas Operation and Maintenance - 2. Natural Gas Storage (Ref Page: 320)

	Amt. for Current Yr (b)	Amt. for Prev. Yr (c)
Maintenance of Other Equipment (837)	$90,806.00	$115,812.00
124. Total Maintenance	$2,167,526.00	$2,267,580.00
Total Underground Storage (Lines 114 and 124)	$9,707,356.00	$10,119,644.00
B. Other Storage Expenses		
Operation		
Operation Supervision and Engineering (840)		
Operation Labor and Expenses (841)		
Rents (842)		
Fuel (842.1)		
Power (842.2)		
Gas Losses (842.3)		
134. Total Operation		
Maintenance		
Maintenance Supervision and Engineering (843.1)		
Maintenance of Structures and Improvements (843.2)		
Maintenance of Gas Holders (843.3)		
Maintenance of Purification Equipment (843.4)		
Maintenance of Liquefaction Equipment (843.5)		
Maintenance of Vaporizing Equipment (843.6)		
Maintenance of Compressor Equipment (843.7)		
Maintenance of Measuring and Regulating Equipment (843.8)		
Maintenance of Other Equipment (843.9)		
145. TOTAL Maintenance		
Total Other Storage Expenses (Lines 134 and 145)		
C. Liquefied Natural Gas Terminaling and Processing Expenses		
Operation		
Operation Supervision and Engineering (844.1)		

22200500 Louisville Gas and Electric Company 01/01/2007 - 12/31/2007

Gas Operation and Maintenance - 2. Natural Gas Storage (Ref Page: 320)

	Amt for Current Yr (B)	Amt for Prev Yr (C)
LNG Processing Terminal Labor and Expenses (844.2)		
Liquefaction Processing Labor and Expenses (844.3)		
Liquefaction Transportaion Labor and Expenses (844.4)		
Measuring and Regulating Labor and Expenses (844.5)		
Compressor Station Labor and Expenses (544.6)		
Communication System Expenses (844.7)		
System Control and Load Dispatching (844.8)		
Fuel (845.1)		
Power (845.2)		
Rents (845.3)		
Demurrage Charges (845.4)		
(Less) Wharfage Receipts - Credit (845.5)		
Processing Liquefied or Vaporized Gas by Others (845.6)		
Gas Losses (846.1)		
Other Expenses (846.2)		
Total Operation		
Maintenance		
Maintenance Supervision and Engineering (847.1)		
Maintenance of Structures and Improvements (847.2)		
Maintenance of LNG Processing Terminal equipment (847.3)		
Maintenance of LNG Transportation Equipment (847.4)		
Maintenance of Measuring and Regulating Equipment (847.5)		
Maintenance of Compressor Station Equipment (847.6)		
Maintenance of Communication Equipment (847.7)		
Maintenance of Other Equipment (847.8)		
175: Total Maintenance		

Gas Operation and Maintenance - 2. Natural Gas Storage (Ref Page: 320)

	Amt for Current Yr (b)	Amt for Prev Yr (c)
176. Total Liquiefied Nat Gas Terminaling and Proc Exp (Lines 165 and 175)		
177. Total Natural Gas Storage (Lines 125,146 and 176)	$9,707,356.00	$10,119,644.00

Gas Operation and Maintenance - 3 through 8 (Ref Page: 323)

	Amount Current Yr (b)	Amount Prev Yr (c)
3. TRANSMISSION EXPENSES		
Operation		
Operation Supervision and Engineering (850)	$4,418.00	$17,599.00
System Control and Load Dispatching (851)	$286,246.00	$255,329.00
Communication System Expenses (852)		$29.00
Compressor Station labor and Expenses (853)		
Gas for Compressor Station Fuel (854)		
Other Fuel and Power for Compressor Stations (855)		
Mains Expenses (856)	$340,205.00	$240,187.00
Measuring and Regulating Stations Expenses (857)		
Transmission and Compression of Gas by Others (858)		
Other Expenses (859)		
Rents (860)	$5,232.00	$4,770.00
191. Total Operation	$616,101.00	$517,914.00
Maintenance		
Maintenance Supervision and Engineering (861)		
Maintenance of Structures and Improvements (862)		
Maintenance of Mains (863)	$649,692.00	$706,684.00
Maintenance of Compressor Station Equipment (864)		
Maintenance of Measuring and Regulating Station Equipment (865)		
Maintenance of Communication Equipment (866)		
Maintenance of Other Equipment (867)		
200. Total Maintenance	$649,692.00	$706,684.00
201. Total Transmission Expenses (Total 191 and 200)	$1,265,793.00	$1,224,598.00
4. DISTRIBUTION EXPENSES		
Operation		

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Gas Operation and Maintenance - 3 through 8 (Ref Page: 323)

	Amt for Current Year (b)	Amt for Prev Yr (c)
Operation Supervision and Engineering (870)		
Distribution Load Dispatching (871)	$365,534.00	$347,104.00
Compressor Station Labor and Expenses (872)		
Compressor Station Fuel and Power (873)		
Mains and Services Expenses (874)	$3,044,727.00	$2,449,620.00
Measuring and Regulating station Expenses - General (875)	$616,389.00	$483,487.00
Measuring and Regulating Station Expenses - Industrial (876)	$315,364.00	$324,928.00
Measuring and Regulating Station Expenses - City Gas Check Station (877)	$137,312.00	$174,979.00
Meter and House Regulator Expenses (878)	$24,985.00	$51,773.00
Customer Installations Expenses (879)	$200,748.00	$214,842.00
Other Expenses (880)	$3,069,139.00	$3,127,914.00
Rents (881)	$9,799.00	$9,963.00
216. Total Operation	$7,784,017.00	$7,184,610.00
Maintenance		
Maintenance Supervision and Engineering (885)		
Maintenance of Structures and Improvements (886)	$522,008.00	$495,374.00
Maintenance of Mains (887)	$5,710,328.00	$4,672,076.00
Maintenance of Compressor Station Equipment (888)		
Maintenance of Measuring and Regulating Station Equipment - General (889)	$50,232.00	$90,505.00
Maintenance of Measuring and Regulating Station Equipment - Industrial (890)	$116,326.00	$100,685.00
Maintenance of Measuring and Regulating Station Equipment - City Gate Check Station (891)	$260,903.00	$296,318.00
Maintenance of Services (892)	$1,826,235.00	$972,347.00
Maintenance of Meters and House Regulators (893)		
Maintenance of Other Equipment (894)	$233,047.00	$101,179.00

22200500 Louisville Gas and Electric Company 01/01/2007 - 12/31/2007

Gas Operation and Maintenance - 3 through 8 (Ref Page: 323)

	Amt for Current Yr (b)	Amt for Prev Yr (c)
228. Total Maintenance	$8,719,079.00	$6,728,484.00
229. Total Distribution Expenses (Lines 216 and 228)	$16,503,096.00	$13,913,094.00
5. CUSTOMER ACCOUNTS EXPENSES		
Operation		
Supervision (901)	$542,015.00	$607,128.00
Meter Reading Expenses (902)	$1,624,959.00	$1,649,440.00
Customer Records and Collections Expenses (903)	$3,801,261.00	$3,591,972.00
Uncollectible Accounts (904)	$870,284.00	$2,475,240.00
Miscellaneous Customer Accounst Expenses (905)	$134,333.00	$152,296.00
237. Total Customer Accounts Expenses	$6,972,852.00	$8,476,076.00
6. CUSTOMER SERVICE AND INFORMATIONAL EXPENSES		
Operation		
Supervision (907)	$75,792.00	$118,439.00
Customer Assistance Expenses (908)	$2,225,652.00	$2,000,181.00
Informational and Instructional Expenses (909)	$199,308.00	$182,928.00
Miscellaneous Customer Service and Informational Expenses (910)	$335,702.00	$83,429.00
244. Total Customer Service and Informational Expenses	$2,836,454.00	$2,384,977.00
7. SALES EXPENSES		
Operation		
Supervision (911)		
Demonstrating and Selling Expenses (912)		
Advertising Expenses (913)	$24,142.00	$2,165.00
Miscellaneous Sales Expenses (916)		
251. TOTAL Sales Expenses	$24,142.00	$2,165.00
8. ADMINISTRATIVE AND GENERAL EXPENSES		
Operation		

Gas Operation and Maintenance - 3 through 8 (Ref Page: 323)

	Amt for Current Yr (b)	Amt for Prev Yr (c)
Administrative and General Salaries (920)	$3,500,640.00	$3,395,046.00
Office Supplies and Expenses (921)	$1,659,355.00	$1,804,962.00
(Less) Administrative Expenses Transferred - Credit (922)	$259,338.00	$263,724.00
Outside Services Employed (923)	$2,044,896.00	$860,926.00
Property Insurance (924)	$213,088.00	$175,275.00
Injuries and Damanges (925)	$344,007.00	$467,962.00
Employee Pensions and benefits (926)	$5,208,388.00	$6,581,626.00
Franchise Requirements (927)	$513,286.00	$503,083.00
Regulatory Commission Expenses (928)	$78,843.00	
(Less) Duplicate Charges - Credit (929)	$794,591.00	$1,163,127.00
General Advertising Expenses (930.1)	$91,424.00	$94,572.00
Miscellaneous General Expenses (930.2)	$181,116.00	$2,177,797.00
Rents (931)	$351,839.00	$366,511.00
267. Total Operation	$13,132,953.00	$15,000,909.00
Maintenance		
269. Maintenance of General Plant (935)	$1,777,335.00	$1,900,021.00
270. Total Administrative and General (Total 267 and 269)	$14,910,288.00	$16,900,930.00
Total Gas O and M Expenses (Total Lines 97,177,201,229,237,244,251 and 270)	$305,812,202.00	$348,304,946.00

22200500 Louisville Gas and Electric Company 01/01/2007 - 12/31/2007

Exchange and Imbalance Transactions (Ref Page: 328)

Zone/Rate Schedule (a)	Gas Received Amount (b)	Gas Received MCF (c)	Gas Delivered Amount (d)	Gas Delivered MCF (e)
Total				

Gas Used in Utility Operations (Ref Page: 331)

Purpose (a)	Acct Charged (b)	Natural Gas Used MCF (c)	Natural Gas Amount of Credit (d)	Manufactured Gas MCF (e)	Manufactured Gas Amount of Credit (f)
Gas Used for Compressor Station Fuel - Credit (810)	819/834	121,813	$874,944.00	0	$0.00
Gas Used For Products Extration - Credit (811)					
Gas Shrinkage and Other Usage in Respondent's Own Processing					
Gas Shrinkage, etc. for Respondent's Gas Processed by Others					
Gas Used for Other Utility Operations - Credit (812)					
(Report seperately each principal use. Group minor uses.)					
City Gate Stations	877	9,031	$66,536.00	0	$0.00
Gas Used for Ignition & Stab @ Elec Gen Stations	501	449,799	$3,760,308.00	0	$0.00
Gas Used in Electric Generation	547	712,750	$5,484,578.00	0	$0.00
Various	Various	13,315	$98,515.00	0	$0.00
		0	$0.00	0	$0.00
		0	$0.00	0	$0.00
Total		1,306,708	$10,284,881.00	0	$0.00

Transmission and Compression of Gas by Others (858) (Ref Page: 332)

Name of Company and Desc. of	(b)	Amount of Payment (c)	MCF of Gas (d)

22200500 Louisville Gas and Electric Company 01/01/2007 - 12/31/2007

Other Gas Supply Expenses (813) (Ref Page: 334)

	Description (a)	Amount (b)
	MISC GAS SUPPLY LABOR, TRANSPORTATION & OTHER EXP	$37,436.00
Total		$37,436.00

22200500 Louisville Gas and Electric Company 01/01/2007 - 12/31/2007

Miscellaneous General Expenses (Acct 930.2) (Ref Page: 335)

Description		Amount
Industry association dues		$30,445.00
Experimental and general research expenses:		
a. Gas Research Institute (GRI)		
b. Other		$48,150.00
Publishing and distributing information and reports to stockholders, trustee, registrar and transfer agent fees and expenses and other expenses		
Other		
	Amortization of Manufactured Gas Plant	$81,306.00
	Miscellaneous Debits and Credits	$21,215.00
		$0.00
Total		$181,116.00

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Depreciation, Depletion and Amortization of Gas Plant (403,403.1,404.1,404.2,404.3,405) (Ref Page: 336)

	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Intangible Plant							
Production Plant, manufactured gas							
Production and gathering plant, natural gas							
Products extraction plant							
Underground gas storage plant	$1,452,614.00	$9,083.00	$0.00	$0.00	$0.00	$0.00	$1,461,697.00
Other storage plant							
Base load LNG terminaling and processing plant							
Transmission plant	$216,764.00	$0.00	$0.00	$0.00	$0.00	$0.00	$216,764.00
Distribution plant	$13,359,299.00	$61.00	$0.00	$0.00	$0.00	$0.00	$13,359,360.00
General Plant	$145,447.00	$0.00	$0.00	$0.00	$0.00	$0.00	$145,447.00
Common plant - gas	$1,952,037.00	$10.00	$0.00	$0.00	$1,611,990.00	$0.00	$3,564,037.00
Other							
Total	$17,126,161.00	$9,154.00	$0.00	$0.00	$1,611,990.00	$0.00	$18,747,305.00

Depreciation, Depletion and Amortization of Gas Plant (cont) (Ref Page: 338)

	Functional Classification (a)	Plant Bases (thousands) (b)	Applied Depr or Amort Rates (c)
Production and Gathering Plant			
Offshore			
Onshore			
	Underground Gas Storage Plant	62,161	2
Underground Gas Storage Plant			
Transmission Plant			
Offshore			
Onshore			
	Onshore	12,902	2
General Plant			
	General Plant	4,685	4
	Distribution Plant	464,184	3

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Particulars Concerning Cetrain Income Deductions and Interest Charges Accounts (Ref Page: 340)

Item (a)	Amount (b)
Account 426.1 - Donations	$0.00
Various	$1,148,222.00
Total Account 426.1	$1,148,222.00
Account 426.3 - Penalties	$0.00
Various	$6,920.00
Total Account 426.3	$6,920.00
Account 426.4 - Civic, Pol & Related Act	$0.00
Related Activities	$728,465.00
Total Account 426.4	$728,465.00
Account 426.5 - Other Deductions	$0.00
Various	$2,263,466.00
Total Account 426.5	$2,263,466.00
Account 430 -Interest on Debt to Assoc Cos	$0.00
E.ON U.S. LLC	$3,765,380.00
Kentucky Utilities Company	$312,093.00
Fidelia	$17,093,726.00
Total Account 430	$21,171,199.00
Account 431 - Other Interest Expense	$0.00
Interest on Tax Deficiencies	($1,058,554.00)
Customer Deposits - 6% Interest Rate	$969,041.00
Gas Refunds	$2,448.00
Other	$8,581.00
Total Account 431	($78,484.00)

22200500 Louisville Gas and Electric Company 01/01/2007 - 12/31/2007

Regulatory Commission Expenses (928) (Ref Page: 350)

Description (a)	Assessed by Reg Commission (b)	Expenses of the Utility (c)	Total Expenses (d)	Deferred in 182.3 Beg of Yr (e)	Expenses Incurred Charged to Department
FEDERAL ENERGY REGULATORY COMMISSION	$0.00	$0.00	$0.00	$0.00	
Annual Charge	$545,027.00	$0.00	$545,027.00	$0.00	Electric
Administrative Charge, Project #289	$162,159.00	$0.00	$162,159.00	$0.00	Electric
PUBLIC SERVICE COMMISSION OF KENTUCKY	$0.00	$0.00	$0.00	$0.00	
2003 Rate Case - Electric	$0.00	$111,478.00	$111,478.00	$0.00	Electric
2003 Rate Case - Gas	$0.00	$78,843.00	$78,843.00	$0.00	Gas
2003 ESM Audit	$0.00	$31,959.00	$31,959.00	$0.00	Electric
	$707,186.00	$222,280.00	$929,466.00	$0.00	

Regulatory Commission Expenses (928) (Ref Page: 350) (Part Two)

Description (a)	Expenses Incurred Charged to Acct (d)	Expenses Incurred Charged to Amount	Expenses Incurred Deferred to 182.3 (f)	Amortized Contra Acct (j)	Amortized Amt (k)	Deferred in 182.3 End of Yr (l)
FEDERAL ENERGY REGULATORY COMMISSION		$0.00	$0.00		$0.00	$0.00
Annual Charge	928	$545,027.00	$0.00		$0.00	$0.00
Administrative Charge, Project #289	928	$162,159.00	$0.00		$0.00	$0.00
PUBLIC SERVICE COMMISSION OF KENTUCKY		$0.00	$0.00		$0.00	$0.00
2003 Rate Case - Electric	928	$111,478.00	$0.00		$0.00	$0.00
2003 Rate Case - Gas	928	$78,843.00	$0.00		$0.00	$0.00
2003 ESM Audit	928	$31,959.00	$0.00		$0.00	$0.00
		$929,466.00	$0.00		$0.00	$0.00

22200500 Louisville Gas and Electric Company 01/01/2007 - 12/31/2007

Distribution of Salaries and Wages - Electric (Ref Page: 355)

Specify	Direct Payroll (b)	Alloc Clearing Accts (c)	Total (d)
Electric			
Operation			
3. Production	$18,110,267.00	$4,221,562.00	$22,331,829.00
4. Transmission	$604,652.00	$152,552.00	$757,204.00
5. Distribution	$4,667,591.00	$1,140,719.00	$5,808,310.00
6. Customer Accounts	$960,068.00	$256,186.00	$1,216,254.00
7. Customer Service and Informational	$1,989.00	$322.00	$2,311.00
8. Sales			
9. Administrative and General	$690.00	($620,395.00)	($619,705.00)
10. Total Operation	$24,345,257.00	$5,150,946.00	$29,496,203.00
Maintenance			
12. Production	$8,802,430.00	$2,044,830.00	$10,847,260.00
13. Transmission	$155,580.00	$40,284.00	$195,864.00
14. Distribution	$2,122,867.00	$459,050.00	$2,581,917.00
15. Administrative and General	$216,009.00	$55,447.00	$271,456.00
16. Total Maint	$11,296,886.00	$2,599,611.00	$13,896,497.00
Total Operation and Maintenance			
18. Total Production (Lines 3 and 12)	$26,912,697.00	$6,266,392.00	$33,179,089.00
19. Total Transmission (Lines 4 and 13)	$760,232.00	$192,836.00	$953,068.00
20. Total Distribution (Lines 5 and 14)	$6,790,458.00	$1,599,769.00	$8,390,227.00
21. Customer Accounts (Transcribe from Line 6)	$960,068.00	$256,186.00	$1,216,254.00
22. Customer Service and Informational (Transcribe from Line 7)	$1,989.00	$322.00	$2,311.00
23. Sales (Transcribe from Line 8)			
24. Administrative and Generall (Lines 9 and 15)	$216,699.00	($564,948.00)	($348,249.00)

22200500 Louisville Gas and Electric Company 01/01/2007 - 12/31/2007

Distribution of Salaries and Wages - Electric (Ref Page: 355)

	Specify	Direct Payroll (b)	Alloc. Clearing Accts (c)	Total (d)
25. Total Oper. and Maint. (Lines 18-24)		$35,642,143.00	$7,750,557.00	$43,392,700.00

22200500 Louisville Gas and Electric Company 01/01/2007 - 12/31/2007

Distribution of Salaries and Wages - Gas (Ref Page: 355)

Specify	Direct Payroll (b)	Alloc of Clearing Accts (c)	Total (d)
Gas			
Operation			
28. Production -- Manufactured Gas			
29. Production -- Nat. Gas (Including Expl and Dev.)			
20. Other Gas Supply	$472,712.00	$128,573.00	$601,285.00
31. Storage, LNG Terminaling and Processing	$1,441,329.00	$367,163.00	$1,808,492.00
32. Transmission	$394,425.00	$99,235.00	$493,660.00
33. Distribution	$2,203,202.00	$536,277.00	$2,739,479.00
34. Customer Accounts	$771,056.00	$205,951.00	$977,007.00
35. Customer Service and Informational	$243.00	$57.00	$300.00
36. Sales			
37. Administrative and General	$67,923.00	($236,752.00)	($168,829.00)
38. Total Operation	$5,350,890.00	$1,100,504.00	$6,451,394.00
Maintenance			
40. Production -- Manufactured Gas			
41. Production -- Natural Gas			
42. Other Gas Supply			
43. Storage, LNG Terminaling and Processing	$1,049,752.00	$260,486.00	$1,310,238.00
44. Transmission	$105,553.00	$24,428.00	$129,981.00
45. Distribution	$3,405,681.00	$819,427.00	$4,225,108.00
46. Administrative and General	$70,037.00	$18,033.00	$88,070.00
47. Total Maint	$4,631,023.00	$1,122,374.00	$5,753,397.00
Total Operation and Maintenance			

Distribution of Salaries and Wages - Gas (Ref Page: 355)

Specify	Direct Payroll (b)	Alloc Clearing Accts (c)	Total (d)
50. Total Production -- Manufactured Gas (Lines 28 and 40)			
51. Total Production -- Natural Gas (Lines 29 and 41)			
52. Total Other Gas Supply (Lines 30 and 42)	$472,712.00	$128,573.00	$601,285.00
53. Total Storage LNG Terminaling and Processing (Lines 31 and 43)	$2,491,081.00	$627,649.00	$3,118,730.00
54. Total Transmission (Lines 32 and 44)	$499,978.00	$123,663.00	$623,641.00
55. Total Distribution (Lines 33 and 45)	$5,608,883.00	$1,355,704.00	$6,964,587.00
56. Customer Accounts (Transcribe Line 34)	$771,056.00	$205,951.00	$977,007.00
57. Customer Service and Informational (Transcribe Line 35)	$243.00	$57.00	$300.00
58. Sales (Transcribe Line 36)			
59. Administrative and General (Line 37 + 46)	$137,960.00	($218,719.00)	($80,759.00)
60. Total Operation and Maint (Lines 50-59)	$9,981,913.00	$2,222,878.00	$12,204,791.00
Other Utility Departments			
62. Operation and Maintenance			
63. Total All Utility Dept (Lines 25,60,62)	$45,624,056.00	$9,973,435.00	$55,597,491.00

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Distribution of Salaries and Wages - Utility Plant (Ref Page: 356)

	Specify	Direct Payroll (b)	Allocation Clearing Accounts (c)	Total (d)
Utility Plant				
Construction (By Utility Departments)				
66. Electric Plant		$4,188,069.00	$4,069,555.00	$8,257,624.00
67. Gas Plant		$2,534,115.00	$2,174,886.00	$4,709,001.00
68. Other	Common Utility Plant	$99,015.00	$24,403.00	$123,418.00
69. Total Construction		$6,821,199.00	$6,268,844.00	$13,090,043.00
70. Plant Removal (By Utility Departments)				
71. Electric Plant		$511,224.00	$297,579.00	$808,803.00
72. Gas Plant		$183,234.00	$74,657.00	$257,891.00
73. Other	Common Utility Plant	$287.00	$39.00	$326.00
74. Total Plant Removal		$694,745.00	$372,275.00	$1,067,020.00
75. Other Accounts				
	Accounts Receivable (work done for others)	$1,262,228.00	$279,471.00	$1,541,699.00
	Certain Civic Political & Related Activities & Oth	$186,424.00	$38,660.00	$225,084.00
	Accounts Receivable (Non-jurisdictional-Trimble Co	$1,556,419.00	$144,187.00	$1,700,606.00
76. Total Other Accounts		$3,005,071.00	$462,318.00	$3,467,389.00
77. Total Salaries and Wages		$56,145,071.00	$17,076,872.00	$73,221,943.00

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Charges for Outside Professional and Other Consultative Services (Ref Page: 358)

Description (a)	(b)	Amount (c)
Abel Construction Company Inc		$321,088.00
Accenture LLP		$4,474,226.00
Accu Read Services		$1,434,201.00
Accu Read Services		$1,470,852.00
Baker Hughes Business Support Services		$568,245.00
Central Locating Service Ltd		$385,501.00
Energy Economics Inc		$2,332,456.00
Fishel Co		$1,229,620.00
Hussung Mechanical Contractors Inc		$537,698.00
Hydromax USA LLC		$306,735.00
J Y Legner Associates Inc		$376,123.00
Jones Day		$570,144.00
JP Morgan Chase Bank		$415,221.00
McJunkin Red Man Corporation		$275,553.00
Miller Pipeline Corp		$11,721,858.00
Motorola		$310,677.00
Off Duty Police Services Inc		$388,864.00
OPS Plus Inc		$331,060.00
Pipe Eyes LLC		$425,818.00
Remedy Intelligent Staffing		$331,923.00
Robert E Lamb Inc		$2,091,246.00
SAP America Inc		$776,425.00
Schmidt Consulting Services Inc		$495,178.00
Southern Cross Corp		$664,071.00
Southern Pipeline Const Co		$3,886,315.00
Stoll Construction & Paving Co Inc		$1,151,577.00
Troutman Sanders LLP		$456,985.00

22200500 Louisville Gas and Electric Company 01/01/2007 - 12/31/2007

Charges for Outside Professional and Other Consultative Services (Ref Page: 358)

Description(a)	(b)	Amount (c)
Xerox Corp		$793,739.00
Total		$38,523,399.00

Compressor Stations (Ref Page: 508)

Name of Station and	Number of Units (b)	Certified Horsepower (c)	Plant Cost (d)	Fuel or Power (e)	Fuel or Power Type
Underground Storage:	0	0	$0.00	$0.00	
Magnolia	0	0	$0.00	$0.00	
Magnolia, KY	0	0	$10,354,391.00	$799,964.00	
Muldraugh	0	0	$0.00	$0.00	
Muldraugh, KY	0	0	$17,203,314.00	$74,980.00	
Flint Hill (1)	0	0	$0.00	$0.00	
Flint Hill, KY	0	0	$273,275.00	$0.00	
	0	0	$0.00	$0.00	
	0	0	$0.00	$0.00	
	0	0	$0.00	$0.00	

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Compressor Stations (Ref Page: 508) (Part Two)

Name of Station and	Other (f)	Gas for Comp Fuel MCF	Total Comp Hours	Comp operating at Time	Date of Station Peak (i)
Underground Storage:	$0.00	0	0	0	
Magnolia	$0.00	0	0	0	
Magnolia, KY	$1,470,164.00	111,382	10,478	4	12/03/2007
Muldraugh	$0.00	0	0	0	
Muldraugh, KY	$2,191,318.00	10,431	1,220	3	02/05/2007
Flint Hill (1)	$0.00	0	0	0	
Flint Hill, KY	$0.00	0	0	0	
	$0.00	0	0	0	
	$0.00	0	0	0	
	$0.00	0	0	0	

Note:
Line 6, Column A
(1) The gas field at this location has been retired.

Gas Storage Projects (Ref Page: 512)

	Gas Belonging to Respondent MCF (b)	Gas Belonging to Others MCF (c)	Total MCF (d)
Storage Operations (In MCF)			
Gas Delivered to Storage			
January	0	0	0
February	22,275	0	22,275
March	2,128	0	2,128
April	95	0	95
May	128,947	0	128,947
June	1,429,984	0	1,429,984
July	2,876,221	0	2,876,221
August	2,902,312	0	2,902,312
September	2,354,376	0	2,354,376
October	2,550,603	0	2,550,603
November	121,119	0	121,119
December	77,022	0	77,022
Total	12,465,082	0	12,465,082
Gas Withdrawn from Storage			
January	2,813,340	0	2,813,340
February	2,904,151	0	2,904,151
March	1,641,479	0	1,641,479
April	1,425,492	0	1,425,492
May	497,347	0	497,347
June	16,669	0	16,669
July	649	0	649
August	601	0	601
September	412	0	412
October	302	0	302
November	715,542	0	715,542

Gas Storage Projects (Ref Page: 512)

	Gas Belonging to Respondent MCF (b)	Gas Belonging to Others MCF (c)	Total MCF (d)
December	2,406,730	0	2,406,730
Total	12,421,512	0	12,421,512

Note:
Amount for August 'Gas Withdrawn from Storage' section, includes a year to date correction for June and July Lessor values that were estimated higher than actual.

Gas Storage Projects (cont) (Ref Page: 513)

	Total Amount (b)	Date
Storage Operations		
Top or Working Gas End of Year	11,253,000	
Cushion Gas (Including native gas)	10,810,000	
Total Gas in Reservoir	22,063,000	
Certified Storage Capacity	25,900,000	
Number of Injection - Withdrawal Wells	384	
Number of Obsevation Wells	150	
Maximum Days Withdrawal from Storage	191,646	
Date of Maximum Days Withdrawal		02/05/2007
LNG Terminal Companies (MCF)	0	
Number of Tanks	0	
Capacity of Tanks	0	
LNG Volume	0	
Received at Ship Rail	0	
Transferred to Tanks	0	
Withdrawn from Tanks	0	
Boil Off Vaporization Loss	0	

Note:
'Cushion Gas' includes noncurrent gas of 2,930,000 Mcf (Account 117).

Transmission Lines (Ref Page: 514)

Designation of Line or Group of Lines (a)	(b)	Total Miles of Pole (c)
Western Kentucky Line		49
Magnolia Line		122
Calvary Line		57
Elder Park Line		28

Transmission System Peak Deliveries (Ref Page: 518)

Description		MCF Gas to Interstate Pipelines (b)	MCF Gas to Others (c)	Total (d)
Section A: Single Day Peak Deliveries				
Date	January 24, 2008			
Volumes of Gas Transported				
No-Notice Transportation		0	125,000	125,000
Other Firm Transportation		0	66,000	66,000
Interruptible Transportation		0	0	0
Other (Describe)				
	End-Use Transport	0	76,000	76,000
Total		0	267,000	267,000
Volumes of gas Withdrawn form Storage under Storage Contracts				
No-Notice Storage		0	49,000	49,000
Other Firm Storage		0	0	0
Interruptible Storage		0	0	0
Other (Describe)				
	On-System Storage	0	0	0
Total		0	49,000	49,000
Other Operational Activities				
Gas Withdrawn from Storage for System Operations		0	127,000	127,000
Reduction in Line Pack		0	0	0
Other (Describe)				
Total		0	127,000	127,000
Section B: Consecutive Three-Day Peak Deliveries				
Dates	January 1, 2, 3, 2008			
Volumes of Gas Transported				

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Transmission System Peak Deliveries (Ref Page: 518)

Description	MDF Gas to Interstate Pipelines (b)	MDF Gas to Others (c)	Total (d)
No-Notice Transportation	0	196,000	196,000
Other Firm Transportation	0	190,000	190,000
Interruptible Transportation	0	0	0
Other (Describe)			
End-Use Transport	0	216,000	216,000
Total	0	602,000	602,000
Volumes of Gas Withdrawn from Storage under Storage Contacts			
No-Notice Storage	0	127,000	127,000
Other Firm Storage	0	0	0
Interruptible Storage	0	0	0
Other (Describe)			
Total	0	127,000	127,000
Other Operational Activities			
Gas Withdrawn from Storage for System Operations	0	464,000	464,000
Reduction In Line Pack	0	0	0
Other (Describe)			
Total	0	464,000	464,000

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Auxiliary Peaking Facilities (Ref Page: 519)

Location (a)	Type (b)	Max Daily Delivery Capacity MCF (c)	Cost of Facility (d)	Operated on Date of Highest Trans. Peak Delivery (yes/no) (e)
Muldraugh - Meade County, Ky	Underground Storage - Max Capacity @ 02-01-08	220,000	$19,867,275.00	yes
Doe Run - Meade Co. Ky. & Harrison Co. Ind.	Underground Storage - Max Capacity @ 02-01-08	53,830	$7,346,638.00	yes
Magnolia - Green, Hart and LaRue Counties, Ky.	Underground Storage - Max Capacity @ 02-01-08	51,851	$26,585,226.00	yes
Center - Metcalfe, Green and Barren Counties, Ky.	Underground Storage - Max Capacity @ 02-01-08	10,801	$7,381,535.00	yes
Canmer - Hart and Green Counties, Ky.		0	$258,996.00	
Flint Hill - Hardin County, Ky.		0	$273,275.00	
TOTAL		336,482	$61,712,945.00	

Note:
Gas fields at Canmer and Flint Hill have been retired. These facilities are currently used in other gas-system operations.

Total - Due to pipeline and compressor capacity and multiple fields discharging into one pipeline, overall system deliverability has been estimated at this figure, even though individual fields may have greater deliverability than shown, and may aggregate to a higher total, especially earlier in the season, when operated independently.

Gas Account - Natural Gas (Ref Page: 520)

Description	AmtMCF
GAS RECEIVED	
Gas Purchases (800-805)	34,414,270
Gas of Others received for Gathering (ref pg 303) (489.1)	
Gas of Others Received for Transmission (Ref pg 305) (489.2)	
Gas of Others Received for Distrubution (ref pg 301) (489.3)	12,068,713
Gas of Others Received for Contract Storage (Ref Pg 307) (489.4)	
Exchanged Gas Received from Others (Ref Pg 328) (806)	
Gas Received as Imbalances (Ref Pg 328) (806)	
Receipts of Respondent's Gas Transported by Others (Ref pg 332) (858)	
Other Gas Withdrawn from Storage (Explain)	12,421,512
Gas Received from Shippers as Compressor Station Fuel	
Gas Received from Shippers as Lost and Unaccounted for	
Other Reciepts (Specify)	
Purchased gas for resale	1,657,672
Total Receipts	60,562,167
GAS DELIVERED	
Gas Sales (480-484)	33,203,865
Deliveries of gas Gathered for Others (Ref pg 303) (489.1)	
Deliveries of Gas Transported for Others (Ref Pg 305) (489.2)	
Deliveries of Gas Distributed for Others (Ref Pg 301) (489.3)	11,917,246
Deliveries of Contract Storage gas (Ref Pg 307) (489.4)	
Exchange Gas Delivered to Others (Ref Pg 328) (806)	
Gas Delivered as Imbalances (Ref Pg 328) (806)	
Deliveries of Gas to Others for Transportation (Ref Pg 332) (858)	
Other Gas Delivered to Storage (Explain)	12,465,082

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Gas Account - Natural Gas (Ref Page: 520)

Description	Amt MCF
Gas Used for Compressor Station Fuel (509)	121,813
Other Deliveries (Specify)	
Duplicate Charges (Gas Department)	1,294,597
28. Total Deliveries	59,002,603
GAS UNACCOUNTED FOR	
Production System Losses	
Gathering System Losses	
Transmission System Losses	
Distribution System Losses	
Storage System Losses	345,803
Other Losses (Specify)	
	1,213,761
36. Total Unaccounted For	1,559,564
Total Deliveries and Unaccounted For For (Line 28 and 36)	60,562,167

CheckList

Item	Value 1	Value 2	Agree	Explain
Balance Sheet (Ref pg 110)				
Utility Plant agrees with Sched Summary of Utility Plant (Ref pg 200) Line 13. Total Utility Plant less Line 11. Construction Work In Progress	3972544417.00	3972544417.00	OK	
Line 3. Construction Work In Progress agrees with Sched Summary of Utility Plant (Ref pg 200) Line 11. Construction Work In Progress	344441784.00	344441784.00	OK	
Line 5. Accum. Prov for Depr and Amort Depl agrees with Sched Summary of Utility Plant (Ref Pg 200) Lines 14. Accum. Prov for Depr and Amort Depl	1859847713.00	1859847713.00	OK	
Line 5. Accum. Prov for Depr and Amort Depl agrees with Sched Summary of Utility Plant (Ref Pg 200) Lines 33. Total Accumulated Provisions	1859847713.00	1859847713.00	OK	
Line 6. Net Utility Plant agrees with Sched Summary of Utility Plant (Ref Pg 200) Lines 15. Net Utility Plant	2457138488.00	2457138488.00	OK	
Line 11. Utility Plant Adjustments are supported by Submitted Financial Statements as requested on Ref Pg 122				
Line 12. Gas Stored-Base Gas (117.1) agrees with Sched Gas Stored Accounts (Ref Pg 220) Line Balance at End of Year Column 117.1 (b)	2139990.00	2139990.00	OK	
Line 14. Gas Stored Underground - Non Current (117.3) agrees with Sched Gas Stored Accounts (Ref Pg 220) Line Balance at End of Year Column 117.4 (d)	0	0	OK	
Line 15. Gas Owned to System Gas (117.4) agrees with Sched Gas Stored Accounts (Ref Pg 220) Line Balance at End of Year Column 117.4 (e)	0	0	OK	
Line 17. Investments in Subsidiary Companies agrees with Sched Investments in Subsidiary Companies 123.1 (Ref Pg 224) Line Total Column Amt of Investment (g)	0	0	OK	
Line 47. Gas Stored Underground - Current (164.1) agrees with Sched Gas Stored Accounts (Ref Pg 220) Col 164.1 (f)	81188407.00	81188407.00	OK	

CheckList

Item	Value 1	Value 2	Agree	Explain
Line 48. Liquefied Nat Gas Stored and Held (164.3) agrees with Sched Gas Stored Accounts (Ref Pg 220) Sum of Cols 164.2 and 164.3	0	0	OK	
Line 49. Prepayments agrees with Sched Prepayments (Ref Pg 230)	5339357.00	5339357.00	OK	
Line 58. Extraordinary Property Losses agrees with Sched Extraordinary Property Losses (Ref Pg 230)	0	0	OK	
Line 59 Unrecovered Plant and Regulatory Study Costs agrees with Sched Unrecovered Plant and Regulatory Study Costs (Ref Pg 230)	0	0	OK	
Line 65 Miscellaneous Deferred Debits agrees with Sched Miscellaneous Deferred Debits (Ref Pg 233)	34320956.00	34320956.00	OK	
Line 69 Accumulated Deferred Income Taxes agrees with Sched Accumulated Deferred Income Taxes (Ref Pg 234) Total Acct 190	52162134.00	52162134.00	OK	
Comparative Balance Sheet (Liabilities and Other Credits) (Ref Pg 112)				
Line 2. Common Stock Issued agrees with Sched Capital Stock (Ref Pg 250) Line Total Common Stock Col (f)	425170424.00	425170424.00	OK	
Line 3. Preferred Stock Issued agrees with Sched Capital Stock (Ref Pg 250) Line Total Preferred Stock Col (f)	0	0	OK	
Line 4. Capital Stock Subscribed agrees with Sched Capital Stock Subscribed, Liability for Conversion Premium and Installments Received (Ref Pg 252) Line Total Capital Stock Subscribed Col (d)	0	0	OK	
Line 5. Stock Liability for Conversion agrees with Sched Capital Stock Subscribed, Liability for Conversion Premium and Installments Received (Ref Pg 252) Line Total Stock Liability for Conversion	0	0	OK	

CheckList

Item	Value 1	Value 2	Agree	Explain
Line 6. Premium on Capital Stock agrees with Sched Capital Stock Subscribed, Liability for Conversion Premium and Installments Received (Ref Pg 252) Line Total Premium on Capital Stock	0	0	OK	
Line 7. Other Paid-in Capital Stock agrees with Sched Other Paid in Capital(Ref Pg 253) Line Total	60000000.00	60000000.00	OK	
Line 8 . Installmnts Recvd Capital Stk agrees with Sched Capital Stock Subscribed, Liability for Conversion Premium and Installments Received (Ref Pg 252) Line Tot Inst. Recvd on Capital Stock	0	0	OK	
Line 9. Discount on Capital Stock agrees with Sched Discount on Capital Stock Acct 213 (Ref Pg 254) Line Total	0	0	OK	
Line 10. Capital Stock Expense agrees with Sched Capital Stock Expense Acct 214 (Ref Pg 254) Line Total	835889.00	835889.00	OK	
Line 11 Retained Earnings agrees with Statement of Retained Earnings for the Year (Ref Pg 118) Line 19. Total Retained Earnings	689961390.00	689961390.00	OK	
Line 12. Unappropriated Undistributed Subsidiary Earnings agrees with Statement of Retained Earnings for the Year (Ref Pg 118) Line 24. Balance End of Year	0	0	OK	
Line 13. Reacquired Capital Stock agrees with Capital Stock (Ref Pg 250) Line Total col Acct 217 (h)	0	0	OK	
Line 39. Taxes Accrued agrees with Sched Taxes Accrued, Prepaid and Charged (Ref Pg 263) Line Total Col Acct 236 (g)	4746862.00	4746862.00	OK	
Line 45. Misc Current and Accrued Liabilities agrees with Sched Misc Current and Accured Liabilities (Ref Pg 268) Line Total	11357668.00	11357668.00	OK	
Line 52. Other Deferred Credits agrees with Sched Other Deferred Credits (Ref Pg 269) Line Total	40862253.00	40862253.00	OK	
Income Statement (Ref Pg 114)				

CheckList

Item	Value 1	Value 2	Agree	Explain
Line 2. Gas Operating Revenues agrees with Sched Gas Operating Revenues (Ref Pg 300) Line Total Col (h)	352681729.00	352681729.00	OK	
Sum of Lines 4 and 5 Operation and Maint Expenses agrees with Sched Gas Operation and Maintenance (Ref Pg 335) Line Total Gas O and M Expenses	305812202.00	305812202.00	OK	
Line 6. Depreciation Exp (403) agrees with Sched Depreciation, Depletion and Amort (Ref Pg 336) Line Total Col Depreciation (b)	17126161.00	17126161.00	OK	
Line 7. Amort and Depl (404-405) agrees with Sched Depreciation, Depletion and Amort (Ref Pg 336) Line Total Sum of Cols (c-f)	1611990.00	1611990.00	OK	
Sum of Lines 13,14 and 15. Taxes (408.1-409.1) agrees with Sched Taxes Accr, Prepd and Charged (Ref Pg 262) Line Total Col (j)	-1654106.00	-1654106.00	OK	
Line 16. Provision for Deferred Income Taxes (410.1) agrees with SUM OF Acct 190 (Ref Pg 234) Col c , Acct 282 (Ref Pg 274) Col c and Acct 282 (Ref Pg 276) Col c	39299707.00	39299707.00	OK	
Line 17. (Less) Provision for Deferred Income Taxes (411.1) agrees with SUM OF Acct 190 (Ref Pg 234) Col d , Acct 282 (Ref Pg 274) Col d and Acct 282 (Ref Pg 276) Col d	28323682.00	28323682.00	OK	
Income Statement (Ref Pg 116)				
Sum of Lines 48,49 and 50 agrees with Sched Taxes Accr, Prepd and Charged (Ref Pg 262) Line Total Taxes Other Than Income Col (l)	-678172.00	-678172.00	OK	
Line 49. Provision for Deferred Inc. Taxes agrees with Sched Accumulated Deferred Income Taxes (Ref Pg 234) Line Total Acct 190 Col 410.2 (e)	986199.00	986199.00	OK	
Line 52. (Less) Provision for Deferred Inc. Taxes CR agrees with Sched Accumulated Deferred Income Taxes (Ref Pg 234) Line Total Acct 190 Col 411.2 (f)	9972.00	9972.00	OK	

CheckList

Item	Value 1	Value 2	Agree	Explain
Line 70. Income Taxes - Federal and Other agrees with Sched Taxes Accr, Prepd and Charged (Ref Pg 262) Col 409.3 (m) Sum of Lines Total Income Taxes Federal and Other	0	0	OK	
Summary of Utility Plant and Accumulated Provisions for Depreciation Amortization and Depletion (Ref Pg 200)				
Line 8. Total Utility Plant agrees with Sched Gas Plant in Service (Ref Pg 206) Line Total Gas Plant in Service Col (g)	548433692.00	548433692.00	OK	
Line 10. Held for Future Use agrees with Sched Gas Plant Held for Future Use (Ref Pg 214) Line Total	0	0	OK	
Line 11. Construction Work in Progress agrees with Sched Construction Work in Progress (Ref Pg 216) Line Total	62549383.00	62549383.00	OK	
Line 18. Depreciation agrees with Sched Accumulated Provision for Depreciation of Gas Utility Plant (Ref Pg 219) Line Balance at End of Year	206165663.00	206165663.00	OK	
Statement of Retained Earnings for the Year (Ref Pg 118)				
Line 10 Total Dividends Declared - Preferred Stock agrees with Statement of Cash Flows (Ref Pg 120) Line 68. Dividends on Preferred Stock	-941636.00	-4416712.00	NO	Total dividends declared for preferred stock on the Statement of Retained Earnings do not agree to total preferred stock dividends per the Statement of Cash Flows. The amount on the Statement of Cash Flows includes the changes in FERC accounts 238 and 437 as well as the loss from retirement of preferred stock. The amount on the Statement of Retained Earnings reflects only the change in FERC account 437.
Line 11. Total Dividends Declared - Common Stock agrees with Statement of Cash Flows (Ref Pg 120) Line 69. Dividends on Common Stock	-65000000.00	-65000000.00	OK	
Miscellaneous General Expenses (Ref Pg 335)				
Line Total agrees with Sched Gas Operation and Maintenance (Ref Pg 323) Line Miscellaneous General Expenses	181116.00	181116.00	OK	

Notes to Financial Statements

Per Kentucky PSC Order No. 2008-00007, attached are the "Notes to Financial Statements" for Louisville Gas & Electric Company as reported in the FERC Form No. 1 for the period ended December 31, 2007.

Name of Respondent	This Report Is:	Date of Report	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

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.

INDEX OF ABBREVIATIONS

AG	Attorney General of Kentucky
ARO	Asset Retirement Obligation
BART	Best Available Retrofit Technology
CAIR	Clean Air Interstate Rule
CAMR	Clean Air Mercury Rule
CCN	Certificate of Public Convenience and Necessity
Clean Air Act	The Clean Air Act, as amended in 1990
Company	LG&E
CT	Combustion Turbines
DSM	Demand Side Management
ECR	Environmental Cost Recovery
E.ON	E.ON AG
E.ON U.S.	E.ON U.S. LLC (formerly LG&E Energy LLC and LG&E Energy Corp.)
E.ON U.S. Services	E.ON U.S. Services Inc. (formerly LG&E Energy Services Inc.)
EPA	U.S. Environmental Protection Agency
EPAct 2005	Energy Policy Act of 2005
FAC	Fuel Adjustment Clause
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
Fidelia	Fidelia Corporation (an E.ON affiliate)
FIN	FASB Interpretation No.
FT and FT-A	Firm Transportation
GHG	Greenhouse Gas
GSC	Gas Supply Clause
IBEW	International Brotherhood of Electrical Workers
IMEA	Illinois Municipal Electric Agency
IMPA	Indiana Municipal Power Agency
IRP	Integrated Resource Plan
IRS	Internal Revenue Service
Kentucky Commission	Kentucky Public Service Commission
KIUC	Kentucky Industrial Utility Consumers, Inc.
KU	Kentucky Utilities Company
Kwh	Kilowatt hours
LG&E	Louisville Gas and Electric Company
LG&E Energy	LG&E Energy LLC (now E.ON U.S. LLC)
Mcf	Thousand Cubic Feet
MISO	Midwest Independent Transmission System Operator, Inc.
MMBtu	Million British thermal units
Moody's	Moody's Investor Services, Inc.
MVA	Megavolt - ampere
Mw	Megawatts
Mwh	Megawatt hours
NNS	No-Notice Service
NOx	Nitrogen Oxide
OVEC	Ohio Valley Electric Corporation
PBR	Performance-Based Ratemaking
PUHCA 2005	Public Utility Holding Company Act of 2005
S&P	Standard and Poor's Rating Service
SFAS	Statement of Financial Accounting Standards
SIP	State Implementation Plan
SO_2	Sulfur Dioxide

TC2	Trimble County Unit 2
Tennessee Gas	Tennessee Gas Pipeline Company
Texas Gas	Texas Gas Transmission LLC
VDT	Value Delivery Team Process

Louisville Gas and Electric Company
Notes to Financial Statements

Note 1 - Summary of Significant Accounting Policies

LG&E, incorporated in Kentucky in 1913, is a regulated public utility engaged in the generation, transmission, distribution and sale of electric energy and the storage, distribution and sale of natural gas. LG&E supplies natural gas to approximately 326,000 customers and electricity to approximately 401,000 customers in Louisville and adjacent areas in Kentucky. LG&E's coal-fired electric generating stations, all equipped with systems to reduce SO_2 emissions, produce most of LG&E's electricity. The remainder is generated by a hydroelectric power plant and natural gas and oil fueled CTs.

LG&E is a wholly-owned subsidiary of E.ON U.S., formerly known as LG&E Energy LLC. E.ON U.S. is an indirect wholly-owned subsidiary of E.ON, a German corporation, making LG&E an indirect wholly-owned subsidiary of E.ON. LG&E's affiliate, KU, is a regulated public utility engaged in the generation, transmission, distribution and sale of electric energy in Kentucky, Virginia and Tennessee.

Certain reclassification entries have been made to the previous years' financial statements to conform to the 2007 presentation with no impact on net assets, liabilities and capitalization or previously reported net income and cash flows.

Presentation. The accompanying financial statements are prepared on the regulatory basis of accounting in accordance with the requirements of the FERC, which is a comprehensive basis of accounting other than generally accepted accounting principles. The significant differences between Generally Accepted Accounting Principles (GAAP) and FERC reporting are as follows:

- Restricted cash is recorded in cash on the balance sheet for FERC reporting and presented as a separate line item for GAAP statements;
- Certain costs of removal obligations are recorded in accumulated depreciation for FERC reporting and recorded in regulatory liabilities for GAAP reporting;
- Long-term and short-term bonds are recorded in total in the long-term debt section for FERC reporting and are presented separately in current liabilities for the short-term portion and in long-term debt for the long-term portion for GAAP reporting; and
- Deferred taxes are shown gross for FERC reporting in the balance sheet (a deferred asset and a deferred liability are recorded), for GAAP reporting the deferred taxes are netted together and recorded as a liability.

Regulatory Accounting. LG&E is subject to SFAS No. 71, under which regulatory assets are created based on expected recovery from customers in future rates to defer costs that would otherwise be charged to expense. Likewise, regulatory liabilities are created based on expected return to customers in future rates to defer credits that would otherwise be reflected as income, or, in the case of costs of removal, are created to match long-term future obligations arising from the current use of assets. The accounting for regulatory assets and liabilities is based on specific ratemaking decisions or precedent for each item as prescribed by the FERC or the Kentucky Commission. See Note 2, Rates and Regulatory Matters, for additional detail regarding regulatory assets and liabilities.

Cash and Cash Equivalents. LG&E considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Restricted Cash. A deposit in the amount of $12 million, used as collateral for an $83 million interest rate swap expiring in 2020, is classified as restricted cash on LG&E's balance sheet. An advance deposit of $7 million from the Louisville Arena Authority is also restricted for equipment purchases related to relocating transmission facilities.

Allowance for Doubtful Accounts. The allowance for doubtful accounts is based on the ratio of the amounts charged-off during the last twelve months to the retail revenues billed over the same period multiplied by the retail revenues billed over the last four months. Accounts with no payment activity are charged-off after four months, although collection efforts continue thereafter.

Materials and Supplies. Fuel, natural gas stored underground and other materials and supplies inventories are accounted for using the average-cost method. Emission allowances are included in other materials and supplies and are not currently traded by LG&E. At December 31, 2007 and 2006, the emission allowances inventory was less than $1 million.

Other Property and Investments. Other property and investments on the balance sheets consists of LG&E's investment in OVEC and non-utility plant. LG&E and 11 other electric utilities are participating owners of OVEC, located in Piketon, Ohio. OVEC owns and operates two power plants that burn coal to generate electricity, Kyger Creek Station in Ohio and Clifty Creek Station in Indiana. Pursuant to current contractual agreements, LG&E's share of OVEC's output is 5.63%, approximately 124 Mw of generation capacity.

As of December 31, 2007 and 2006, LG&E's investment in OVEC totaled less than $1 million. LG&E is not the primary beneficiary of OVEC; therefore, it is not consolidated into the financial statements of LG&E and is accounted for under the cost method of accounting. LG&E's maximum exposure to loss as a result of its involvement with OVEC is limited to the value of its investment. In the event of the inability of OVEC to fulfill its power provision requirements, LG&E anticipates substituting such power supply with either owned generation or market purchases and believes it would generally recover associated incremental costs through regulatory rate mechanisms. See Note 9, Commitments and Contingencies, for further discussion of developments regarding LG&E's ownership interest and power purchase rights.

Utility Plant. LG&E's utility plant is stated at original cost, which includes payroll-related costs such as taxes, fringe benefits and administrative and general costs. Construction work in progress has been included in the rate base for determining retail customer rates. LG&E has not recorded any allowance for funds used during construction, in accordance with Kentucky Commission regulations.

The cost of plant retired or disposed of in the normal course of business is deducted from plant accounts and such cost is charged to the reserve for depreciation. When complete operating units are disposed of, appropriate adjustments are made to the reserve for depreciation and gains and losses, if any, are recognized.

Depreciation and Amortization. Depreciation is provided on the straight-line method over the estimated service lives of depreciable plant. The amounts provided were approximately 3.2% in 2007 (3.0% electric, 2.8% gas and 7.7% common); and 3.2% in 2006 (3.0% electric, 2.9% gas and 7.8% common) of average depreciable plant. Of the amount provided for depreciation, at December 31, 2007, approximately 0.4% electric, 0.8% gas and 0.1% common were related to the retirement, removal and disposal costs of long lived assets. Of the amount provided for depreciation, at December 31, 2006, approximately 0.4% electric, 0.9% gas and 0.4% common were related to the retirement, removal and disposal costs of long lived assets.

Unamortized Debt Expense. Debt expense is capitalized in deferred debits and amortized using the straight-line method, which approximates the effective interest method, over the lives of the related bond issues.

Income Taxes. Income taxes are accounted for under SFAS No. 109, *Accounting for Income Taxes* and FIN 48, *Accounting for Uncertainty in Income Taxes, an Interpretation of SFAS No. 109*. In accordance with these statements, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, as measured by enacted tax rates that are expected to be in effect in the periods when the deferred tax assets and liabilities are expected to be settled or realized. Significant judgment is required in determining the provision for income taxes, and there are transactions for which the ultimate tax outcome is uncertain. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Uncertain tax positions are analyzed periodically and adjustments are made when events occur to warrant a change. See Note 6, Income Taxes.

Deferred Income Taxes. Deferred income taxes are recognized at currently enacted tax rates for all material temporary differences between the financial reporting and income tax bases of assets and liabilities.

Investment Tax Credits. The EPAct 2005 added Section 48A to the Internal Revenue Code, which provides for an investment tax credit to promote the commercialization of advanced coal technologies that will generate electricity in an environmentally responsible manner. LG&E and KU received an investment tax credit related to TC2, for more details see Note 6, Income Taxes. Investment tax credits prior to 2006 resulted from provisions of the tax law that permitted a reduction of LG&E's tax liability based on credits for construction expenditures. Deferred investment tax credits are being amortized to income over the estimated lives of the related property that gave rise to the credits.

Revenue Recognition. Revenues are recorded based on service rendered to customers through month-end. LG&E accrues an estimate for unbilled revenues from each meter reading date to the end of the accounting period based on allocating the daily system net deliveries between billed volumes and unbilled volumes. The

allocation is based on a daily ratio of the number of meter reading cycles remaining in the month to the total number of meter reading cycles in each month. Each day's ratio is then multiplied by each day's system net deliveries to determine an estimated billed and unbilled volume for each day of the accounting period. The unbilled revenue estimates included in accounts receivable were $65 million and $53 million at December 31, 2007 and 2006, respectively.

Fuel and Gas Costs. The cost of fuel for electric generation is charged to expense as used, and the cost of natural gas supply is charged to expense as delivered to the distribution system. LG&E operates under a Kentucky Commission-approved performance-based ratemaking mechanism related to natural gas procurement activity. See Note 2, Rates and Regulatory Matters.

Management's Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent items at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accrued liabilities, including legal and environmental, are recorded when they are probable and estimable. Actual results could differ from those estimates.

Recent Accounting Pronouncements. The following are recent accounting pronouncements affecting LG&E:

SFAS No. 160

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements*, which is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. The objective of this statement is to improve the relevance, comparability and transparency of financial information in a reporting entity's consolidated financial statements. The Company expects the adoption of SFAS No. 160 to have no impact on its statements of operations, financial position and cash flows.

SFAS No. 159

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of FASB Statement No. 115*. SFAS No. 159 permits entities to choose to measure many financial instruments and certain other assets and liabilities at fair value on an instrument-by-instrument basis (the fair value option). Unrealized gains and losses on items for which the fair value option has been elected are to be recognized in earnings at each subsequent reporting date. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. SFAS No. 159 was adopted effective January 1, 2008 and had no impact on the statements of operations, financial position and cash flows.

SFAS No. 157

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*, which, except as described below, is effective for fiscal years beginning after November 15, 2007. This statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS No. 157 does not expand the application of fair value accounting to new circumstances. In February 2008, the FASB issued FASB Staff Position 157-2, *Effective Date of FASB Statement No. 157,* which delays the effective date of SFAS No. 157 for all nonfinancial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), to fiscal years beginning after November 15, 2008 and interim periods within those fiscal years. SFAS No. 157 was adopted effective January 1, 2008, except as it applies to those nonfinancial assets and liabilities, and had no impact on the statements of operations, financial position and cash flows, however, the Company will provide additional disclosures relating to its financial derivatives, AROs and pension assets as required in 2008.

FIN 48

In July 2006, the FASB issued FIN 48 which clarifies the accounting for the uncertainty of income tax positions recognized in an enterprise's financial statements in accordance with SFAS No. 109. This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

The evaluation of a tax position in accordance with FIN 48 is a two-step process. The first step is recognition based on the determination of whether it is "more likely than not" that a tax position will be sustained upon examination. The second step is to measure a tax position that meets the "more likely than not" threshold. The tax position is measured as the amount of potential benefit that exceeds 50% likelihood of being realized.

FIN 48 is effective for fiscal years beginning after December 15, 2006, and was adopted effective January 1, 2007. The impact of FIN 48 on the statements of operations, financial position and cash flows was not material.

Note 2 - Rates and Regulatory Matters

LG&E is subject to the jurisdiction of the Kentucky Commission and the FERC in virtually all matters related to electric and gas utility regulation, and as such, its accounting is subject to SFAS No. 71. Given its competitive position in the marketplace and the status of regulation in Kentucky, LG&E has no plans or intentions to discontinue its application of SFAS No. 71.

Electric and Gas Rate Cases

In December 2003, LG&E filed an application with the Kentucky Commission requesting adjustments in LG&E's electric and natural gas rates. The revenue increases requested were $64 million for electric and $19 million for natural gas. In June 2004, the Kentucky Commission issued an Order approving increases in LG&E's electric base rates of approximately $43 million (8%) and natural gas base rates of approximately $12 million (3%). The rate increases took effect on July 1, 2004.

Final proceedings took place during the first quarter of 2006 concerning the sole remaining open issue relating to state income tax rates used in calculating the granted rate increase. On March 31, 2006, the Kentucky Commission issued an Order resolving this issue in LG&E's favor consistent with the original rate increase order.

Regulatory Assets and Liabilities

The following regulatory assets and liabilities were included in the balance sheets as of December 31:

(in millions)	2007	2006
ARO	$ 24	$ 22
GSC adjustments	16	21
MISO exit	13	13
FAC	9	4
Unamortized loss on bonds	19	20
ECR	4	9
Other	9	4
Subtotal	94	93
Pension and postretirement benefits	110	126
Total regulatory assets	$ 204	$ 219
Accumulated cost of removal of utility plant	$ 241	$ 232
Deferred income taxes - net	50	54
GSC adjustments	10	31
Other	9	4
Total regulatory liabilities	$ 310	$ 321

LG&E does not currently earn a rate of return on the GSC adjustments, FAC and gas performance-based ratemaking regulatory assets, all of which are separate recovery mechanisms with recovery within twelve months. No return is earned on the pension and postretirement benefits regulatory asset which represents the changes in funded status of the plans. The Company will seek recovery of this asset in future proceedings with the Kentucky Commission. No return is currently earned on the ARO asset. This regulatory asset will be offset against the associated regulatory liability, ARO asset and ARO liability at the time the underlying asset is retired. The MISO exit amount represents the costs relating to the withdrawal from MISO membership. LG&E will seek recovery of this asset in future proceedings with the Kentucky Commission. LG&E currently earns a rate of return on the remaining regulatory assets. Other regulatory assets include VDT costs, the merger surcredit, gas performance based ratemaking and Mill Creek Ash Pond costs. Other regulatory liabilities include DSM and MISO costs included in base rates that will be netted against costs of withdrawing from the MISO in the next rate case.

ARO. A summary of LG&E's net ARO assets, regulatory assets, liabilities and cost of removal established under FIN 47, *Accounting for Conditional Asset Retirement Obligations, an Interpretation of SFAS No. 143,* and SFAS No. 143, *Accounting for Asset Retirement Obligations* follows:

(in millions)	ARO Net Assets	ARO Liabilities	Regulatory Assets	Accumulated Cost of Removal
As of December 31, 2005	$ 4	$ (27)	$ 20	$ 3
ARO accretion	-	(1)	2	-
As of December 31, 2006	4	(28)	22	3
ARO accretion	-	(2)	2	-
Removal cost incurred	-	1	-	-
As of December 31, 2007	$ 4	$ (29)	$ 24	$ 3

Pursuant to regulatory treatment prescribed under SFAS No. 71, an offsetting regulatory credit was recorded in depreciation and amortization in the income statement of $2 million in 2007 and 2006 for the ARO accretion and depreciation expense. LG&E AROs are primarily related to the final retirement of assets associated with generating units and natural gas wells. For assets associated with AROs, the removal cost accrued through depreciation under regulatory accounting is established as a regulatory liability pursuant to regulatory treatment prescribed under SFAS No. 71. There were no FIN 47 net asset additions during 2007. FIN 47 net asset additions during 2006 were less than $1 million. For the years ended December 31, 2007 and 2006, LG&E recorded less than $1 million of depreciation expense related to the cost of removal of ARO related assets. An offsetting regulatory liability was established pursuant to regulatory treatment prescribed under SFAS No. 71.

LG&E transmission and distribution lines largely operate under perpetual property easement agreements which do not generally require restoration upon removal of the property. Therefore, under SFAS No. 143, no material asset retirement obligations are recorded for transmission and distribution assets.

GSC Adjustments. LG&E's natural gas rates contain a GSC, whereby increases or decreases in the cost of natural gas supply are reflected in LG&E's rates, subject to approval by the Kentucky Commission. The GSC procedure prescribed by Order of the Kentucky Commission provides for quarterly rate adjustments to reflect the expected cost of natural gas supply in that quarter. In addition, the GSC contains a mechanism whereby any over- or under-recoveries of natural gas supply cost from prior quarters is to be refunded to or recovered from customers through the adjustment factor determined for subsequent quarters.

LG&E's GSC was modified in 1997 to incorporate a natural gas procurement incentive mechanism. Since November 1, 1997, LG&E has operated under this PBR mechanism related to its natural gas procurement activities. LG&E's rates are adjusted annually to recover (or refund) its portion of the expense (or savings) incurred during each PBR year (12 months ending October 31). During the PBR year ending in 2007, LG&E achieved $10 million in savings. Of that total savings amount, LG&E's portion was approximately $2 million and the ratepayers' portion was approximately $8 million. Pursuant to the extension of LG&E's natural gas supply cost PBR mechanism effective November 1, 2001, the sharing mechanism under the PBR requires savings (and expenses) to be shared 25% with shareholders and 75% with ratepayers up to 4.5% of the benchmarked natural gas costs. Savings (and expenses) in excess of 4.5% of the benchmarked natural gas costs are shared 50% with shareholders and 50% with ratepayers. The current natural gas supply cost PBR mechanism was extended through 2010 without further modification.

MISO Exit. Following receipt of applicable FERC, Kentucky Commission and other regulatory orders, LG&E withdrew from the MISO effective September 1, 2006. Specific proceedings regarding the costs and benefits of the MISO and exit matters had been underway since July 2003. Since the exit from the MISO, LG&E has been operating under a FERC-approved open access-transmission tariff. LG&E now contracts with the Tennessee Valley Authority to act as its transmission Reliability Coordinator and Southwest Power Pool, Inc. to function as Independent Transmission Organization, pursuant to FERC requirements.

LG&E and the MISO have agreed upon overall calculation methods for the contractual exit fee to be paid by the Company following its withdrawal. In October 2006, LG&E paid approximately $13 million to the MISO pursuant to an invoice regarding the exit fee and made related FERC compliance filings. The Company's payment of this exit fee amount was with reservation of its rights to contest the amount, or components thereof, following a continuing review of its calculation and supporting documentation. In December 2006, LG&E provided notice to the MISO of its disagreement with the calculation of the exit fee. LG&E and the MISO have resolved their dispute regarding the calculation of the exit fee and, in November 2007, filed an application with the FERC for approval of a recalculation agreement. In March 2008, the FERC approved the parties' recalculation of the exit fee, and the approved agreement provides LG&E with an immediate recovery of less than $1 million and will provide an estimated $2 million over the next eight years for credits realized from other payments the MISO will receive, plus interest. Orders of the Kentucky Commission approving the Company's exit from the MISO have authorized the establishment of a regulatory asset for the exit fee, subject to adjustment for possible future MISO credits, and a regulatory liability for certain revenues associated with former MISO administrative charges, which may continue to be collected via base rates. The treatment of the regulatory asset and liability will be determined in LG&E's next rate case, however, the Company historically has received approval to recover and refund regulatory assets and liabilities.

FAC. LG&E's retail electric rates contain an FAC, whereby increases and decreases in the cost of fuel for electric generation are reflected in the rates charged to retail electric customers. The FAC allows the Company to adjust customers' accounts for the difference between the fuel cost component of base rates and the actual fuel cost, including transportation costs. Refunds to customers occur if the actual costs are below the embedded cost component. Additional charges to customers occur if the actual costs exceed the embedded cost component. The amount of the regulatory asset or liability is the amount that has been under- or over-recovered due to timing or adjustments to the mechanism.

The Kentucky Commission requires public hearings at six-month intervals to examine past fuel adjustments, and at two-year intervals to review past operations of the fuel clause and transfer of the then current fuel adjustment charge or credit to the base charges.

In January 2008, the Kentucky Commission initiated a routine examination of LG&E's FAC for the six-month period May 1, 2007 through October 31, 2007. Data discovery is ongoing and a public hearing is scheduled in March 2008.

In August 2007, the Kentucky Commission initiated a routine examination of LG&E's FAC for the six-month period of November 1, 2006 through April 30, 2007. Data discovery has concluded and a public hearing was held in October 2007. The Kentucky Commission issued an Order in January 2008, approving the charges and credits billed through the FAC during the review period.

In December 2006, the Kentucky Commission initiated its periodic two-year review of LG&E's past operations of the fuel clause and transfer of fuel costs from the FAC to base rates for November 1, 2004 through October 31, 2006. In March 2007, the KIUC challenged LG&E's recovery of approximately $1 million in aggregate fuel costs LG&E incurred during a period prior to its exit from the MISO and requested the Kentucky Commission disallow this amount. A public hearing was held in May 2007. In October 2007, the Kentucky Commission issued its Order approving the calculation and application of LG&E's FAC charges and fuel procurement practices and indicated that LG&E was in compliance with the provisions of Administrative Regulation 807 KAR 5:5056. The Kentucky Commission further approved LG&E's recommendation for the transfer of fuel cost from the FAC to base rates. In November 2007, the KIUC filed a petition for rehearing, claiming the Kentucky Commission misinterpreted the KIUC's arguments in the proceeding. In the same month, the Kentucky Commission issued an Order denying the KIUC's request for rehearing. An appeal was not filed by the KIUC.

In July 2006, the Kentucky Commission initiated a six-month review of the FAC for LG&E for the period of November 1, 2005 through April 30, 2006. The Kentucky Commission issued an Order in November 2006, approving the charges and credits billed through the FAC during the review period.

In January 2003, the Kentucky Commission reviewed KU's FAC and, as part of the Order in that case, required that an independent audit be conducted to examine operational and management aspects of both LG&E's and KU's fuel procurement functions. The final report's recommendations, issued in February 2004, related to documentation and process improvements. Management Audit Action Plans were agreed upon by LG&E and the Kentucky Commission Staff in the second quarter of 2004, and resulted in Audit Progress Reports being filed by LG&E with the Kentucky Commission. In February 2007, the Kentucky Commission staff indicated that LG&E fully complied with all audit recommendations and that no further reports are required.

Unamortized Loss on Bonds. The costs of early extinguishment of debt, including call premiums, legal and other expenses, and any unamortized balance of debt expense are amortized using the straight-line method, which approximates the effective interest method, over the life of either replacement debt (in the case of refinancing) or the original life of the extinguished debt.

ECR. Kentucky law permits LG&E to recover the costs of complying with the Federal Clean Air Act, including a return of operating expenses, and a return of and on capital invested, through the ECR mechanism. The amount of the regulatory asset or liability is the amount that has been under- or over-recovered due to timing or adjustments to the mechanism.

In September 2007, the Kentucky Commission initiated six-month and two-year reviews for periods ending October 31, 2006 and April 30, 2007, respectively, of LG&E's environmental surcharge. Data discovery concluded in December 2007, and all parties to the case submitted requests with the Kentucky Commission to waive rights to a hearing on this matter. The case is submitted for decision and an order is anticipated in the second quarter of 2008.

In June 2006, LG&E filed an application to amend its ECR plan with the Kentucky Commission seeking approval to recover investments in environmental upgrades at the Company's generating facilities. The estimated capital cost of the upgrades for the years 2008 through 2010 is approximately $40 million, of which approximately $30 million is for the Air Quality Control System at TC2. A final Order was issued by the

Kentucky Commission in December 2006, approving all expenditures and investments as submitted.
In April 2006, the Kentucky Commission initiated six-month and two-year reviews of LG&E's environmental surcharge for six-month periods ending October 2003, April 2004, October 2004, October 2005 and April 2006, and for the two-year period ending April 2005. A final Order was received in January 2007, approving the charges and credits billed through the ECR during the review period as well as approving billing adjustments, a roll-in to base rates, revisions to the monthly surcharge filing and the rate of return on capital.

VDT. In December 2001, the Kentucky Commission issued an Order approving a settlement agreement allowing LG&E to set up a regulatory asset of $141 million for workforce reduction costs and begin amortizing it over a five-year period starting in April 2001. Some employees rescinded their participation in the voluntary enhanced severance program, which thereby decreased the charge to the regulatory asset from $144 million to $141 million. The Order reduced revenues by approximately $26 million through a surcredit on bills to ratepayers over the same five-year period, reflecting a sharing (40% to the ratepayers and 60% to LG&E) of savings as stipulated by LG&E, net of amortization costs of the workforce reduction. The five-year VDT amortization period expired in March 2006.

As part of the settlement agreements in the electric and natural gas rate cases, in September 2005, LG&E filed with the Kentucky Commission a plan for the future ratemaking treatment of the VDT surcredit and costs. In February 2006, the AG, KIUC and LG&E reached a settlement agreement on the future ratemaking treatment of the VDT surcredits and costs and subsequently submitted a joint motion to the Kentucky Commission to approve the unanimous settlement agreement. Under the terms of the settlement agreement, the VDT surcredit will continue at the current level until such time as LG&E files for a change in electric or natural gas base rates. The Kentucky Commission issued an Order in March 2006, approving the settlement agreement.

Merger Surcredit. As part of the LG&E Energy merger with KU Energy Corporation in 1998, LG&E estimated non-fuel savings over a ten-year period following the merger. Costs to achieve these savings were deferred and amortized over a five-year period pursuant to regulatory orders. In approving the merger, the Kentucky Commission adopted LG&E's proposal to reduce its retail customers' bills based on one-half of the estimated merger-related savings, net of deferred and amortized amounts, over a five-year period. The surcredit mechanism provides that 50% of the net non-fuel cost savings estimated to be achieved from the merger be provided to ratepayers through a monthly bill credit, and 50% be retained by LG&E over a five-year period. In that same order, the Kentucky Commission required LG&E, after the end of the five-year period, to present a plan for sharing with ratepayers the then-projected non-fuel savings associated with the merger. LG&E submitted this filing in January 2003, proposing to continue to share with ratepayers, on a 50%/50% basis, the estimated fifth-year gross level of non-fuel savings associated with the merger. In October 2003, the Kentucky Commission issued an Order approving a settlement agreement reached with the parties in the case. According to the Order, LG&E's merger surcredit would remain in place for another five-year term beginning July 1, 2003, the merger savings would continue to be shared 50% with ratepayers and 50% with shareholders and LG&E would file a plan for the merger surcredit six months before its expiration.

In December 2007, LG&E submitted to the Kentucky Commission its plan to allow the merger surcredit to terminate as scheduled on June 30, 2008. The Kentucky Commission has not issued a procedural schedule for this proceeding.

Pension and Postretirement Benefits. LG&E adopted SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans,* in 2006. This statement requires employers to recognize the over-funded or under-funded status of a defined benefit pension and postretirement plan as an asset or liability in the balance sheet and to recognize through comprehensive income the changes in the funded status in the year in which the changes occur. Under SFAS No. 71, LG&E can defer recoverable costs that would otherwise be charged to expense or equity by non-regulated entities. Current rate recovery in Kentucky is based on SFAS No. 87, *Employers' Accounting for Pensions,* and SFAS No. 106, *Employers' Accounting for Postretirement Benefits Other than Pensions,* both of which were amended by SFAS No. 158. Regulators have been clear and consistent with their historical treatment of such rate recovery, therefore, LG&E has recorded a regulatory asset representing the probable recovery of the portion of the change in funded status of the pension and postretirement plans that is expected to be recovered. The regulatory asset will be adjusted annually as prior service cost and actuarial gains and losses are recognized in net periodic benefit cost.

Accumulated Cost of Removal of Utility Plant. As of December 31, 2007 and 2006, LG&E has segregated the cost of removal, previously embedded in accumulated depreciation, of $241 million and $232 million, respectively, in accordance with FERC Order No. 631. This cost of removal component is for assets that do not have a legal ARO under SFAS No. 143. For reporting purposes in the balance sheets, LG&E has presented this cost of removal as a regulatory liability pursuant to SFAS No. 71.

Deferred Income Taxes – Net. Deferred income taxes represent the future income tax effects of recognizing the regulatory assets and liabilities in the income statement. Deferred income taxes are recognized at currently enacted tax rates for all material temporary differences between the financial reporting and income tax bases of assets and liabilities.

DSM. LG&E's rates contain a DSM provision. The provision includes a rate mechanism that provides for concurrent recovery of DSM costs and provides an incentive for implementing DSM programs. The provision allows LG&E to recover revenues from lost sales associated with the DSM programs based on program plan engineering estimates and post-implementation evaluations.

In July 2007, LG&E and KU filed an application with the Kentucky Commission requesting an order approving enhanced versions of the existing DSM programs along with the addition of several new cost effective programs. The total annual budget for these programs is approximately $26 million, an increase over the existing annual budget of approximately $10 million. Data discovery concluded in November 2007, and the Community Action Council ("CAC") for Lexington-Fayette, Bourbon, Harrison and Nicholas counties and the Kentucky Association for Community Action ("KACA"), filed a motion for hearing. In January 2008, the CAC and KACA filed a motion with the Kentucky Commission to withdraw the request because the parties reached a settlement. The Kentucky Commission is allowing the current tariffs to remain in effect until a final order is issued.

Other Regulatory Matters

Regional Reliability Council. LG&E has changed its regional reliability council membership from the Reliability First Corporation to the SERC Reliability Corporation ("SERC"), effective January 1, 2007. Regional reliability councils are industry consortiums that promote, coordinate and ensure the reliability of the bulk electric supply systems in North America.

Arena. In August 2006, LG&E filed an application with the Kentucky Commission requesting approval for sale of the Waterside property to the Louisville Arena Authority. The Kentucky Commission issued an Order in September 2006, approving the proposed transaction. In November 2006, LG&E completed certain agreements pursuant to its August 2006 Memorandum of Understanding with the Louisville Arena Authority regarding the proposed construction of an arena in downtown Louisville. LG&E entered into a relocation agreement with the Louisville Arena Authority providing for the reimbursement to LG&E of the costs to be incurred in moving certain LG&E facilities related to the arena transaction. Those costs are currently estimated to be approximately $63 million. The parties further entered into a property sale contract providing for LG&E's sale of a downtown site to the Louisville Arena Authority for approximately $10 million, which represents the appraised value of the parcel, less certain agreed upon demolition costs. The amounts specified in the contracts are subject to certain adjustments. Depending upon continuing progress of the proposed arena, the transactions contemplated by the contracts will occur through 2008.

TC2 CCN Application. A CCN application for construction of the new, base-load, coal fired unit TC2, which will be jointly owned by LG&E and KU, was approved by the Kentucky Commission in November 2005, and initial CCN applications for three transmission lines were approved in September 2005 and May 2006. In August 2006, LG&E obtained dismissal of a judicial review of such CCN approvals by certain property owners. In December 2007, the Kentucky Court of Appeals reversed and remanded the lower Court's dismissal. Both parties have filed for reconsideration of elements of the appellate court's ruling. The transmission lines are also subject to routine regulatory filings and the right-of-way acquisition process. See Note 9, Commitments and Contingencies, for further discussion regarding the TC2 air permit.

Market-Based Rate Authority. In July 2006, the FERC issued an Order in LG&E's market-based rate proceeding accepting LG&E's further proposal to address certain market power issues the FERC had claimed would arise upon an exit from the MISO. In particular, LG&E received permission to sell power at market-based rates at the interface of control areas in which it may be deemed to have market power, subject to a restriction that such power not be collusively re-sold back into such control areas. However, restrictions exist on sales by LG&E of power at market-based rates in the LG&E/KU and Big River Electric Corporation control areas. In June 2007, the FERC issued Order No. 697 implementing certain reforms to market-based rate regulations, including restrictions similar to those previously in place for LG&E's power sales at control area interfaces. As a condition of receiving and retaining market-based rate authority, LG&E must comply with applicable affiliate restrictions set forth in FERC's regulation.

FERC Audit Results. In July 2006, the FERC issued a final report under a routine audit that its Office of Enforcement (formerly its Office of Market Oversight and Investigations) had conducted regarding the compliance of E.ON U.S. and its subsidiaries, including LG&E, under the FERC's standards of conduct and codes of conduct requirements, as well as other areas. The final report contained certain findings calling for improvements in E.ON U.S. and its subsidiaries' structures, policies and procedures relating to transmission, generation dispatch, energy marketing and other practices. E.ON U.S. and its subsidiaries have agreed to certain corrective actions and have submitted procedures related to such corrective actions to the FERC. The corrective actions are in the nature of organizational and operational improvements as described above and are not expected to have a material adverse impact on the Company's results of operations or financial condition.

Mandatory Reliability Standards. As a result of EPAct 2005, certain formerly voluntary reliability standards became mandatory in June 2007, and authority was delegated to various regional reliability organizations ("RRO") by the Electric Reliability Organization, which was authorized by the FERC to enforce compliance with such standards, including promulgating new standards. Failure to comply with mandatory reliability standards can subject a registered entity to sanctions, including potential fines of up to $1 million per day as well as non-monetary penalties, depending upon the circumstances of the violation. LG&E is a member of the SERC, which acts as LG&E's RRO. The SERC is currently assessing LG&E's compliance with certain existing mitigation plans resulting from a prior RRO's audit of various reliability standards. While LG&E believes itself to be in substantial compliance with the mandatory reliability standards generally, LG&E cannot predict the outcome of the current SERC proceeding or of other analysis which may be conducted regarding compliance with particular reliability standards.

IRP. Integrated resource planning regulations in Kentucky require major utilities to make triennial IRP filings with the Kentucky Commission. In April 2005, LG&E and KU filed their 2005 joint IRP with the Kentucky Commission. The IRP provides historical and projected demand, resource and financial data, and other operating performance and system information. The AG and the KIUC were granted intervention in the IRP proceeding. The Kentucky Commission issued its staff report with no substantive issues noted and closed the case by Order in February 2006. LG&E and KU will submit the next joint triennial filing in April 2008.

PUHCA 2005. E.ON, LG&E's ultimate parent, is a registered holding company under PUHCA 2005. E.ON, its utility subsidiaries, including LG&E, and certain of its non-utility subsidiaries, are subject to extensive regulation by the FERC with respect to numerous matters, including: electric utility facilities and operations, wholesale sales of power and related transactions, accounting practices, issuances and sales of securities, acquisitions and sales of utility properties, payments of dividends out of capital and surplus, financial matters and inter-system sales of non-power goods and services. LG&E believes that it has adequate authority (including financing authority) under existing FERC orders and regulations to conduct its business and will seek additional authorization when necessary.

EPAct 2005. The EPAct 2005 was enacted in August 2005. Among other matters, this comprehensive legislation contains provisions mandating improved electric reliability standards and performance; granting enhanced civil penalty authority to the FERC; providing economic and other incentives relating to transmission, pollution control and renewable generation assets; increasing funding for clean coal generation incentives; repealing the Public Utility Holding Company Act of 1935; enacting PUHCA 2005 and expanding FERC jurisdiction over public utility holding companies and related matters via the Federal Power Act and PUHCA 2005.

In February 2006, the Kentucky Commission initiated an administrative proceeding to consider the requirements of the EPAct 2005, Subtitle E Section 1252, Smart Metering, which concerns time-based metering and demand response, and Section 1254, Interconnections. EPAct 2005 requires each state regulatory authority to conduct a formal investigation and issue a decision on whether or not it is appropriate to implement certain Section 1252, Smart Metering standards within eighteen months after the enactment of EPAct 2005 and to commence consideration of Section 1254, Interconnection standards within one year after the enactment of EPAct 2005. Following a public hearing with all Kentucky jurisdictional electric utilities, in December 2006, the Kentucky

Commission issued an Order in this proceeding indicating that the EPAct 2005 Section 1252, Smart Metering and Section 1254, Interconnection standards should not be adopted. However, all five Kentucky Commission jurisdictional utilities are required to file real-time pricing pilot programs for their large commercial and industrial customers. LG&E developed a real-time pricing pilot for large industrial and commercial customers and filed the details of the plan with the Kentucky Commission in April 2007. Data discovery concluded in July 2007, and no parties to the case requested a hearing. In February 2008, the Kentucky Commission issued an Order approving the real-time pricing pilot program proposed by LG&E for implementation within approximately eight months. LG&E will notify the Kentucky Commission 10 days prior to the actual implementation date and will file annual reports on the program within 90 days of each plan year-end for the 3-year pilot period.

As part of the LG&E 2004 rate case settlement agreements, and as referred to in the Kentucky Commission EPAct 2005 Administrative Order, LG&E made its responsive pricing and smart metering pilot program filing, which addresses real-time pricing for residential and general service customers, in March 2007. The AG and KIUC were granted full intervention. In July 2007, the Kentucky Commission approved the application as filed, for 100 residential customers and a sampling of other customers, and authorized LG&E to establish the responsive pricing and smart metering pilot program, recovery of non-specific customer costs through the DSM billing mechanism and the filing of annual reports by April 1, 2009, 2010 and 2011. LG&E must also file an evaluation of the program by July 1, 2011.

Hydro Upgrade. In October 2005, LG&E received from the FERC a new license to upgrade, operate and maintain the Ohio Falls Hydroelectric Project. The license is for a period of 40 years, effective November 2005. LG&E began refurbishing the facility to add approximately 20 Mw of generating capacity in 2004, and plans to spend approximately $45 million from 2008 to 2010.

Gas Storage Field Matter. In March 2007, LG&E commenced a review of certain federal and state permitting, licensing and oversight matters relating to existing natural gas operations at its Doe Run, Kentucky storage field, which extends into Indiana. The review related, in part, to the applicable jurisdictional status of such operations under the Natural Gas Act and whether additional applications, filings or exemptions were required or advisable. During March 2007, LG&E reported to the FERC the existence of possible permitting failures and in April 2007, filed an application for corrective Federal Power Act authorizations. In July 2007, the FERC accepted LG&E's Federal Power Act filing granting appropriate permit status for retail gas activities. This corrective event places these activities in compliance for future periods. In August 2007, the FERC advised LG&E that it had concluded its investigation related to prior periods and had closed the matter with no further actions.

Green Energy Riders. In February 2007, LG&E and KU filed a Joint Application and Testimony for Proposed Green Energy Riders. The AG and KIUC were granted full intervention. In May 2007, a Kentucky Commission Order was issued authorizing LG&E to establish Small and Large Green Energy Riders, allowing customers to contribute funds to be used for the purchase of renewable energy credits.

Home Energy Assistance Program. In July 2007, LG&E filed an application with the Kentucky Commission for the establishment of a new Home Energy Assistance program. During September 2007, the Kentucky Commission approved LG&E's new five-year program as filed, effective in October 2007. The program terminates in September 2012, and is funded through a $0.10 per month meter charge.

Collection Cycle Revision. In September 2007, LG&E filed an application with the Kentucky Commission to revise the collection cycle for customer bill payments from 15 days to 10 days to more closely align with the KU billing cycle and to avoid confusion for delinquent customers. In December 2007, the Kentucky Commission denied LG&E's request to shorten the collection cycle. LG&E filed a motion with the Kentucky Commission for reconsideration and received an Order granting approval. The Kentucky Commission issued additional data requests to LG&E in February 2008. No procedural schedule has been established.

Depreciation Study. In December 2007, LG&E filed a depreciation study with the Kentucky Commission requesting a change in the depreciation rates as required by a previous Order. An adjustment to the depreciation rates is dependent on an order being received by the Kentucky Commission, the timing of which cannot currently be determined.

Note 3 - Financial Instruments

The cost and estimated fair values of LG&E's non-trading financial instruments as of December 31 follow:

	2007		2006	
(in millions)	Carrying Value	Fair Value	Carrying Value	Fair Value
Preferred stock subject to mandatory redemption (including current portion of $1 million)	$ -	$ -	$ 20	$ 20
Long-term debt (including current portion of $120 million)	$574	$571	$574	$574
Long-term debt from affiliate	$410	$438	$225	$222
Interest-rate swaps - liability	$ 21	$ 21	$ 15	$ 15

All of the above valuations reflect prices quoted by exchanges except for the swaps and loans from affiliate. The fair values of the swaps reflect price quotes from dealers. The loans from affiliate are fair valued using accepted valuation models. The fair values of cash and cash equivalents, accounts receivable, accounts payable and notes payable are substantially the same as their carrying values.

Interest Rate Swaps (hedging derivatives). LG&E uses over-the-counter interest rate swaps to hedge exposure to market fluctuations in certain of its debt instruments. Pursuant to Company policy, use of these financial instruments is intended to mitigate risk, earnings and cash flow volatility and is not speculative in nature. Management has designated all of the interest rate swaps as hedge instruments. Financial instruments designated as cash flow hedges have resulting gains and losses recorded within other comprehensive income and stockholders' equity. See Note 13, Accumulated Other Comprehensive Income.

LG&E was party to various interest rate swap agreements with aggregate notional amounts of $211 million as of December 31, 2007 and 2006. Under these swap agreements, LG&E paid fixed rates averaging 4.38% and received variable rates based on the London Interbank Offer Rate or the Securities Industry and Financial

Markets Association's municipal swap index averaging 3.5% and 3.75% at December 31, 2007 and 2006, respectively. The swap agreements in effect at December 31, 2007 have been designated as cash flow hedges and mature on dates ranging from 2020 to 2033. The cash flow designation was assigned because the underlying variable rate debt has variable future cash flows. The hedges have been deemed to be highly effective resulting in a pre-tax loss of $6 million for 2007 and a pre-tax gain of $3 million for 2006, recorded in other comprehensive income. Amounts in accumulated other comprehensive income will be reclassified into earnings in the same period during which the hedged forecasted transaction affects earnings. The amount expected to be reclassified from other comprehensive income to earnings in the next twelve months is less than $1 million. A deposit in the amount of $12 million, used as collateral for one of the interest rate swaps, is classified as restricted cash on the balance sheets. The amount of the deposit required is tied to the market value of the swap.

Energy Risk Management Activities (non-hedging derivatives). LG&E conducts energy trading and risk management activities to maximize the value of power sales from physical assets it owns. Energy trading activities are principally forward financial transactions to hedge price risk and are accounted for on a mark-to-market basis in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities,* as amended.

The table below summarizes LG&E's energy trading and risk management activities:

(in millions)	2007	2006
Fair value of contracts at beginning of period, net asset	$ 1	$ 1
Unrealized gains and losses recognized at contract inception during the period	-	-
Realized gains and losses recognized during the period	(5)	16
Changes in fair values attributable to changes in valuation techniques and assumptions	4	(17)
Other unrealized gains and losses and changes in fair values	-	1
Fair value of contracts at end of period, net asset	$ -	$ 1

No changes to valuation techniques for energy trading and risk management activities occurred during 2007 or 2006. Changes in market pricing, interest rate and volatility assumptions were made during both years. All contracts outstanding at December 31, 2007 and 2006, have a maturity of less than one year and are valued using prices actively quoted for proposed or executed transactions or quoted by brokers.

LG&E maintains policies intended to minimize credit risk and revalues credit exposures daily to monitor compliance with those policies. At December 31, 2007, 100% of the trading and risk management commitments were with counterparties rated BBB-/Baa3 equivalent or better.

LG&E hedges the price volatility of its forecasted electric wholesale sales with the sales of market-traded electric forward contracts for periods of less than one year. Hedge accounting treatment has not been elected for these transactions, and therefore gains and losses are shown in the statements of income in other expense - net. Pre-tax losses of $5 million resulted in 2007. Pre-tax gains of $16 million resulted in 2006.

Note 4 - Concentrations of Credit and Other Risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counterparties failed to perform as contracted. Concentrations of credit risk (whether on- or off-balance sheet) relate to groups of customers or counterparties that have similar economic or industry characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

LG&E's customer receivables and natural gas and electric revenues arise from deliveries of natural gas to approximately 326,000 customers and electricity to approximately 401,000 customers in Louisville and adjacent areas in Kentucky. For the year ended December 31, 2007, 73% of total revenue was derived from electric operations and 27% from natural gas operations. For the year ended December 31, 2006, 70% of total revenue was derived from electric operations and 30% from natural gas operations.

Effective November 2005, LG&E and its employees represented by the IBEW Local 2100 entered into a three-year collective bargaining agreement. The new agreement provides for negotiated increases or changes to wages and annual benefits re-openers. Benefits re-openers were negotiated in November 2006, and November 2007. The employees represented by this bargaining agreement comprise approximately 69% of LG&E's workforce at December 31, 2007.

Note 5 - Pension and Other Postretirement Benefit Plans

LG&E has both funded and unfunded non-contributory defined benefit pension plans and other postretirement benefit plans that together cover substantially all of its employees. The healthcare plans are contributory with participants' contributions adjusted annually. LG&E uses December 31 as the measurement date for its plans.

Obligations and Funded Status. The following tables provide a reconciliation of the changes in the plans' benefit obligations and fair value of assets over the two-year period ending December 31, 2007, and a statement of the funded status as of December 31 for LG&E's sponsored defined benefit plans:

(in millions)	Pension Benefits 2007	Pension Benefits 2006	Other Postretirement Benefits 2007	Other Postretirement Benefits 2006
Change in benefit obligation				
Benefit obligation at beginning of year	$ 408	$ 427	$ 105	$ 106
Service cost	4	4	1	1
Interest cost	24	23	5	6
Plan amendments	9	4	2	-
Benefits paid, net of retiree contributions	(28)	(29)	(9)	(8)
Actuarial gain and other	(19)	(21)	(15)	-
Benefit obligation at end of year	$ 408	$ 408	$ 89	$ 105
Change in plan assets				
Fair value of plan assets at beginning of year	$ 356	$ 333	$ 6	$ 3
Actual return on plan assets	26	36	1	-
Employer contributions	56	18	7	11
Benefits paid, net of retiree contributions	(28)	(29)	(9)	(8)
Administrative expenses and other	(1)	(2)	-	-
Fair value of plan assets at end of year	$ 409	$ 356	$ 5	$ 6
Funded status at end of year	$ 1	$ (52)	$ (84)	$ (99)

Amounts Recognized in Statement of Financial Position. The following tables provide the amounts recognized in the balance sheets and information for plans with benefit obligations in excess of plan assets as of December 31:

(in millions)	Pension Benefits 2007	Pension Benefits 2006	Other Postretirement Benefits 2007	Other Postretirement Benefits 2006
Regulatory assets	$ 93	$ 93	$ 17	$ 33
Non-current assets	14	-	-	-
Accrued benefit liability (current)	-	-	(3)	(2)
Accrued benefit liability (non-current)	(13)	(52)	(81)	(97)

Additional year-end information for plans with accumulated benefit obligations in excess of plan assets:

(in millions)	Pension Benefits 2007	Pension Benefits 2006	Other Postretirement Benefits 2007	Other Postretirement Benefits 2006
Benefit obligation	$ 408	$ 408	$ 89	$ 105
Accumulated benefit obligation	378	391	-	-
Fair value of plan assets	409	356	5	6

Components of Net Periodic Benefit Cost. The following table provides the components of net periodic benefit cost for the plans:

(in millions)	Pension Benefits		Other Postretirement Benefits	
	2007	2006	2007	2006
Service cost	$ 4	$ 4	$ 1	$ 1
Interest cost	24	23	5	6
Expected return on plan assets	(32)	(27)	-	-
Amortization of prior service costs	5	4	2	2
Amortization of transitional asset	-	(1)	-	-
Amortization of actuarial loss	2	4	-	-
Amortization of transitional obligation	-	-	-	1
Benefit cost at end of year	$ 3	$ 7	$ 8	$ 10

The assumptions used in the measurement of LG&E's pension benefit obligation are shown in the following table:

	2007	2006
Weighted-average assumptions as of December 31:		
Discount rate - Union plan	6.56%	5.91%
Discount rate - Non-union plan	6.66%	5.96%
Rate of compensation increase	5.25%	5.25%

The discount rate is based on the November Mercer Pension Discount Yield Curve, adjusted by the basis point change in the Moody's Corporate Aa Bond Rate in December.

The assumptions used in the measurement of LG&E's net periodic benefit cost are shown in the following table:

	2007	2006
Discount rate	5.90%	5.50%
Expected long-term return on plan assets	8.25%	8.25%
Rate of compensation increase	5.25%	5.25%

To develop the expected long-term rate of return on assets assumption, LG&E considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

The following describes the effects on pension benefits by changing the major actuarial assumptions discussed above:

- A 1% change in the assumed discount rate could have an approximate $45 million positive or negative impact to the 2007 accumulated benefit obligation and an approximate $52 million positive or negative impact to the 2007 projected benefit obligation.

- A 25 basis point change in the expected rate of return on assets would have an approximate $1 million positive or negative impact on 2007 pension expense.

Assumed Healthcare Cost Trend Rates. For measurement purposes, a 9% annual increase in the per capita cost of covered healthcare benefits was assumed for 2007. The rate was assumed to decrease gradually to 5% by 2015 and remain at that level thereafter.

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plans. A 1% change in assumed healthcare cost trend rates would have resulted in an increase or decrease of less than $1 million on the 2007 total of service and interest costs components and an increase or decrease of $2 million in year-end 2007 postretirement benefit obligations.

Expected Future Benefit Payments. The following list provides the amount of expected future benefit payments, which reflect expected future service:

(in millions)	Pension Plans	Other Postretirement Benefits
2008	$ 28	$ 7
2009	27	8
2010	26	8
2011	26	8
2012	25	8
2013-17	129	38

Plan Assets. The following table shows LG&E's weighted-average asset allocation by asset category at December 31:

Pension Plans	Target Range	2007	2006
Equity securities	45% - 75%	57%	61%
Debt securities	30% - 50%	43%	39%
Other	0% - 10%	0%	0%
Totals		100%	100%

The investment policy of the pension plans was developed in conjunction with financial consultants, investment advisors and legal counsel. The goal of the investment policy is to preserve the capital of the fund and maximize investment earnings. The return objective is to exceed the benchmark return for the policy index comprised of the following: Russell 3000 Index, MSCI-EAFE Index, Lehman Aggregate and Lehman U.S. Long Government/Credit Bond Index in proportions equal to the targeted asset allocation.

Evaluation of performance focuses on a long-term investment time horizon of at least three to five years or a complete market cycle. The assets of the pension plans are broadly diversified within different asset classes (equities, fixed income securities and cash equivalents).

To minimize the risk of large losses in a single asset class, no more than 5% of the portfolio will be invested in the securities of any one issuer with the exclusion of the U.S. government and its agencies. The equity portion of the fund is diversified among the market's various subsections to diversify risk, maximize returns and avoid undue exposure to any single economic sector, industry group or individual security. The equity subsectors include, but are not limited to, growth, value, small capitalization and international.

In addition, the overall fixed income portfolio may have an average weighted duration, or interest rate sensitivity which is within +/- 20% of the duration of the overall fixed income benchmark. Foreign bonds in the aggregate shall not exceed 10% of the total fund. The portfolio may include a limited investment of up to 20% in below investment grade securities provided that the overall average portfolio quality remains "AA" or better. The below investment grade securities include, but are not limited to, medium-term notes, corporate debt, non-dollar and emerging market debt and asset backed securities. The cash investments should be in securities that either are of short maturities (not to exceed 180 days) or readily marketable with modest risk.

Derivative securities are permitted only to improve the portfolio's risk/return profile, to modify the portfolio's duration or to reduce transaction costs and must be used in conjunction with underlying physical assets in the portfolio. Derivative securities that involve speculation, leverage, interest rate anticipation, or any undue risk whatsoever are not deemed appropriate investments.

The investment objective for the postretirement benefit plan is to provide current income consistent with stability of principal and liquidity while maintaining a stable net asset value of $1.00 per share. The postretirement funds are invested in a prime cash money market fund that invests primarily in a portfolio of short-term, high-quality fixed income securities issued by banks, corporations and the U.S. government.

Contributions. LG&E made discretionary contributions to the pension plan of $56 million in January 2007, and $18 million in January 2006. The discretionary contribution made in January 2007, was slightly more than the $52 million accumulated benefit obligation and its projected benefit obligation as of December 31, 2006.

In addition, LG&E made contributions to other postretirement benefit plans of $7 million and $11 million in 2007 and 2006, respectively. In 2008, LG&E anticipates making voluntary contributions to fund the Voluntary Employee Beneficiary Association trusts to match the annual postretirement expense and funding the 401(h) plan up to the maximum amount allowed by law.

Pension Legislation. The Pension Protection Act of 2006 was enacted in August 2006. The new rules are generally effective for plan years beginning after 2008. Among other matters, this comprehensive legislation contains provisions applicable to defined benefit plans which generally (i) mandate 100% funding of current liabilities within seven years; (ii) increase tax-deduction levels regarding contributions; (iii) revise certain actuarial assumptions, such as mortality tables and discount rates; and (iv) raise federal insurance premiums and other fees for under-funded and distressed plans. The legislation also contains similar provisions relating to defined-contribution plans and qualified and non-qualified executive pension plans and other matters.

Thrift Savings Plans. LG&E has a thrift savings plan under section 401(k) of the Internal Revenue Code. Under the plan, eligible employees may defer and contribute to the plan a portion of current compensation in order to provide future retirement benefits. LG&E makes contributions to the plan by matching a portion of the employee contributions. The costs of this matching were $2 million for 2007 and 2006.

Note 6 - Income Taxes

A United States consolidated income tax return is filed by E.ON U.S.'s direct parent, E.ON US Investments Corp., for each tax period. Each subsidiary of the consolidated tax group, including LG&E, will calculate its separate income tax for the tax period. The resulting separate-return tax cost or benefit will be paid to or received from the parent company or its designee. LG&E also files income tax returns in various state jurisdictions. With few exceptions, LG&E is no longer subject to U.S. federal income tax examinations for years before 2004. Statutes of limitations related to 2004 and later returns are still open. Tax years 2005, 2006 and 2007 are under audit by the IRS with the 2007 return being examined under an IRS pilot program named "Compliance Assurance Process". This program accelerates the IRS's review to the actual calendar year applicable to the return and ends 90 days after the return is filed.

LG&E adopted the provisions of FIN 48 effective January 1, 2007. At the date of adoption, LG&E had $1 million of unrecognized tax benefits related to federal and state income taxes. If recognized, the entire $1 million of unrecognized tax benefits would reduce the effective income tax rate. Additions and reductions of uncertain tax positions during 2007 were less than $1 million.

Possible amounts of uncertain tax positions for LG&E that may decrease within the next 12 months total less than $1 million and are based on the expiration of statutes during 2008.

LG&E, upon adoption of FIN 48, adopted a new financial statement classification for interest and penalties. Prior to the adoption of FIN 48, LG&E recorded interest and penalties for income taxes on the income statements in income tax expense and in the taxes accrued balance sheet account, net of tax. Upon adoption of FIN 48, interest is recorded as interest expense and penalties are recorded as operating expenses on the income statement and accrued expenses in the balance sheets, on a pre-tax basis. Interest of less than $1 million was accrued for 2007 and 2006 based on IRS and Kentucky Department of Revenue large corporate interest rates for underpayment of taxes. No penalties were accrued by LG&E upon adoption of FIN 48 or through December 31, 2007.

Components of income tax expense are shown in the table below:

(in millions)		2007	2006
Current	- federal	$ 34	$ 60
	- state	8	11
Deferred	- federal – net	10	(7)
	- state – net	2	(1)
Investment tax credit – deferred		9	3
Amortization of investment tax credit		(4)	(4)
Total income tax expense		$ 59	$ 62

Current federal income tax expense decreased and investment tax credit – deferred increased primarily due to the recording of investment tax credits of $9 million and $3 million at December 31, 2007 and

2006, respectively, as discussed below.

In June 2006, LG&E and KU filed a joint application with the U.S. Department of Energy ("DOE") requesting certification to be eligible for investment tax credits applicable to the construction of TC2. The EPAct 2005 added Section 48A to the Internal Revenue Code, which provides for an investment tax credit to promote the commercialization of advanced coal technologies that will generate electricity in an environmentally responsible manner. LG&E's and KU's application requested up to the maximum amount of "advanced coal project" credit allowed per taxpayer, or $125 million, based on an estimate of 15% of projected qualifying TC2 expenditures. In November 2006, the DOE and IRS announced that LG&E and KU were selected to receive the tax credit. A final IRS certification required to obtain the investment tax credit was received in August 2007. LG&E's portion of the TC2 tax credit will be approximately $25 million over the construction period and will be amortized to income over the life of the related property beginning when the facility is placed in service. Based on eligible construction expenditures incurred, LG&E recorded investment tax credits of $9 million and $3 million in 2007 and 2006, respectively, decreasing current federal income taxes.

In September 2007, LG&E received Order 2007-00179 from the Kentucky Commission approving the accounting of the investment tax credit. In March 2008, certain groups filed suit in federal court in North Carolina against the DOE and IRS claiming the investment tax credit program was violative of certain environmental laws and demanded relief, including suspension or termination of the program. LG&E is not able to predict the ultimate outcome of this proceeding.

Components of net deferred tax liabilities included in the balance sheets are shown below:

(in millions)	2007	2006
Deferred tax liabilities:		
Depreciation and other plant-related items	$368	$367
Regulatory assets and other	30	22
Pension and related benefits	5	6
Total deferred tax liabilities	403	395
Deferred tax assets:		
Investment tax credit	14	15
Income taxes due to customers	19	21
Liabilities and other	24	26
Total deferred tax assets	57	62
Net deferred income tax liability	$346	$333
Balance sheet classification		
Current liabilities	$ 4	$ -
Non-current liabilities	342	333
Net deferred income tax liability	$346	$333

A reconciliation of differences between the statutory U.S. federal income tax rate and LG&E's effective income tax rate follows:

	2007	2006
Statutory federal income tax rate	35.0%	35.0%
State income taxes, net of federal benefit	3.4	3.8
Reduction of income tax accruals	(0.6)	(0.4)
Qualified production deduction	(1.1)	(0.6)
Amortization of investment tax credits	(2.2)	(2.2)
Other differences	(1.5)	(1.0)
Effective income tax rate	33.0%	34.6%

Other differences primarily relate to excess deferred taxes which reflect the benefits of deferred taxes reversing at tax rates that differ from statutory rates and various other permanent differences.

H. R. 4520, known as the "American Jobs Creation Act of 2004", allows electric utilities to take a deduction for qualified production activities income starting in 2005.

Kentucky House Bill 272, also known as "Kentucky's Tax Modernization Plan", was signed into law in March 2005. This bill contains a number of changes in Kentucky's tax system, including the reduction of the Corporate income tax rate from 8.25% to 7% effective January 1, 2005, and a further reduction to 6% effective January 1, 2007. As a result of the income tax rate changes, LG&E's deferred tax reserve amount will exceed its actual deferred tax liability attributable to existing temporary differences, since the new statutory rates are lower than rates when the deferred tax liability originated. In December 2006, LG&E received approval from the Kentucky Commission to establish and amortize a regulatory liability of $16 million for these net excess deferred income tax balances. LG&E will amortize these depreciation-related excess deferred income tax balances under the average rate assumption method which matches the amortization of the excess deferred income taxes with the life of the timing differences to which they relate. Excess deferred income tax balances related to non-depreciation timing differences were expensed in 2006 due to their immaterial amount. There were no additional adjustments in 2007.

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

Note 7 - Long-Term Debt

As of December 31, 2007 and 2006, long-term debt and the current portion of long-term debt consist primarily of pollution control bonds and long-term loans from affiliated companies as summarized below.

(in millions)	Stated Interest Rates	Maturities	Principal Amounts
Outstanding at December 31, 2007:			
Noncurrent portion	Variable	2012-2037	$ 864
Current portion	Variable	2026-2027	$ 120
Outstanding at December 31, 2006:			
Noncurrent portion	Variable - 5.875%	2008-2035	$ 572
Current portion	Variable	2007-2027	$ 248

Pollution control series bonds are obligations of LG&E issued in connection with tax-exempt pollution control revenue bonds issued by various governmental entities, principally counties in Kentucky. A loan agreement obligates LG&E to make debt service payments to the county that equate to the debt service due from the county on the related pollution control revenue bonds. Until a series of financing transactions was completed during April 2007, the county's debt was also secured by an equal amount of LG&E's first mortgage bonds that were pledged to the trustee for the pollution control revenue bonds that match the terms and conditions of the county's debt, but require no payment of principal and interest unless LG&E defaults on the loan agreement.

Several of the LG&E pollution control bonds are insured by monoline bond insurers whose ratings have been under pressure due to exposures relating to insurance of sub-prime mortgages. At December 31, 2007, LG&E had an aggregate $575 million of outstanding pollution control indebtedness, of which $394 million is 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. In 2008, interest rates have continued to increase, and the Company has experienced "failed auctions" when there are insufficient bids for the bonds. When there is a failed auction, the interest rate is set pursuant to a formula stipulated in the indenture which can be as high as 15%. During 2007, the average rate on the auction rate bonds was 3.77%, whereas the average rate in January and February of 2008 was 4.58%. The instruments governing these auction rate bonds permit LG&E to convert the bonds to other interest rate modes, such as various short-term variable rates, long-term fixed rates or intermediate-term fixed rates that are reset infrequently. In the first quarter of 2008, the ratings of the Louisville Metro 2003 Series A bonds were downgraded from Aaa to A2 by Moody's and from AAA to A- by S&P due to downgrades of the bond insurer. In February 2008, LG&E issued a notice to bondholders of its intention to convert the Louisville Metro 2005 Series A, 2007 Series A and 2007 Series B bonds from the auction rate mode to a weekly interest rate mode, as permitted under the loan documents. In March 2008, LG&E will issue notices to bondholders of its intention to convert the Jefferson County 2000 Series A bonds from the auction mode to a weekly interest rate mode, as permitted under the loan documents. LG&E expects to purchase such bonds and hold some or all such bonds until a later date, including potential further conversion, remarketings or refinancings. Uncertainty in markets relating to auction rate securities or steps LG&E has taken or may take to mitigate such uncertainty, such as additional conversions, subsequent restructurings or redemptions and refinancings, could result in LG&E incurring increased interest expense, transaction expenses or other costs and fees or experiencing reduced liquidity relating to existing or future pollution control financing structures. See Note 14, Subsequent Events.

All of LG&E's first mortgage bonds were released and terminated in April 2007. Only the tax-exempt pollution control revenue bonds issued by the counties remain. Under the provisions for certain of LG&E's variable-rate pollution control bonds, the bonds are subject to tender for purchase at the option of the holder and to mandatory tender for purchase upon the occurrence of certain events, causing the bonds to be classified as current portion of long-term debt in the balance sheets. The average annualized interest rate for these bonds during 2007 and 2006 was 3.66% and 3.50%, respectively.

Interest rate swaps are used to hedge LG&E's underlying variable-rate debt obligations. These swaps hedge specific debt issuances and, consistent with management's designation, are accorded hedge accounting treatment. The swaps exchange floating-rate interest payments for fixed rate interest payments to reduce the impact of interest rate changes on LG&E's pollution control bonds. As of December 31, 2007 and 2006, LG&E had swaps with an aggregate notional value of $211 million. See Note 3, Financial Instruments.

Redemptions and maturities of long-term debt for 2007 and 2006 are summarized below:

($ in millions) Year	Description	Principal Amount	Rate	Secured/ Unsecured	Maturity
2007	Pollution control bonds	$31	Variable	Secured	2017
2007	Pollution control bonds	$60	Variable	Secured	2017
2007	Pollution control bonds	$35	Variable	Secured	2013
2007	Mandatorily Redeemable Preferred Stock	$20	5.875%	Unsecured	2008
2006	Mandatorily Redeemable Preferred Stock	$ 1	5.875%	Unsecured	2006

LG&E did not issue any new long-term debt in 2006. Issuances of long-term debt for 2007 are summarized below:

($ in millions) Year	Description	Principal Amount	Rate	Secured/ Unsecured	Maturity
2007	Pollution control bonds	$31	Variable	Unsecured	2033
2007	Pollution control bonds	$60	4.60%	Unsecured	2033
2007	Pollution control bonds	$35	Variable	Unsecured	2033
2007	Due to Fidelia	$70	5.98%	Unsecured	2037
2007	Due to Fidelia	$67	5.93%	Unsecured	2031
2007	Due to Fidelia	$47	5.72%	Unsecured	2022

In January 2007, the Kentucky Commission issued an Order approving LG&E's application for certain financial transactions, including arrangements which provided a source of funds for the redemption of LG&E's preferred stock. 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.

In April 2007, LG&E agreed with Fidelia to eliminate the lien on two secured intercompany loans totaling $125 million. LG&E entered into two long-term borrowing arrangements with Fidelia in an aggregate principal amount of $138 million. The loan proceeds were used to fund the preferred stock redemption and to repay certain short-term loans incurred to fund the pension contribution made by the Company during the first quarter. LG&E also completed a series of financial transactions impacting its periodic reporting requirements. The pollution control revenue bonds issued by certain governmental entities secured by the $31 million Pollution Control Series S, the $60 million Pollution Control Series T and the $35 million Pollution Control Series U bonds were refinanced and replaced with new unsecured tax-exempt bonds of like amounts. Pursuant to the terms of the bonds, an underlying lien on substantially all of LG&E's assets was released following the completion of these steps. LG&E no longer has any secured debt and is no longer subject to periodic reporting under the Securities Exchange Act of 1934.

Long-term debt maturities for LG&E are shown in the following table:

(in millions)	
2008 - 2011	$ -
2012	25
Thereafter	959 (a)
Total	$984

(a) Includes long-term debt of $120 million classified as current liabilities because these bonds are subject to tender for purchase at the option of the holder and to mandatory tender for purchase upon the occurrence of certain events. Maturity dates for these bonds range from 2026 to 2027. LG&E does not expect to pay these amounts in 2008.

Note 8 - Notes Payable and Other Short-Term Obligations

LG&E participates in an intercompany money pool agreement wherein E.ON U.S. and/or KU make funds available to LG&E at market-based rates (based on an index of highly rated commercial paper issues) up to $400 million.

($ in millions)	Total Money Pool Available	Amount Outstanding	Balance Available	Average Interest Rate
December 31, 2007	$400	$ 78	$322	4.75%
December 31, 2006	$400	$ 68	$332	5.25%

As of December 31, 2007 and 2006, E.ON U.S. maintained a revolving credit facility totaling $150 million and $200 million, respectively, with an affiliated company, E.ON North America, Inc., to ensure funding availability for the money pool. The balance is as follows:

($ in millions)	Total Available	Amount Outstanding	Balance Available	Average Interest Rate
December 31, 2007	$150	$ 62	$88	4.97%
December 31, 2006	$200	$102	$98	5.49%

During June 2007, LG&E's five existing lines of credit totaling $185 million expired and were replaced with short-term bilateral lines of credit facilities totaling $125 million. During the third quarter of 2007, LG&E extended the maturity date of these facilities through June 2012. There was no outstanding balance under any of these facilities at December 31, 2007.

The covenants under these revolving lines of credit include the following:

- The debt/total capitalization ratio must be less than 70%
- E.ON must own at least 66.667% of voting stock of LG&E directly or indirectly
- The corporate credit rating of the Company must be at or above BBB- and Baa3 as determined by S&P and Moody's
- A limitation on disposing of assets aggregating more than 15% of total assets as of December 31, 2006

Note 9 - Commitments and Contingencies

Operating Leases. LG&E leases office space, office equipment and vehicles and accounts for these leases as operating leases. Total lease expense less amounts contributed by affiliated companies occupying a portion of the office space leased by LG&E, was $5 million for 2007 and 2006. The future minimum annual lease payments for operating leases for years subsequent to December 31, 2007, are shown in the following table:

(in millions)	
2008	$ 5
2009	4
2010	4
2011	3
2012	3
Thereafter	5
Total	$24

Sale and Leaseback Transaction. LG&E is a participant in a sale and leaseback transaction involving its 38% interest in two jointly owned CTs at KU's E.W. Brown generating station (Units 6 and 7). Commencing in December 1999, LG&E and KU entered into a tax-efficient, 18-year lease of the CTs. LG&E and KU have provided funds to fully defease the lease, and have executed an irrevocable notice to exercise an early purchase option contained in the lease after 15.5 years. The financial statement treatment of this transaction is no different than if LG&E had retained its ownership. The leasing transaction was entered into following receipt of required state and federal regulatory approvals.

In case of default under the lease, LG&E is obligated to pay to the lessor its share of certain fees or amounts. Primary events of default include loss or destruction of the CTs, failure to insure or maintain the CTs and unwinding of the transaction due to governmental actions. No events of default currently exist with respect to the lease. Upon any termination of the lease, whether by default or expiration of its term, title to the CTs reverts jointly to LG&E and KU.

At December 31, 2007, the maximum aggregate amount of default fees or amounts was $10 million, of which LG&E would be responsible for 38% (approximately $4 million). LG&E has made arrangements with E.ON U.S., via guarantee and regulatory commitment, for E.ON U.S. to pay LG&E's full portion of any default fees or amounts.

Letters of Credit. LG&E has provided letters of credit totaling $3 million to support certain obligations related to landfill reclamation and a letter of credit totaling less than $1 million to support certain obligations related to workers' compensation.

Purchased Power. LG&E has a contract for purchased power with OVEC, terminating in 2026, for various Mw capacities. LG&E has an investment of 5.63% ownership in OVEC's common stock, which is accounted for on the cost method of accounting. LG&E's share of OVEC's output is 5.63%, approximately 124 Mw of generation capacity. Future obligations for power purchases are shown in the following table:

(in millions)	
2008	$ 16
2009	18
2010	19
2011	19
2012	19
Thereafter	322
Total	$ 413

Construction Program. LG&E had $104 million of commitments in connection with its construction program at December 31, 2007.

In June 2006, LG&E and KU entered into a construction contract regarding the TC2 project. The contract is generally in the form of a lump-sum, turnkey agreement for the design, engineering, procurement, construction, commissioning, testing and delivery of the project, according to designated specifications, terms and conditions. The contract price and its components are subject to a number of potential adjustments which may serve to increase or decrease the ultimate construction price paid or payable to the contractor. The contract also contains standard representations, covenants, indemnities, termination and other provisions for arrangements of this type, including termination for convenience or for cause rights.

TC2 Air Permit. The Sierra Club and other environmental groups filed a petition challenging the air permit issued for the TC2 baseload generating unit which was issued by the Kentucky Division of Air Quality in November 2005. The filing of the challenge did not stay the permit, so the Company was free to proceed with construction during the pendancy of the action. In June 2007, the state hearing officer assigned to the matter recommended upholding the air permit with minor revisions. In September 2007, the Secretary of the Kentucky Environmental and Public Protection Cabinet issued a final Order approving the hearing officer's recommendation and upholding the permit. In September 2007, LG&E administratively applied for a permit revision to reflect minor design changes. In October 2007, the environmental groups submitted comments objecting to the draft permit revisions and, in part, attempting to reassert general objections to the generating unit. An agency decision on the final permit revisions may occur during 2008. The Company is currently unable to determine the final outcome of this matter.

Mine Safety Compliance Costs. In March 2006, the Mine Safety and Health Administration enacted Emergency Temporary Standards regulations and has issued additional regulations as the result of the passage of the Mine Improvement and New Emergency Response Act of 2006, which was signed into law in June 2006. At the state level, Kentucky and other states that supply coal to LG&E, have passed new mine safety legislation. These pieces of legislation require all underground coal mines to implement new safety measures and install new safety equipment. Under the terms of some of the coal contracts LG&E has in place, provisions are made to allow for price adjustments for compliance costs resulting from new or amended laws or regulations. LG&E has begun to receive information from the mines it contracts with regarding price adjustments related to these compliance costs and has hired a consultant to review all supplier claims for validity and reasonableness. At this time LG&E has not been notified of claims by all mines and is reviewing those claims it has received. An adjustment will be made to the value of the coal inventory once the amount is determinable, however, the amount cannot be estimated at this time. The Company expects to recover these costs through the FAC.

Environmental Matters. LG&E's operations are subject to a number of environmental laws and regulations, governing, among other things, air emissions, wastewater discharges, the use, handling and disposal of hazardous substances and wastes, soil and groundwater contamination and employee health and safety.

Clean Air Act Requirements. The Clean Air Act establishes a comprehensive set of programs aimed at protecting and improving air quality in the United States by, among other things, controlling stationary sources of air emissions such as power plants. While the general regulatory framework for these programs is established at the federal level, most of the programs are implemented and administered by the states under the oversight of the EPA. The key Clean Air Act programs relevant to LG&E's business operations are described below.

Ambient Air Quality. The Clean Air Act requires the EPA to periodically review the available scientific data for six criteria pollutants and establish concentration levels in the ambient air sufficient to protect the public health and welfare with an extra margin for safety. These concentration levels are known as national ambient air quality standards ("NAAQS"). Each state must identify "nonattainment areas" within its boundaries that fail to comply with the NAAQS and develop a SIP to bring such nonattainment areas into compliance. If a state fails to develop an adequate plan, the EPA must develop and implement a plan. As the EPA increases the stringency of the NAAQS through its periodic reviews, the attainment status of various areas may change, thereby triggering additional emission reduction obligations under revised SIPs aimed to achieve attainment.

In 1997, the EPA established new NAAQS for ozone and fine particulates that required additional reductions in SO_2 and NOx emissions from power plants. In 1998, the EPA issued its final "NOx SIP Call" rule requiring reductions in NOx emissions of approximately 85% from 1990 levels in order to mitigate ozone transport from the midwestern U.S. to the northeastern U.S. To implement the new federal requirements, Kentucky amended its SIP in 2002 to require electric generating units to reduce their NOx emissions to 0.15 pounds weight per

MMBtu on a company-wide basis. In 2005, the EPA issued the CAIR which requires additional SO_2 emission reductions of 70% and NOx emission reductions of 65% from 2003 levels. The CAIR provides for a two-phase cap and trade program, with initial reductions of NOx and SO_2 emissions due by 2009 and 2010, respectively, and final reductions due by 2015. The final rule is currently under challenge in a number of federal court proceedings. In 2006, Kentucky proposed to amend its SIP to adopt state requirements similar to those under the federal CAIR. Depending on the level of action determined necessary to bring local nonattainment areas into compliance with the new ozone and fine particulate standards, LG&E's power plants are potentially subject to additional reductions in SO_2 and NOx emissions. LG&E's weighted-average company-wide emission rate for SO_2 in 2007 was approximately 0.50 lbs./MMBtu of heat input, with every generating unit below its emission limit established by the Kentucky Division for Air Quality and the Louisville Metro Air Pollution Control District.

Hazardous Air Pollutants. As provided in the 1990 amendments to the Clean Air Act, the EPA investigated hazardous air pollutant emissions from electric utilities and submitted a report to Congress identifying mercury emissions from coal-fired power plants as warranting further study. In 2005, the EPA issued the CAMR establishing mercury standards for new power plants and requiring all states to issue new SIPs including mercury requirements for existing power plants. The EPA issued a model rule which provides for a two-phase cap and trade program with initial reductions due by 2010 and final reductions due by 2018. The CAMR provides for reductions of 70% from 2003 levels. The EPA closely integrated the CAMR and CAIR programs to ensure that the 2010 mercury reduction targets will be achieved as a "co-benefit" of the controls installed for purposes of compliance with the CAIR. The final rule is also currently under challenge in the federal courts. In February 2008, a federal appellate court issued a decision in one of the proceedings vacating the current CAMR, an outcome that may have the effect of resulting in more stringent mercury reduction rules. However, the ruling could be subject to further appeal. In 2006, Kentucky proposed to amend its SIP to adopt state requirements similar to those under the federal CAMR. In 2005, the local air agency in Jefferson County, Kentucky adopted a regulation aimed at regulating additional hazardous air pollutants from sources including power plants. A similar regulation was proposed by the Kentucky air agency in 2006, but it was withdrawn in 2007. To the extent those rules are final, they are not expected to have a material impact on LG&E's power plant operations.

Acid Rain Program. The 1990 amendments to the Clean Air Act imposed a two-phased cap and trade program to reduce SO_2 emissions from power plants that were thought to contribute to "acid rain" conditions in the northeastern U.S. The 1990 amendments also contained requirements for power plants to reduce NOx emissions through the use of available combustion controls.

Regional Haze. The Clean Air Act also includes visibility goals for certain federally designated areas, including national parks, and requires states to submit SIPs that will demonstrate reasonable progress toward preventing future impairment and remedying any existing impairment of visibility in those areas. In 2005, the EPA issued its Clean Air Visibility Rule detailing how the Clean Air Act's BART requirements will be applied to facilities, including power plants, built between 1962 and 1974 that emit certain levels of visibility impairing pollutants. Under the final rule, as the CAIR will result in more visibility improvement than BART, states are allowed to substitute CAIR requirements in their regional haze SIPs in lieu of controls that would otherwise be required by BART. The final rule has been challenged in the courts.

Installation of Pollution Controls. Many of the programs under the Clean Air Act utilize cap and trade mechanisms that require a company to hold sufficient emissions allowances to cover its authorized emissions on a company-wide basis and do not require installation of pollution controls on every generating unit. Under cap and trade programs, companies are free to focus their pollution control efforts on plants where such controls are particularly efficient and utilize the resulting emission allowances for smaller plants where such controls are not cost effective. LG&E had previously installed flue gas desulfurization equipment on all of its generating units prior to the effective date of the acid rain program. LG&E's strategy for its Phase II SO_2 requirements, which commenced in 2000, is to use accumulated emissions allowances to defer additional capital expenditures and LG&E will continue to evaluate improvements to further reduce SO_2 emissions. In order to achieve the NOx emission reductions and associated obligations, LG&E installed additional NOx controls, including selective catalytic reduction technology, during the 2000 to 2007 time period at a cost of $197 million. In 2001, the Kentucky Commission granted approval to recover the costs incurred by LG&E for these projects through the environmental surcharge mechanism. Such monthly recovery is subject to periodic review by the Kentucky Commission.

In order to achieve the emissions reductions mandated by the CAIR and CAMR, LG&E expects to incur additional capital expenditures totaling $130 million during the 2008 through 2010 time period for pollution control equipment, and additional operating and maintenance costs in operating such controls. In 2005, the Kentucky Commission granted approval to recover the costs incurred by LG&E for these projects through the ECR mechanism. Such monthly recovery is subject to periodic review by the Kentucky Commission. LG&E believes its costs in reducing SO_2, NOx and mercury emissions to be comparable to those of similarly situated utilities with like generation assets. LG&E's compliance plans are subject to many factors including developments in the emission allowance and fuels markets, future legislative and regulatory enactments, legal proceedings and advances in clean air technology. LG&E will continue to monitor these developments to ensure that its environmental obligations are met in the most efficient and cost-effective manner.

Potential GHG Controls. In 2005, the Kyoto Protocol for reducing GHG emissions took effect, obligating 37 industrialized countries to undertake substantial reductions in GHG emissions. The U.S. has not ratified the Kyoto Protocol and there are currently no mandatory GHG emission reduction requirements at the federal level. Legislation mandating GHG reductions has been introduced in the Congress, but no federal legislation has been enacted to date. In the absence of a program at the federal level, various states have adopted their own GHG emission reduction programs. Such programs have been adopted in various states including 11 northeastern U.S. states and the District of Columbia under the Regional GHG Initiative program and California. Substantial efforts to pass federal GHG legislation are ongoing. In addition, litigation is currently pending before various courts to determine whether the EPA and the states have the authority to regulate GHG emissions under existing law. In April 2007, the U.S. Supreme Court ruled that the EPA has the authority to regulate GHG under the Clean Air Act. LG&E is monitoring ongoing efforts to enact GHG reduction requirements at the state and federal level and is assessing potential impacts of such programs and strategies to mitigate those impacts. LG&E is unable to predict whether mandatory GHG reduction requirements will ultimately be enacted. As a Company with significant coal-fired generating assets, LG&E could be substantially impacted by programs requiring mandatory reductions in GHG emissions, although the precise impact on the operations of LG&E, including the reduction targets and deadlines that would be applicable, cannot be determined prior to the enactment of such programs.

Section 114 Requests. In August 2007, the EPA issued administrative information requests under Section 114 of the Clean Air Act requesting new source review-related data regarding certain construction and maintenance activities at LG&E's Mill Creek 4 and Trimble County 1 generating units and KU's Ghent 2 generating unit. The Companies are complying with the information requests and are not able to predict further proceedings in this matter at this time.

General Environmental Proceedings. From time to time, LG&E appears before the EPA, various state or local regulatory agencies and state and federal courts regarding matters involving compliance with applicable environmental laws and regulations. Such matters include remediation obligations for former manufactured gas plant sites; liability under the Comprehensive Environmental Response, Compensation and Liability Act for cleanup at various off-site waste sites; ongoing claims regarding alleged particulate emissions from LG&E's Cane Run station and ongoing claims regarding GHG emissions from LG&E's generating stations. With respect to the former manufactured gas plant sites, LG&E has estimated that it could incur additional costs of less than $1 million for remaining clean-up activities under existing approved plans or agreements. Based on analysis to date, the resolution of the other matters is also not expected to have a material impact on the operations of LG&E.

Note 10 - Jointly Owned Electric Utility Plant

LG&E owns a 75% undivided interest in Trimble County Unit 1 which the Kentucky Commission has allowed to be reflected in customer rates. Of the remaining 25% of the Unit, IMEA owns a 12.12% undivided interest, and IMPA owns a 12.88% undivided interest. Each company is responsible for its proportionate ownership share of fuel cost, operation and maintenance expenses and incremental assets. The following data represent shares of the jointly owned property:

	Trimble County Unit 1			
	LG&E	IMPA	IMEA	Total
Ownership interest	75%	12.88%	12.12%	100%
Mw capacity	383	66	62	511

(in millions)	
LG&E's 75% ownership:	
Cost	$ 633
Accumulated depreciation	246
Net book value	$ 387
Construction work in progress (included in above)	$ 27

LG&E and KU have begun construction of TC2, a jointly owned unit at the Trimble County site. LG&E and KU own undivided 14.25% and 60.75% interests, respectively, in TC2. Of the remaining 25% of TC2, IMEA owns a 12.12% undivided interest and IMPA owns a 12.88% undivided interest. Each company is responsible for its proportionate share of capital cost during construction, and fuel, operation and maintenance cost when TC2 begins operation, which is expected to occur in 2010.

	TC2				
	LG&E	KU	IMPA	IMEA	Total
Ownership interest	14.25%	60.75%	12.88%	12.12%	100%
Mw capacity	107	455	97	91	750

(in millions)	LG&E	KU
Construction work in progress	$74	$332

LG&E and KU jointly own the following CTs and related equipment:

($ in millions)	LG&E				KU				Total			
Ownership Percentage	Mw Capacity	($) Cost	($) Depre-ciation	($) Net Book Value	Mw Capacity	($) Cost	($) Depre-ciation	($) Net Book Value	Mw Capacity	($) Cost	($) Depre-ciation	($) Net Book Value
LG&E 53%, KU 47% (1)	146	58	(12)	46	129	51	(11)	40	275	109	(23)	86
LG&E 38%, KU 62% (2)	118	50	(10)	40	190	78	(14)	64	308	128	(24)	104
LG&E 29%, KU 71% (3)	92	32	(6)	26	228	80	(14)	66	320	112	(20)	92
LG&E 37%, KU 63% (4)	236	79	(8)	71	404	137	(17)	120	640	216	(25)	191
LG&E 29%, KU 71% (5)	n/a	3	-	3	n/a	9	(2)	7	n/a	12	(2)	10

1) Comprised of Paddy's Run 13 and E.W. Brown 5. In addition to the above jointly owned utility plant, there is an inlet air cooling system attributable to Unit 5 and units 8-11 at the E.W. Brown facility. This inlet air cooling system is not jointly owned, however, it is used to increase production on the units to which it relates, resulting in an additional 10 Mw of capacity for LG&E.
2) Comprised of units 6 and 7 at the E.W. Brown facility.
3) Comprised of units 5 and 6 at the Trimble County facility.
4) Comprised of CT Substation 7-10 and units 7, 8, 9 and 10 at the Trimble County facility.
5) Comprised of CT Substation 5 and 6 and CT Pipeline at the Trimble County facility.

Both LG&E's and KU's participating share of direct expenses of the jointly owned plants is included in the corresponding operating expenses on its respective income statement (e.g., fuel, maintenance of plant, other operating expense).

Note 11 - Segments of Business and Related Information

LG&E is a regulated public utility engaged in the generation, transmission, distribution and sale of electricity and the storage, distribution and sale of natural gas. LG&E is regulated by the Kentucky Commission and files electric and natural gas financial information separately with the Kentucky Commission. The Kentucky Commission establishes rates specifically for the electric and natural gas businesses. Therefore, management reports analyze financial performance based on the electric and natural gas segments of the business. Financial data for business segments follow:

(in millions)	Electric	Gas	Total
2007			
Operating revenues	$ 933	$ 353	$1,286
Depreciation and amortization	107	19	126
Income taxes	54	5	59
Interest income	1	-	1
Interest expense	41	9	50
Net income	112	8	120
Total assets	2,669	644	3,313
Construction expenditures	157	37	194
2006			
Operating revenues	$ 943	$ 395	$1,338
Depreciation and amortization	105	19	124
Income taxes	57	5	62
Interest income	1	-	1
Interest expense	33	8	41
Net income	107	10	117
Total assets	2,519	665	3,184
Construction expenditures	111	35	146

Note 12 - Related Party Transactions

LG&E, subsidiaries of E.ON U.S. and subsidiaries of E.ON engage in related party transactions. Transactions between LG&E and E.ON U.S. subsidiaries are eliminated upon consolidation of E.ON U.S. Transactions between LG&E and E.ON subsidiaries are eliminated upon consolidation of E.ON. These transactions are generally performed at cost and are in accordance with FERC regulations under PUHCA 2005 and the applicable Kentucky Commission regulations. The significant related party transactions are disclosed below.

Electric Purchases

LG&E and KU purchase energy from each other in order to effectively manage the load of their retail and wholesale customers. These sales and purchases are included in the statements of income as electric operating revenues and purchased power operating expense. LG&E intercompany electric revenues and purchased power expense for the years ended December 31, were as follows:

(in millions)	2007	2006
Electric operating revenues from KU	$93	$99
Purchased power from KU	46	77

Interest Charges

See Note 8, Notes Payable and Other Short-Term Obligations, for details of intercompany borrowing arrangements. Intercompany agreements do not require interest payments for receivables related to services provided when settled within 30 days.

LG&E's intercompany interest income and expense for the years ended December 31, were as follows:

(in millions)	2007	2006
Interest on money pool loans	$ 4	$ 2
Interest on Fidelia loans	17	11

Other Intercompany Billings

E.ON U.S. Services provides LG&E with a variety of centralized administrative, management and support services. These charges include payroll taxes paid by E.ON U.S. on behalf of LG&E, labor and burdens of E.ON U.S. Services employees performing services for LG&E and vouchers paid by E.ON U.S. Services on behalf of LG&E. The cost of these services is directly charged to LG&E, or for general costs which cannot be directly attributed, charged based on predetermined allocation factors, including the following ratios: number of customers, total assets, revenues, number of employees and other statistical information. These costs are charged on an actual cost basis.

In addition, LG&E and KU provide services to each other and to E.ON U.S. Services. Billings between LG&E and KU relate to labor and overheads associated with union employees performing work for the other utility, charges related to jointly owned CTs and other miscellaneous charges. Billings from LG&E to E.ON U.S. Services include cash received by E.ON U.S. Services on behalf of LG&E, primarily tax settlements, and other payments made by LG&E on behalf of other non-regulated businesses which are paid through E.ON U.S. Services.

Intercompany billings to and from LG&E for the years ended December 31, were as follows:

(in millions)	2007	2006
E.ON U.S. Services billings to LG&E	$385	$230
LG&E billings to KU	12	53
KU billings to LG&E	6	56
LG&E billings to E.ON U.S. Services	12	7

In December 2007, LG&E received a capital contribution from its shareholder, E.ON U.S. in the amount of $20 million.

Note 13 – Accumulated Other Comprehensive Income

Accumulated other comprehensive income (loss) consisted of the following:

(in millions)	Minimum Pension Liability Adjustment	Accumulated Derivative Gain or Loss	Pre-Tax	Income Taxes	Net
Balance at December 31, 2005	$ (77)	$(18)	$(95)	$37	$(58)
Minimum pension liability adjustment	77	-	77	(30)	47
Gains (losses) on derivative instruments designated and qualifying as cash flow hedging instruments	-	3	3	(1)	2
Balance at December 31, 2006	-	(15)	(15)	6	(9)
Gains (losses) on derivative instruments designated and qualifying as cash flow hedging instruments	-	(6)	(6)	2	(4)
Balance at December 31, 2007	$ -	$(21)	$(21)	$ 8	$(13)

Subsequent to the application of SFAS No. 158, adjustments to the minimum pension liability are recorded as regulatory assets and liabilities. As a result, there are no adjustments to the minimum pension liability recorded in accumulated other comprehensive income at December 31, 2007 or 2006.

Note 14 - Notes to Statement of Cash Flows

Supplemental disclosures of cash flow information

(in millions)	2007	2006
Cash paid during the period for:		
Income Taxes	$62	$64
Interest on borrowed money	23	22
Interest to affiliated companies on borrowed money	15	11

Note 15 - Notes to Statement of Income for the Year

See page 115, line 6, column (g). Electric Utility Depreciation Expense includes $5.5 million applicable to Common Utility Plant apportioned to Electric Operations.

See page 115, line 6, column (i). Gas Utility Depreciation Expense includes $2.0 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 $4.6 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 $1.6 million applicable to Common Utility Plant apportioned to Gas Operations.

Note 16 - Subsequent Events

On January 18, 2008, the Kentucky Commission issued an Order approving the charges and credits billed through the FAC during the review period of November 1, 2006 through April 30, 2007.

On February 1, 2008, the Kentucky Commission issued an Order approving the real-time pricing pilot program proposed by LG&E, for implementation within approximately eight months, for its large commerical and industrial customers.

On February 7, 2008 and February 25, 2008, the ratings of the Louisville Metro 2003 Series A bonds were downgraded from Aaa to A2 by Moody's and from AAA to A- by S&P, due to downgrades of the bond insurer.

On February 26, 2008, LG&E commenced steps, including notice to relevant parties, to convert the Louisville Metro 2005 Series A bonds from the auction rate mode of interest to a weekly interest rate mode. Such conversion is scheduled to occur on March 24, 2008.

On February 27, 2008, LG&E commenced steps, including notice to relevant parties, to convert the Louisville Metro 2007 Series A and 2007 Series B bonds from the auction rate mode of interest to a weekly interest rate mode. Such conversions are scheduled to occur on April 4, 2008.

Beginning in late 2007, the interest rates on these insured bonds, wherein interest rates are reset either weekly or every 35 days via an auction process, began to increase due to investor concerns about the creditworthiness of the bond insurers. In 2008, interest rates have continued to increase, and the Company has experienced "failed auctions" when there are insufficient bids for the bonds. When there is a failed auction, the interest rate is set pursuant to a formula stipulated in the indenture which can be as high as 15%. During 2007, the average rate on the auction rate bonds was 3.77%, whereas the average rate in January and February of 2008 was 4.58%.

On March 4, 2008, the FERC issued an Order approving the MISO exit fee recalculation agreement which provides LG&E with an immediate recovery of less than $1 million and an estimated $2 million over the next eight years for credits realized from other payments the MISO will receive, plus interest.

LG&E FERC Form 2 – December 31, 2006

THIS FILING IS	
Item 1: [x] An Initial (Original) Submission	OR [ ] Resubmission No. ____

Form 2 Approved
OMB No. 1902-0028
(Expires 6/30/2007)
Form 3-Q: Approved
OMB No.1902-0205
(Expires 6/30/2007)

FERC FINANCIAL REPORT
FERC FORM No. 2: Annual Report of Major Natural Gas Companies and Supplemental Form 3-Q: Quarterly Financial Report

These reports are mandatory under the Natural Gas Act. Sections 10(a). and 16 and 18 CFR Parts 260.1 and 260.300. 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 a confidential nature.

Exact Legal Name of Respondent (Company)	Year/Period of Report
Louisville Gas and Electric Company	End of 2006/Q4

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
500 West Main Street
Suite 1800
Louisville KY 40202-4264
Telephone (502) 589 6100
Facsimile (502) 585 7875

Report of Independent Auditors

To the Shareholder of Louisville Gas and Electric Company:

We have audited the accompanying balance sheets of Louisville Gas and Electric Company as of December 31, 2006 and 2005 and the related statements of income, retained earnings and cash flows for the years then ended, included on pages 110 through 123.39 of the accompanying Federal Energy Regulatory Commission Form 1. These financial statements are the responsibility of the Company's management 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 of America. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared in accordance with the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases, which is a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisville Gas and Electric Company as of December 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in accordance with the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases.

This report is intended solely for the information and use of the board of directors and management of Louisville Gas and Electric Company and for filing with the Federal Energy Regulatory Commission and should not be used for any other purpose.

PricewaterhouseCoopers LLP

March 29, 2007

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INSTRUCTIONS FOR FILING FERC FORM NOS. 2, 2-A and 3-Q

GENERAL INFORMATION

I. Purpose

FERC Form Nos. 2, 2-A, and 3-Q are designed to collect financial and operational information from natural gas companies subject to the jurisdiction of the Federal Energy Regulatory Commission. These reports are considered to be non-confidential public use forms.

II. Who Must Submit

Each natural gas company whose combined gas transported or stored for a fee exceed 50 million dekatherms in each of the previous three calendar years must submit FERC Form Nos. 2 and 3-Q.

Each natural gas company not meeting the filing threshold for FERC Form No. 2, but having total gas sales or volume transactions exceeding 200,000 dekatherms in each of the previous three calendar years must submit FERC Form Nos. 2-A and 3-Q.

Newly established entities must use projected data to determine whether they must file the FERC Form No. 3-Q, and FERC Form Nos. 2 or 2-A.

III. What and Where to Submit

(a) Submit FERC Form Nos 2, 2-A and 3-Q electronically through the forms submission software at http://www.ferc.gov/docs-filing/eforms/form-2/elec-subm-soft.asp.

(b) The Corporate Officer Certification must be submitted electronically as part of the FERC Form Nos. 2, 2-A, and 3-Q filings.

(b) Submit immediately upon publication, by either eFiling or mail, two (2) copies to the Secretary of the Commission, the latest Annual Report to Stockholders and any annual financial or statistical report regularly prepared and distributed to bondholders, security analysts, or industry associations. Do not include monthly and quarterly reports. Indicate by checking the appropriate box on FERC Form No. 2, Page 3, List of Schedules, if the reports to stockholders will be submitted or if no Annual Report to Stockholders is prepared. Unless eFiling the Annual Report to Stockholders, mail these reports 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 with the original submission of this form, a letter or report (not applicable to respondents classified as Class C or Class D prior to January 1, 1984) prepared in conformity with the current standards of reporting which will:

(i) attest to the conformity, in all material respects, of the schedules listed below with the Commission's applicable Uniform System of Accounts (including applicable notes relating thereto and the Chief Accountant's published accounting releases), and

(ii) 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. §§ 158.10-158.12 for specific qualifications)

Reference	Reference Schedules Pages
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

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.

(c) Filers are encouraged to file their Annual Report to Stockholders, and 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.

(d) Federal, State and Local Governments and other authorized users may obtain additional blank copies of FERC Form Nos. 2, 2-A and 3-Q free of charge from http://www.ferc.gov/docs-filing/eforms/form-2/form-2.pdf , http://www.ferc.gov/docs-filing/eforms/form-2a/form-2a.pdf and http://www.ferc.gov/docs-filing/eforms.asp#3Q-gas .

IV. When to Submit:

FERC Form Nos. 2, 2-A, and 3-Q must be filed by the dates:

(a) FERC Form Nos. 2 and 2-A for each year ending December 31 must be filed by April 18th of the following year (18 C.F.R. §§ 260.1 and 260.2),

(b) FERC Form No. 3-Q – Natural gas companies that file a FERC Form 2 must file the FERC Form No. 3-Q within 60 days after the end of the reporting quarter (18 CFR § 260.300), and

(c) FERC Form No. 3-Q – Natural gas companies that file a FERC Form 2-A must file the FERC Form No. 3-Q within 70 days after the end of the reporting quarter (18 CFR § 260.300).

V. Where to Send Comments on Public Reporting Burden

The public reporting burden for the FERC Form 2 collection of information is estimated to average 1,570 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 2-A collection of information is estimated to average 115 hours per response. 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 all reports in conformity with the Uniform System of Accounts (USofA) (18 CFR Part 201). Interpret all accounting words and phrases in accordance with the USofA.

II. Enter in whole numbers (dollars or Dth) 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. Footnote and further explain accounts or pages as necessary.

IX. Do not make references to reports of previous periods/years or to other reports in lieu of required entries, except as specifically authorized.

X. 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.

XI. Report all gas volumes in Dth unless the schedule specifically requires the reporting in a different unit of measurement.

DEFINITIONS

I. Btu per cubic foot – The total heating value, expressed in Btu, produced by the combustion, at constant pressure, of the amount of the gas which would occupy a volume of 1 cubic foot at a temperature of 60°F if saturated with water vapor and under a pressure equivalent to that of 30°F, and under standard gravitational force (980.665 cm. per sec) with air of the same temperature and pressure as the gas, when the products of combustion are cooled to the initial temperature of gas and when the water formed by combustion is condensed to the liquid state (called gross heating value or total heating value air.

II. Commission Authorization -- The authorization of the Federal Energy Regulatory Commission, or any Commission. Name the commission whose authorization was obtained and give date of the authorization.

III. Dekatherm – A unit of heating value equivalent to 10 therms or 1,000,000 Btu.

IV. Respondent – The person, corporation, licensee, agency, authority, or other legal entity or instrumentality on whose behalf the report is made.

FERC FORM NO. 2:
ANNUAL REPORT OF MAJOR NATURAL GAS COMPANIES

IDENTIFICATION	
01 Exact Legal Name of Respondent Louisville Gas and Electric Company	02 Year of Report Dec. 31, 2006
03 Previous Name and Date of Change (*If name changed during year*)	
04 Address of Principal Business Office at End of Year (*Street, City, State, Zip Code*) 220 W. Main Street, P.O. Box 32010, Louisville, Kentucky 40232	
05 Name of Contact Person Susan K. Emery	06 Title of Contact Person Mgr - Regulatory Accounting & Reporting
07 Address of Contact Person (*Street, City, State, Zip Code*) P.O. Box 32010, Louisville. Kentucky 40232	

08 Telephone of Contact Person, *Including Area Code*	09 This Report is	10 Date of Report (*Mo, Da, Yr*)
(502) 627-3997	(1) [x] An Original (2) [ ] A Resubmission	3/31/2007

ATTESTATION	
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 S. Bradford Rives	02 Title Chief Financial Officer
03 Signature	04 Date Signed (*Mo, Da, Yr*) 3/31/2007
Title 18, U.S.C. 1001, makes it a crime for any person 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.	

Name of Respondent	This Report Is:	Date of Report	Year of Report
Louisville Gas and Electric Company	(1) [x] An Original (2) [ ] A Resubmission	(Mo,Da,Yr) 03/31/2007	Dec. 31, 2006

LIST OF SCHEDULES (Natural Gas Company)

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

Title of Schedule (a)	Reference Page No (b)	Date Revised (c)	Remarks (d)
GENERAL CORPORATE INFORMATION AND FINANCIAL STATEMENTS			
General Information	101		*
Control Over Respondent	102		*
Corporations Controlled by Respondent	103		*
Security Holders and Voting Powers	107		**
Important Changes During the Year	108-109		*
Comparative Balance Sheet	110-113		*
Statement of Income for the Year	114-117		*
Statement of Retained Earnings for the Year	118-119		*
Statement of Cash Flows	120-121		*
Notes to Financial Statements	122		*
Statement of Accum Comp Income, Comp Income, and Hedging Activities	122(a)(b)		*
BALANCE SHEET SUPPORTING SCHEDULES (Assets and Other Debits)			
Summary of Utility Plant and Accumulated Provisions for Depreciation, Amortization, and Depletion	200-201		*
Gas Plant in Service	204-209		
Gas Property and Capacity Leased from Others	212		None
Gas Property and Capacity Leased to Others	213		None
Gas Plant Held for Future Use	214		None
Construction Work in Progress--Gas	216		
General Description of Construction Overhead Procedure	218		
Accumulated Provision for Depreciation of Gas Utility Plant	219		
Gas Stored	220		
Investments	222-223		
Investments in Subsidiary Companies	224-225		None
Prepayments	230		
Extraordinary Property Losses	230		None
Unrecovered Plant and Regulatory Study Costs	230		None
Other Regulatory Assets	232		*
Miscellaneous Deferred Debits	233		*
Accumulated Deferred Income Taxes	234-235		
BALANCE SHEET SUPPORTING SCHEDULES (Liabilities and Other Credits)			
Capital Stock	250-251		*
Capital Stock Subscribed, Capital Stock Liability for Conversion, Premium on Capital Stock, and Installments Received on Capital Stock	252		None
Other Paid-in Capital	253		*
Discount on Capital Stock	254		None
Capital Stock Expense	254		*
Securities Issued or Assumed and Securities Refunded or Retired During the Year	255		
Long-Term Debt	256-257		*
Unamortized Debt Exp., Premium and Discount on Long-Term Debt	258-259		
Unamortized Loss and Gain on Reacquired Debt	260		
Reconciliation of Reported Net Income with Taxable Income for Federal Income Taxes	261		*

Name of Respondent	This Report Is:	Date of Report	Year of Report
Louisville Gas and Electric Company	(1) [x] An Original (2) [ ] A Resubmission	(Mo,Da,Yr) 03/31/2007	Dec. 31, 2006

LIST OF SCHEDULES (Natural Gas Company)(Continued)

Title of Schedule (a)	Reference Page No. (b)	Date Revised (c)	Remarks (d)
BALANCE SHEET SUPPORTING SCHEDULES (Liabilities and Other Credits) (Continued)			
Taxes Accrued, Prepaid and Charged During Year	262-263		
Miscellaneous Current and Accrued Liabilities	268		
Other Deferred Credits	269		
Accumulated Deferred Income Taxes--Other Property	274-275		
Accumulated Deferred Income Taxes--Other	276-277		
Other Regulatory Liabilities	278		
INCOME ACCOUNT SUPPORTING SCHEDULES			
Gas Operating Revenues	300-301		
Revenues from Transportation of Gas of Others Through Gathering Facilities	302-303		None
Revenues from Transportation of Gas of Others Through Transmission Facilities	304-305		None
Revenues from Storage Gas of Others	306-307		None
Other Gas Revenues	308		
Gas Operation and Maintenance Expenses	317-325		
Exchange and Imbalance Transactions	328		None
Gas Used in Utility Operations	331		
Transmission and Compression of Gas by Others	332		None
Other Gas Supply Expenses	334		
Miscellaneous General Expenses--Gas	335		
Depreciation, Depletion, and Amortization of Gas Plant	336-338		
Particulars Concerning Certain Income Deduction and Interest Charges Accounts	340		
COMMON SECTION			
Regulatory Commission Expenses	350-351		None
Distribution of Salaries and Wages	354-355		
Charges for Outside Professional and Other Consultative Services	357		
GAS PLANT STATISTICAL DATA			
Compressor Stations	508-509		
Gas Storage Projects	512-513		
Transmission Lines	514		
Transmission System Peak Deliveries	518		
Auxiliary Peaking Facilities	519		
Gas Account--Natural Gas	520		
System Map	522		
Footnote Reference	551		None
Footnote Text	552		None
Stockholders' Reports	-		None

*FERC Form 1 pages substituted.
**Disclosed as a supplemental page located in front section of Form 2.

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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	03/31/2007	End of 2006/Q4

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.

S.B. Rives
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 gas service in the City of 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) [X] No

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	03/31/2007	End of 2006/Q4

CONTROL OVER RESPONDENT

1. If any corporation, business trust, or similar organization or a combination of such organizations jointly held control over the repondent 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 beneficiearies for whom trust was maintained, and purpose of the trust.

LG&E is a wholly-owned subsidiary of E.ON U.S. LLC., formerly known as LG&E Energy LLC. E.ON U.S. is a wholly-owned subsidiary of E.ON, a German corporation, making LG&E a wholly-owned subsidiary of E.ON.

Name of Respondent	This Report Is:	Date of Report (Mo. Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	03/31/2007	End of 2006/Q4

CORPORATIONS CONTROLLED BY RESPONDENT

1. Report below the names of all corporations, business trusts, and similar organizations, controlled directly or indirectly by respondent at any time during the year. If control ceased prior to end of year, give particulars (details) in a footnote.
2. If control was by other means than a direct holding of voting rights, state in a footnote the manner in which control was held, naming any intermediaries involved.
3. If control was held jointly with one or more other interests, state the fact in a footnote and name the other interests.

Definitions
1. See the Uniform System of Accounts for a definition of control.
2. Direct control is that which is exercised without interposition of an intermediary.
3. Indirect control is that which is exercised by the interposition of an intermediary which exercises direct control.
4. Joint control is that in which neither interest can effectively control or direct action without the consent of the other, as where the voting control is equally divided between two holders, or each party holds a veto power over the other. Joint control may exist by mutual agreement or understanding between two or more parties who together have control within the meaning of the definition of control in the Uniform System of Accounts, regardless of the relative voting rights of each party.

Line No.	Name of Company Controlled (a)	Kind of Business (b)	Percent Voting Stock Owned (c)	Footnote Ref. (d)
1	-- Not Applicable --			
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Name of Respondent	This Report Is:	Date of Report	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	03/31/2007	End of 2006/Q4

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 106, 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.

1. None.

2. None.

3. None.

4. None.

5. None.

6. At December 31, 2006, the Company had obtained authorization from the SEC under PUHCA SEC File No. 70-09985 for the issuance of short-term debt up to $400 million through May 31, 2008. The Federal Power Act contained an exemption from FERC approval for securities issuances approved by the SEC under PUHCA. In connection with the repeal of PUHCA, the Company also received FERC authorization under the FPA Docket No. ES06-4-000 for up to $400 million in short-term debt through November 30, 2007. LG&E's money pool balance increased from $52 million at the end of the third quarter to $68 million at the end of the fourth quarter. See Note 7 of Notes to Financial Statements.

7. None.

8. None of a material nature.

9. See Notes 2, 9 and 16 of Notes to Financial Statements.

10. None.

11. N/A.

12. N/A.

13. Paula H. Pottinger was appointed Senior Vice President-Human Resources effective January 2, 2006. David A. Vogel announced his resignation as Vice President - Retail and Gas Storage Operations during March 2007.

14. The Company is a participant in a cash pooling arrangement, but its proprietary capital ratio is above 30%.

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report *(Mo, Da, Yr)* 03/31/2007	Year/Period of Report End of 2006/Q4

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	3,903,922,638	3,888,206,980
3	Construction Work in Progress (107)	200-201	217,873,410	158,787,888
4	TOTAL Utility Plant (Enter Total of lines 2 and 3)		4,121,796,048	4,046,994,868
5	(Less) Accum. Prov. for Depr. Amort. Depl. (108, 110, 111, 115)	200-201	1,766,590,602	1,727,600,282
6	Net Utility Plant (Enter Total of line 4 less 5)		2,355,205,446	2,319,394,586
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)		2,355,205,446	2,319,394,586
15	Utility Plant Adjustments (116)	122	0	0
16	Gas Stored Underground - Noncurrent (117)		2,139,990	2,139,990
17	**OTHER PROPERTY AND INVESTMENTS**			
18	Nonutility Property (121)		80,698	199,654
19	(Less) Accum. Prov. for Depr. and Amort. (122)		63,360	63,360
20	Investments in Associated Companies (123)		0	0
21	Investment in Subsidiary Companies (123.1)	224-225	0	0
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)		594,286	594,286
25	Sinking Funds (125)		0	0
26	Depreciation Fund (126)		0	0
27	Amortization Fund - Federal (127)		0	0
28	Other Special Funds (128)		2,840,300	145
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)		3,451,924	730,725
33	**CURRENT AND ACCRUED ASSETS**			
34	Cash and Working Funds (Non-major Only) (130)		0	0
35	Cash (131)		6,603,229	7,098,511
36	Special Deposits (132-134)		15,605,848	9,817,848
37	Working Fund (135)		23,780	57,566
38	Temporary Cash Investments (136)		5,458	27
39	Notes Receivable (141)		0	0
40	Customer Accounts Receivable (142)		84,338,640	142,196,479
41	Other Accounts Receivable (143)		29,508,161	7,995,280
42	(Less) Accum. Prov. for Uncollectible Acct.-Credit (144)		1,649,125	1,073,383
43	Notes Receivable from Associated Companies (145)		0	0
44	Accounts Receivable from Assoc. Companies (146)		19,407,514	36,535,701
45	Fuel Stock (151)	227	37,861,747	38,687,915
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	25,262,980	23,485,355
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	15,403	21,443

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	03/31/2007	End of 2006/Q4

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	4,433,231	4,208,705
55	Gas Stored Underground - Current (164.1)		82,837,901	124,868,861
56	Liquefied Natural Gas Stored and Held for Processing (164.2-164.3)		0	0
57	Prepayments (165)		5,379,921	4,142,673
58	Advances for Gas (166-167)		0	0
59	Interest and Dividends Receivable (171)		175,044	45,040
60	Rents Receivable (172)		37,487	47,450
61	Accrued Utility Revenues (173)		52,720,000	81,765,000
62	Miscellaneous Current and Accrued Assets (174)		0	0
63	Derivative Instrument Assets (175)		895,627	1,619,259
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)		363,462,846	481,519,730
68	**DEFERRED DEBITS**			
69	Unamortized Debt Expenses (181)		8,132,045	8,538,728
70	Extraordinary Property Losses (182.1)	230	0	0
71	Unrecovered Plant and Regulatory Study Costs (182.2)	230	0	0
72	Other Regulatory Assets (182.3)	232	163,619,703	27,519,495
73	Prelim. Survey and Investigation Charges (Electric) (183)		69,034	0
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)		756,750	287,179
77	Temporary Facilities (185)		0	0
78	Miscellaneous Deferred Debits (186)	233	36,346,566	67,015,483
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)		19,623,273	20,644,905
82	Accumulated Deferred Income Taxes (190)	234	56,085,158	91,651,503
83	Unrecovered Purchased Gas Costs (191)		0	0
84	Total Deferred Debits (lines 69 through 83)		284,632,529	215,657,293
85	TOTAL ASSETS (lines 14-16, 32, 67, and 84)		3,008,892,735	3,019,442,324

Name of Respondent	This Report is:	Date of Report (mo, da, yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Rresubmission	03/31/2007	end of 2006/Q4

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	71,519,300	71,519,300
4	Capital Stock Subscribed (202, 205)	252	0	0
5	Stock Liability for Conversion (203, 206)	252	0	0
6	Premium on Capital Stock (207)	252	0	0
7	Other Paid-In Capital (208-211)	253	40,005,699	40,005,699
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)	254	1,924,169	1,924,168
11	Retained Earnings (215, 215.1, 216)	118-119	639,104,730	620,981,498
12	Unappropriated Undistributed Subsidiary Earnings (216.1)	118-119	0	0
13	(Less) Reaquired Capital Stock (217)	250-251	12,125	12,125
14	Noncorporate Proprietorship (Non-major only) (218)		0	0
15	Accumulated Other Comprehensive Income (219)	122(a)(b)	-9,305,657	-58,169,830
16	Total Proprietary Capital (lines 2 through 15)		1,164,558,202	1,097,570,798
17	LONG-TERM DEBT			
18	Bonds (221)	256-257	574,304,000	574,304,000
19	(Less) Reaquired Bonds (222)	256-257	0	0
20	Advances from Associated Companies (223)	256-257	225,000,000	225,000,000
21	Other Long-Term Debt (224)	256-257	20,000,000	21,250,000
22	Unamortized Premium on Long-Term Debt (225)		0	0
23	(Less) Unamortized Discount on Long-Term Debt-Debit (226)		0	0
24	Total Long-Term Debt (lines 18 through 23)		819,304,000	820,554,000
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)		0	0
29	Accumulated Provision for Pensions and Benefits (228.3)		99,316,147	66,918,941
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		0	0
33	Long-Term Portion of Derivative Instrument Liabilities - Hedges		0	0
34	Asset Retirement Obligations (230)		28,430,702	26,549,216
35	Total Other Noncurrent Liabilities (lines 26 through 34)		127,746,849	93,468,157
36	CURRENT AND ACCRUED LIABILITIES			
37	Notes Payable (231)		0	0
38	Accounts Payable (232)		162,796,168	224,824,985
39	Notes Payable to Associated Companies (233)		67,824,000	141,245,000
40	Accounts Payable to Associated Companies (234)		54,907,690	55,733,961
41	Customer Deposits (235)		18,146,501	16,751,799
42	Taxes Accrued (236)	262-263	28,624,485	7,567,131
43	Interest Accrued (237)		2,324,124	2,308,002
44	Dividends Declared (238)		906,340	818,840
45	Matured Long-Term Debt (239)		0	0

Name of Respondent	This Report is:	Date of Report (mo, da, yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Rresubmission	03/31/2007	end of 2006/Q4

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)		1,350,185	2,096,102
48	Miscellaneous Current and Accrued Liabilities (242)		7,075,407	7,040,175
49	Obligations Under Capital Leases-Current (243)		0	0
50	Derivative Instrument Liabilities (244)		119,895	623,771
51	(Less) Long-Term Portion of Derivative Instrument Liabilities		0	0
52	Derivative Instrument Liabilities - Hedges (245)		0	0
53	(Less) Long-Term Portion of Derivative Instrument Liabilities-Hedges		0	0
54	Total Current and Accrued Liabilities (lines 37 through 53)		344,074,795	459,009,766
55	DEFERRED CREDITS			
56	Customer Advances for Construction (252)		16,806,393	9,866,190
57	Accumulated Deferred Investment Tax Credits (255)	266-267	41,070,237	42,091,899
58	Deferred Gains from Disposition of Utility Plant (256)		0	0
59	Other Deferred Credits (253)	269	51,278,035	41,634,195
60	Other Regulatory Liabilities (254)	278	55,370,571	41,893,418
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)		366,773,191	390,926,953
64	Accum. Deferred Income Taxes-Other (283)		21,910,462	22,426,948
65	Total Deferred Credits (lines 56 through 64)		553,208,889	548,839,603
66	TOTAL LIABILITIES AND STOCKHOLDER EQUITY (lines 16, 24, 35, 54 and 65)		3,008,892,735	3,019,442,324

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	03/31/2007	End of 2006/Q4

STATEMENT OF INCOME

Quarterly

1. Enter in column (d) the balance for the reporting quarter and in column (e) the balance for the same three month period for the prior year.
2. Report in column (f) the quarter to date amounts for electric utility function; in column (h) the quarter to date amounts for gas utility, and in (j) the quarter to date amounts for other utility function for the current year quarter.
3. 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 (k) the quarter to date amounts for other utility function for the prior year quarter.
4. If additional columns are needed place them in a footnote.

Annual or Quarterly if applicable

5. Do not report fourth quarter data in columns (e) and (f)
6. Report amounts for accounts 412 and 413, Revenues and Expenses from Utility Plant Leased to Others, in another utility columnin 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.
7. Report amounts in account 414, Other Utility Operating Income, in the same manner as accounts 412 and 413 above.
8. Report data for lines 8, 10 and 11 for Natural Gas companies using accounts 404.1, 404.2, 404.3, 407.1 and 407.2.

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	1,337,890,107	1,424,299,536		
3	Operating Expenses					
4	Operation Expenses (401)	320-323	891,529,395	987,426,902		
5	Maintenance Expenses (402)	320-323	79,035,654	63,568,335		
6	Depreciation Expense (403)	336-337	117,779,352	118,023,048		
7	Depreciation Expense for Asset Retirement Costs (403.1)	336-337	202,919	129,151		
8	Amort. & Depl. of Utility Plant (404-405)	336-337	5,867,355	6,116,307		
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)		2,260,937	13,108,307		
14	Taxes Other Than Income Taxes (408.1)	262-263	21,708,691	20,094,516		
15	Income Taxes - Federal (409.1)	262-263	62,654,794	77,581,370		
16	- Other (409.1)	262-263	11,361,385	11,022,044		
17	Provision for Deferred Income Taxes (410.1)	234, 272-277	52,600,230	33,278,498		
18	(Less) Provision for Deferred Income Taxes-Cr. (411.1)	234, 272-277	60,838,114	47,727,815		
19	Investment Tax Credit Adj. - Net (411.4)	266	-1,021,662	-4,084,533		
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)		1,004,606	867,263		
23	Losses from Disposition of Allowances (411.9)					
24	Accretion Expense (411.10)		2,058,041	700,956		
25	TOTAL Utility Operating Expenses (Enter Total of lines 4 thru 24)		1,179,672,497	1,252,153,209		
26	Net Util Oper Inc (Enter Tot line 2 less 25) Carry to Pg117,line 27		158,217,610	172,146,327		

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 purches, 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		
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)	Line No.
						1
942,660,529	987,395,634	395,229,578	436,903,902			2
						3
554,827,218	604,354,135	336,702,177	383,072,767			4
67,432,885	53,674,783	11,602,769	9,893,552			5
100,808,567	101,618,558	16,970.785	16,404,490			6
167,062	129,151	35,857				7
4,341,843	4,653,093	1,525,512	1,463,214			8
						9
						10
						11
						12
1,444,567	9,147,123	816,370	3,961,184			13
16,415,982	15,190,375	5,292,709	4,904,141			14
49,730,505	72,210,651	12,924,289	5,370,719			15
8,748,525	9,975,407	2,612.860	1,046,637			16
46,003,190	26,913,222	6,597,040	6,365,276			17
44,641,919	41,742,943	16,196,195	5,984,872			18
-848,553	-3,899,663	-173,109	-184,870			19
						20
						21
1,004,606	867,263					22
						23
1,277,593	700,956	780,448				24
801,813,725	833,763,339	377.858,772	418,389,870			25
140,846,804	153,632,295	17,370,806	18,514,032			26

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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	03/31/2007	End of 2006/Q4

STATEMENT OF INCOME FOR THE YEAR (continued)

Line No	Title of Account (a)	(Ref.) Page No. (b)	TOTAL Current Year (c)	TOTAL Previous Year (d)	Current 3 Months Ended Quarterly Only No 4th Quarter (e)	Prior 3 Months Ended Quarterly Only No 4th Quarter (f)
27	Net Utility Operating Income (Carried forward from page 114)		158,217,610	172,146,327		
28	Other Income and Deductions					
29	Other Income					
30	Nonutility Operating Income					
31	Revenues From Merchandising, Jobbing and Contract Work (415)		129,304	350,490		
32	(Less) Costs and Exp. of Merchandising, Job. & Contract Work (416)		211,758	335,332		
33	Revenues From Nonutility Operations (417)		1,174,684	872,194		
34	(Less) Expenses of Nonutility Operations (417.1)					
35	Nonoperating Rental Income (418)		604			
36	Equity in Earnings of Subsidiary Companies (418.1)	119				
37	Interest and Dividend Income (419)		1,463,963	700,635		
38	Allowance for Other Funds Used During Construction (419.1)					
39	Miscellaneous Nonoperating Income (421)		-483,038	1,805,252		
40	Gain on Disposition of Property (421.1)			8,082		
41	TOTAL Other Income (Enter Total of lines 31 thru 40)		2,073,759	3,401,321		
42	Other Income Deductions					
43	Loss on Disposition of Property (421.2)		690,191			
44	Miscellaneous Amortization (425)	340				
45	Donations (426.1)	340	1,570,962	657,551		
46	Life Insurance (426.2)					
47	Penalties (426.3)		486	22,050		
48	Exp. for Certain Civic, Political & Related Activities (426.4)		912,095	430,615		
49	Other Deductions (426.5)		1,833,758	1,536,022		
50	TOTAL Other Income Deductions (Total of lines 43 thru 49)		5,007,492	2,646,238		
51	Taxes Applic. to Other Income and Deductions					
52	Taxes Other Than Income Taxes (408.2)	262-263	21,180	27,792		
53	Income Taxes-Federal (409.2)	262-263	-1,890,908	-355,847		
54	Income Taxes-Other (409.2)	262-263	-410,236	-82,680		
55	Provision for Deferred Inc. Taxes (410.2)	234, 272-277	275,754	149,631		
56	(Less) Provision for Deferred Income Taxes-Cr. (411.2)	234, 272-277	207,234	16,060		
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)		-2,211,444	-277,164		
60	Net Other Income and Deductions (Total of lines 41, 50, 59)		-722,289	1,032,247		
61	Interest Charges					
62	Interest on Long-Term Debt (427)		23,182,203	20,610,316		
63	Amort. of Debt Disc. and Expense (428)		408,648	403,051		
64	Amortization of Loss on Reaquired Debt (428.1)		1,021,632	1,024,421		
65	(Less) Amort. of Premium on Debt-Credit (429)					
66	(Less) Amortization of Gain on Reaquired Debt-Credit (429.1)					
67	Interest on Debt to Assoc. Companies (430)	340	12,805,158	12,778,215		
68	Other Interest Expense (431)	340	3,249,084	2,005,939		
69	(Less) Allowance for Borrowed Funds Used During Construction-Cr. (432)					
70	Net Interest Charges (Total of lines 62 thru 69)		40,666,725	36,821,942		
71	Income Before Extraordinary Items (Total of lines 27, 60 and 70)		116,828,596	136,356,632		
72	Extraordinary Items					
73	Extraordinary Income (434)					
74	(Less) Extraordinary Deductions (435)			12,277,207		
75	Net Extraordinary Items (Total of line 73 less line 74)			-12,277,207		
76	Income Taxes-Federal and Other (409.3)	262-263		-4,855,635		
77	Extraordinary Items After Taxes (line 75 less line 76)			-7,421,572		
78	Net Income (Total of line 71 and 77)		116,828,596	128,935,060		

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	03/31/2007	End of 2006/Q4

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		620,981,498	534,021,804
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)		116,828,596	128,935,060
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 Par Value 5% Cumulative - $1.25 per share		-1,075,364	(1,075,366)
25	Without Par Value Auction Rate Cumulative		-2,630,000	(1,900,000)
26				
27				
28				
29	TOTAL Dividends Declared-Preferred Stock (Acct. 437)		-3,705,364	(2,975,366)
30	Dividends Declared-Common Stock (Account 438)			
31	Without Par Value		-95,000,000	(39,000,000)
32				
33				
34				
35				
36	TOTAL Dividends Declared-Common Stock (Acct. 438)		-95,000,000	(39,000,000)
37	Transfers from Acct 216.1, Unapprop. Undistrib. Subsidiary Earnings			
38	Balance - End of Period (Total 1,9,15,16,22,29,36,37)		639,104,730	620,981,498
	APPROPRIATED RETAINED EARNINGS (Account 215)			

Name of Respondent	This Report Is:	Date of Report (Mo. Da. Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	03/31/2007	End of 2006/Q4

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)
39				
40				
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)		639,104,730	620,981,498
	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)			

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	03/31/2007	End of 2006/Q4

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)	116,828,596	128,935,060
3	Noncash Charges (Credits) to Income:		
4	Depreciation and Depletion	117,981,910	118,152,199
5	Amortization of Plant	5,867,716	6,116,307
6			
7			
8	Deferred Income Taxes (Net)	10,896,096	-48,870,331
9	Investment Tax Credit Adjustment (Net)	-1,021,662	-4,084,534
10	Net (Increase) Decrease in Receivables	83,007,631	-100,519,919
11	Net (Increase) Decrease in Inventory	40,854,977	-65,817,920
12	Net (Increase) Decrease in Allowances Inventory	6,040	10,798
13	Net Increase (Decrease) in Payables and Accrued Expenses	-49,538,225	80,080,662
14	Net (Increase) Decrease in Other Regulatory Assets	-136,100,208	76,648,635
15	Net Increase (Decrease) in Other Regulatory Liabilities	13,477,153	2,775,295
16	(Less) Allowance for Other Funds Used During Construction		
17	(Less) Undistributed Earnings from Subsidiary Companies		
18	Other (provide details in footnote):	85,172,417	-40,401,739
19	Change in Other Deferred Debits	30,668,917	-7,800,778
20	Change in Other Deferred Credits	9,643,840	5,223,184
21			
22	Net Cash Provided by (Used in) Operating Activities (Total 2 thru 21)	327,745,198	150,446,919
23			
24	Cash Flows from Investment Activities:		
25	Construction and Acquisition of Plant (including land):		
26	Gross Additions to Utility Plant (less nuclear fuel)	-146,347,665	-138,914,181
27	Gross Additions to Nuclear Fuel		
28	Gross Additions to Common Utility Plant		
29	Gross Additions to Nonutility Plant		
30	(Less) Allowance for Other Funds Used During Construction		
31	Other (provide details in footnote):		
32			
33			
34	Cash Outflows for Plant (Total of lines 26 thru 33)	-146,347,665	-138,914,181
35			
36	Acquisition of Other Noncurrent Assets (d)		
37	Proceeds from Disposal of Noncurrent Assets (d)		
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	This Report Is:	Date of Report (Mo. Da. Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	03/31/2007	End of 2006/Q4

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	Change in Long-Term Investments	118,956	-223,242
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	-5,788,000	1,125,362
55			
56	Net Cash Provided by (Used in) Investing Activities		
57	Total of lines 34 thru 55)	-152,016,709	-138,012,061
58			
59	Cash Flows from Financing Activities:		
60	Proceeds from Issuance of:		
61	Long-Term Debt (b)	-1,821	38,113,823
62	Preferred Stock		
63	Common Stock		
64	Other (provide details in footnote):		
65			
66	Net Increase in Short-Term Debt (c)		33,025,000
67	Other (provide details in footnote):		
68			
69			
70	Cash Provided by Outside Sources (Total 61 thru 69)	-1,821	71,138,823
71			
72	Payments for Retirement of:		
73	Long-term Debt (b)		-40,000,000
74	Preferred Stock	-1,250,000	-1,250,000
75	Common Stock		
76	Other (provide details in footnote):		
77			
78	Net Decrease in Short-Term Debt (c)	-73,421,000	
79			
80	Dividends on Preferred Stock	-3,705,364	-2,975,366
81	Dividends on Common Stock	-95,000,000	-39,000,000
82	Net Cash Provided by (Used in) Financing Activities		
83	(Total of lines 70 thru 81)	-173,378,185	-12,086,543
84			
85	Net Increase (Decrease) in Cash and Cash Equivalents		
86	(Total of lines 22,57 and 83)	2,350,304	348,315
87			
88	Cash and Cash Equivalents at Beginning of Period	7,098,683	6,750,368
89			
90	Cash and Cash Equivalents at End of period	9,448,987	7,098,683

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

Other operating cash flows:

Net salvage and cost of removal	$ (6,535,857)
Depreciation charged to balance sheet accounts	1,247,291
Amortization of Debt Expenses	408,504
Amortization of Loss on Bonds	1,021,632
Net increase in Prepayments	(1,237,248)
Net decrease in Derivative Assets	723,632
Net increase in Preliminary Survey	(69,034)
Net increase in Clearing Accounts	(469,571)
Net increase in Other Comprehensive Income	48,864,173
Net increase in Customer Advances for Construction	6,940,203
Net increase in Asset Retirement Obligations	1,881,486
Net increase in Provision for Post Retirement Benefits	32,397,206
Total	$ 85,172,417

Schedule Page: 120 Line No.: 18 Column:

Other operating cash flows:

Net salvage and cost of removal	$ (6,967,849)
Depreciation charged to balance sheet accounts	(672,021)
Amortization of Debt Expenses	403,050
mortization of Loss on Bonds	1,024,421
.et increase in Prepayments	(253,866)
Net increase in Derivative Assets	(1,619,259)
Net increase in Clearing Accounts	(287,179)
Net decrease in Other Comprehensive Income	(47,044,731)
Net decrease in Customer Advances for Construction	(818,037)
Net increase in Asset Retirement Obligations	16,282,871
Net decrease in Provision for Post Retirement Benefits	(449,139)
Total	$(40,401,739)

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

Cash and cash equivalents is comprised of the following amounts:

Other Special Funds (Acct 128)	2,840,300
Cash (Acct 131)	6,603,229
Temporary Cash Investments (Acct 136)	5,458
Total Cash and Cash Equivalents at End of Period	9,448,987

Schedule Page: 120 Line No.: 90 Column:

Cash and cash equivalents is comprised of the following amounts:

Other Special Funds (Acct 128)	145
Cash (Acct 131)	7,098,511
Temporary Cash Investments (Acct 136)	27
Total Cash and Cash Equivalents at End of Period	7,098,683

Name of Respondent	This Report Is:	Date of Report	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	03/31/2007	End of 2006/Q4

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 Cormmission 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.

INDEX OF ABBREVIATIONS

AG	Attorney General of Kentucky
ARO	Asset Retirement Obligation
CAIR	Clean Air Interstate Rule
CAMR	Clean Air Mercury Rule
CCN	Certificate of Public Convenience and Necessity
Clean Air Act	The Clean Air Act, as amended in 1990
Company	LG&E
DOE	Department of Energy
DSM	Demand Side Management
ECR	Environmental Cost Recovery
E.ON	E.ON AG
E.ON U.S.	E.ON U.S. LLC. (formerly LG&E Energy LLC and LG&E Energy Corp.)
E.ON U.S. Services	E.ON U.S. Services Inc. (formerly LG&E Energy Services Inc.)
EPA	U.S. Environmental Protection Agency
EPAct 2005	Energy Policy Act of 2005
ESM	Earnings Sharing Mechanism
FAC	Fuel Adjustment Clause
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
Fidelia	Fidelia Corporation (an E.ON affiliate)
FIN	FASB Interpretation No.
FT and FT-A	Firm Transportation
GHG	Greenhouse Gas
GSC	Gas Supply Clause
IBEW	International Brotherhood of Electrical Workers
IMEA	Illinois Municipal Electric Agency
IMPA	Indiana Municipal Power Agency
IRC	Internal Revenue Code of 1986, as amended
IRP	Integrated Resource Plan
Kentucky Commission	Kentucky Public Service Commission
KIUC	Kentucky Industrial Utility Consumers, Inc.
KU	Kentucky Utilities Company
Kwh	Kilowatt hours
LG&E	Louisville Gas and Electric Company
LG&E Energy	LG&E Energy LLC (now E.ON U.S. LLC)
Mcf	Thousand Cubic Feet
MGP	Manufactured Gas Plant
MISO	Midwest Independent Transmission System Operator, Inc.
MMBtu	Million British thermal units
Mva	Megavolt-ampere
Mw	Megawatts

Mwh	Megawatt hours
NNS	No-Notice Service
NOx	Nitrogen Oxide
OVEC	Ohio Valley Electric Corporation
PBR	Performance-Based Ratemaking
Powergen	Powergen Limited (formerly Powergen plc)
PUHCA 1935	Public Utility Holding Company Act of 1935
PUHCA 2005	Public Utility Holding Company Act of 2005
SEC	Securities and Exchange Commission
SFAS	Statement of Financial Accounting Standards
SO_2	Sulfur Dioxide
TC1	Trimble County Unit 1
TC2	Trimble County Unit 2
Tennessee Gas	Tennessee Gas Pipeline Company
Texas Gas	Texas Gas Transmission LLC
VDT	Value Delivery Team Process
WNA	Weather Normalization Adjustment

Louisville Gas and Electric Company
Notes to Financial Statements

Note 1 - Summary of Significant Accounting Policies

LG&E, incorporated in 1913 in Kentucky, is a regulated public utility engaged in the generation, transmission, distribution and sale of electric energy and the storage, distribution and sale of natural gas. LG&E supplies natural gas to approximately 324,000 customers and electricity to approximately 398,000 customers in Louisville and adjacent areas in Kentucky. LG&E's coal-fired electric generating stations, all equipped with systems to reduce SO_2 emissions, produce most of LG&E's electricity. The remainder is generated by a hydroelectric power plant and combustion turbines.

LG&E is a wholly-owned subsidiary of E.ON U.S., formerly known as LG&E Energy LLC. E.ON U.S. is a wholly-owned subsidiary of E.ON AG (E.ON), a German corporation, making LG&E a wholly-owned subsidiary of E.ON. LG&E's affiliate, KU, is a regulated public utility engaged in the generation, transmission, distribution and sale of electric energy in Kentucky, Virginia and Tennessee.

Certain reclassification entries have been made to the previous years' financial statements to conform to the 2006 presentation with no impact on net assets, liabilities and capitalization or previously reported net income and cash flows.

Presentation. The accompanying financial statements are prepared on the regulatory basis of accounting in accordance with the requirements of the FERC, which is a comprehensive basis of accounting other than generally accepted accounting principles. The significant differences between Generally Accepted Accounting Principles (GAAP) and FERC reporting are as follows:

- Restricted cash is recorded in cash on the balance sheet for FERC reporting and presented as a separate line item for GAAP statements;
- Certain costs of removal obligations are recorded in accumulated depreciation for FERC reporting and recorded in regulatory liabilities for GAAP reporting;
- Long-term and short-term bonds are recorded in total in the long-term debt section for FERC reporting and are presented separately in current liabilities for the short-term portion and in long-term debt for the long-term portion for GAAP reporting; and
- Deferred taxes are shown gross for FERC reporting in the balance sheet (a deferred asset and a deferred liability are recorded), for GAAP reporting the deferred taxes are netted together and recorded as a liability.

Regulatory Accounting. LG&E is subject to SFAS No. 71, under which costs that would otherwise be charged to expense are deferred as regulatory assets based on expected recovery from customers in future rates.

Likewise, credits that would otherwise be reflected as income are deferred as regulatory liabilities based on expected return to customers in future rates. LG&E's current or expected recovery of deferred costs and expected return of deferred credits is based on specific ratemaking decisions or precedent for each item as prescribed by the FERC or the Kentucky Commission. See Note 2, Rates and Regulatory Matters, for additional detail regarding regulatory assets and liabilities.

Cash and Cash Equivalents. LG&E considers all debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Allowance for Doubtful Accounts. The allowance for doubtful accounts is based on the ratio of the amounts charged-off during the last twelve months to the retail revenues billed over the same period multiplied by the retail revenues billed over the last four months. Accounts with no payment activity are charged-off after four months, although collection efforts continue thereafter. The amounts charged to expense to accrue for estimated bad debts were $4 million, $3 million and $2 million and the net of accounts written off against the reserve were $3 million, $3 million and $5 million in 2006, 2005 and 2004, respectively.

Materials and Supplies. Fuel, natural gas stored underground and other materials and supplies inventories are accounted for using the average-cost method. Emission allowances are included in other materials and supplies at cost and are not currently traded by LG&E. At December 31, 2006 and 2005, the emission allowances inventory was less than $1 million.

Other Property and Investments. Other property and investments on the balance sheet consists of LG&E's investment in OVEC and non-utility plant. LG&E and 11 other electric utilities are participating owners of OVEC, located in Piketon, Ohio. OVEC owns and operates two power plants that burn coal to generate electricity, Kyger Creek Station in Ohio and Clifty Creek Station in Indiana. LG&E's share of OVEC's output is 5.63%, approximately 124 Mw of generation capacity.

As of December 31, 2006 and 2005, LG&E's investment in OVEC totaled less than $1 million. LG&E is not the primary beneficiary of OVEC; therefore, it is not consolidated into the financial statements of LG&E and is accounted for under the cost method of accounting. LG&E's maximum exposure to loss as a result of its involvement with OVEC is limited to the value of its investment. In the event of the inability of OVEC to fulfill its power provision requirements, LG&E anticipates substituting such power supply with either owned generation or market purchases and believes it would generally recover associated incremental costs through regulatory rate mechanisms. See Note 9, Commitments and Contingencies, for further discussion of developments regarding LG&E's ownership interest and power purchase rights.

Utility Plant. LG&E's utility plant is stated at original cost, which includes payroll-related costs such as taxes, fringe benefits and administrative and general costs. Construction work in progress has been included in the rate base for determining retail customer rates. LG&E has not recorded any allowance for funds used during construction, in accordance with Kentucky Commission regulations.

The cost of plant retired or disposed of in the normal course of business is deducted from plant accounts and such cost, plus removal expense less salvage value, is charged to the reserve for depreciation. When complete operating units are disposed of, appropriate adjustments are made to the reserve for depreciation and gains and losses, if any, are recognized.

Depreciation and Amortization. Depreciation is provided on the straight-line method over the estimated service lives of depreciable plant. The amounts provided were approximately 3.2% in 2006 (3.0% electric, 2.9% gas, and 7.8% common); 3.2% in 2005 (3.0% electric, 2.4% gas and 8.0% common); and 3.1% for 2004 (2.9% electric, 2.8% gas and 7.6% common), of average depreciable plant. Of the amount provided for depreciation, at December 31, 2006, approximately 0.4% electric, 0.9% gas and 0.4% common were related to the retirement, removal and disposal costs of long lived assets. Of the amount provided for depreciation, at December 31, 2005, approximately 0.4% electric, 0.8% gas and 0.02% common were related to the retirement, removal and disposal costs of long lived assets.

Restricted Cash. A deposit in the amount of $11 million, used as collateral for an $83 million interest rate swap expiring in 2020, is classified as restricted cash on LG&E's balance sheet. An advance deposit of $5 million from the Louisville Arena Authority is also restricted for equipment purchases related to relocating transmission facilities.

Unamortized Debt Expense. Debt expense is capitalized in deferred debits and amortized over the lives of the related bond issues.

Income Taxes. Income taxes are accounted for under SFAS No. 109. In accordance with this statement, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, as measured by enacted tax rates that are expected to be in effect in the periods when the deferred tax assets and liabilities are expected to be settled or realized. Significant judgment is required in determining the provision for income taxes, and there are transactions for which the ultimate tax outcome is uncertain. To provide for these uncertainties or exposures, an allowance is maintained for tax contingencies based on management's best estimate of probable loss. Tax contingencies are analyzed periodically and adjustments are made when events occur to warrant a change. See Note 6, Income Taxes.

Deferred Income Taxes. Deferred income taxes are recognized at currently enacted tax rates for all material temporary differences between the financial reporting and income tax bases of assets and liabilities.

Investment Tax Credits. The EPAct 2005 added Section 48A to the Internal Revenue Code, which provides for an investment tax credit to promote the commercialization of advanced coal technologies that will generate electricity in an environmentally responsible manner. LG&E and KU received an investment tax credit related to TC2, for more details, see Note 6, Income Taxes.

Investment tax credits prior to 2006 resulted from provisions of the tax law that permitted a reduction of LG&E's tax liability based on credits for construction expenditures. Deferred investment tax credits are being amortized to income over the estimated lives of the related property that gave rise to the credits.

Revenue Recognition. Revenues are recorded based on service rendered to customers through month-end. LG&E accrues an estimate for unbilled revenues from each meter reading date to the end of the accounting period based on allocating the daily system net deliveries between billed volumes and unbilled volumes. The

allocation is based on a daily ratio of the number of meter reading cycles remaining in the month to the total number of meter reading cycles in each month. Each day's ratio is then multiplied by each day's system net deliveries to determine an estimated billed and unbilled volume for each day of the accounting period. The unbilled revenue estimates included in accounts receivable were approximately $53 million and $82 million at December 31, 2006 and 2005, respectively.

Fuel and Gas Costs. The cost of fuel for electric generation is charged to expense as used, and the cost of natural gas supply is charged to expense as delivered to the distribution system. LG&E implemented a Kentucky Commission-approved performance-based ratemaking mechanism related to natural gas procurement activity. See Note 2, Rates and Regulatory Matters.

Management's Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent items at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accrued liabilities, including legal and environmental, are recorded when they are probable and estimable. Actual results could differ from those estimates.

Recent Accounting Pronouncements. The following are recent accounting pronouncements affecting LG&E:

FIN 48

In July 2006, the FASB issued FIN 48, which clarifies the accounting for the uncertainty of income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109. This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

The evaluation of a tax position in accordance with FIN 48 is a two-step process. The first step is recognition based on the determination of whether it is "more likely than not" that a tax position will be sustained upon examination. The second step is to measure a tax position that meets the "more likely than not" threshold. The tax position will be measured as the amount of potential benefit that exceeds 50% likelihood of being realized.

FIN 48 is effective for fiscal years beginning after December 15, 2006. FIN 48 was adopted effective January 1, 2007. The impact of FIN 48 on the statements of operations, financial position, and cash flows is not expected to be material.

SFAS No. 157

In September 2006, the FASB issued SFAS No. 157, which is effective for fiscal years beginning after November 15, 2007. This statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. LG&E is now analyzing the future impacts of SFAS No. 157 on results of operations and financial condition.

SFAS No. 158

In September 2006, the FASB issued SFAS No. 158, which is effective for fiscal years ending after December 15, 2006 for employers with publicly traded equity securities, and for employers controlled by entities with publicly traded equity securities, which is applicable for LG&E. This statement requires employers to recognize the over-funded or under-funded status of a defined benefit pension and postretirement plan as an asset or a liability in the balance sheet and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. This statement also requires employers to measure the funded status of a plan as of the date of its year-end balance sheet. This statement amended SFAS No. 87, SFAS No. 88, SFAS No. 106 and SFAS No. 132.

SFAS No. 71 provides guidance to regulated utilities for deferring costs that would otherwise be charged to expense or equity by non-regulated enterprises. In applying the provisions of this statement to the requirements of SFAS No. 158, LG&E recorded a regulatory asset representing the adjustment to the pension liability in recognizing the funded status of the pension liability. This adjustment would have been represented in Accumulated Other Comprehensive Income without the application of SFAS No. 71.

LG&E has adopted SFAS No. 158 effective for fiscal year ending December 31, 2006. The incremental effects of applying SFAS No. 158 are shown in the following table:

(in millions)	Before Adoption of SFAS No. 158*	Adjustments	After Adoption of SFAS No. 158
Accrued pension and postretirement liability-noncurrent	$(102)	$(47)	$(149)
Accrued pension and postretirement liability-current	-	(2)	(2)
Pension and postretirement regulatory asset	77	49	126

* Balances before the application of SFAS No. 158 include the effects of 2006 plan experience and changes in actuarial assumptions on the additional minimum liability, coupled with the regulatory impacts of SFAS No. 71.

Note 2 - Rates and Regulatory Matters

The Kentucky Commission has regulatory jurisdiction over LG&E's retail rates and service, and over the issuance of certain of its securities. The Kentucky Commission has the ability to examine the rates LG&E charges its retail customers at any time.

Electric and Gas Rate Cases

In December 2003, LG&E filed an application with the Kentucky Commission requesting adjustments in LG&E's electric and natural gas rates. LG&E asked for general adjustments in electric and natural gas rates based on the twelve month test period ended September 30, 2003. The revenue increases requested were $64 million for electric and $19 million for natural gas. In June 2004, the Kentucky Commission issued an Order approving increases in LG&E's annual electric base rates of approximately $43 million (8%) and annual natural gas base rates of approximately $12 million (3%). The rate increases took effect on July 1, 2004.

During 2004 and 2005, the AG conducted an investigation of LG&E, as well as of the Kentucky Commission and its staff, requesting information regarding allegedly improper communications between LG&E and the Kentucky Commission, particularly during the period covered by the rate cases. Concurrently, the AG had filed pleadings with the Kentucky Commission requesting rehearing of the rate cases on computational components of the increased rates, including income taxes, cost of removal and depreciation amounts. In August 2004, the Kentucky Commission denied the AG's rehearing request on the cost of removal and depreciation issues and granted rehearing on the income tax component. The Kentucky Commission further agreed to hold in abeyance further proceedings in the rate cases, until the AG filed its investigative report regarding the allegations of improper communication.

In January 2005 and February 2005, the AG filed a motion summarizing its investigative report as containing evidence of improper communications and record-keeping errors by LG&E in its conduct of activities before the Kentucky Commission or other state governmental entities and forwarded such report to the Kentucky Commission under continued confidential treatment to allow it to consider the report, including its impact, if any, on completing its investigation and any remaining steps in the rate cases. To date, LG&E has neither seen nor requested copies of the report or its contents.

In December 2005, the Kentucky Commission issued an Order noting completion of its inquiry, including review of the AG's investigative report. The Order concluded that no improper communications occurred during the rate proceedings. Final proceedings took place during the first quarter of 2006 concerning the sole remaining open issue relating to state income tax rates used in calculating the granted rate increase. On March 31, 2006, the Kentucky Commission issued an Order resolving this issue in LG&E's favor consistent with the original rate increase order.

LG&E believes no improprieties have occurred in its communications with the Kentucky Commission and has cooperated with the proceedings before the AG and the Kentucky Commission. LG&E is currently unable to predict whether there will be any remaining actions or consequences as a result of the AG's report or investigation.

Regulatory Assets and Liabilities

The following regulatory assets and liabilities were included in LG&E's Balance Sheets as of December 31:

(in millions)	2006	2005
ARO	$ 22	$ 20
Gas supply adjustments	21	25
Unamortized loss on bonds	20	21
MISO exit	13	-
ECR	9	2
Merger surcredit	2	3
VDT costs	-	8
Other	6	5
Subtotal	93	84
Pension and postretirement benefits	126	-
Total regulatory assets	$219	$ 84
Accumulated cost of removal of utility plant	$232	$219
Deferred income taxes - net	54	42
Gas supply adjustments	31	18
Other	4	2
Total regulatory liabilities	$321	$281

LG&E does not currently earn a rate of return on the gas supply adjustments, FAC (included in other regulatory assets) and gas performance-based ratemaking regulatory assets, all of which are separate recovery mechanisms with recovery within twelve months. No return is earned on the pension and postretirement benefits regulatory asset which represents the changes in funded status of the plans that the Company will seek recovery of in future proceedings with the Kentucky Commission. No return is currently earned on the ARO asset. This regulatory asset will be offset against the associated regulatory liability, ARO asset and ARO liability at the time the underlying asset is retired. The MISO exit amount represents the costs relating to the withdrawal from MISO membership. LG&E expects to seek recovery of this asset in future proceedings with the Kentucky Commission. LG&E currently earns a rate of return on the remaining regulatory assets. Other regulatory liabilities include DSM and MISO Schedule 10. See Note 1, Summary of Significant Accounting Policies.

Pension and Postretirement Benefits. LG&E adopted SFAS No. 158 in 2006. This statement requires employers to recognize the over-funded or under-funded status of a defined benefit pension and postretirement plan as an asset or liability in the balance sheet and to recognize through comprehensive income the changes in the funded status in the year in which the changes occur. Under SFAS No. 71, LG&E can defer recoverable costs that would otherwise be charged to expense or equity by non-regulated entities. Current rate recovery in Kentucky is based on SFAS No. 87 and SFAS No. 106, both of which were amended by SFAS No. 158. Regulators have been clear and consistent with their historical treatment of such rate recovery; therefore, LG&E has recorded a regulatory asset representing the probable recovery of the portion of the change in funded status of the postretirement and pension plans that is expected to be recovered. The regulatory asset will be adjusted annually as prior service cost and actuarial losses are recognized in net periodic benefit cost.

ARO. A summary of LG&E's net ARO assets, regulatory assets, liabilities and cost of removal established under FIN 47 and SFAS No. 143, *Accounting for Asset Retirement Obligations* follows:

(in millions)	ARO Net Assets	ARO Liabilities	Regulatory Assets	Accumulated Cost of Removal
As of December 31, 2004	$ 3	$ (11)	$ 7	$ -
FIN 47 net asset additions	1	(15)	12	3
ARO accretion	-	(1)	1	-
As of December 31, 2005	4	(27)	20	3
ARO accretion	-	(1)	2	-
As of December 31, 2006	$ 4	$ (28)	$ 22	$ 3

ARO depreciation, removal cost incurred and cost of removal depreciation during 2005 and 2006 and FIN 47 net asset additions for 2006 were less than $1 million. In addition, regulatory liabilities and cost of removal depreciation as of December 31, 2005 and 2006 were less than $1 million.

Pursuant to regulatory treatment prescribed under SFAS No. 71, an offsetting regulatory credit was recorded in depreciation and amortization in the income statement of $2 million in 2006 and $1 million in 2005 for the ARO accretion and depreciation expense. LG&E AROs are primarily related to the final retirement of assets associated with generating units and natural gas wells. For assets associated with AROs, the removal cost accrued through depreciation under regulatory accounting is established as a regulatory asset or liability pursuant to regulatory treatment prescribed under SFAS No. 71. For the years ended December 31, 2006 and 2005, LG&E recorded less than $1 million of depreciation expense related to the cost of removal of ARO related assets. An offsetting regulatory liability was established pursuant to regulatory treatment prescribed under SFAS No. 71.

LG&E transmission and distribution lines largely operate under perpetual property easement agreements which do not generally require restoration upon removal of the property. Therefore, under SFAS No. 143, no material asset retirement obligations are recorded for transmission and distribution assets.

Gas Supply Cost Adjustments. LG&E's natural gas rates contain a GSC, whereby increases or decreases in the cost of natural gas supply are reflected in LG&E's rates, subject to approval by the Kentucky Commission. The GSC procedure prescribed by Order of the Kentucky Commission provides for quarterly rate adjustments to reflect the expected cost of natural gas supply in that quarter. In addition, the GSC contains a mechanism whereby any over- or under-recoveries of natural gas supply cost from prior quarters is to be refunded to or recovered from customers through the adjustment factor determined for subsequent quarters. In late 2005, as wholesale natural gas prices began to decrease, a one-time interim adjustment in the GSC was requested by LG&E and approved by the Kentucky Commission to pass the lower natural gas costs to the customers on a more timely basis.

LG&E's GSC was modified in 1997 to incorporate an experimental natural gas procurement incentive mechanism. Since November 1, 1997, LG&E has operated under this experimental PBR mechanism related to its natural gas procurement activities. LG&E's rates are adjusted annually to recover (or refund) its portion of the expense (or savings) incurred during each PBR year (12 months ending October 31). During the PBR year ending in 2006, LG&E achieved $17 million in savings. Of that total savings amount, LG&E's portion was approximately $5 million and the ratepayers' portion was approximately $12 million. Pursuant to the extension of LG&E's natural gas supply cost PBR mechanism effective November 1, 2001, the sharing mechanism under the PBR requires savings (and expenses) to be shared 25% with shareholders and 75% with ratepayers up to 4.5% of the benchmarked natural gas costs. Savings (and expenses) in excess of 4.5% of the benchmarked natural gas costs are shared 50% with shareholders and 50% with ratepayers. The current natural gas supply cost PBR mechanism was extended through 2010 without further modification.

Unamortized Loss on Bonds. The costs of early extinguishment of debt, including call premiums, legal and other expenses, and any unamortized balance of debt expense are amortized over the life of either replacement debt (in the case of refinancing) or the original life of the extinguished debt.

MISO Exit. Following receipt of applicable FERC, Kentucky Commission and other regulatory orders, LG&E withdrew from the MISO effective September 1, 2006. Specific proceedings regarding the costs and benefits of the MISO and exit matters had been underway since July 2003. Since the exit from the MISO, LG&E has been operating under a FERC-approved open access-transmission tariff. LG&E has further contracted with the Tennessee Valley Authority to act as its reliability coordinator and Southwest Power Pool, Inc. to function as its independent transmission operator, pursuant to FERC requirements, with respect to transmission matters.

LG&E and the MISO have agreed upon overall calculation methods for the contractual exit fee to be paid by the Company following its withdrawal. In October 2006, LG&E paid approximately $13 million to the MISO pursuant to an invoice regarding the exit fee and made related FERC compliance filings. The Company's payment of this exit fee amount was with reservation of its rights to contest the amount, or components thereof, following a continuing review of its calculation and supporting documentation. In December 2006, LG&E provided notice to the MISO of its disagreement with the calculation of the exit fee. LG&E and the MISO continue to discuss the specifics of the exit fee calculation. The outcome of these discussions and the eventual settlement of the disputed amount cannot be estimated at this time. Orders of the Kentucky Commission approving the Company's exit from the MISO have authorized the establishment of a regulatory asset for the exit fee, subject to adjustment for possible future MISO credits, and a regulatory liability for certain revenues associated with former MISO Schedule 10 charges, which may continue to be collected via base rates. The treatment of the regulatory asset and liability will be determined in LG&E's next rate case; however, the Company historically has received approval to recover and refund regulatory assets and liabilities.

ECR. Kentucky law permits LG&E to recover the costs of complying with the Federal Clean Air Act, including a return of operating expenses, and a return of and on capital invested, through the ECR mechanism. The amount of the regulatory asset or liability is the amount that has been under- or over-recovered due to timing or adjustments to the mechanism once approved by the Kentucky Commission.

In April 2006, the Kentucky Commission initiated six-month and two-year reviews of LG&E's environmental surcharge. A final order was received in January 2007, approving the changes and credits billed through the

ECR during the review period as well as approving billing adjustments, a roll-in to base rates, revisions to the monthly surcharge filing and a rate of return on capital.

In June 2004, the Kentucky Commission issued an Order approving a settlement agreement that, among other things, revised the rate of return for LG&E's post-1995 plan. The Order also approved the elimination of LG&E's 1995 plan from its ECR billing mechanism, with all remaining costs associated with that plan to be included in their entirety in base rates.

In December 2004, LG&E filed an application with the Kentucky Commission to amend its compliance plan to allow recovery of costs associated with new and additional environmental compliance facilities, including the expansion of the landfill facility at the Mill Creek station. The estimated capital cost of the additional facilities over the next three years is approximately $25 million. A final Order was issued in June 2005, granting approval of the amendments to LG&E's compliance plan.

In June 2006, LG&E filed an application to amend its ECR plan with the Kentucky Commission seeking approval to recover investments in environmental upgrades at the Company's generating facilities. The estimated capital cost of the upgrades for the years 2007 through 2009 is approximately $50 million, of which $40 million is for the Air Quality Control System at TC2. A final Order was issued by the Kentucky Commission in December 2006 approving all expenditures and investments as submitted.

Merger Surcredit. As part of the LG&E Energy merger with KU Energy Corporation in 1998, LG&E estimated non-fuel savings over a ten-year period following the merger. Costs to achieve these savings were deferred and amortized over a five-year period pursuant to regulatory orders. In approving the merger, the Kentucky Commission adopted LG&E's proposal to reduce its retail customers' bills based on one-half of the estimated merger-related savings, net of deferred and amortized amounts, over a five-year period. The surcredit mechanism provides that 50% of the net non-fuel cost savings estimated to be achieved from the merger be provided to ratepayers through a monthly bill credit, and 50% be retained by LG&E and KU, over a five-year period. The surcredit was allocated 47% to LG&E and 53% to KU. In that same order, the Kentucky Commission required LG&E and KU, after the end of the five-year period, to present a plan for sharing with ratepayers the then-projected non-fuel savings associated with the merger. The Companies submitted this filing in January 2003, proposing to continue to share with ratepayers, on a 50%/50% basis, the estimated fifth-year gross level of non-fuel savings associated with the merger. In October 2003, the Kentucky Commission issued an Order approving a settlement agreement reached with the parties in the case. LG&E's merger surcredit will remain in place for another five-year term beginning July 1, 2003 and the merger savings will continue to be shared 50% with ratepayers and 50% with shareholders.

VDT. In December 2001, the Kentucky Commission issued an Order approving a settlement agreement allowing LG&E to set up a regulatory asset of $141 million for workforce reduction costs and begin amortizing it over a five-year period starting in April 2001. Some employees rescinded their participation in the voluntary enhanced severance program, which thereby decreased the charge to the regulatory asset from $144 million to $141 million. The Order reduced revenues by approximately $26 million through a surcredit on bills to ratepayers over the same five-year period, reflecting a sharing (40% to the ratepayers and 60% to LG&E) of savings as stipulated by LG&E, net of amortization costs of the workforce reduction. The five-year VDT amortization period expired in March 2006.

As part of the settlement agreements in the electric and natural gas rate cases, in September 2005, LG&E filed with the Kentucky Commission a plan for the future ratemaking treatment of the VDT surcredit and costs. In February 2006, the AG, KIUC and LG&E reached a settlement agreement on the future ratemaking treatment of the VDT surcredits and costs and subsequently submitted a joint motion to the Kentucky Commission to approve the unanimous settlement agreement. Under the terms of the settlement agreement, the VDT surcredit will continue at the current level until such time as LG&E files for a change in electric or natural gas base rates. The Kentucky Commission issued an Order in March 2006, approving the settlement agreement.

FAC. LG&E's retail electric rates contain an FAC, whereby increases and decreases in the cost of fuel for electric generation are reflected in the rates charged to retail electric customers. The FAC allows the Company to adjust customers' accounts for the difference between the fuel cost component of base rates and the actual fuel cost, including transportation costs. Refunds to customers occur if the actual costs are below the embedded cost component. Additional charges to customers occur if the actual costs exceed the embedded cost component. The amount of the regulatory asset or liability is the amount that has been under- or over-recovered due to timing or adjustments to the mechanism.

In January 2003, the Kentucky Commission reviewed KU's FAC and, as part of the Order in that case, required that an independent audit be conducted to examine operational and management aspects of both LG&E's and KU's fuel procurement functions. The final report was issued in February 2004. The report's recommendations related to documentation and process improvements. Management Audit Action Plans were agreed upon by LG&E and the Kentucky Commission Staff in the second quarter of 2004. LG&E filed its first Audit Progress Report with the Kentucky Commission Staff in November 2004. The second Audit Progress Report was filed May 2005. The third Audit Progress Report was filed in December 2005. In January 2006, the Kentucky Commission staff informed LG&E and KU that reporting on all of the original recommendations, but one, has been concluded. LG&E filed another Audit Progress Report on the remaining open recommendation in August 2006.

The Kentucky Commission requires public hearings at six-month intervals to examine past fuel adjustments, and at two-year intervals to review past operations of the fuel clause and transfer of the then current fuel adjustment charge or credit to the base charges. In July 2006, the Kentucky Commission initiated a six-month review of the FAC for LG&E for the period of November 1, 2005 through April 30, 2006. The Kentucky Commission issued an Order in November 2006 approving the charges and credits billed through the FAC during the review period.

In December 2006, the Kentucky Commission initiated a two-year review of LG&E's past operations of the fuel clause and transfer of fuel costs from the FAC to base rates. LG&E anticipates Kentucky Commission approval of the charges and credits billed and the fuel procurement practices of LG&E during the second quarter of 2007.

DSM. LG&E's rates contain a DSM provision. The provision includes a rate mechanism that provides for concurrent recovery of DSM costs and provides an incentive for implementing DSM programs. The provision allows LG&E to recover revenues from lost sales associated with the DSM programs based on program plan engineering estimates and post-implementation evaluations.

Accumulated Cost of Removal of Utility Plant. As of December 31, 2006 and 2005, LG&E has segregated the cost of removal, embedded in accumulated depreciation, of $232 million and $219 million, respectively, in accordance with FERC Order No. 631. This cost of removal component is for assets that do not have a legal ARO under SFAS No. 143. For reporting purposes in the balance sheets, LG&E has presented this cost of removal as a regulatory liability pursuant to SFAS No. 71.

Deferred Income Taxes – Net. Deferred income taxes represent the future income tax effects of recognizing the regulatory assets and liabilities in the income statement. Deferred income taxes are recognized at currently enacted tax rates for all material temporary differences between the financial reporting and income tax bases of assets and liabilities.

Other Regulatory Matters

Regional Reliability Council. LG&E has changed its regional reliability council membership from the Reliability First Corporation to the Southeastern Electric Reliability Council, effective January 1, 2007. Regional reliability councils are industry consortiums that promote, coordinate and ensure the reliability of the bulk electric supply systems in North America.

Arena. In August 2006, LG&E filed an application with the Kentucky Commission requesting approval for sale of the Waterside property to the Louisville Arena Authority. The Kentucky Commission issued an Order in September 2006, approving the proposed transaction. In November 2006, LG&E completed certain agreements pursuant to its August 2006 Memorandum of Understanding with the Louisville Arena Authority regarding the proposed construction of an arena in downtown Louisville. LG&E entered into a relocation agreement with the Louisville Arena Authority providing for the reimbursement to LG&E of the costs to be incurred in moving certain LG&E facilities related to the arena transaction. Those costs are currently estimated to be approximately $63 million. The parties further entered into a property sale contract providing for LG&E's sale of a downtown site to the Louisville Arena Authority for approximately $10 million, which represents the appraised value of the parcel, less certain agreed upon demolition costs. The amounts specified in the contracts are subject to certain adjustments. Depending upon continuing progress of the proposed arena, the transactions contemplated by the contracts will occur between 2006 and 2010.

TC2 CCN Application. A CCN application for TC2 construction was filed with the Kentucky Commission in December 2004, and initial CCN applications for three transmission lines were filed in early 2005, with further applications submitted in December 2005. The proposed air permit was filed with the Kentucky Division for Air Quality in December 2004. In November 2005, the Kentucky Commission approved the application to expand the Trimble County generating station. Kentucky Commission approval for one transmission line CCN was granted in September 2005, and a ruling that a second transmission line was not subject to the CCN process was received in February 2006. The Kentucky Commission granted approval for the remaining transmission line CCN in May 2006. In August 2006, LG&E and KU obtained dismissal of a judicial review of such CCN approval by certain property owners. A further appeal of such dismissal was thereafter filed, which action remains pending. The transmission lines are also subject to routine regulatory filings and the right-of-way acquisition process. In November 2005, the Kentucky Division for Air Quality issued the final air permit, which was challenged via a request for remand in December 2005 by three environmental advocacy groups, including the Sierra Club. Administrative proceedings with respect to the challenge continued throughout 2006. A ruling may occur during the first half of 2007.

Market-Based Rate Authority. Beginning in April 2004, the FERC initiated proceedings to modify its methods used to assess generation market power and has established more stringent interim market screen tests. During 2005, in connection with LG&E's tri-annual market-based rate tariff renewals, the FERC continued to contend that the Company failed such market screens in certain regions. LG&E disputed this contention.

In July 2006, the FERC issued an Order in LG&E's market-based rate proceeding accepting LG&E's further proposal to address certain market power issues the FERC had claimed would arise upon an exit from the MISO. In particular, LG&E received permission to sell power at market-based rates at the interface of control areas in which they may be deemed to have market power, subject to a restriction that such power not be collusively re-sold back into such control areas. However, restrictions exist on sales by LG&E of power at market-based rates in the LG&E/KU and Big River Electric Corporation control areas. Certain general FERC proceedings continue with respect to market-based rate matters, and LG&E's market-based rate authority is subject to such future developments. LG&E cannot predict the ultimate impact of the current or potential mitigation mechanisms on its future wholesale power sales.

FERC Audit Results. In July 2006, the FERC issued a final report under a routine audit that its Office of Enforcement (formerly its Office of Market Oversight and Investigations) had conducted regarding the compliance of E.ON U.S. and subsidiaries, including LG&E, under the FERC's standards of conduct and codes of conduct requirements, as well as other areas. The final report contained certain findings calling for improvements in E.ON U.S. and subsidiaries' structures, policies and procedures relating to transmission, generation dispatch, energy marketing and other practices. E.ON U.S. and affiliates have agreed to certain corrective actions and have submitted procedures related to such corrective actions to the FERC. The corrective actions are in the nature of organizational and operational improvements as described above and are not expected to have a material adverse impact on the Company's results of operations or financial condition.

IRP. Integrated resource planning regulations in Kentucky require major utilities to make triennial IRP filings with the Kentucky Commission. In April 2005, LG&E and KU filed their joint 2005 IRP with the Kentucky Commission. The IRP provides historical and projected demand, resource and financial data, and other operating performance and system information. The AG and the KIUC were granted intervention in the IRP proceeding. The Kentucky Commission issued its staff report, with no substantive issues noted and closed the case by Order in February 2006.

PUHCA 2005. E.ON, LG&E's ultimate parent, is a registered holding company under PUHCA 2005 and was a registered holding company under PUHCA 1935. E.ON, its utility subsidiaries, including LG&E, and certain of its non-utility subsidiaries are subject to extensive regulation by the SEC and the FERC with respect to numerous matters, including: electric utility facilities and operations, wholesale sales of power and related transactions, accounting practices, issuances and sales of securities, acquisitions and sales of utility properties, payments of dividends out of capital and surplus, financial matters and inter-system sales of non-power goods and services. LG&E believes that it has adequate authority (including financing authority) under existing FERC orders and regulations to conduct its business and will seek additional authorization when necessary.

EPAct 2005. The EPAct 2005 was enacted in August 2005. Among other matters, this comprehensive legislation contains provisions mandating improved electric reliability standards and performance; providing economic and other incentives relating to transmission, pollution control and renewable generation assets; increasing funding for clean coal generation incentives; repealing PUHCA 1935; enacting PUHCA 2005 and expanding FERC jurisdiction over public utility holding companies and related matters via the Federal Power Act and PUHCA 2005.

The FERC was directed by the EPAct 2005 to adopt rules to address many areas previously regulated by the other agencies under other statutes, including PUHCA 1935. The FERC is in various stages of rulemaking on these issues and LG&E is monitoring these rulemaking activities and actively participating in these and other rulemaking proceedings. LG&E is still evaluating the potential impacts of the EPAct 2005 and the associated rulemakings and cannot predict what impact the EPAct 2005, and any such rulemakings, will have on its operations or financial position.

In February 2006, the Kentucky Commission initiated an administrative proceeding to consider the requirements of the EPAct 2005, Subtitle E Section 1252, Smart Metering, which concerns time-based metering and demand response, and Section 1254, Interconnections. EPAct 2005 requires each state regulatory authority to conduct a formal investigation and issue a decision on whether or not it is appropriate to implement certain Section 1252, Smart Metering standards within eighteen months after the enactment of EPAct 2005 and to commence consideration of Section 1254, Interconnection standards within one year after the enactment of EPAct 2005. The Kentucky Commission held a public hearing in July 2006, in this proceeding with all Kentucky jurisdictional electric utilities. In December 2006, the Kentucky Commission issued an Order in this proceeding indicating that the EPAct 2005 Section 1252, Smart Metering and Section 1254, Interconnection standards should not be adopted. However, all five Kentucky Commission jurisdictional utilities are required to file real-time pricing pilot programs for their large commercial and industrial customers. LG&E will develop a real-time pricing pilot for large industrial and commercial customers and file the details of the plan with the Kentucky Commission in April 2007.

As part of the rate case settlement agreements, and as referred to in the EPAct 2005 administrative order, LG&E made its pilot program filing, which addresses real-time pricing for residential and general service customers, in March 2007.

Hydro Upgrade. In October 2005, LG&E received from the FERC a new license to upgrade, operate and maintain the Ohio Falls Hydroelectric Project. The license is for a period of 40 years, effective November 2005. LG&E intends to spend approximately $76 million to refurbish the facility and add approximately 20 Mw of generating capacity over the next six years.

Note 3 - Financial Instruments

The cost and estimated fair values of LG&E's non-trading financial instruments as of December 31 follow:

	2006		2005	
(in millions)	Carrying Value	Fair Value	Carrying Value	Fair Value
Preferred stock subject to mandatory redemption (including current portion of $1 million)	$ 20	$ 20	$ 21	$ 21
Long-term debt (including current portion)	$574	$574	$574	$574
Long-term debt from affiliate	$225	$222	$225	$225
Interest-rate swaps - liability	$ (15)	$ (15)	$ (19)	$ (19)

All of the above valuations reflect prices quoted by exchanges except for the swaps and intercompany loans. The fair values of the swaps and intercompany loans reflect price quotes from dealers or amounts calculated using accepted pricing models. The fair values of cash and cash equivalents, accounts receivable, accounts payable and notes payable are substantially the same as their carrying values.

Interest Rate Swaps (hedging derivatives). LG&E uses over-the-counter interest rate swaps to hedge exposure to market fluctuations in certain of its debt instruments. Pursuant to Company policy, use of these financial instruments is intended to mitigate risk, earnings and cash flow volatility and is not speculative in nature. Management has designated all of the interest rate swaps as hedge instruments. Financial instruments designated as cash flow hedges have resulting gains and losses recorded within other comprehensive income and stockholders' equity. See Note 13, Accumulated Other Comprehensive Income. Financial instruments designated as fair value hedges and the underlying hedged items are periodically marked to market with the resulting net gains and losses recorded directly into net income. Upon termination of any fair value hedge, the resulting gain or loss is recorded into net income.

LG&E was party to various interest rate swap agreements with aggregate notional amounts of $211 million as of December 31, 2006 and 2005. Under these swap agreements, LG&E paid fixed rates averaging 4.38% and received variable rates based on London Interbank Borrowing Offer Rate or the Bond Market Association's municipal swap index averaging 3.75% and 3.15% at December 31, 2006 and 2005, respectively. The swap agreements in effect at December 31, 2006 have been designated as cash flow hedges and mature on dates ranging from 2020 to 2033. The cash flow designation was assigned because the underlying variable rate debt has variable future cash flows. The hedges have been deemed to be fully effective resulting in a pretax gain of $3 million for 2006 and a pre-tax loss of less than $1 million in 2005, recorded in other comprehensive income. Upon expiration of these hedges, the amount recorded in other comprehensive income will be reclassified into earnings. The amount expected to be reclassified from other comprehensive income to earnings in the next twelve months is less than $1 million. A deposit in the amount of $11 million, used as collateral for one of the interest rate swaps, is classified as restricted cash on the balance sheet. The amount of the deposit required is tied to the market value of the swap.

Energy Risk Management Activities (non-hedging derivatives). LG&E conducts energy trading and risk management activities to maximize the value of power sales from physical assets it owns. Energy trading activities are principally forward financial transactions to hedge price risk and are accounted for on a mark-to-market basis in accordance with SFAS No. 133, as amended. Prior to the MISO establishing its Day 2 energy market in April 2005, wholesale forward transactions were primarily physically settled and thus were treated as normal sales under SFAS No 133, as amended, and were not marked to market.

The table below summarizes LG&E's energy trading and risk management activities:

(in millions)	2006	2005
Fair value of contracts at beginning of period, net asset	$ 1	$ -
Fair value of contracts when entered into during the period	3	1
Contracts realized or otherwise settled during the period	(6)	-
Changes in fair values due to changes in assumptions	3	-
Fair value of contracts at end if period, net asset	$ 1	$ 1

No changes to valuation techniques for energy trading and risk management activities occurred during 2006 or 2005. Changes in market pricing, interest rate and volatility assumptions were made during both years. All contracts outstanding at December 31, 2006 and 2005, have a maturity of less than one year and are valued using prices actively quoted for proposed or executed transactions or quoted by brokers.

LG&E maintains policies intended to minimize credit risk and revalues credit exposures daily to monitor compliance with those policies. At December 31, 2006, 100% of the trading and risk management commitments were with counterparties rated BBB-/Baa3 equivalent or better.

LG&E hedges the price volatility of its forecasted electric off-system sales with the sales of market-traded electric forward contracts for periods of less than one year. These electric forward sales have been designated as cash flow hedges and are not speculative in nature. Gains or losses on these instruments, to the extent that the hedging relationship has been effective, are deferred in other comprehensive income. Gains and losses resulting from ineffectiveness are shown in the statements of income in other expense (income)-net. Upon completion of the underlying hedge transaction, the amount recorded in other comprehensive income is recorded in earnings. No material pre-tax gains and losses resulted from these cash flow hedges in 2006, 2005 and 2004. See Note 13, Accumulated Other Comprehensive Income.

Note 4 - Concentrations of Credit and Other Risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counterparties failed to perform as contracted. Concentrations of credit risk (whether on- or off-balance sheet) relate to groups of customers or counterparties that have similar economic or industry characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

LG&E's customer receivables and natural gas and electric revenues arise from deliveries of natural gas to approximately 324,000 customers and electricity to approximately 398,000 customers in Louisville and adjacent areas in Kentucky. For the year ended December 31, 2006, 70% of total revenue was derived from electric operations and 30% from natural gas operations. For the year ended December 31, 2005, 69% of total revenue was derived from electric operations and 31% from natural gas operations.

In November 2005, LG&E and IBEW Local 2100 employees, that represent approximately 69% of LG&E's workforce at February 28, 2007, entered into a three-year collective bargaining agreement with annual benefits re-openers.

Note 5 - Pension and Other Postretirement Benefit Plans

LG&E has both funded and unfunded non-contributory defined benefit pension plans and other postretirement benefit plans that together cover substantially all of its employees. The healthcare plans are contributory with participants' contributions adjusted annually. LG&E uses December 31 as the measurement date for its plans.

Obligations and Funded Status. The following tables provide a reconciliation of the changes in the plans' benefit obligations and fair value of assets over the three-year period ending December 31, 2006, and a statement of the funded status as of December 31 for LG&E's sponsored defined benefit plans:

(in millions)	Pension Benefits			Other Postretirement Benefits		
	2006	2005	2004	2006	2005	2004
Change in benefit obligation						
Benefit obligation at beginning of year	$ 427	$ 402	$ 379	$ 106	$ 113	$ 108
Service cost	4	4	3	1	1	1
Interest cost	23	22	23	6	6	7
Plan amendments	4	3	3	-	2	-
Benefits paid	(29)	(30)	(31)	(8)	(8)	(7)
Actuarial (gain) or loss and other	(21)	26	25	-	(8)	4
Benefit obligation at end of year	$ 408	$ 427	$ 402	$ 105	$ 106	$ 113
Change in plan assets						
Fair value of plan assets at beginning of year	$ 333	$ 338	$ 298	$ 3	$ 1	$ 1
Actual return on plan assets	36	27	39	-	-	(2)
Employer contributions	18	-	35	11	10	9
Benefits paid	(29)	(30)	(31)	(8)	(8)	(7)
Administrative expenses and other	(2)	(2)	(3)	-	-	-
Fair value of plan assets at end of year	$ 356	$ 333	$ 338	$ 6	$ 3	$ 1
Funded status at end of year	$ (52)	$ (94)	$ (64)	$ (99)	$ (103)	$ (112)

Amounts Recognized in Statement of Financial Position. The following tables provide the amounts recognized in the balance sheet and information for plans with benefit obligations in excess of plan assets as of December 31:

(in millions)	Pension Benefits 2006	Pension Benefits 2005	Other Postretirement Benefits 2006	Other Postretirement Benefits 2005
Prior to the application of SFAS No. 158:				
Accrued benefit liability	$ (35)	$ (77)	$ (66)	$ (67)
Intangible asset	27	31	-	-
Accumulated other comprehensive income	49	77	-	-
After the application of SFAS No. 158:				
Regulatory assets	93	-	33	-
Accrued benefit liability (current)	-	-	(2)	-
Accrued benefit liability (non-current)	(52)	(77)	(97)	(67)

The following table shows the calculation of the accrued benefit liability at December 31:

(in millions)	Pension Benefits 2006	Pension Benefits 2005	Other Postretirement Benefits 2006	Other Postretirement Benefits 2005
Funded status	$ (52)	$ (94)	$ (99)	$ (103)
Unrecognized prior service costs	N/A	-	N/A	10
Unrecognized actuarial loss	N/A	94	N/A	21
Unrecognized transition obligation	N/A	-	N/A	5
Other comprehensive income	N/A	(77)	N/A	-
Accrued benefit liability	$ (52)	$ (77)	$ (99)	$ (67)

Additional year-end information for plans with accumulated benefit obligations in excess of plan assets:

(in millions)	Pension Benefits 2006	Pension Benefits 2005	Other Postretirement Benefits 2006	Other Postretirement Benefits 2005
Benefit obligation	$ 408	$ 427	$ 105	$ 106
Accumulated benefit obligation	391	410	-	-
Fair value of plan assets	356	333	6	3

Components of Net Periodic Benefit Cost. The following table provides the components of net periodic benefit cost for the plans:

	Pension Benefits			Other Postretirement Benefits		
(in millions)	2006	2005	2004	2006	2005	2004
Service cost	$ 4	$ 4	$ 3	$ 1	$ 1	$ 1
Interest cost	23	22	23	6	5	6
Expected return on plan assets	(27)	(26)	(27)	-	-	-
Amortization of prior service costs	4	4	4	2	2	2
Amortization of transitional asset	(1)	(1)	(1)	-	1	1
Amortization of actuarial loss	4	2	2	-	-	1
Amortization of transitional obligation	-	-	-	1	-	-
Benefit cost at end of year	$ 7	$ 5	$ 4	$ 10	$ 9	$ 11

The assumptions used in the measurement of LG&E's pension benefit obligation are shown in the following table:

	2006	2005	2004
Weighted-average assumptions as of December 31:			
Discount rate-Union plan	5.91%	5.50%	5.75%
Discount rate-Non-union plan	5.96%	5.50%	5.75%
Rate of compensation increase	5.25%	5.25%	4.50%

The assumptions used in the measurement of LG&E's net periodic benefit cost are shown in the following table:

	2006	2005	2004
Discount rate	5.50%	5.75%	6.25%
Expected long-term return on plan assets	8.25%	8.25%	8.50%
Rate of compensation increase	5.25%	4.50%	3.50%

To develop the expected long-term rate of return on assets assumption, LG&E considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

Assumed Healthcare Cost Trend Rates. For measurement purposes, a 10% annual increase in the per capita cost of covered healthcare benefits was assumed for 2006. The rate was assumed to decrease gradually to 5% by 2015 and remain at that level thereafter.

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plans. A 1% change in assumed healthcare cost trend rates would have resulted in an increase or decrease of less than $1 million on the 2006 total of service and interest costs components and an increase or decrease of $3 million in year-end 2006 postretirement benefit obligations.

Expected Future Benefit Payments. The following list provides the amount of expected future benefit payments, which reflect expected future service, as appropriate:

(in millions)	Pension Plans	Other Postretirement Benefits
2007	$ 28	$ 8
2008	$ 28	$ 9
2009	$ 27	$ 9
2010	$ 26	$ 9
2011	$ 25	$ 9
2012-16	$ 124	$ 44

Plan Assets. The following table shows LG&E's weighted-average asset allocation by asset category at December 31:

	Target Range	2006	2005	2004
Pension Plans:				
Equity securities	45% - 75%	61%	57%	66%
Debt securities	30% - 50%	39%	42%	33%
Other	0% - 10%	0%	1%	1%
Totals		100%	100%	100%

The investment policy of the pension plans was developed in conjunction with financial consultants, investment advisors and legal counsel. The goal of the investment policy is to preserve the capital of the fund and maximize investment earnings. The return objective is to exceed the benchmark return for the policy index comprised of the following: Russell 3000 Index, MSCI-EAFE Index, Lehman Aggregate and Lehman Long Duration Gov/Corporate Bond Index in proportions equal to the targeted asset allocation.

Evaluation of performance focuses on a long-term investment time horizon of at least three to five years or a complete market cycle. The assets of the pension plans are broadly diversified within different asset classes (equities, fixed income securities and cash equivalents).

To minimize the risk of large losses in a single asset class, no more than 5% of the portfolio will be invested in the securities of any one issuer with the exclusion of the U.S. government and its agencies. The equity portion of the fund is diversified among the market's various subsections to diversify risk, maximize returns and avoid undue exposure to any single economic sector, industry group or individual security. The equity subsectors include, but are not limited to, growth, value, small capitalization and international.

In addition, the overall fixed income portfolio may have an average weighted duration, or interest rate sensitivity which is within +/- 20% of the duration of the overall fixed income benchmark. Foreign bonds in the aggregate shall not exceed 10% of the total fund. The portfolio may include a limited investment of up to 20% in below investment grade securities provided that the overall average portfolio quality remains "AA" or better.

The below investment grade securities include, but are not limited to, medium-term notes, corporate debt, non-dollar and emerging market debt and asset backed securities. The cash investments should be in securities that either are of short maturities (not to exceed 180 days) or readily marketable with modest risk. Derivative securities are permitted only to improve the portfolio's risk/return profile, to modify the portfolio's duration or to reduce transaction costs and must be used in conjunction with underlying physical assets in the portfolio. Derivative securities that involve speculation, leverage, interest rate anticipation, or any undue risk whatsoever are not deemed appropriate investments.

The investment objective for the postretirement benefit plan is to provide current income consistent with stability of principal and liquidity while maintaining a stable net asset value of $1.00 per share. The postretirement funds are invested in a prime cash money market fund that invests primarily in a portfolio of short-term, high-quality fixed income securities issued by banks, corporations and the U.S. government.

Contributions. LG&E made discretionary contributions to the pension plan of $18 million in January 2006 and $35 million in January 2004. There were no contributions during 2005. LG&E made an additional discretionary contribution to the pension plan of $56 million in January 2007, which was slightly more than the $52 million accrued benefit liability as of December 31, 2006. LG&E does not expect to make any further contributions in 2007. See Note 15, Subsequent Events.

In addition, LG&E made contributions to other postretirement benefit plans of approximately $11 million, $10 million and $9 million in 2006, 2005 and 2004, respectively. In 2007, LG&E anticipates making voluntary contributions to fund the Voluntary Employee Beneficiary Association (VEBA) trusts to match the annual postretirement expense and funding the 401(h) plan up to certain maximum applicable amounts under law or regulation.

Pension Legislation. The Pension Protection Act of 2006 was enacted in August 2006. The new rules are generally effective for plan years beginning after 2008. Among other matters, this comprehensive legislation contains provisions applicable to defined benefit plans which generally (i) mandate 100% funding of current liabilities within seven years; (ii) increase tax-deduction levels regarding contributions; (iii) revise certain actuarial assumptions, such as mortality tables and discount rates; and (iv) raise federal insurance premiums and other fees for under-funded and distressed plans. The legislation also contains similar provisions relating to defined-contribution plans and qualified and non-qualified executive pension plans and other matters. While LG&E continues to examine the potential impacts of the Pension Protection Act of 2006, its $56 million contribution in January 2007 was slightly more than the accrued benefit liability as of December 31, 2006.

FSP 106-2. FSP 106-2, *Accounting and Disclosure Requirements Related to the Medicare Prescription Drug Improvement and Modernization Act of 2003*, which provided guidance on accounting for subsidies provided under the Medicare Act, was effective for the first interim or annual period beginning after June 15, 2004. The impact of the subsidy in 2004 was a reduction in the accumulated postretirement benefit obligation of $3 million. The effect of the subsidy on the measurement of the net periodic postretirement benefit cost was less than $1 million.

Thrift Savings Plans. LG&E has a thrift savings plan under section 401(k) of the IRC. Under the plan, eligible employees may defer and contribute to the plan a portion of current compensation in order to provide future retirement benefits. LG&E makes contributions to the plan by matching a portion of the employee contributions. The costs of this matching were approximately $2 million for 2006 and 2005.

Note 6 - Income Taxes

Components of income tax expense are shown in the table below:

(in millions)		2006	2005	2004
Current	- federal	$60	$73	$34
	- state	11	10	13
Deferred	- federal – net	(7)	(12)	11
	- state – net	(1)	(2)	(1)
Investment tax credit-deferred		3	-	-
Amortization of investment tax credit		(4)	(4)	(4)
Total income tax expense		$62	$65	$53

Deferred federal income tax expense during 2004 included significant deductions attributable to federal bonus depreciation which ended after December 2004.

In June 2006, LG&E and KU filed a joint application with the DOE requesting certification to be eligible for investment tax credits applicable to the construction of TC2. The EPAct 2005 added Section 48A to the Internal Revenue Code, which provides for an investment tax credit to promote the commercialization of advanced coal technologies that will generate electricity in an environmentally responsible manner. LG&E's and KU's application requested up to a maximum amount of "advanced coal project" credit allowed per taxpayer, or $125 million, based on an estimate of 15% of projected qualifying TC2 expenditures.

In November 2006, the DOE and Internal Revenue Service announced that LG&E and KU were selected to receive the tax credit. LG&E's portion of the tax credit will be approximately $24 million over the construction period of TC2. This tax credit will be amortized to income over the life of the related property. In 2006, based on eligible construction expenditures incurred in 2006, LG&E recorded a federal investment tax credit, decreasing current federal income taxes in 2006 by $3 million.

H. R. 4520, known as the "American Jobs Creation Act of 2004" allows electric utilities to take a deduction of up to 3% of their qualified production activities income starting in 2005. This deduction reduced LG&E's effective tax rate by less than 1% for 2006.

Components of net deferred tax liabilities included in the balance sheet are shown below:

(in millions)	2006	2005
Deferred tax liabilities:		
Depreciation and other plant-related items	$367	$391
Regulatory assets and other	22	23
Pension and related benefits	6	-
Total deferred tax liabilities	395	414
Deferred tax assets:		
Investment tax credit	15	17
Income taxes due to customers	21	17
Pensions and related benefits	-	39
Liabilities and other	26	19
Total deferred tax assets	62	92
Net deferred income tax liability	$333	$322

A reconciliation of differences between the statutory U.S. federal income tax rate and LG&E's effective income tax rate follows:

	2006	2005	2004
Statutory federal income tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal benefit	3.8	4.3	5.3
Reduction of income tax accruals	(0.4)	(2.0)	(0.7)
Amortization of investment tax credits	(2.2)	(2.1)	(3.6)
Other differences	(1.6)	(1.7)	(0.4)
Effective income tax rate	34.6%	33.5%	35.6%

State income taxes net of federal benefit in 2006 reflect Kentucky Coal Tax Credits earned.

Other differences primarily relate to excess deferred taxes which reflect the benefits of deferred taxes reversing at tax rates that differ from statutory rates and various other permanent differences.

In September 2005, LG&E received notice from the Congressional Joint Committee on Taxation approving the Internal Revenue Service's audit of LG&E's income tax returns for the periods December 1999 through December 2003. As a result of resolving numerous tax matters during these periods, LG&E reduced income tax accruals by $4 million during 2005.

Kentucky House Bill 272, also known as "Kentucky's Tax Modernization Plan", was signed into law in March 2005. This bill contains a number of changes in Kentucky's tax system, including the reduction of the Corporate income tax rate from 8.25% to 7% effective January 1, 2005, and a further reduction to 6% effective January 1, 2007. As a result of the income tax rate change, LG&E's deferred tax reserve amount will exceed its actual deferred tax liability attributable to existing temporary differences, since the new statutory rates are lower than the rates were when the deferred tax liability originated. This excess amount is referred to as excess deferred income taxes. In June 2005 and December 2006, LG&E received approval from the Kentucky Commission to establish and amortize a regulatory liability ($16 million) for its net excess deferred income tax balances. LG&E will amortize its depreciation-related excess deferred income tax balances under the average rate assumption method. The average rate assumption method matches the amortization of the excess deferred income taxes with the life of the timing differences to which they relate. Excess deferred income tax balances related to non-depreciation timing differences were expensed in 2005 and 2006 due to their immaterial amount.

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

Note 7 - Long-Term Debt

As of December 31, 2006 and 2005, long-term debt and the current portion of long-term debt consist primarily of pollution control bonds and long-term loans from affiliated companies as summarized below.

(in millions)	Stated Interest Rates	Maturities	Principal Amounts
Outstanding at December 31, 2006:			
Noncurrent portion	Variable - 5.875%	2008-2035	$ 572
Current portion	Variable	2007-2027	248
Outstanding at December 31, 2005:			
Noncurrent portion	Variable - 5.875%	2008-2035	$ 573
Current portion	Variable	2006-2027	248

Under the provisions for LG&E's variable-rate pollution control bonds, Series S, T, U, BB, CC, DD and EE, the bonds are subject to tender for purchase at the option of the holder and to mandatory tender for purchase upon the occurrence of certain events, causing the bonds to be classified as current portion of long-term debt in the balance sheets. The average annualized interest rate for these bonds during 2006 and 2005 was 3.50% and 2.50%, respectively.

Pollution control series bonds are first mortgage bonds that have been issued by LG&E in connection with tax-exempt pollution control revenue bonds issued by various governmental entities, principally counties in Kentucky. A loan agreement obligates LG&E to make debt service payments to the county that equate to the debt service due from the county on the related pollution control revenue bonds. The county's debt is also secured by LG&E's first mortgage bonds of an equal amount (the pollution control series bonds) that are pledged to the trustee for the pollution control revenue bonds, and that matches the terms and conditions of the county's debt, but require no payment of principal and interest unless LG&E defaults on the loan agreement.

Substantially all of LG&E's utility assets are pledged as collateral for its first mortgage bonds. LG&E's first mortgage bond indenture, as supplemented, provides that portions of retained earnings will not be available for the payment of dividends on common stock, under certain specified conditions. No portion of retained earnings was restricted by this provision as of either December 31, 2006 or 2005.

Interest rate swaps are used to hedge LG&E's underlying variable-rate debt obligations. These swaps hedge specific debt issuances and, consistent with management's designation, are accorded hedge accounting treatment. The swaps exchange floating-rate interest payments for fixed rate interest payments to reduce the impact of interest rate changes on LG&E's pollution control bonds. As of December 31, 2006 and 2005, LG&E had swaps with an aggregate notional value of $211 million. See Note 3, Financial Instruments.

Redemptions and maturities of long-term debt for 2006, 2005 and 2004 are summarized below:

($ in millions) Year	 Description	Principal Amount	 Rate	Secured/ Unsecured	 Maturity
2006	Mandatorily Redeemable Preferred Stock	$ 1	5.875%	Unsecured	Jul 2006
2005	Pollution control bonds	$ 40	5.90%	Secured	Apr 2023
2005	Due to Fidelia	$ 50	1.53%	Secured	Jan 2005
2005	Mandatorily Redeemable Preferred Stock	$ 1	5.875%	Unsecured	Jul 2005
2004	Due to Fidelia	$ 50	1.53%	Secured	Jan 2005
2004	Mandatorily Redeemable Preferred Stock	$ 1	5.875%	Unsecured	Jul 2004

LG&E did not issue any new long-term debt in 2006. Issuances of long-term debt for 2005 and 2004 are summarized below:

($ in millions) Year	 Description	Principal Amount	 Rate	Secured/ Unsecured	 Maturity
2005	Pollution control bonds	$ 40	Variable	Secured	Feb 2035
2004	Due to Fidelia	$ 25	4.33%	Secured	Jan 2012
2004	Due to Fidelia	$100	1.53%	Secured	Jan 2005

LG&E has existing $5.875 series mandatorily redeemable preferred stock outstanding having a current redemption price of $100 per share. 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. LG&E redeemed 12,500 shares in accordance with these provisions on July 15, 2006, 2005, 2004 and 2003, leaving 200,000 shares currently outstanding.

Long-term debt maturities for LG&E are shown in the following table:

(in millions)	
2007	$ 1
2008	19
2009-11	-
Thereafter	800 (a)
Total	$820

(a) Includes long-term debt of $246 million classified as current liabilities because these bonds are subject to tender for purchase at the option of the holder and to mandatory tender for purchase upon the occurrence of certain events. Maturity dates for these bonds range from 2013 to 2027. LG&E does not expect to pay these amounts in 2007.

Note 8 - Notes Payable and Other Short-Term Obligations

LG&E participates in an intercompany money pool agreement wherein E.ON U.S. and/or KU make funds available to LG&E at market-based rates (based on an index of highly rated commercial paper issues) up to $400 million.

($ in millions)	Total Money Pool Available	Amount Outstanding	Balance Available	Average Interest Rate
December 31, 2006	$400	$ 68	$332	5.25%
December 31, 2005	$400	$141	$259	4.21%

At December 31, 2006 and 2005, E.ON U.S. maintained a revolving credit facility totaling $200 million with an affiliated company, E.ON North America, Inc., to ensure funding availability for the money pool. The balance is as follows:

($ in millions)	Total Available	Amount Outstanding	Balance Available	Average Interest Rate
December 31, 2006	$200	$102	$98	5.49%
December 31, 2005	$200	$105	$95	4.49%

During June 2006, LG&E renewed five revolving lines of credit with banks totaling $185 million. These credit facilities expire in June 2007, and there was no outstanding balance under any of these facilities at December 31, 2006 and 2005.

The covenants under these revolving lines of credit include:

- The debt/total capitalization ratio must be less than 70%;
- E.ON AG must own at least 66.667% of voting stock of LG&E directly or indirectly;
- The corporate credit rating of the Company must be at or above BBB- and Baa3; and
- A limitation on disposing of assets aggregating more than 15% of total assets as of December 31, 2004.

Note 9 - Commitments and Contingencies

Operating Leases. LG&E leases office space, office equipment and vehicles and accounts for these leases as operating leases. Total lease expense for 2006, 2005 and 2004, less amounts contributed by affiliated companies occupying a portion of the office space leased by LG&E, was $5 million for 2006 and $3 million each for 2005 and 2004. The future minimum annual lease payments for operating leases for years subsequent to December 31, 2006, are shown in the following table:

(in millions)	
2007	$2
2008	2
2009	2
2010	2
2011	2
Thereafter	8
Total	$18

Sale and Leaseback Transaction. LG&E is a participant in a sale and leaseback transaction involving its 38% interest in two jointly-owned combustion turbines at KU's E.W. Brown generating station (Units 6 and 7). Commencing in December 1999, LG&E and KU entered into a tax-efficient, 18-year lease of the combustion turbines. LG&E and KU have provided funds to fully defease the lease, and have executed an irrevocable notice to exercise an early purchase option contained in the lease after 15.5 years. The financial statement treatment of this transaction is no different than if LG&E had retained its ownership. The leasing transaction was entered into following receipt of required state and federal regulatory approvals.

In case of default under the lease, LG&E is obligated to pay to the lessor its share of certain fees or amounts. Primary events of default include loss or destruction of the combustion turbines, failure to insure or maintain the combustion turbines and unwinding of the transaction due to governmental actions. No events of default currently exist with respect to the lease. Upon any termination of the lease, whether by default or expiration of its term, title to the combustion turbines reverts jointly to LG&E and KU.

At December 31, 2006, the maximum aggregate amount of default fees or amounts was $9 million, of which LG&E would be responsible for 38% (approximately $3 million). LG&E has made arrangements with E.ON U.S., via guarantee and regulatory commitment, for E.ON U.S. to pay LG&E's full portion of any default fees or amounts.

Letters of Credit. LG&E has provided letters of credit totaling $3 million to support certain obligations related to landfill reclamation and a letter of credit totaling less than $1 million to support certain obligations related to workers' compensation.

Purchased Power. LG&E has a contract for purchased power with OVEC for various Mw capacities. LG&E has an investment of 5.63% ownership in OVEC's common stock, which is accounted for on the cost method of accounting. LG&E's share of OVEC's output is 5.63%, approximately 124 Mw of generation capacity. Future obligations for power purchases are shown in the following table:

(in millions)	
2007	$ 11
2008	13
2009	16
2010	17
2011	17
Thereafter	328
Total	$402

Construction Program. LG&E had approximately $180 million of commitments in connection with its construction program at December 31, 2006.

In June 2006, the LG&E and KU entered into a construction contract regarding the TC2 project. The contract is generally in the form of a lump-sum, turnkey agreement for the design, engineering, procurement, construction, commissioning, testing and delivery of the project, according to designated specifications, terms and conditions. The contract price and its components are subject to a number of potential adjustments which may serve to increase or decrease the ultimate construction price paid or payable to the contractor. The contract also contains standard representations, covenants, indemnities, termination and other provisions for arrangements of this type, including termination for convenience or for cause rights.

Environmental Matters. LG&E's operations are subject to a number of environmental laws and regulations, governing, among other things, air emissions, wastewater discharges, the use, handling and disposal of hazardous substances and wastes, soil and groundwater contamination and employee health and safety.

Clean Air Act Requirements. The Clean Air Act establishes a comprehensive set of programs aimed at protecting and improving air quality in the United States by, among other things, controlling stationary sources of air emissions such as power plants. While the general regulatory framework for these programs is established at the federal level, most of the programs are implemented and administered by the states under the oversight of the EPA. The key Clean Air Act programs relevant to LG&E's business operations are described below.

Ambient Air Quality. The Clean Air Act requires the EPA to periodically review the available scientific data for six criteria pollutants and establish concentration levels in the ambient air sufficient to protect the public health and welfare with an extra margin for safety. These concentration levels are known as national ambient air quality standards ("NAAQS"). Each state must identify "nonattainment areas" within its boundaries that fail to comply with the NAAQS and develop a State Implementation Plan ("SIP") to bring such nonattainment areas into compliance. If a state fails to develop an adequate plan, the EPA must develop and implement a plan. As the EPA increases the stringency of the NAAQS through its periodic reviews, the attainment status of various areas may change, thereby triggering additional emission reduction obligations under revised SIPs aimed to achieve attainment.

In 1997, the EPA established new NAAQS for ozone and fine particulates that required additional reductions in SO_2 and NOx emissions from power plants. In 1998, the EPA issued its final "NOx SIP Call" rule requiring reductions in NOx emissions of approximately 85 percent from 1990 levels in order to mitigate ozone transport from the midwestern U.S. to the northeastern U.S. To implement the new federal requirements, in 2002, Kentucky amended its SIP to require electric generating units to reduce their NOx emissions to 0.15 pounds weight per MMBtu on a company-wide basis. In 2005, the EPA issued the CAIR which requires additional SO_2 emission reductions of 70 percent and NOx emission reductions of 65 percent from 2003 levels. The CAIR provides for a two-phase cap and trade program, with initial reductions of NOx and SO_2 emissions due by 2009 and 2010, respectively, and final reductions due by 2015. The final rule is currently under challenge in a number of federal court proceedings. In 2006, Kentucky proposed to amend its SIP to adopt state requirements similar to those under the federal CAIR. Depending on the level of action determined necessary to bring local nonattainment areas into compliance with the new ozone and fine particulate standards, LG&E's power plants are potentially subject to additional reductions in SO_2 and NOx emissions.

Hazardous Air Pollutants. As provided in the 1990 amendments to the Clean Air Act, the EPA investigated hazardous air pollutant emissions from electric utilities and submitted a report to Congress identifying mercury emissions from coal-fired power plants as warranting further study. In 2005, the EPA issued the CAMR establishing mercury standards for new power plants and requiring all states to issue new SIPs including mercury requirements for existing power plants. The EPA issued a model rule which provides for a two-phase cap and trade program with initial reductions due by 2010 and final reductions due by 2018. The CAMR provides for reductions of 70 percent from 2003 levels. The EPA closely integrated the CAMR and CAIR programs to ensure that the 2010 mercury reduction targets will be achieved as a "co-benefit" of the controls installed for purposes of compliance with the CAIR. The final rule is also currently under challenge in the federal courts. In 2006, Kentucky proposed to amend its SIP to adopt state requirements similar to those under the federal CAMR. In addition, in 2005 and 2006, state and local air agencies in Kentucky have proposed or adopted rules aimed at regulating additional hazardous air pollutants from sources including power plants. To the extent those rules are final, they are not expected to have a material impact on LG&E's power plant operations.

Acid Rain Program. The 1990 amendments to the Clean Air Act imposed a two-phased cap and trade program to reduce SO_2 emissions from power plants that were thought to contribute to "acid rain" conditions in the northeastern U.S. The 1990 amendments also contained requirements for power plants to reduce NOx emissions through the use of available combustion controls.

Regional Haze. The Clean Air Act also includes visibility goals for certain federally designated areas, including national parks, and requires states to submit SIPs that will demonstrate reasonable progress toward preventing future impairment and remedying any existing impairment of visibility in those areas. In 2005, the EPA issued its Clean Air Visibility Rule detailing how the Clean Air Act's best available retrofit technology ("BART") requirements will be applied to facilities, including power plants, built between 1962 and 1974 that emit certain levels of visibility impairing pollutants. Under the final rule, as the CAIR will result in more visibility improvement than BART, states are allowed to substitute CAIR requirements in their regional haze SIPs in lieu of controls that would otherwise be required by BART. The final rule has been challenged in the courts.

Installation of Pollution Controls. Many of the programs under the Clean Air Act utilize cap and trade mechanisms that require a company to hold sufficient emissions allowances to cover its authorized emissions on a company-wide basis and do not require installation of pollution controls on every generating unit. Under cap and trade programs, companies are free to focus their pollution control efforts on plants where such controls are particularly efficient and utilize the resulting emission allowances for smaller plants where such controls are not cost effective. LG&E had previously installed flue gas desulfurization equipment on all of its generating units prior to the effective date of the acid rain program. LG&E's strategy for its Phase II SO_2 requirements, which commenced in 2000, is to use accumulated emissions allowances to defer additional capital expenditures and LG&E will continue to evaluate improvements to further reduce SO_2 emissions. In order to achieve the NOx emission reductions mandated by the NOx SIP Call, LG&E installed additional NOx controls, including selective catalytic reduction technology, during the 2000 to 2006 time period at a cost of $187 million. In 2001, the Kentucky Commission granted recovery in principal of these costs incurred by LG&E under its periodic environmental surcharge review mechanisms.

In order to achieve the emissions reductions mandated by the CAIR and CAMR, LG&E expects to incur additional operating and maintenance costs in operating such controls. In 2005, the Kentucky Commission granted recovery in principal of these costs incurred by LG&E under its periodic environmental surcharge review mechanisms. LG&E believes its costs in reducing SO_2, NOx and mercury emissions to be comparable to those of similarly situated utilities with like generation assets. LG&E's compliance plans are subject to many factors including developments in the emission allowance and fuels markets, future legislative and regulatory enactments, legal proceedings and advances in clean air technology. LG&E will continue to monitor these developments to ensure that its environmental obligations are met in the most efficient and cost-effective manner.

Potential GHG Controls. In 2005, the Kyoto Protocol for reducing GHG emissions took effect, obligating 37 industrialized countries to undertake substantial reductions in GHG emissions. The U.S. has not ratified the Kyoto Protocol and there are currently no mandatory GHG emission reduction requirements at the federal level. Legislation mandating GHG reductions has been introduced in the Congress, but no federal legislation has been enacted to date. In the absence of a program at the federal level, various states have adopted their own GHG emission reduction programs. Such programs have been adopted in various states including 11 northeastern U.S. states under the Regional GHG Initiative program and California. Substantial efforts to pass federal GHG legislation are ongoing. In addition, litigation is currently pending before various courts to determine whether the EPA and the states have the authority to regulate GHG emissions under existing law. LG&E is monitoring ongoing efforts to enact GHG reduction requirements at the state and federal level. LG&E is unable to predict whether mandatory GHG reduction requirements will ultimately be enacted or to determine the reduction targets and deadlines that would be applicable under such programs. As a Company with significant coal-fired generating assets, LG&E could be substantially impacted by programs requiring mandatory reductions in GHG emissions, although the precise impact on the operations of LG&E cannot be determined prior to the enactment of such programs.

General Environmental Proceedings. From time to time, LG&E appears before the EPA, various state or local regulatory agencies and state and federal courts regarding matters involving compliance with applicable environmental laws and regulations. Such matters include remediation obligations for former MGP sites;

liability under the Comprehensive Environmental Response, Compensation and Liability Act for cleanup at various off-site waste sites; ongoing claims regarding alleged particulate emissions from LG&E's Cane Run station; and ongoing claims regarding GHG emissions from LG&E's generating stations. With respect to the former MGP sites, LG&E has estimated that it could incur additional costs of less than $1 million for remaining clean-up activities under existing approved plans or agreements. An accrual for this amount had been recorded in the accompanying financial statements at December 31, 2005, which accrual was reversed as of December 31, 2006 upon the evaluation that the likelihood of such occurrence is remote. Based on analysis to date, the resolution of the other matters is also not expected to have a material impact on the operations of LG&E.

Note 10 - Jointly Owned Electric Utility Plant

LG&E owns a 75% undivided interest in TC1 which the Kentucky Commission has allowed to be reflected in customer rates. Of the remaining 25% of the Unit, IMEA owns a 12.12% undivided interest, and IMPA owns a 12.88% undivided interest. Each company is responsible for its proportionate ownership share of fuel cost, operation and maintenance expenses and incremental assets. The following data represent shares of the jointly owned property:

	TC1			
	LG&E	IMPA	IMEA	Total
Ownership interest	75%	12.88%	12.12%	100%
Mw capacity	383	66	62	511

(in millions)	
LG&E's 75% ownership:	
Cost	$ 604
Accumulated depreciation	(231)
Net book value	$ 373
Construction work in progress (included in above)	$ 9

LG&E and KU have begun construction of another jointly owned unit at the Trimble County site. LG&E and KU own undivided 14.25% and 60.75% interests, respectively, in TC2. Of the remaining 25% of TC2, IMEA owns a 12.12% undivided interest and IMPA owns a 12.88% undivided interest. Each company is responsible for its proportionate share of capital cost during construction, and fuel, operation and maintenance cost when TC2 begins operation, which is expected to occur in 2010.

	TC2				
	LG&E	KU	IMPA	IMEA	Total
Ownership interest	14.25%	60.75%	12.88%	12.12%	100%
Mw capacity	107	455	97	91	750

(in millions)	LG&E	KU
Construction work in progress	$25	$96

LG&E and KU jointly own the following combustion turbines and related equipment:

($ in millions)	LG&E				KU				Total			
Ownership Percentage	Mw Capacity	($) Cost	($) Depre-ciation	($) Net Book Value	Mw Capacity	($) Cost	($) Depre-ciation	($) Net Book Value	Mw Capacity	($) Cost	($) Depre-ciation	($) Net Book Value
LG&E 53%, KU 47% (1)	146	58	(10)	48	129	51	(10)	41	275	109	(20)	89
LG&E 38%, KU 62% (2)	118	46	(8)	38	190	72	(12)	60	308	118	(20)	98
LG&E 29%, KU 71% (3)	92	32	(4)	28	228	80	(12)	68	320	112	(16)	96
LG&E 37%, KU 63% (4)	236	79	(8)	71	404	137	(12)	125	640	216	(20)	196
LG&E 29%, KU 71% (5)	n/a	3	(0)	3	n/a	9	(1)	8	n/a	12	(1)	11

(1) Comprised of Paddy's Run 13 and E.W. Brown 5. In addition to the above jointly owned utility plant, there is an inlet air cooling system attributable to Unit 5 and Units 8-11 at the E.W. Brown facility. This inlet air cooling system is not jointly owned, however it is used to increase production on the units to which it relates, resulting in an additional 10Mw of capacity for LG&E.
(2) Comprised of units 6 and 7 at the E.W. Brown facility.
(3) Comprised of units 5 and 6 at the Trimble County facility.
(4) Comprised of CT Substation 7-10 and units 7, 8, 9 and 10 at the Trimble County facility.
(5) Comprised of CT Substation 5 and 6 and CT Pipeline at the Trimble County facility.

Both LG&E's and KU's participating share of direct expenses of the joint fuel plants is included in the corresponding operating expenses on its respective income statement (e.g., fuel, maintenance of plant, other operating expense).

Note 11 - Segments of Business and Related Information

LG&E is a regulated public utility engaged in the generation, transmission, distribution and sale of electricity and the storage, distribution and sale of natural gas. LG&E is regulated by the Kentucky Commission and files electric and natural gas financial information separately with the Kentucky Commission. The Kentucky Commission establishes rates specifically for the electric and natural gas businesses. Therefore, management reports and analyzes financial performance based on the electric and natural gas segments of the business. Financial data for business segments follow:

(in millions)	Electric	Gas	Total
2006			
Operating revenues	$ 943	$395	$1,338
Depreciation and amortization	105	19	124
Income taxes	57	5	62
Interest income	1	-	1
Interest expense	33	8	41
Net income	107	10	117
Total assets	2,520	664	3,184
Construction expenditures	111	35	146

2005			
Operating revenues	$ 987	$437	$1,424
Depreciation and amortization	106	18	124
Income taxes	60	5	65
Interest income	1	-	1
Interest expense	30	7	37
Net income	119	10	129
Total assets	2,475	671	3,146
Construction expenditures	97	42	139
2004			
Operating revenues	$ 816	$357	$1,173
Depreciation and amortization	100	17	117
Income taxes	48	5	53
Interest income	-	-	-
Interest expense	27	6	33
Net income	87	9	96
Total assets	2,417	550	2,967
Construction expenditures	113	35	148

Note 12 - Related Party Transactions

LG&E and other subsidiaries of E.ON engage in related party transactions. Transactions between LG&E and E.ON U.S. subsidiaries are eliminated upon consolidation of E.ON U.S. Transactions between LG&E and E.ON subsidiaries are eliminated upon consolidation of E.ON. These transactions are generally performed at cost and are in accordance with FERC regulations under PUHCA 2005 and the applicable Kentucky Commission regulations. The significant related party transactions are disclosed below.

Electric Purchases

LG&E and KU purchase energy from each other in order to effectively manage the load of their retail and off-system customers. In 2004, LG&E also had sales to LG&E Energy Marketing Inc., another E.ON U.S. subsidiary, of less than $1 million. These sales and purchases are included in the statements of income as electric operating revenues and purchased power operating expense. LG&E intercompany electric revenues and purchased power expense for the years ended December 31, 2006, 2005 and 2004 were as follows:

(in millions)	2006	2005	2004
Electric operating revenues from KU	$99	$92	$59
Purchased power from KU	77	96	62

Interest Charges

See Note 8, Notes Payable and Other Short-Term Obligations, for details of intercompany borrowing arrangements. Intercompany agreements do not require interest payments for receivables related to services provided when settled within 30 days.

LG&E's intercompany interest income and expense for the years ended December 31, 2006, 2005 and 2004 were as follows:

(in millions)	2006	2005	2004
Interest on money pool loans	$ 2	$ 2	$ -
Interest on Fidelia loans	11	11	12

Other Intercompany Billings

E.ON U.S. Services provides LG&E with a variety of centralized administrative, management and support services. These charges include payroll taxes paid by E.ON U.S. on behalf of LG&E, labor and burdens of E.ON U.S. Services employees performing services for LG&E and vouchers paid by E.ON U.S. Services on behalf of LG&E. The cost of these services are directly charged to LG&E, or for general costs which cannot be directly attributed, charged based on predetermined allocation factors, including the following ratios: number of customers, total assets, revenues, number of employees and other statistical information. These costs are charged on an actual cost basis.

In addition, LG&E and KU provide services to each other and to E.ON U.S. Services. Billings between LG&E and KU relate to labor and overheads associated with union employees performing work for the other utility, charges related to jointly-owned combustion turbines and other miscellaneous charges. Billings from LG&E to E.ON U.S. Services relate to information technology-related services provided by LG&E employees, cash received by E.ON U.S. Services on behalf of LG&E and services provided by LG&E to other non-regulated businesses which are paid through E.ON U.S. Services.

Intercompany billings to and from LG&E for the years ended December 31, 2006, 2005 and 2004 were as follows:

(in millions)	2006	2005	2004
E.ON U.S. Services billings to LG&E	$230	$208	$191
LG&E billings to KU	53	101	60
KU billings to LG&E	56	29	7
LG&E billings to E.ON U.S. Services	7	8	13

Note 13 – Accumulated Other Comprehensive Income

Accumulated other comprehensive income (loss) consisted of the following:

(in millions)	Minimum Pension Liability Adjustment	Accumulated Derivative Gain or Loss	Pre-Tax	Income Taxes	Net
Balance at December 31, 2003	$(48)	$(16)	$(64)	$27	$(37)
Minimum pension liability adjustment	(10)	-	(10)	4	(6)
Gains (losses) on derivative instruments designated and qualifying as cash flow hedging instruments	-	(2)	(2)	-	(2)
Balance at December 31, 2004	(58)	(18)	(76)	31	(45)
Minimum pension liability adjustment	(19)	-	(19)	6	(13)
Balance at December 31, 2005	(77)	(18)	(95)	37	(58)
Minimum pension liability adjustment	77	-	77	(30)	47
Gains (losses) on derivative instruments designated and qualifying as cash flow hedging instruments	-	3	3	(1)	2
Balance at December 31, 2006	$ -	$(15)	$(15)	$ 6	$ (9)

Note 14 – Notes to Statement of Cash Flows

Supplemental disclosures of cash flow information

(in millions)	2006	2005
Cash paid during the year for:		
Income Taxes	$ 64	$ 83
Interest on borrowed money	24	21
Interest on affiliated companies on borrowed money	11	13

Note 15 - Notes to Statement of Income for the Year

See page 115, line 6, column (g). Electric Utility Depreciation Expense includes $6.1 million applicable to Common Utility Plant apportioned to Electric Operations.

See page 115, line 6, column (i). Gas Utility Depreciation Expense includes $2.1 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 $4.3 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 $1.5 million applicable to Common Utility Plant apportioned to Gas Operations.

Note 16 - Subsequent Events

On January 16, 2007, LG&E made a discretionary contribution to the pension plan in the amount of $56 million, which was slightly more than the $52 million accrued benefit liability as of December 31, 2006.

On January 31, 2007, LG&E received an Order from the Kentucky Commission approving the charges and credits billed through the ECR during the review period as well as approving billing adjustments, a roll-in to base rates, revisions to the monthly surcharge filing and a rate of return on capital.

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 possible 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 on April 16, 2007, pursuant to existing redemption provisions applicable to such series. LG&E will redeem on such redemption date 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.

Dividends on the shares of preferred stock shall cease to accumulate on the redemption date and no further dividends will be paid or will accrue on such preferred stock thereafter.

On February 9, 2007, LG&E filed with the Kentucky Commission an application for approval of a "green energy" rider. This application details LG&E's plans to offer its customers a "green energy" program that contributes funds to the maintenance and growth of renewable energy in Kentucky and contiguous states. An Order is expected during the second quarter of 2007.

On March 21, 2007, LG&E filed a real-time pilot program for residential and general service customers with the Kentucky Commission as agreed to in the Rate Case settlement agreement and in response to additional requirements ordered by the Kentucky Commission resulting from not adopting the Smart-Metering and Interconnection standards included in the EPAct 2005. An order from the Kentucky Commission is anticipated before the end of 2007.

LG&E has commenced a review of certain federal and state permitting, licensing and oversight matters relating to existing natural gas operations at its Doe Run, Kentucky storage field. The review relates, in part, to the applicable jurisdictional status of such operations under the Natural Gas Act and whether additional applications, filings or exemptions are required or advisable, and is planned to be completed during mid-2007. LG&E has had preliminary communications with FERC and relevant regulatory agencies in Kentucky and Indiana and is continuing to coordinate with such entities. LG&E believes that no sanctions are warranted but i(unable to estimate the ultimate outcome of the matter, including whether FERC might seek to impose any fines or penalties under the Energy Policy Act of 2005.

In April 2007, LG&E entered into two long-term borrowing arrangements with Fidelia in aggregate principal amount of $138 million. The loan proceeds were used to fund the preferred stock redemption and to repay certain short-term loans incurred to fund the pension contribution made by LG&E during the first quarter of 2007.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	03/31/2007	End of 2006/Q4

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

1. Report in columns (b),(c),(d) and (e) the amounts of accumulated other comprehensive income items, on a net-of-tax basis, where appropriate.

2. Report in columns (f) and (g) the amounts of other categories of other cash flow hedges.

3. For each category of hedges that have been accounted for as "fair value hedges", report the accounts affected and the related amounts in a footnote.

Line No.	Item (a)	Unrealized Gains and Losses on Available-for-Sale Securities (b)	Minimum Pension Liability adjustment (net amount) (c)	Foreign Currency Hedges (d)	Other Adjustments (e)
1	Balance of Account 219 at Beginning of Preceding Year		(46,923,505)		(3,599,009)
2	Preceding Qtr/Yr to Date Reclassifications from Acct 219 to Net Income				
3	Preceding Quarter/Year to Date Changes in Fair Value				
4	Total (lines 2 and 3)				
5	Balance of Account 219 at End of Preceding Quarter/Year		(46,923,505)		(3,599,009)
6	Balance of Account 219 at Beginning of Current Year		(46,923,505)		(3,599,009)
7	Current Qtr/Yr to Date Reclassifications from Acct 219 to Net Income		46,923,505		
8	Current Quarter/Year to Date Changes in Fair Value				
9	Total (lines 7 and 8)		46,923,505		
10	Balance of Account 219 at End of Current Quarter/Year				(3,599,009)

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	(7,647,316)		(58,169,830)		
2					
3					
4				128,935,060	128,935,060
5	(7,647,316)		(58,169,830)		
6	(7,647,316)		(58,169,830)		
7			46,923,505		
8	1,940,668		1,940,668		
9	1,940,668		48,864,173	116,828,596	165,692,769
10	(5,706,648)		(9,305,657)		

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	03/31/2007	End of 2006/Q4

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 (f) 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)	3,903,216,364	3,199,114,843
4	Property Under Capital Leases		
5	Plant Purchased or Sold		
6	Completed Construction not Classified		
7	Experimental Plant Unclassified		
8	Total (3 thru 7)	3,903,216,364	3,199,114,843
9	Leased to Others		
10	Held for Future Use	706,274	706,274
11	Construction Work in Progress	217,873,410	154,377,559
12	Acquisition Adjustments		
13	Total Utility Plant (8 thru 12)	4,121,796,048	3,354,198,676
14	Accum Prov for Depr, Amort, & Depl	1,766,590,602	1,487,732,250
15	Net Utility Plant (13 less 14)	2,355,205,446	1,866,466,426
16	Detail of Accum Prov for Depr, Amort & Depl		
17	In Service:		
18	Depreciation	1,751,213,044	1,487,732,150
19	Amort & Depl of Producing Nat Gas Land/Land Right		
20	Amort of Underground Storage Land/Land Rights		
21	Amort of Other Utility Plant	15,377,558	100
22	Total In Service (18 thru 21)	1,766,590,602	1,487,732,250
23	Leased to Others		
24	Depreciation		
25	Amortization and Depletion		
26	Total Leased to Others (24 & 25)		
27	Held for Future Use		
28	Depreciation		
29	Amortization		
30	Total Held for Future Use (28 & 29)		
31	Abandonment of Leases (Natural Gas)		
32	Amort of Plant Acquisition Adj		
33	Total Accum Prov (equals 14) (22,26,30,31,32)	1,766,590,602	1,487,732,250

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
524.410,592				179,690,929	3
					4
					5
					6
					7
524,410,592				179,690,929	8
					9
					10
54,810,960				8,684,891	11
					12
579,221,552				188,375,820	13
195,902,252				82,956,100	14
383,319,300				105,419,720	15
					16
					17
195,901,452				67,579,442	18
					19
					20
800				15,376,658	21
195.902,252				82,956,100	22
					23
					24
					25
					26
					27
					28
					29
					30
					31
					32
195.902,252				82.956.100	33

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [x] An Original (2) [ ] A Resubmission	Date of Report (Mo,Da,Yr) 03/31/2007	Year of Report Dec. 31, 2006

GAS PLANT IN SERVICE (Accounts 101, 102, 103, and 106)

1 Report below the original cost of gas plant in service according to the prescribed accounts.
2 In addition to Account 101, Gas Plant in Service (Classified), this page and the next include Account 102, Gas Plant Purchased or Sold; Account 103, ExperimentalGas Plant Unclassified; and Account 106, Completed Construction Not Classified-Gas
3 Include in column (c) or (d), as appropriate, corrections of additions and retirements for the current or preceding year
4 Enclose in parentheses credit adjustments of plant accounts to indicate the negative effect of such accounts
5 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) reversals of tentative distributions of prior year unclassified retirements. Attach supplemental statement showing the account 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

Line No.	Account (a)	Balance at Beginning of Year (b)	Additions (c)
1	1 INTANGIBLE PLANT		
2	301 Organization		
3	302 Franchises and Consents	1,187	
4	303 Miscellaneous Intangible Plant		
5	TOTAL Intangible Plant (Enter Total of lines 2, 3, and 4)	1,187	
6	2 PRODUCTION PLANT		
7	Natural Gas Production and Gathering Plant		
8	325.1 Producing Lands		
9	325.2 Producing Leaseholds		
10	325.3 Gas Rights		
11	325.4 Rights-of-Way		
12	325.5 Other Land and Land Rights		
13	326 Gas Well Structures		
14	327 Field Compressor Station Structures		
15	328 Field Meas. and Reg. Sta. Structures		
16	329 Other Structures		
17	330 Producing Gas Wells - Well Construction		
18	331 Producing Gas Wells - Well Equipment		
19	332 Field Lines		
20	333 Field Compressor Station Equipment		
21	334 Field Meas. and Reg. Sta. Equipment		
22	335 Drilling and Cleaning Equipment		
23	336 Purification Equipment		
24	337 Other Equipment		
25	338 Unsuccessful Exploration & Devel. Costs		
26	TOTAL Production and Gathering Plant		
27	Products Extraction Plant		
28	340 Land and Land Rights		
29	341 Structures and Improvements		
30	342 Extraction and Refining Equipment		
31	343 Pipe Lines		
32	344 Extracted Products Storage Equipment		
33	345 Compressor Equipment		
34	346 Gas Meas. and Reg. Equipment		
35	347 Other Equipment		
36	TOTAL Products Extraction Plant		
37	TOTAL Nat. Gas Production Plant		
38	Mfd. Gas Prod. Plant (Submit Suppl. Statement)		
39	TOTAL Production Plant		

Name of Respondent	This Report Is:	Date of Report	Year of Report
Louisville Gas and Electric Company	(1) [x] An Original (2) [ ] A Resubmission	(Mo,Da,Yr) 03/31/2007	Dec. 31, 2006

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.

6. 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. In showing the clearance of 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.

7. 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 requirements of these pages.

8. For each amount comprising the reported balance and changes in Account 102, state the property purchased or sold, name of vendor or purchaser, 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 of such filing

Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)		Line No.
					1
				301	2
			1,187	302	3
				303	4
			1,187		5
					6
					7
				325.1	8
				325.2	9
				325.3	10
				325.4	11
				325.5	12
				326	13
				327	14
				328	15
				329	16
				330	17
				331	18
				332	19
				333	20
				334	21
				335	22
				336	23
				337	24
				338	25
					26
					27
				340	28
				341	29
				342	30
				343	31
				344	32
				345	33
				346	34
				347	35
					36
					37
					38
					39

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [x] An Original (2) [ ] A Resubmission	Date of Report (Mo,Da,Yr) 03/31/2007	Year of Report Dec. 31, 2006

GAS PLANT IN SERVICE (Accounts 101, 102, 103, and 106) (Continued)

Line No.	Account (a)	Balance at Beginning of Year (b)	Additions (c)
40	3. NATURAL GAS STORAGE AND PROCESSING PLANT		
41	Underground Storage Plant		
42	350.1 Land	32,865	
43	350.2 Rights-of-Way	63,678	
44	351 Structures and Improvements	2,920,265	28,134
45	352 Wells	8,814,484	
46	352.1 Storage Leaseholds and Rights	548,241	
47	352.2 Reservoirs	400,511	
48	352.3 Non-recoverable Natural Gas	9,648,855	
49	353 Lines	12,257,500	657,685
50	354 Compressor Station Equipment	14,135,898	199,132
51	355 Measuring and Reg. Equipment	383,613	11,340
52	356 Purification Equipment	10,103,108	44,793
53	357 Other Equipment	1,038,704	(681)
54	358 Asset Retire Obligations Gas Plant	504,098	37,034
55	TOTAL Underground Storage Plant	60,851,820	977,437
56	Other Storage Plant		
57	360 Land and Land Rights		
58	361 Structures and Improvements		
59	362 Gas Holders		
60	363 Purification Equipment		
61	363.1 Liquefaction Equipment		
62	363.2 Vaporizing Equipment		
63	363.3 Compressor Equipment		
64	363.4 Meas. and Reg. Equipment		
65	363.5 Other Equipment		
66	TOTAL Other Storage Plant		
67	Base Load Liquefied Natural Gas Terminating and Processing Plant		
68	364.1 Land and Land Rights		
69	364.2 Structures and Improvements		
70	364.3 LNG Processing Terminal Equipment		
71	364.4 LNG Transportation Equipment		
72	364.5 Measuring and Regulating Equipment		
73	364.6 Compressor Station Equipment		
74	364.7 Communications Equipment		
75	364.8 Other Equipment		
76	TOTAL Base Load Liquefied Natural Gas,		
77	Terminating and Processing Plant		
78	TOTAL Nat. Gas Storage and Proc. Plant	60,851,820	977,437
79	4. TRANSMISSION PLANT		
80	365.1 Land and Land Rights		
81	365.2 Rights-of-Way	220,660	
82	366 Structures and Improvements		
83	367 Mains	12,681,769	
84	368 Compressor Station Equipment		
85	369 Measuring and Reg. Sta. Equipment		
86	370 Communication Equipment		
87	371 Other Equipment		
88	TOTAL Transmission Plant	12,902,429	
89			
90			
91			
92			
93			
94			

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GAS PLANT IN SERVICE (Accounts 101, 102, 103, and 106) (Continued)

Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)		Line No.
					40
					41
			32,865	350 1	42
			63,678	350.2	43
4,843			2,943,556	351	44
48,825			8,765,659	352	45
			548,241	352.1	46
			400,511	352.2	47
			9,648,855	352.3	48
128,441			12,786,744	353	49
373,259			13,961,771	354	50
7,143			387,810	355	51
213,645			9,934,256	356	52
4,812			1,033,211	357	53
			541,132	358	54
780,968			61,048,289		55
					56
				360	57
				361	58
				362	59
				363	60
				363.1	61
				363.2	62
				363.3	63
				363.4	64
				363.5	65
					66
					67
				364.1	68
				364.2	69
				364.3	70
				364.4	71
				364.5	72
				364.6	73
				364.7	74
				364.8	75
					76
					77
780,968			61,048,289		78
					79
				365.1	80
			220,660	365.2	81
				366	82
8.338			12,673.431	367	83
				368	84
				369	85
				370	86
				371	87
8,338			12,894,091		88
					89
					90
					91
					92
					93
					94

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GAS PLANT IN SERVICE (Accounts 101, 102, 103, and 106) (Continued)

Line No.	Account (a)	Balance at Beginning of Year (b)	Additions (c)
95	5. DISTRIBUTION PLANT		
96	374 Land and Land Rights	136,061	
97	375 Structures and Improvements	997,057	15,450
98	376 Mains	255,102,583	7,355,027
99	377 Compressor Station Equipment		
100	378 Meas. and Reg. Sta. Equip. - General	8,185,410	295,130
101	379 Meas. and Reg. Sta. Equip. - City Gate	3,804,864	52,151
102	380 Services	124,500,012	866,420
103	381 Meters	20,289,467	2,482,165
104	382 Meter Installations	6,689,545	2,986,356
105	383 House Regulators	3,814,800	1,160,605
106	384 House Reg. Installations	2,152,161	2,637,85[illegible]
107	385 Industrial Meas. and Reg. Sta. Equipment	159,361	
108	386 Other Prop. on Customers' Premises		
109	387 Other Equipment	65,052	
110	388 Asset Retirement Obligations Gas Plant	30,769	
111	TOTAL Distribution Plant	425,927,142	17,851,160
112	6. GENERAL PLANT		
113	389 Land and Land Rights		
114	390 Structures and Improvements		
115	391 Office Furniture and Equipment		
116	392 Transportation Equipment	3,370,224	18,793
117	393 Stores Equipment		
118	394 Tools, Shop, and Garage Equipment	3,202,512	307,243
119	395 Laboratory Equipment	435,068	13,204
120	396 Power Operated Equipment	2,739,306	309,700
121	397 Communication Equipment		
122	398 Miscellaneous Equipment		
123	Subtotal	9,747,110	648,940
124	399 Other Tangible Property		
125	TOTAL General Plant	9,747,110	648,940
126	TOTAL (Accounts 101 and 106)	509,429,688	19,477,537
127	Gas Plant Purchased (See Instr. 8)		
128	(Less) Gas Plant Sold (See Instr. 8)		
129	Experimental Gas Plant Unclassified		
130	TOTAL Gas Plant in Service	509,429,688	19,477,537

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GAS PLANT IN SERVICE (Accounts 101, 102, 103, and 106) (Continued)

Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)		Line No.
					95
			136.061	374	96
283,133			729,374	375	97
123,038			262,334,572	376	98
				377	99
627,150			7,853,390	378	100
10.470			3,846,545	379	101
340			125,366,092	380	102
1.599,912			21,171,720	381	103
539,557			9,136,344	382	104
377.313			4,598,092	383	105
82.659			4,707,358	384	106
			159,361	385	107
				386	108
13.939			51,113	387	109
			30,769	388	110
3,657,511			440,120,791		111
					112
				389	113
				390	114
				391	115
1,331			3,387.686	392	116
				393	117
34.977			3,474,778	394	118
8.759			439,513	395	119
4,749			3,044,257	396	120
				397	121
				398	122
49,816			10,346,234		123
				399	124
49,816			10,346,234		125
4,496,633			524,410,592		126
					127
					128
					129
4,496,633			524,410,592		130

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CONSTRUCTION WORK IN PROGRESS-GAS (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 Demonstration (see Account 107 of the Uniform Systems of Accounts).
3. Minor projects (less than $500,000) may be grouped

Line No.	Description of Project (a)	Construction Work in Progress-Gas (Account 107) (b)	Estimated Additional Cost of Project (c)
1			
2	Underground Storage		
3			
4	Minor Projects	2,812,338	
5	Total - Underground Storage	2,812,338	
6			
7	Transmission		
8			
9	Minor Projects	424,563	
10	Total- Transmission	424,563	
11			
12	Distribution		
13			
14	Large Scale Main Replacements	11.091,524	
15	Replace Co Gas Service RC419	7,236,515	
16	New Business Connect Service RC419	6.869,771	
17	Gas Main Extension RC406	5,193.235	
18	New Business Subdivision RC341 UG	4,041,754	
19	Priority Main Replacement	2.449,680	
20	Mt. Washington/Lebanon Junction High System Upgrade	2,300,344	
21	New Business Connect Service RC419	2,186.223	
22	Muldraugh Dehydrator #2	1.000,617	
23	Public Works Gas RC406	912,105	
24	New Business Gas Service RC402	824,570	
25	Leak Repair RC419	597.571	
26	Riverport Reinforcement	570,467	
27	Pipeline Integrity Compliance	519,989	
28	Highway Relocations Gas Central	509,451	
29			
30	Minor Projects	4,668,532	
31	Total - Distribution	50,972,348	
32			
33	General Plant		
34			
35	Minor Projects	601,711	
36	Total - General Plant	601,711	
37			
38	Grand Total	54,810,960	
39			
40			

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General Description of Contruction Overhead Procedure

1 For each construction overhead explain: (a) the nature and extent of work, etc , the overhead charges are intended to cover, (b) the general procedure for determining the amount capitalized, (c) the method of distribution to construction jobs, (d) whether different rates are applied to different types of construction, (e) basis of differentiation in rates for different types of construction, and (f) whether the overhead is directly or indirectly assigned.
2 Show below the computation of allowance for funds used during construction rates, in accordance with the provisions of Gas Plan Instructions 3 (17) of the Uniform System of Accounts
3. Where a net-of-tax rate for borrowed funds is used, show the appropriate tax effect adjustment to the computations below in a manner that clearly indicates the amount of reduction in the gross rate for tax effects.

LOCAL ENGINEERING:

Salaries and expenses of Construction and Services Department, Electric Service and Delivery Department, and Gas Department personnel engaged in construction work, but not assignable to a particular work order, are charged to engineering clearing work orders which have been set up in a clearing account for each respective department. Examples of such charges are as follows: work in connection with the construction budget; cost of estimating prior to the issuance of specific work orders; scheduling and assigning construction work; preparation of field reports; conferences on construction matters; general supervision of construction projects, etc

At the end of each month the costs accumulated in these clearing work orders are allocated to specific work orders coming under the direct supervision of the respective departments. The work orders are spread on the basis of total direct cost of work orders

The labor and expenses of engineers and foremen who are directly assigned to a particular work order are charged to that work order.

SERVICE CONTRACT CHARGES:

These expenses are charged direct to construction and other projects as applicable based on the service performed

EMPLOYEE BENEFITS:

Vacation,holiday,sick and other off-duty payments by respondent,together with payments by the Company for hospitalization, dental, group life insurance and pension costs, are charged to construction on the basis of the ratio of direct labor charged to construction, subject to fringe benefits, to the total direct labor, subject to fringe benefits.

ADMINISTRATIVE AND GENERAL EXPENSES:

The allocation of administrative and general expenses to construction is based on a study of the estimated time engaged in construction activities by persons and departments charging time to FERC Account 920. The administrative and general salaries and expenses (FERC Account 920-921) applicable to construction is allocated to all construction work orders on the basis of total direct costs.

ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION:

The Company does not capitalize an allowance for funds used during construction of gas utility plant

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General Description of Contruction Overhead Procedure (continued)

COMPUTATION OF ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION RATES

For line (5), column (d) below enter the rate granted in the last rate proceeding. If not available, use the average rate earned during the preceding 3 years.

1. Components fo Formula (Derived from actual book balances and actual cost rates):

Line No.	Title (a)	Amount (b)	Capitalization Ration (percent) (c)	Cost Rate Percentage (d)
		S		
				s
		D		d
		P		p
		C		c
		W		

2. *Gross Rate for Borrowed Funds* $s(S/W)+d[(D/(D+P+C))(1-(S/W))]$

3. Rate for Other Funds $[1-(S/W)][p(P/(D+P+C))+c(C/(D+P+C))]$

Weighted Average Trate Actually Used for theYear:
a. Rate for Borrowed Funds -
b. Rate for Other Funds -

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ACCUMULATED PROVISION FOR DEPRECIATION OF GAS 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 gas plant in service, page 204-209, column (d), 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)	Gas Plant In Service (c)	Gas Plant Held for Future Use (d)	Gas Plant Leased to Others (e)
1	Balance Beginning of Year	186,533,978	186,533,978		
2					
3	Depreciation Provisions for Year, Charged to :				
4	(403) Depreciation Expense	14,911,006	14,911,006		
5	(413) Exp. of Gas Plt. Leas. to Others				
6	Transportation Expenses- Clearing	294,103	294,103		
7	Other Clearing Accounts				
8	Other Accounts (Specify):	(55,100)	(55,100)	(2)	
9	TOTAL Deprec. Prov. for Year (Enter Total of lines 4 thru 8)	15,150,009	15,150,009		
10	Net Changes for Plant Retired:				
11	Book Cost of Plant Retired	4,496,633	4,496,633		
12	Cost of Removal	1,732,351	1,732,351		
13	Salvage (Credit)	1,718	1,718		
14	TOTAL Net Chrgs. for Plant Retired (*Enter Total of lines 11 thru 13*)	6,227,266	6,227,266		
15	Other Debit or Credit Items (Describe):				
16	Customer Payments	444,731	444,731	(1)	
17	Balance End of Year (Enter Total of lines 1, 9, 14, and 16)	195,901,452	195,901,452		

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

Line No	Item	Total	Gas Plant In Service	Gas Plant Held for Future Use	Gas Plant Leased to Others
18	Production- Manufactured Gas				
19	*Prod. and Gathering* - Natural Gas				
20	Products Extraction - Natural Gas				
21	Underground Gas Storage	31,059,044	31,059,044		
22	Underground Gas Storage - ARO	392,040	392,040		
23	Other Storage Plant				
24	Base Load LNG Term. and Proc. Plt.				
25	Transmission	11,615,044	11,615,044		
26	Distribution	146,027,430	146,027,430		
27	Distribution - ARO	19,102	19,102		
28	General	6,788,792	6,788,792		
29	TOTAL (Enter Total of lines 18 thru 26)	195,901,452	195,901,452		

NOTE:
(1) Customer payments related to construction projects
(2) Accrual for Cost of Removal on ARO Parent Assets impacting (403) and (254) accounts.

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GAS STORED (ACCOUNT 117, 164.1, 164.2 AND 164.3)

1. If during the year adjustment was made to the stored gas inventory (such as to correct cumulative inaccuracies of gas measurements), furnish in a footnote an explanation of the reason for the adjustment, the Mcf and dollar amount of adjustment, and account charged or credited.
2. Give in a footnote a concise statement of the facts and the accounting performed with respect to any encroachment of withdrawals during the year, or restoration of previous encroachment, upon native gas constituting the "gas cushion" of any storage reservoir.
3. If the company uses a "base stock" in connection with its inventory accounting, give a concise statement of the basis of establishing such "base stock" and the inventory basis and the accounting performed with respect to any encroachment of withdrawals upon "base stock," or restoration of previous encroachment, including brief particulars of any such accounting during the year.
4. If the company has provided accumulated provision for stored gas which may not eventually be fully recovered from any storage project, furnish a statement showing: (a) date of Commission authorization of such accumulated provision, (b) explanation of circumstances requiring such provision, (c) basis of provision and factors of calculation, (d) estimated ultimate accumulated provision accumulation, and (e) a summary showing balance of accumulated provision and entries during year
5. Report pressure base of gas volumes as 14.73 psia at 60° F.

Line No.	Description (a)	Noncurrent (Account 117) (b)	Current (Account 164.1) (c)	LNG (Account 164.2) (d)	LNG (Account 164.3) (e)	Total (f)
1	Balance at Beginning of Year	2,139,990	124,868,861			127,008.851
2	Gas Delivered to Storage (contra Account)		82,024,841			82,024,841
3	Gas Withdrawn from Storage (contra Account)		124,055,801			124,055,801
4	Other Debits or Credits (Net)					
5	Balance at End of Year	2,139,990	82,837,901			84,977,891
6	Mcf	2,930,000	11,555,233			14,485,233
7	Amount Per Mcf	73.04¢	716.89¢			586.65¢
8	State basis of segregation of inventory between current and noncurrent portions:					

NOTE:
Line 3, Column C includes $3,056,047 for 358,849 Mcf of gas lost in storage operations; charged to Account 823, Gas Losses.

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INVESTMENTS (Accounts 123, 124, 136)

1. Report below investments in Accounts 123, Investments in Associated Companies, 124, Other Investments, and 136, Temporary Cash Investments.
2. Provide a subheading for each account and list thereunder the information called for:
(a) Investment in Securities - List and describe each security owned, giving name of issuer, date acquired and date of maturity. For bonds, also give principal amount, date of issue, maturity, and interest rate. For capital stock (including capital stock of respondent) reacquired under a definite plan for resale pursuant to authorization by the Board of Directors, and included in Account 124(Other Investments, state number of shares, class, and series of stock. Minor investments may be grouped by classes. Investments included in Account 136, Temporary Cash Investments, also may be grouped by classes.
(b) Investment Advances - Report separately for each person or company the amounts of loans or investment advances which are properly includable in Account 123. Advances subject to current repayment should be included in Accounts 145 and 146. With respect to each advance, show whether the advance is a note or open

Line No.	Description of Investment (a)	Book Cost at Beginning of Year (If book cost is different from cost to respondent in a footnote and explain difference) (b)	Purchase or Additions During Year (c)
1	Account 124		
2	Ohio Valley Electric Corporation Common Stock (1)	594,286	-
3			
4		594,286	-
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			
20	Notes:		
21	(1) Acquired 1952-53		
22			
23			
24			
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27			
28			
29			
30			
31			

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [x] An Original (2) [ ] A Resubmission	Date of Report (Mo,Da,Yr) 03/31/2007	Year of Report Dec. 31, 2006

INVESTMENTS (Accounts 123, 124, 136) (Continued)

account. Each note should be listed giving date of issuance, maturity date, and specifying whether note is a renewal. Designate any advances due from officers, directors, stockholders, or employees. Exclude amounts reported on page 229.

3. For any securities, notes or accounts that were pledged designate with an asterisk such securities, notes, or accounts and in a footnote state the name of pledgee and purpose of the pledge.

4. If Commission approval was required for any advance made or security acquired, designate such fact in a footnote and give name of Commission, date of authorization, and case or docket number.

5. Report in column (g) interest and dividend revenues from investments including such revenues from securities disposed of during the year.

6. In column (h) report for each investment disposed of during the year the gain or loss represented by the difference between cost of the investment (or the other amount at which carried in the books of account if different from cost) and the selling price thereof, not including any dividend or interest adjustment includible in column (g).

Sales or Other Dispositions During Year (d)	Principal Amount or No. of Shares at End of Year (e)	Book Cost at End of Year (If book cost is different from cost to respondent in a footnote and explain difference.) (f)	Revenues for Year (g)	Gain or Loss from Investment Disposed of (h)	Line No.
					1
-	5,630 Shs	594,286	231,941	-	2
		-			3
-		594,286	231,941	-	4
					5
					6
					7
					8
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PREPAYMENTS (ACCOUNT 165)

1. Report below the particulars (details) on each prepayment.

Line No	Nature of Prepayment (a)	Balance at End of Year (in Dollars) (b)
1	Prepaid Insurance	2,806,259
2	Prepaid Rents	
3	Prepaid Taxes (262-263)	952,236
4	Prepaid Interest	
5	Gas Prepayments (226-227)	
6	Miscellaneous Prepayments: Power Pool $1,238,093 Rights of Way $293,333	1,621,426
	Risk Mgmt $90,000.	
7	TOTAL	5,379,921

EXTRAORDINARY PROPERTY LOSSES (Account 182.1)

Line No	Description of Extraordinary Loss *[Include in the description the date of loss, the date of Commission authorization to use Account 182.1 and period of amortization (mo, yr, to mo, yr).]* *(a)*	Total Amount of Loss *(b)*	Losses Recognized During Year *(c)*	WRITTEN OFF DURING YEAR Account Charged *(d)*	WRITTEN OFF DURING YEAR Amount *(e)*	Balance at End of Year *(f)*
1						
2						
3						
4						
5						
6						
7						
8						
9	TOTAL	-			-	-

UNRECOVERED PLANT AND REGULATORY STUDY COSTS (182.2)

Line No.	Description of Unrecovered Plant and Regulatory Study Costs *[Include in the description of costs, the date of Commission authorization to use Account 182.2 and period of amortization (mo, yr, to mo, yr).]* *(a)*	Total Amount of Charges *(b)*	Costs Recognized During Year *(c)*	WRITTEN OFF DURING YEAR Account Charged *(d)*	WRITTEN OFF DURING YEAR Amount *(e)*	Balance at End of Year *(f)*
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						
21						
22						
23						
24						
25						
26						
27						
28						
29						
30	TOTAL					

OTHER REGULATORY ASSETS (Account 182.3)

1. Report below the particulars (details) called for concerning other regulatory assets, including rate order docket number, if applicable.
2. Minor items (5% of the Balance in Account 182.3 at end of period, or amounts less than $50,000 which ever is less), may be grouped by classes.
3. For Regulatory Assets being amortized, show period of amortization.

Line No.	Description and Purpose of Other Regulatory Assets (a)	Balance at Beginning of Current Quarter/Year (b)	Debits (c)	CREDITS Written off During the Quarter/Year Account Charged (d)	CREDITS Written off During the Period Amount (e)	Balance at end of Current Quarter/Year (f)
1	VDT Workforce Reduction Cost	7,540,776	0	930.2	7,540,776	0
2						
3	FAS 158 Pension and Postretirement	0	126,288,471	228.3	0	126,288,471
4						
5	MISO Exit Fee	0	13,139,016		0	13,139,016
6						
7	Asset Retirement Obligation-Generation	15,875,245	1,653,422	407.4/411	222,593	17,306,074
8						
9	Asset Retirement Obligation-Transmission	22,180	2,062	407.4/411	289	23,953
10						
11	Mill Creek Ash Pond Recovered through ECR	0	2,185,093	501	232,533	1,952,560
12						
13	Asset Retirement Obligation-Distribution	105,082	12,074	407.4/411	1,126	116,030
14						
15	Asset Retirement Obligation-Gas	3,955,904	847,057	407.4/411	31,044	4,771,917
16						
17	Asset Retirement Obligation-Common	20,308	1,486	407.4/411	112	21,6[illegible]
18						
19						
20						
21						
22						
23						
24						
25						
26						
27						
28						
29						
30						
31						
32						
33						
34						
35						
36						
37						
38						
39						
40						
41						
42						
43						
44	TOTAL	27,519,495	144,128,681		8,028,473	163,619,703

MISCELLANEOUS DEFFERED DEBITS (Account 186)

1. Report below the particulars (details) called for concerning miscellaneous deferred debits.
2. For any deferred debit being amortized, show period of amortization in column (a)

Minor item (1% of the Balance at End of Year for Account 186 or amounts less than $50,000, whichever is less) may be grouped by classes.

Line No.	Description of Miscellaneous Deferred Debits (a)	Balance at Beginning of Year (b)	Debits (c)	CREDITS Account Charged (d)	CREDITS Amount (e)	Balance at End of Year (f)
1	Manufactured Gas Plants	840,506	0	930.2/23	698,221	142,285
2						
3	Intangible Pension Asset	30,395,275	0	182.3/23	30,395,275	0
4						
5	Gas Supply Adjustment -					
6	Underbilled and Collectible					
7	from Customers	25,451,925	13,559,640	803	24,938,290	14,073,275
8						
9	Gas PBR	3,458,105	8,128,233	803	5,097,253	6,489,085
10						
11	Financing Expenses	158,734	20,135	181	1,965	176,904
12						
13	*Regulatory Expenses*					
14	Electric	430,322	0	930.2	286,884	143,438
15	Gas	236,511	0	930.2	157,668	78,843
16						
17	Merger Surcredit Settlement	3,455,364	0	442	1,382,145	2,073,219
18						
19	Cellular Antenna Billable Chgs	96,902	170,803	143	267,705	0
20						
21	Fuel Adjustment Clause	20,000	11,144,000	440-445	7,297,000	3,867,000
22						
23	Environmental Cost Recovery	2,471,839	33,004,292	440-445	26,173,614	9,302,517
24						
25						
26						
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45						
46						
47	Misc. Work in Progress					
48	Deferred Regulatory Comm. Expenses (See pages 350 - 351)					
49	TOTAL	67,015,483				36,346,566

Name of Respondent	This Report Is:	Date of Report (Mo,Da,Yr)	Year of Report
Louisville Gas and Electric Company	(1) [x] An Original (2) [ ] A Resubmission	03/31/2007	Dec. 31, 2006

ACCUMULATED DEFERRED INCOME TAXES (Account 190)

1 Report the information called for below concerning the respondent's accounting for deferred income taxes.

2. At Other (Specify), include deferrals relating to other income and deductions.

Line No.	Account Subdivisions (a)	Balance at Beginning of Year (b)	CHANGES DURING YEAR Amounts Debited to Account 410.1 (c)	Amounts Credited to Account 411.1 (d)
1	Electric			
2	Pensions	(11,717,641)	12,714,188	362,450
3	Other Post Retirement & Employment Benefits	19,620,028	224,307	50,894
4	FAS 109 Regulatory Tax Adj	31,173,695		
5	FAS 133 OCI	5,886,879		
6	FAS 143	4,194,063	121,193	6,497,500
7	Other - See Electric below	25,953,369	(49,979)	1,854,806
8	TOTAL Electric (Enter Total of lines 2 thru 7)	75,110,393	13,009,709	8,765,650
9	Gas			
10	Pensions	(2,925,607)	3,178,544	90,612
11	Other Post Retirement & Employment Benefits	5,522,258	71,842	14,354
12	FAS 109 Regulatory Tax Adj	1,970,353		
13	FAS 133 OCI	1,471,719		
14				
15	Other - See Gas below	10,502,387	(22,046)	548,443
16	TOTAL Gas (Enter Total of lines 10 thru 15)	16,541,110	3,228,340	653,409
17	Other (Specify)			
18	TOTAL (Acct 190) Total of lines 8, 16 and 17)	91,651,503	16,238,049	9,419,059

	Notes		
Electric (Con't)			
Workers Comp	1,257,457	108,634	51,958
Vacation Pay	1,039,609	69,635	90,350
Demand Side Management	110,466	3,331	15,202
Contingent Liab	351,149	364,254	522,871
State Tax Adj.	(1,511,725)	(727,504)	776,451
Minimum Pension Liability	24,062,710	0	
Other	643,703	131,671	397,974
TOTAL	25,953,369	(49,979)	1,854,806
Gas (Con't)			
Workers Comp	376,418	27,159	12,989
Vacation Pay	353,561	17,409	22,588
Demand Side Management	959,622	26,952	122,996
State Tax Adj.	1,171,527	(242,502)	258,817
Capitalized Gas Inventory	1,288,394	142,978	1,680
Minimum Pension Liability	6,015,678	0	
Other	337,187	5,958	129,373
TOTAL	10,502,387	(22,046)	548,443

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [x] An Original (2) [ ] A Resubmission	Date of Report (Mo,Da,Yr) 03/31/2007	Year of Report Dec. 31, 2006

ACCUMULATED DEFERRED INCOME TAXES (Account 190) (Continued)

3. If more space is needed, use separate pages as required.

4. In the space provided below, identify by amount and classification, significant items for which deferred taxes are being provided. Indicate insignificant amounts listed under Other.

CHANGES DURING YEAR		ADJUSTMENTS					
		DEBITS		CREDITS			
Amounts Debited to Account 410.2 (e)	Amounts Credited to Account 411.2 (f)	Acct. No. (g)	Amount (h)	Acct. No. (i)	Amount (j)	Balance at End of Year (k)	Line No.
							1
7.838						(24,077,217)	2
						19,446,615	3
		254.0	2,287,051	254.0		33,460,746	4
				219.0	1,015,756	4,871,123	5
						10,570.370	6
215,617	205,927				24,062,710	3,785,754	7
223,455	205,927		2,287,051		25,078,466	48,057,391	8
							9
1.960						(6,015,499)	10
						5,464.770	11
		254.0	382,201			2.352.554	12
				219.0	253,944	1,217,775	13
							14
50,338	1,307				6,015.678	5,008,167	15
52.298	1.307		382.201		6.269.622	8.027,767	16
						0	17
275,753	207,234		2,669,252		31,348,088	56,085,158	18

NOTES (Continued)

						1,200,781
						1.060.324
						122,337
						509,766
						(7.770)
				219.0	24,062,710	0
215,617	205,927					900,316
215,617	205,927		0		24,062,710	3,785,754

						362.248
						358,740
						1,055.666
						1,672.846
						1,147,096
				219.0	6.015.678	0
50,338	1,307					411,571
50,338	1,307		0		6,015,678	5,008,167

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	03/31/2007	End of 2006/Q4

CAPITAL STOCKS (Account 201 and 204)

1. Report below the particulars (details) called for concerning common and preferred stock at end of year, distinguishing separate series of any general class. Show separate totals for common and preferred stock. If information to meet the stock exchange reporting requirement outlined in column (a) is available from the SEC 10-K Report Form filing, a specific reference to report form (i.e., year and company title) may be reported in column (a) provided the fiscal years for both the 10-K report and this report are compatible.
2. *Entries in column* (b) should represent the number of shares authorized by the articles of incorporation as amended to end of year.

Line No.	Class and Series of Stock and Name of Stock Series (a)	Number of shares Authorized by Charter (b)	Par or Stated Value per share (c)	Call Price at End of Year (d)
1	Common Stock			
2	Without Par Value	75,000,000		
3	Total Common	75,000,000		
4				
5	Preferred Stock, Cumulative			
6	$25 Par Value	1,720,000		
7	5%		25.00	28.00
8	Without Par Value	6,750,000		
9	Auction Rate		100.00	100.00
10	Total Preferred	8,470,000		
11				
12				
13				
14	Note:			
15	There is no Call Price for Common Stock,			
16	Without Par Value			
17				
18				
19	The Common Stock of Louisville Gas and Electric			
20	Company is owned by its parent company,			
21	E.ON U.S. LLC			
22				
23	The Preferred Stock is traded in the			
24	over-the-counter market			
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Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo. Da. Yr) 03/31/2007	Year/Period of Report End of 2006/Q4

CAPITAL STOCKS (Account 201 and 204) (Continued)

3. Give particulars (details) concerning shares of any class and series of stock authorized to be issued by a regulatory commission which have not yet been issued.
4. The identification of each class of preferred stock should show the dividend rate and whether the dividends are cumulative or non-cumulative.
5. State in a footnote if any capital stock which has been nominally issued is nominally outstanding at end of year.
Give particulars (details) in column (a) of any nominally issued capital stock, reacquired stock, or stock in sinking and other funds which is pledged, stating name of pledgee and purposes of pledge.

OUTSTANDING PER BALANCE SHEET (Total amount outstanding without reduction for amounts held by respondent)		HELD BY RESPONDENT				Line No
		AS REACQUIRED STOCK (Account 217)		IN SINKING AND OTHER FUNDS		
Shares (e)	Amount (f)	Shares (g)	Cost (h)	Shares (i)	Amount (j)	
						1
21,294,223	425,170,424					2
21,294,223	425,170,424					3
						4
						5
						6
860,287	21,519,300	485	12,125			7
						8
500,000	50,000,000					9
1,360,287	71,519,300	485	12,125			10
						11
						12
						13
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	03/31/2007	End of 2006/Q4

OTHER PAID-IN CAPITAL (Accounts 208-211, inc.)

Report below the balance at the end of the year and the information specified below for the respective other paid-in capital accounts. Provide a subheading for each account and show a total for the account, as well as total of all accounts for reconciliation with balance sheet, Page 112. Add more columns for any account if deemed necessary. Explain changes made in any account during the year and give the accounting entries effecting such change.

(a) Donations Received from Stockholders (Account 208)-State amount and give brief explanation of the origin and purpose of each donation.

(b) Reduction in Par or Stated value of Capital Stock (Account 209): State amount and give brief explanation of the capital change which gave rise to amounts reported under this caption including identification with the class and series of stock to which related.

(c) Gain on Resale or Cancellation of Reacquired Capital Stock (Account 210): Report balance at beginning of year, credits, debits, and balance at end of year with a designation of the nature of each credit and debit identified by the class and series of stock to which related.

(d) Miscellaneous Paid-in Capital (Account 211)-Classify amounts included in this account according to captions which, together with brief explanations, disclose the general nature of the transactions which gave rise to the reported amounts.

Line No.	Item (a)	Amount (b)
1	Account 210:	
2	Gain on Reaquired Stock, Cumulative 5% Series, $25 Par Value	5,699
3		
4		
5		
6	Account 211:	
7	Contributed Capital - Misc.	40,000,000
8		
9		
10		
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40	TOTAL	40,005,699

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	03/31/2007	End of 2006/Q4

CAPITAL STOCK EXPENSE (Account 214)

1. Report the balance at end of the year of discount on capital stock for each class and series of capital stock.
2. If any change occurred during the year in the balance in respect to any class or series of stock, attach a statement giving particulars details) of the change. State the reason for any charge-off of capital stock expense and specify the account charged.

Line No.	Class and Series of Stock (a)	Balance at End of Year (b)
1	Expenses on Auction Rate Preferred Stock, Cumulative	1,088,280
2	Expenses on Common Stock	835,889
3		
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22	TOTAL	1,924,169

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Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [x] An Original (2) [ ] A Resubmission	Date of Report (Mo,Da,Yr) 3/31/2007	Year of Report Dec. 31, 2006

SECURITIES ISSUED OR ASSUMED AND SECURITIES REFUNDED OR RETIRED DURING THE YEAR

1. Furnish a supplemental statement giving a briefly describing security financing and refinancing transactions during the year and the accounting for the securities, discounts, premiums, expenses, and related gains or losses Identify as to Commission authorization numbers and dates.
2. *Provide details showing the full* accounting for the total principal amount, par value, or stated value of each class and series of security issued, assumed, retired, or refunded and the accounting for premiums, discounts, expenses, and gains or losses relating to the securities. Set forth the facts of the accounting clearly with regard to redemption premiums, unamortized discounts, expenses, and gains or losses relating to securities retired or refunded, including the accounting for such amounts carried in the respondent's accounts at the date of the refunding or refinancing transactions with respect to securities previously refunded or retired.
3. Include in the identification of each class and series of security, as appropriate, the interest or dividend rate, nominal date of issuance, maturity date, aggregate principal amount, par value or stated value, and number of shares. Give also the issuance of redemption price and name of the principal underwriting firm through which the security transactions were consummated.
4. Where the accounting for amounts relating to securities refunded or retired is other than that specified in General Instruction 17 of the Uniform System of Accounts, give references to the Commission authorization for the different accounting and state the accounting method.
5. For securities assumed, give the name of the company for which the liability on the securities was assumed as well as particulars (details) of the transactions whereby the respondent undertook to pay obligations of another company. If any unamortized discount, premiums, expenses, and gains or losses were taken over onto the respondent's books, furnish details of these amounts with amounts relating to refunded securities clearly earmarked.

Securities Issued During The Year

None

Securities Retired During The Year

$1,250,000 of $5.875 Mandatorily Redeemable Preferred Stock. See Note 7--Long-Term Debt in Notes to Financial Statements

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	03/31/2007	End of 2006/Q4

LONG-TERM DEBT (Account 221, 222, 223 and 224)

1. Report by balance sheet account the particulars (details) concerning long-term debt included in Accounts 221, Bonds, 222, Reacquired Bonds, 223, Advances from Associated Companies, and 224, Other long-Term Debt.
2. In column (a), for new issues, give Commission authorization numbers and dates.
3. For bonds assumed by the respondent, include in column (a) the name of the issuing company as well as a description of the bonds.
4. For advances from Associated Companies, report separately advances on notes and advances on open accounts. Designate demand notes as such. Include in column (a) names of associated companies from which advances were received.
5. For receivers, certificates, show in column (a) the name of the court -and date of court order under which such certificates were issued.
6. In column (b) show the principal amount of bonds or other long-term debt originally issued.
7. In column (c) show the expense, premium or discount with respect to the amount of bonds or other long-term debt originally issued.
8. For column (c) the total expenses should be listed first for each issuance, then the amount of premium (in parentheses) or discount. Indicate the premium or discount with a notation, such as (P) or (D). The expenses, premium or discount should not be netted.
9. Furnish in a footnote particulars (details) regarding the treatment of unamortized debt expense, premium or discount associated with issues redeemed during the year. Also, give in a footnote the date of the Commission's authorization of treatment other than as specified by the Uniform System of Accounts.

Line No	Class and Series of Obligation, Coupon Rate (For new issue, give commission Authorization numbers and dates) (a)	Principal Amount Of Debt issued (b)	Total expense, Premium or Discount (c)
1	ACCOUNT 221:		
2	Pollution Control Bonds (2)		
3	Series S, due 09/01/2017, Variable	31,000,000	312,946
4	Series T, due 09/01/2017, Variable	60,000,000	418,276
5	Series U, due 08/15/2013, Variable	35,200,000	234,448
6	Series Y, due 05/01/2027, Variable	25,000,000	645,041
7	Series Z, due 08/01/2030, Variable	83,335,000	1,145,612
8	Series AA, due 09/01/2027, Variable	10,104,000	515,808
9	Series BB, due 09/01/2026, Variable	22,500,000	241,747
10	Series CC, due 09/01/2026, Variable	27,500,000	262,949
11	Series DD, due 11/01/2027, Variable	35,000,000	280,338
12	Series EE, due 11/01/2027, Variable	35,000,000	280,377
13	Series FF, due 10/01/2032, Variable	41,665,000	1,102,896
14	Series GG, due 10/01/2033, Variable	128,000,000	3,373,231
15	Series HH, due 02/01/2035, Variable	40,000,000	1,088,140
16	Interest Rate Swaps (3)		
17	TOTAL ACCOUNT 221	574,304,000	9,901,809
18			
19	ACCOUNT 224:		
20	$5.875 Mandatory Redeemable Preferred Stock (5)	25,000,000	284,247
21	TOTAL ACCOUNT 224	25,000,000	284,247
22			
23	ACCOUNT 223:		
24	Notes Payable to Fidelia 4.55%, due 04/30/2013 - unsecured	100,000,000	
25	Notes Payable to Fidelia 5.31%, due 08/15/2013 - secured (4)	100,000,000	
26	Notes Payable to Fidelia 4.33%, due 01/16/2012 - secured (4)	25,000,000	
27	TOTAL ACCOUNT 223	225,000,000	
28			
29			
30			
31			
32			
33	TOTAL	824,304,000	10,186,056

LONG-TERM DEBT (Account 221, 222, 223 and 224) (Continued)

10. Identify separate undisposed amounts applicable to issues which were redeemed in prior years.
11. Explain any debits and credits other than debited to Account 428, Amortization and Expense, or credited to Account 429, Premium on Debt - Credit.
12. In a footnote, give explanatory (details) for Accounts 223 and 224 of net changes during the year. With respect to long-term advances, show for each company: (a) principal advanced during year, (b) interest added to principal amount, and (c) principle repaid during year. Give Commission authorization numbers and dates.
13. If the respondent has pledged any of its long-term debt securities give particulars (details) in a footnote including name of pledgee and purpose of the pledge.
14. If the respondent has any long-term debt securities which have been nominally issued and are nominally outstanding at end of year, describe such securities in a footnote.
15. If interest expense was incurred during the year on any obligations retired or reacquired before end of year, include such interest expense in column (i). Explain in a footnote any difference between the total of column (i) and the total of Account 427, interest on Long-Term Debt and Account 430, Interest on Debt to Associated Companies.
16. Give particulars (details) concerning any long-term debt authorized by a regulatory commission but not yet issued.

Nominal Date of Issue (d)	Date of Maturity (e)	AMORTIZATION PERIOD Date From (f)	Date To (g)	Outstanding (Total amount outstanding without reduction for amounts held by respondent) (h)	Interest for Year Amount (i)	Line No.
						1
						2
09/17/1992	09/01/2017	09/17/1992	09/01/2017	31,000,000	1,093,498	3
09/17/1992	09/01/2017	09/17/1992	09/01/2017	60,000,000	2,084,844	4
08/15/1993	08/15/2013	08/15/1993	08/15/2013	35,200,000	1,227,718	5
05/19/2000	05/01/2027	05/19/2000	05/01/2027	25,000,000	870,951	6
08/01/2000	08/01/2030	08/01/2000	08/01/2030	83,335,000	2,996,129	7
09/11/2001	09/01/2027	09/11/2001	09/01/2027	10,104,000	357,115	8
03/06/2002	09/01/2026	03/06/2002	09/01/2026	22,500,000	784,800	9
03/06/2002	09/01/2026	03/06/2002	09/01/2026	27,500,000	959,200	10
03/22/2002	11/01/2027	03/22/2002	11/01/2027	35,000,000	1,235,761	11
03/22/2002	11/01/2027	03/22/2002	11/01/2027	35,000,000	1,235,443	12
10/15/2002	10/01/2032	10/15/2002	10/01/2032	41,665,000	1,448,635	13
11/20/2003	10/01/2033	11/20/2003	10/01/2033	128,000,000	4,384,764	14
04/13/2005	02/01/2035	04/13/2005	02/01/2035	40,000,000	1,351,861	15
					1,939,765	16
				574,304,000	21,970,484	17
						18
						19
05/27/1993	07/15/2008	07/01/2003	07/01/2008	20,000,000	1,211,719	20
				20,000,000	1,211,719	21
						22
						23
04/30/2003	04/30/2013			100,000,000	4,550,000	24
08/15/2003	08/15/2013			100,000,000	5,310,000	25
01/15/2004	01/16/2012			25,000,000	1,082,500	26
				225,000,000	10,942,500	27
						28
						29
						30
						31
						32
				819,304,000	34,124,703	33

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Schedule Page: 256 Line No.: 1 Column: a

Notes to FERC Form No.1 page 256:

(1) Per instruction 9 concerning the treatment of unamortized debt expense, premium or discount - Debt premium and expenses are being amortized over the lives of the related issues.

(2) Pollution Control Bonds (Louisville Gas & Electric Projects) issued by Jefferson and Trimble Counties, Kentucky are secured by the assignment of loan payments by the Company to the Counties pursuant to loan agreements, and certain series are further secured by the delivery from time to time of an equal amount of the Company's First Mortgage Bonds, Pollution Control Series. No principal or interest is payable on these First Mortgage Bonds unless default on the loan agreements occurs.

(3) As of December 31, 2006, the Company had in effect five interest-rate swap agreements to hedge its exposure to tax exempt rates related to Pollution Control Bonds, Variable Rate Series. The Company's positions under the swap agreements are to pay a fixed rate and receive a variable rate based on the Bond Market Association Municipal Swap Index or London Interbank Offered Rate (LIBOR) and received a fixed rate. The specifics for each swap agreement related to notional amounts, maturity dates, payable and receivable positions are as follows:

Notional Amount	Maturity	Payable	Receivable
$83,335,000	11/02/2020	Fixed 5.495%	BMA Index
$32,000,000	10/01/2032	Fixed 3.657%	68% of 1 mo LIBOR
$32,000,000	10/01/2032	Fixed 3.645%	68% of 1 mo LIBOR
$32,000,000	10/01/2032	Fixed 3.695%	68% of 1 mo LIBOR
$32,000,000	10/01/2032	Fixed 3.648%	68% of 1 mo LIBOR

(4) Annual requirements for sinking funds of the First Mortgage Bonds (other than First Mortgage Bonds issued in connection with the Pollution Control Bonds) are the amounts necessary to redeem 1% of the highest principal amount of each series of bonds at any time outstanding. Property additions (166 2/3% of principal amounts of bonds otherwise required to be so redeemed) have been applied in lieu of cash.

The trust indenture securing the First Mortgage Bonds constitutes a direct first mortgage lien upon substantially all property owned by the Company. The indenture, as supplemented, provides that portions of retained earnings will not be available for dividends on common stock under certain conditions. No portion of retained earnings is presently restricted by the provision.

(5) See Note 1 of Notes to Financial Statements.

Schedule Page: 256 Line No.: 17 Column: i

Per instruction 15 concerning the the total of column (i) in relation to Accounts 427 and 430:

Total Account 221	$21,970,484
Total Account 224	1,211,719

Total Account 427	$23,182,203
Total Account 223	$10,942,500
Other Short Term Interest	1,862,658

Total Account 430	$12,805,160

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [x] An Original (2) [ ] A Resubmission	Date of Report (Mo,Da,Yr) 3/31/2007	Year of Report Dec. 31, 2006

UNAMORTIZED DEBT EXPENSE, PREMIUM AND DISCOUNT ON LONG-TERM DEBT (Account 181,225,226)

1. Report under separate subheadings for Unamortized Debt Expense, Unamortized Premium on Long-Term Debt and Unamortized Discount on Long-Term Debt, particulars (details) of expense, premium or discount applicable to each class and series of long-term debt.
2. Show premium amounts by enclosing the figures in parentheses.
3. In column (b) show the principal amount of bonds or other long-term debt originally issued
4. In column (c) show the expense, premium or discount with respect to the amount of bonds or other long-term debt originally issued.

Line No.	Designation of Long-Term Debt (a)	Principal Amount of Debt Issued (b)	Total Expense, Premium or Discount (c)	AMORTIZATION PERIOD Date From (d)	Date To (e)
1	Unamortized Debt Expense - Account 181				
2					
3	Preferred Stock, $5.875 due 07/01/2008	25,000,000	284,247	07/01/2003	07/01/2008
4					
5	Pollution Control Bonds: (2)				
6	Series S, due 09/01/2017	31,000,000	312,946	09/17/1992	09/01/2017
7	Series T, due 09/01/2017	60,000,000	418,276	09/17/1992	09/01/2017
8	Series U, due 08/15/2013	35,200,000	234,448	08/15/1993	08/15/2013
10	Series Y, due 05/01/2027	25,000,000	645,041	05/19/2000	05/01/2027
11	Series Z, due 08/01/2030	83,335,000	1,145,612	08/09/2000	08/01/2030
12	Series AA, due 09/01/2027	10,104,000	515,808	09/01/2001	09/01/2027
13	Series BB, due 09/01/2026	22,500,000	241,747	03/06/2002	09/01/2026
14	Series CC, due 09/01/2026	27,500,000	262,949	03/06/2002	09/01/2026
15	Series DD, due 11/01/2027	35,000,000	280,338	03/22/2002	11/01/2027
16	Series EE, due 11/01/2027	35,000,000	280,377	03/22/2002	11/01/2027
17	Series FF, due 10/01/2032	41,665,000	1,102,896	10/23/2002	10/01/2032
18	Series GG, due 10/01/2033	128,000,000	3,373,231	11/20/2003	10/01/2033
19	Series HH, due 02/01/2035	40,000,000	1,088,142	04/13/2005	02/01/2035
20					
21					
22					
23	Total	599,304,000	10,186,058		
24					
25					
26					
27					
28					
29					
30					
31	Note: (1) See Note 1 - Form 1, Pages 256-257 footnotes				
32	(2) See Note 3 - Form 1, Pages 256-257 footnotes				
33	(3) Total credits in column (h) relating to amortization of debt expense charged to Account 428 is $408,648. The				
34	remaining debits and credits in columns (g) and (h) represent transfers-in and transfers-out of new and old				
35	unamortized debt expense balances related to the refinancings discussed in Note (5) of Form 1, Pages 256-257.				
36					
37					
38					
39					

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [x] An Original (2) [ ] A Resubmission	Date of Report (Mo.Da.Yr) 3/31/2007	Year of Report Dec. 31, 2006

UNAMORTIZED DEBT EXPENSE, PREMIUM AND DISCOUNT ON LONG-TERM DEBT (Account 181,225,226)

5. Furnish in a footnote particulars (details) regarding the treatment of unamortized debt expense, premium or discount associated with issues redeemed during the year. Also, give in a footnote the date of the Commission's authorization of treatment other than as specified by the Uniform System of Accounts (1)

6. Identify separately undisposed amounts applicable to issues which were redeemed in prior years

7. Explain any debits and credits other than amortization debited to Account 428, Amortization of Debt Discount and Expense, or credited to Account 429, Amortization of Premium on Debt--Credit

Balance at Beginning of Year (f)	Debits During Year (g)	Credits During Year (h)	Balance at End of Year (i)	Line No.
				1
				2
142,124		56,844	85,280	3
				4
				5
146,474		12,552	133,922	6
193,703		16,608	177,095	7
88,692		11,700	76,992	8
509,818		23,904	485,914	10
940,991		38,280	902,711	11
429,840		19,836	410,004	12
204,034		9,876	194,158	13
221,929		10,740	211,189	14
238,995		10,944	228,051	15
239,029		10,944	228,085	16
985,358		36,840	948,518	17
3,134,460		112,956	3,021,504	18
1,063,281	1,965	36,624	1,028,622	19
				20
				21
				22
8,538,728	1,965	408,648	8,132,045	23
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Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [x] An Original (2) [ ] A Resubmission	Date of Report (Mo,Da,Yr) 03/31/2007	Year of Report Dec. 31, 2006

UNAMORTIZED LOSS AND GAIN ON REACQUIRED DEBT (Account 189,257)

1 Report under separate subheadings for Unamortized Loss and Unamortized Gain on Reacquired Debt, particulars (details) of gain and loss, including maturity date, on reacquisition applicable to each class and series of long-term debt. If gain or loss resulted from a refunding transaction, include also the maturity date of the new issue.
2. In column (c) show the principal amount of bonds or other long-term debt reacquired.
3 In column (d) show the net gain or net loss realized on each debt reacquisition as computed in accordance with General Instruction 17 of the Uniform Systems of Accounts
4. Show loss amounts by enclosing the figures in parentheses.
5 Explain in a footnote any debits and credits other than amortization debited to Account 428.1, Amortization of Loss on Reacquired Debt, or credited to Account 429.1, Amortization of Gain on Reacquired Debt-Credit.

Line No.	Designation of Long-Term Debt (a)	Date Reac-quired (b)	Principal of Debt Reacquired (c)	Net Gain or Net Loss (d)	Balance at Beginning of Year (e)	Balance at End of Year (f)
1	Unamortized Loss on Reacquired Debt-Account 189					
2						
3	Pollution Control Bonds					
4	1985 Series J, due July 1, 1995	08/90	25,000,000	787,340	299,214	267,715
5						
6	First Mortgage Bonds					
7	due October 1, 2009	12/90	25,000,000	1,787,442	357,491	262,163
8						
9	Pollution Control Bonds					
10	1976 Series A, due September 1, 2006	08/93	35,200,000	439,383	166,194	144,282
11	1975 Series A, due September 1, 2000	10/92	31,000,000	286,757	133,829	122,357
12	1987 Series A, due August 1, 1997	10/92	60,000,000	2,574,187	1,201,410	1,098,426
13	1990 Series A, due June 15, 2015	06/00	25,000,000	2,171,404	1,728,423	1,647,399
14	1990 Series A TC, due November 1, 2020	08/00	83,335,000	4,298,037	3,532,477	3,388,777
15	1996 Series A JC, due September 1, 2026	03/02	22,500,000	1,896,244	1,600,153	1,522,729
16	1996 Series A TC, due September 1, 2026	03/02	27,500,000	1,601,630	1,351,525	1,286,125
17	1997 Series A JC, due November 1, 2027	03/02	35,000,000	1,256,362	1,070,915	1,021,859
18	1997 Series A TC, due November 1, 2027	03/02	35,000,000	1,251,639	1,066,887	1,018,023
19	1990 Series B TC, due November 1, 2020	10/02	41,665,000	1,671,182	1,493,094	1,437,282
20	1993 Series B JC, due October 15, 2020	11/03	26,000,000	5,683,169	5,280,881	5,090,572
21	1995 Series A JC, due April 15, 2023	11/05	40,000,000	1,397,647	1,362,412	1,315,564
22						
23						
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47	Total Account 189				20,644,905	19,623,273

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	03/31/2007	End of 2006/Q4

RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME FOR FEDERAL INCOME TAXES

1. Report the reconciliation of reported net income for the year with taxable income used in computing Federal income tax accruals and show computation of such tax accruals. Include in the reconciliation, as far as practicable, the same detail as furnished on Schedule M-1 of the tax return for the year. Submit a reconciliation even though there is no taxable income for the year. Indicate clearly the nature of each reconciling amount.
2. If the utility is a member of a group which files a consolidated Federal tax return, reconcile reported net income with taxable net income as if a separate return were to be field, indicating, however, intercompany amounts to be eliminated in such a consolidated return. State names of group member, tax assigned to each group member, and basis of allocation, assignment, or sharing of the consolidated tax among the group members.
3. A substitute page, designed to meet a particular need of a company, may be used as Long as the data is consistent and meets the requirements of the above instructions. For electronic reporting purposes complete Line 27 and provide the substitute Page in the context of a footnote.

Line No.	Particulars (Details) (a)	Amount (b)
1	Net Income for the Year (Page 117)	116,828,596
2		
3		
4	Taxable Income Not Reported on Books	
5	See Footnotes	5,390,522
6		
7		
8		
9	Deductions Recorded on Books Not Deducted for Return	
10	See Footnotes	110,962,888
11		
12		
13		
14	Income Recorded on Books Not Included in Return	
15	See Footnotes	16,193,069
16		
17		
18		
19	Deductions on Return Not Charged Against Book Income	
20	See Footnotes	60,545,389
21		
22		
23		
24		
25		
26		
27	Federal Tax Net Income	156,443,548
28	Show Computation of Tax:	
29		
30	Federal Tax Net Income	156,443,548
31	35% Rounded	54,755,242
32	Add: Adjustment of Prior Years' Taxes to Actual	9,407,794
33	Add: Investment Tax Credits & Other	-3,399,160
34		
35	Total	60,763,876
36		
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43		
44		

Schedule Page: 261 Line No.: 5 Column: b

Contributions In Aid of Construction	3,000,000
Regulatory Expenses	1,826,697
Other	563,825

	5,390,522
	=========

Schedule Page: 261 Line No.: 10 Column: b

Federal Income Taxes:	
Utility Operating Income	62,654,794
Other Income and Deductions	(1,890,908)
Provision for Deferred Income Taxes-Net	(8,169,365)
Preferred Dividends	1,211,719
Capitalized Interest	5,000,000
VDT Amortization	7,540,776
Contingent Liabilities	1,310,451
Loss on Reacquired Debt-Amortization	1,021,632
Purchased Gas Adjustment	27,305,446
Investment Tax Credit	3,000,000
Current State Income Taxes	4,468,886
Method Life Depreciation	4,199,000
Nondeductible Expenses	912,095
ad Debt Reserves	575,742
ite Assessment Costs	698,221
Other	1,124,399

	110,962,888
	===========

Schedule Page: 261 Line No.: 15 Column: b

Amortization of Investment Tax Credit	4,021,661
FAC Under-Recovery	10,677,679
FAS 106 (Postretirement)	705,178
Customer Advances for Construction	755,959
Other	32,592

	16,193,069
	==========

Schedule Page: 261 Line No.: 20 Column: b

Cost of Removal	7,000,000
Pensions	39,105,005
State Income Tax Deduction	(2,256,503)
IRC 199 Manufacturing Deduction	2,325,000
MISO Exit Fees	13,139,016
Tax Interest Reserve	647,225
Other	585,646

	60,545,389
	==========

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	03/31/2007	End of 2006/Q4

TAXES ACCRUED, PREPAID AND CHARGED DURING YEAR

1. Give particulars (details) of the combined prepaid and accrued tax accounts and show the total taxes charged to operations and other accounts during the year. Do not include gasoline and other sales taxes which have been charged to the accounts to which the taxed material was charged. If the actual, or estimated amounts of such taxes are know, show the amounts in a footnote and designate whether estimated or actual amounts.
2. Include on this page, taxes paid during the year and charged direct to final accounts, (not charged to prepaid or accrued taxes.) Enter the amounts in both columns (d) and (e). The balancing of this page is not affected by the inclusion of these taxes.
3. Include in column (d) taxes charged during the year, taxes charged to operations and other accounts through (a) accruals credited to taxes accrued, (b)amounts credited to proportions of prepaid taxes chargeable to current year, and (c) taxes paid and charged direct to operations or accounts other than accrued and prepaid tax accounts.
4. List the aggregate of each kind of tax in such manner that the total tax for each State and subdivision can readily be ascertained.

Line No.	Kind of Tax (See instruction 5) (a)	BALANCE AT BEGINNING OF YEAR Taxes Accrued (Account 236) (b)	Prepaid Taxes (Include in Account 165) (c)	Taxes Charged During Year (d)	Taxes Paid During Year (e)	Adjust-ments (f)
1	Federal:					
2	Income	2,602,058		60,763,886	57,014,959	
3	FICA	476,511		5,205,260	5,120,054	
4						
5	Kentucky and Other States:					
6	Income	3,566,945		10,951,149	6,791,148	
7	Public Service Commission		828,700	1,780,935	1,904,471	
8	6% Use (Kentucky)	481,035		2,306,100	2,776,256	
9	Auto License			72,801	72,801	
10	Coal Tax			7,743	7,743	
11						
12	Federal & Kentucky:					
13	Unemployment Insurance	40,581		97,597	90,189	
14						
15	Local:					
16	Occupational					
17						
18	Kentucky & Local:					
19	Property Taxes	400,001		13,946,137	420,169	
20						
21						
22						
23						
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28						
29						
30						
31						
32						
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41	TOTAL	7,567,131	828,700	95,131,608	74,197,790	

Name of Respondent	This Report Is:	Date of Report (Mo. Da. Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	03/31/2007	End of 2006/Q4

TAXES ACCRUED, PREPAID AND CHARGED DURING YEAR (Continued)

5. If any tax (exclude Federal and State income taxes)- covers more then one year, show the required information separately for each tax year. identifying the year in column (a).
6. Enter all adjustments of the accrued and prepaid tax accounts in column (f) and explain each adjustment in a foot- note. Designate debit adjustments by parentheses
7. Do not include on this page entries with respect to deferred income taxes or taxes collected through payroll deductions or otherwise pending transmittal of such taxes to the taxing authority.
8. Report in columns (i) through (l) how the taxes were distributed. Report in column (l) only the amounts charged to Accounts 408.1 and 409.1 pertaining to electric operations. Report in column (l) the amounts charged to Accounts 408.1 and 109.1 pertaining to other utility departments and amounts charged to Accounts 408.2 and 409.2. Also shown in column (l) the taxes charged to utility plant or other balance sheet accounts.
9. For any tax apportioned to more than one utility department or account, state in a footnote the basis (necessity) of apportioning such tax.

BALANCE AT END OF YEAR		DISTRIBUTION OF TAXES CHARGED				
(Taxes accrued Account 236) (g)	Prepaid Taxes (Incl. in Account 165) (h)	Electric (Account 408.1, 409.1) (i)	Extraordinary Items (Account 409.3) (j)	Adjustments to Ret. Earnings (Account 439) (k)	Other (l)	Line No.
						1
6,350,985		49,730,505			11,033,381	2
561,717		4,751,372			453,888	3
						4
						5
7,726,946		8,748,525			2,202,624	6
	952,236	1,173,428			607,507	7
10,879		-151,174			2,457,274	8
					72,801	9
					7,743	10
						11
						12
47,989		144,752			-47,155	13
						14
						15
		20,952			-20,952	16
						17
						18
13,925,969		10,476,652			3,469,485	19
						20
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						23
						24
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28,624,485	952,236	74,895,012			20,236,596	41

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Schedule Page: 262 Line No.: 1 Column: a

Segregation of Other	Col 1 Other	Page 115 Gas Acct. 408.1-409.1	Page 117 Other Inc & Deductions 408.2 - 409.2	Other Accounts
Federal:				
Income	11,033,381	12,924,289	(1,890,908)	-
FICA	453,888	1,189,738		(735,850)
Kentucky:				
Income	2,202,624	2,612,860	(410,236)	-
PSC	607,507	607,507		-
6% Use	2,457,274	-		2,457,274
Auto License	72,801	-		72,801
Coal Tax	7,743	-		7,743
Federal & Kentucky:				
Unemployment Ins	(47,155)	36,249		(83,404)
Local:				
Occupational	(20,952)	6,259		(27,211)
Kentucky & Local:				
Property Taxes	3,469,485	3,452,956	21,180	(4,651)
Total	20,236,596	20,829,858	(2,279,964)	1,686,702

Reconciliation to page 114-115, lines 14-16:

Federal Income:		State Income:		Other:	
Electric	49,730,505	Electric	8,748,525	Electric Total	74,895,012
Gas	12,924,289	Gas	2,612,860	Gas Total	20,829,858
				Less Federal	(62,654,794)
	62,654,794		11,361,385	Less State	(11,361,385)
					21,708,691

Name of Respondent	This Report Is:	Date of Report	Year of Report
Louisville Gas and Electric Company	(1) [x] An Original (2) [ ] A Resubmission	(Mo,Da,Yr) 03/31/2007	Dec. 31, 2006

MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES (Account 242)

1. Describe and report the amount of other current and accrued liabilities at the end of the year

2. Minor items (less than $100,000) may be grouped under appropriate title.

Line No.	Item (a)	Balance at End of Year (b)
1	Customer Overpayments	2,455,816
2	Vested Vacation Pay Accrued	4,386,795
3	Home Energy Assistance	232,796
4		
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44	TOTAL	7,075,407

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	03/31/2007	End of 2006/Q4

OTHER DEFFERED CREDITS (Account 253)

1 Report below the particulars (details) called for concerning other deferred credits.

2. For any deferred credit being amortized, show the period of amortization.

3. Minor items (5% of the Balance End of Year for Account 253 or amounts less than $10,000, whichever is greater) may be grouped by classes.

Line No	Description and Other Deferred Credits	Balance at Beginning of Year	DEBITS		Credits	Balance at End of Year
			Contra Account	Amount		
	(a)	(b)	(c)	(d)	(e)	(f)
1	Gas Purchase Cash Refunds -					
2	Texas Gas	0	803	44,855	179,712	134,857
3						
4	Gas Supply Clause -					
5	Overbilled and Refundable	17,283,948	803	27,083,556	40,267,719	30,468,111
6	to Customers					
7						
8	Brown CT Long Term Service	2,820,059	186,232	985,711	0	1,834,348
9	Agreement					
10						
11	University of Kentucky Center					
12	for Applied Energy Research Grant.	0	242, 426	215,005	435,574	220,569
13						
14	Demand Side Management -					
15	Refundable Costs	2,705,661	186	1,044,588	1,367,215	3,028,288
16						
17	Prepaid Transmission system fee:					
18	MCI Telecom	70,692	454	22,296	0	48,396
19	East Kentucky Power Coop	148,912	454	324,900	324,900	148,912
20						
21	Long-Term Derivative Liability	18,604,923	219	37,793,344	34,582,975	15,394,554
22						
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47	TOTAL	41,634,195		67,514,255	77,158,095	51,278,035

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	03/31/2007	End of 2006/Q4

ACCUMULATED DEFFERED INCOME TAXES - OTHER PROPERTY (Account 282)

1. Report the information called for below concerning the respondent's accounting for deferred income taxes rating to property not subject to accelerated amortization
2. For other (Specify),include deferrals relating to other income and deductions.

Line No.	Account	Balance at Beginning of Year	CHANGES DURING YEAR	
			Amounts Debited to Account 410.1	Amounts Credited to Account 411.1
	(a)	(b)	(c)	(d)
1	Account 282			
2	Electric	337,261,874	18,237,262	32,029,166
3	Gas	53,665,079	3,208,386	3,956,869
4				
5	TOTAL (Enter Total of lines 2 thru 4)	390,926,953	21,445,648	35,986,035
6				
7				
8				
9	TOTAL Account 282 (Enter Total of lines 5 thru	390,926,953	21,445,648	35,986,035
10	Classification of TOTAL			
11	Federal Income Tax	327,140,101	17,058,063	29,312,879
12	State Income Tax	63,786,852	4,387,585	6,673,156
13	Local Income Tax			

NOTES

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	03/31/2007	End of 2006/Q4

ACCUMULATED DEFERRED INCOME TAXES - OTHER PROPERTY (Account 282) (Continued)

3. Use footnotes as required.

CHANGES DURING YEAR		ADJUSTMENTS						
Amounts Debited to Account 410.2	Amounts Credited to Account 411.2	Debits		Credits		Balance at End of Year	Line No
		Account Credited	Amount	Account Debited	Amount		
(e)	(f)	(g)	(h)	(i)	(j)	(k)	
							1
		254	8,756,818			314,713,152	2
		254	856,557			52,060,039	3
							4
			9,613,375			366,773,191	5
							6
							7
							8
			9,613,375			366,773,191	9
							10
			590,945			314,294,340	11
			9,022,430			52,478,851	12
							13

NOTES (Continued)

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	03/31/2007	End of 2006/Q4

ACCUMULATED DEFFERED INCOME TAXES - OTHER (Account 283)

1. Report the information called for below concerning the respondent's accounting for deferred income taxes relating to amounts recorded in Account 283.
2. For other (Specify),include deferrals relating to other income and deductions.

Line No.	Account (a)	Balance at Beginning of Year (b)	CHANGES DURING YEAR Amounts Debited to Account 410.1 (c)	CHANGES DURING YEAR Amounts Credited to Account 411.1 (d)
1	Account 283			
2	Electric			
3	Loss on Reacquired Debt	7,397,020	4,590	352,114
4	*VDT Workforce Reduction*	2,505,083	2	2,385,901
5	Regulatory Expenses	1,520,161	4,446	661,657
6	FAS 143	2,766,119	5,216,047	90,604
7	Prepaid Insurance	937,740	11,255	22,730
8	Other	1,290,150	9,519,879	334,099
9	TOTAL Electric (Total of lines 3 thru 8)	16,416,273	14,756,219	3,847,105
10	Gas			
11	Loss on Reacquired Debt	671,201	881	67,569
12	VDT Workforce Reduction	477,289		596,473
13	Regulatory Expenses	92,360		62,358
14	Purchased Gas	4,549,862	156,793	10,854,182
15	Prepaid Insurance	219,963	2,640	5,332
16	Other			
17	TOTAL Gas (Total of lines 11 thru 16)	6,010,675	160,314	11,585,914
18				
19	TOTAL (Acct 283) (Enter Total of lines 9, 17 and 18)	22,426,948	14,916,533	15,433,019
20	Classification of TOTAL			
21	Federal Income Tax	18,572,455	12,166,928	12,370,662
22	State Income Tax	3,854,493	2,749,605	3,062,357
23	Local Income Tax			

NOTES

ACCUMULATED DEFERRED INCOME TAXES - OTHER (Account 283) (Continued)

3. Provide in the space below explanations for Page 276 and 277. Include amounts relating to insignificant items listed under Other.
4. Use footnotes as required.

CHANGES DURING YEAR		ADJUSTMENTS				Balance at End of Year	Line No.
Amounts Debited to Account 410.2	Amounts Credited to Account 411.2	Debits		Credits			
		Account Credited	Amount	Account Debited	Amount		
(e)	(f)	(g)	(h)	(i)	(j)	(k)	
							1
							2
						7,049,496	3
						119,184	4
						862,950	5
						7,891,562	6
						926,265	7
						10,475,930	8
						27,325,387	9
							10
						604,513	11
						-119,184	12
						30,002	13
						-6,147,527	14
						217,271	15
							16
						-5,414,925	17
							18
						21,910,462	19
							20
						18,368,721	21
						3,541,741	22
							23

NOTES (Continued)

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Schedule Page: 276 Line No.: 8 Column: b

Beginning Balance:	
FAC Under-Recovery	995,558
Other	294,592

	1,290,150
	=========

Schedule Page: 276 Line No.: 8 Column: c

Debit Change Account 410.1:	
FAC Under-Recovery	4,274,519
MISO Exit Fees	5,242,468
Other	2,892

	9,519,879
	=========

Schedule Page: 276 Line No.: 8 Column: d

Credit Change Account 411.1:	
FAC Under-Recovery	147,135
MISO Exit Fees	131,390
Other	55,574

	334,099
	========

Schedule Page: 276 Line No.: 8 Column: k

Ending Balance:	
FAC Under-Recovery	5,122,942
MISO Exit Fees	5,111,078
Other	241,910

	10,475,930
	==========

Schedule Page: 276 Line No.: 12 Column: k

The debit balance on Line 12 is an offset to the amount on Line 4.

Schedule Page: 276 Line No.: 14 Column: k

The cumulative temporary difference for Purchased Gas at beginning of year was a future taxable temporary difference(deferred tax liability); due to activity in 2006 the cumulative temporary difference at end of 2006 was a future deductible temporary difference(deferred tax asset).

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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	03/31/2007	End of 2006/Q4

OTHER REGULATORY LIABILITIES (Account 254)

1. Report below the particulars (details) called for concerning other regulatory liabilities, including rate order docket number, if applicable.
2. Minor items (5% of the Balance in Account 254 at end of period, or amounts less than $50,000 which ever is less), may be grouped by classes.
3. For Regulatory Liabilities being amortized, show period of amortization.

Line No.	Description and Purpose of Other Regulatory Liabilities	Balance at Begining of Current Quarter/Year	DEBITS		Credits	Balance at End of Current Quarter/Year
			Account Credited	Amount		
	(a)	(b)	(c)	(d)	(e)	(f)
1	SFAS 109 - Income Taxes	41,718,830	190/282	11,658,978	23,941,606	54,001,458
2						
3	MISO Schedule 10 Charges	0	456	0	1,113,984	1,113,984
4						
5	Asset Retirement Obligation-Generation	160,818	403	1,084	26,525	186,259
6						
7	Asset Retirement Obligation-Transmission	13,770	403	0	0	13,770
8						
9	Asset Retirement Obligation-Gas	0	403	0	55,100	55,100
10						
11						
12						
13						
14						
15						
16						
17						
18						
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20						
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29						
30						
31						
32						
33						
34						
35						
36						
37						
38						
39						
40						
41	TOTAL	41.893,418		11,660,062	25,137.215	55,370.571

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [x] An Original (2) [ ] A Resubmission	Date of Report (Mo,Da,Yr) 03/31/2007	Year of Report Dec. 31, 2006

GAS OPERATING REVENUES (Account 400)

1. Report below natural gas operating revenues for each prescribed account, and manufactured gas revenues in total.
2. Natural gas means either natural gas unmixed or any mixture of natural and manufactured gas.
3. Report number of customers, columns (f) and (g), on the basis of meters, in addition to the number of flat rate accounts; except that where separate meter readings are added for billing purposes, one customer should be counted for each group of meters added. The average number of customers means the average of twelve figures at the close of each month.
4. Report quantities of natural gas sold in a term basis, give the Btu contents of the gas sold and the sales converted to Mcf.
5. If increases or decreases from previous year (columns (c), (e) and (g)), are not derived from

Line No.	Title of Account (a)	Amount for Year (b)	Amount for Previous Year (c)
1	GAS SERVICE REVENUES		
2	480 Residential Sales	247,714,377	265,373,026
3	481 Commercial & Industrial Sales		
4	Small (or Comm.) (See Instr. 6)	103,371,282	107,985,247
5	Large (or Ind.) (See Instr. 6)	16,385,754	18,689,114
6	482 Other Sales to Public Authorities	18,596,992	18,242,963
7	484 Interdepartmental Sales		
8	TOTAL Sales to Ultimate Consumers	386,068,405	410,290,350
9	483 Sales for Resale	1,142,593	19,042,051
10	TOTAL Natural Gas Service Revenues	387,210,998	429,332,401
11	Revenues from Manufactured Gas		
12	TOTAL Gas Service Revenues	387,210,998	429,332,401
13	OTHER OPERATING REVENUES		
14	485 Intracompany Transfers		
15	487 Forfeited Discounts	2,075,264	1,492,346
16	488 Miscellaneous Service Revenues	60,880	62,620
17	489 Revenue from Transportation of Gas of Others	5,332,608	5,453,152
18	490 Sales of Products Extracted from natural gas		
19	491 Revenues from natural gas processed by others		
20	492 Incidental gasoline and oil sales		
21	493 Rent from Gas Property	402,060	371,805
22	494 Interdepartmental Rents	107,268	107,268
23	495 Other Gas Revenues	40,500	84,310
24	TOTAL Other Operating Revenues	8,018,580	7,571,501
25	TOTAL Gas Operating Revenues	395,229,578	436,903,902
26	496 (Less) Provision for Rate Refunds		
27	TOTAL Gas Operating Revenues Net of Provision for Refunds	395,229,578	436,903,902
28	Distribution Type Sales by States (Include Main Line Sales to Residential and Commercial Customers)	367,471,413	392,047,387
29	Main Line Industrial Sales (Include Main Line Sales to Public Authorities)		
30	Sales for Resale	1,142,593	19,042,051
31	Other Sales to Public Authorities (Local Distribution Only)	18,596,992	18,242,963
32	Interdepartmental Sales		
33	TOTAL (Same as Line 10, Columns (b) and (d))	387,210,998	429,332,401

Name of Respondent	This Report Is:	Date of Report (Mo,Da,Yr)	Year of Report
Louisville Gas and Electric Company	(1) [x] An Original (2) [ ] A Resubmission	03/31/2007	Dec. 31, 2006

GAS OPERATING REVENUES (Account 400) (Continued)

previously reported figures, explain any inconsistencies in a footnote.

6. Commercial and Industrial Sales, Account 481, may be classified according to the basis of classification (Small or Commercial, and Large or Industrial) regularly used by the respondent if such basis of classification is not generally greater that 200,000 Mcf per year or approximately 800 Mcf per day of normal requirements. (See Account 481 of the Uniform System of Accounts. Explain basis of classification in a footnote.)

7. See pages 108-109, Important Changes During Year, for important new territory added and important rate increases and decreases.

MCF OF NATURAL GAS SOLD		AVG. NO. OF NAT. GAS CUSTOMERS PER MO.		
Quantity for Year (d)	Quantity for Previous Year (e)	Number for Year (f)	Number for Previous Year (g)	Line No.
				1
17,816,080	20,801,288	297,666	295.040	2
				3
8.129,557	9,130,932	24,096	23,850	4
1.491,361	1,710,968	282	289	5
1,498,897	1,573,607	1,049	1,045	6
				7
28,935,895	33,216,795	323,093	320,224	8
149,326	2,652,514			9
29,085,221	35,869,309	323,093	320,224	10
		NOTES		11
				12
				13
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				16
				17
				18
				19
				20
				21
				22
-	-			23
-	-			24
29,085,221	35,869,309			25
				26
29,085,221	35,869,309			27
27,436,998	31,643,188			28
				29
149,326	2,652,514			30
1,498,897	1,573,607			31
				32
29,085,221	35.869,309			33

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Name of Respondent	This Report Is:	Date of Report	Year of Report
Louisville Gas and Electric Company	(1) [x] An Original	(Mo.Da,Yr)	
	(2) [ ] A Resubmission	03/31/2007	Dec. 31, 2006

OTHER GAS REVENUES (ACCOUNT 495)

1 For transactions with annual revenues of $250,000 or more, describe, for each transaction, commissions on sales of distributions of gas of others, compensation for minor or incidental services provided for others, penalties, profit or loss on sales of material and supplies, sales of steam, water, or electricity, miscellaneous royalties, revenues from dehydration, other processing of gas of others, and gains on settlements on imbalance receivables. Separately report revenues from cash-out penalties

Line No	Description of Transaction (a)	Revenues (In Dollars) (b)
1	Other Gas Revenues	
2	Miscellaneous - All minor items	40,500
3		
4		
5		
6		
7		
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25	Total	40,500

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [x] An Original (2) [ ] A Resubmission	Date of Report (Mo,Da,Yr) 03/31/2007	Year of Report Dec. 31, 2006

GAS OPERATION AND MAINTENANCE EXPENSES

If the amount for the previous year is not derived from previously reported figures, explain in footnotes.

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
1	1. PRODUCTION EXPENSES		
2	A. Manufactured Gas Production		
3	Manufactured Gas Production (Submit Supplemental Statement)		
4	B. Natural Gas Production		
5	B1. Natural Gas Production and Gathering		
6	Operation		
7	750 Operation Supervision and Engineering		
8	751 Production Maps and Records		
9	752 Gas Wells Expense		
10	753 Field Lines Expense		
11	754 Field Compressor Station Expenses		
12	755 Field Compressor Station Fuel and Power		
13	756 Field Measuring and Regulating Station Expenses		
14	757 Purification Expenses		
15	758 Gas Well Royalties		
16	759 Other Expenses		
17	760 Rents		
18	TOTAL Operation (Enter Total of lines 7 thru 17)	-	-
19	Maintenance		
20	761 Maintenance Supervision and Engineering		
21	762 Maintenance of Structures and Improvements		
22	763 Maintenance of Producing Gas Wells		
23	764 Maintenance of Field Lines		
24	765 Maintenance of Field Compressor Station Equipment		
25	766 Maintenance of Field Meas. and Reg. Station Equipment		
26	767 Maintenance of Purification Equipment		
27	768 Maintenance of Drilling and Cleaning Equipment		
28	769 Maintenance of Other Equipment		
29	TOTAL Maintenance (Enter Total of lines 20 thru 28)	-	-
30	TOTAL Natural Gas Production and Gathering (Enter Total of lines 18 and 29)	-	-

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [x] An Original (2) [ ] A Resubmission	Date of Report (Mo.Da.Yr) 03/31/2007	Year of Report Dec. 31, 2006

GAS OPERATION AND MAINTENANCE EXPENSES (Continued)

If the amount for the previous year is not derived from previously reported figures, explain in footnotes.

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
31	B2. Products Extraction		
32	Operation		
33	770 Operation Supervision and Engineering		
34	771 Operation Labor		
35	772 Gas Shrinkage		
36	773 Fuel		
37	774 Power		
38	775 Materials		
39	776 Operation Supplies and Expenses		
40	777 Gas Processed by Others		
41	778 Royalties on Products Extracted		
42	779 Marketing Expenses		
43	780 Products Purchased by Resale		
44	781 Variation in Products Inventory		
45	782 (Less) Extracted Products Used by Utility--Credit		
46	783 Rents		
47	TOTAL Operation (Enter Total of lines 33 thru 46)	-	-
48	Maintenance		
49	784 Maintenance Supervision and Engineering		
50	785 Maintenance of Structures and Improvements		
51	786 Maintenance of Extractions and Refining Equipment		
52	787 Maintenance of Pipe Lines		
53	788 Maintenance of Extracted Products Storage Equipment		
54	789 Maintenance of Compressor Equipment		
55	790 Maintenance of Gas Measuring and Reg. Equipment		
56	791 Maintenance of Other Equipment		
57	TOTAL Maintenance (Enter Total of lines 49 thru 56)	-	-
58	TOTAL Products Extraction (Enter Total of lines 47 and 57)	-	-

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [x] An Original (2) [ ] A Resubmission	Date of Report (Mo,Da,Yr) 03/31/2007	Year of Report Dec. 31, 2006

GAS OPERATION AND MAINTENANCE EXPENSES (Continued)

If the amount for the previous year is not derived from previously reported figures, explain in footnotes.

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
59	C. Exploration and Development		
60	Operation		
61	795 Delay Rentals		
62	796 Nonproductive Well Drilling		
63	797 Abandoned Leases		
64	798 Other Exploration		
65	TOTAL Exploration and Development (Enter Total of lines 61 thru 64)	-	-
	D. Other Gas Supply Expenses		
66	Operation		
67	800 Natural Gas Well Head Purchases		
68	800.1 Natural Gas Well Head Purchases, Intracompany Transfers		
69	801 Natural Gas Field Line Purchases		
70	802 Natural Gas Gasoline Plant Outlet Purchases		
71	803 Natural Gas Transmission Line Purchases	269,873,519	408,909,101
72	804 Natural Gas City Gate Purchases		
73	804.1 Liquefied Natural Gas Purchases		
74	805 Other Gas Purchases		
75	805.1 (Less) Purchased Gas Cost Adjustments		
76			
77	TOTAL Purchased Gas (Enter Total of lines 67 to 75)	269,873,519	408,909,101
78	806 Exchange Gas		
79	Purchased Gas Expenses		
80	807.1 Well Expenses--Purchased Gas		
81	807.2 Operation of Purchased Gas Measuring Stations		
82	807.3 Maintenance of Purchased Gas Measuring Stations		
83	807.4 Purchased Gas Calculations Expense	27,850	27,495
84	807.5 Other Purchased Gas Expenses	517,822	583,943
85	TOTAL Purchased Gas Expenses (Enter Total of lines 80 thru 84)	545,672	611,438

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [x] An Original (2) [ ] A Resubmission	Date of Report (Mo,Da,Yr) 03/31/2007	Year of Report Dec. 31, 2006

GAS OPERATION AND MAINTENANCE EXPENSES (Continued)

If the amount for the previous year is not derived from previously reported figures, explain in footnotes.

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
86	808.1 Gas Withdrawn from Storage--Debit	120.999,754	86,484.451
87	808.2 (Less) Gas Delivered to Storage--Credit	82,024.841	136,763,158
88	809.1 Withdrawals of Liquefied Natural Gas Sales for Processing--Debit		
89	809.2 (Less) Deliveries of Natural Gas for Processing--Credit		
90	Gas Used in Utility Operations--Credit		
91	810 Gas Used for Compressor Station Fuel--Credit	1,330,924	927.970
92	811 Gas Used for Products Extraction--Credit		
93	812 Gas Used for Other Utility Operations--Credit	12,815,583	19,238,997
94	TOTAL Gas Used in Utility Operations--Credit (Total of lines 91 thru 93)	14,146,507	20,166,967
95	813 Other Gas Supply Expenses	35,865	33,167
96	TOTAL Other Gas Supply Exp. (Total of lines 77, 78, 85, 86 thru 89, 94, & 95)	295,283,462	339,108.032
97	TOTAL Production Expenses (Enter Total of lines 3, 30. 58, 65, and 96)	295,283,462	339,108.032
98	2. NATURAL GAS STORAGE, TERMINALING AND PROCESSING EXPENSES		
99	A. Underground Storage Expenses		
100	Operation		
101	814 Operation Supervision and Engineering	409,959	421,636
102	815 Maps and Records		
103	816 Wells Expenses	15,353	
104	817 Lines Expenses	451,865	481,865
105	818 Compressor Station Expenses	991,921	969,925
106	819 Compressor Station Fuel and Power	1,125,500	784,791
107	820 Measuring and Regulating Station Expenses		
108	821 Purification Expenses	1,681.221	1,199,184
109	822 Exploration and Development		
110	823 Gas Losses	3,056,047	2,912,798
111	824 Other Expenses	35,238	13,083
112	825 Storage Well Royalties	48,530	52,832
113	826 Rents	36,430	42,453
114	TOTAL Operation (Enter Total of lines 101 thru 113)	7,852,064	6,878,567

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [x] An Original (2) [ ] A Resubmission	Date of Report (Mo,Da,Yr) 03/31/2007	Year of Report Dec. 31, 2006

GAS OPERATION AND MAINTENANCE EXPENSES (Continued)

If the amount for the previous year is not derived from previously reported figures, explain in footnotes.

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
115	Maintenance		
116	830 Maintenance Supervision and Engineering	255,593	247,742
117	831 Maintenance of Structures and Improvements		
118	832 Maintenance of Reservoirs and Wells	414,411	369,309
119	833 Maintenance of Lines	(12,439)	105,929
120	834 Maintenance of Compressor Station Equipment	1,190,532	882,730
121	835 Maintenance of Measuring and Regulating Station Equipment	13,546	19,211
122	836 Maintenance of Purification Equipment	290,125	234,290
123	837 Maintenance of Other Equipment	115,812	161,303
124	TOTAL Maintenance (Enter Total of lines 116 thru 123)	2,267,580	2,020,514
125	TOTAL Underground Storage Expenses (Total of lines 114 and 124)	10,119,644	8,899,081
126	B. Other Storage Expenses		
127	Operation		
128	840 Operation Supervision and Engineering		
129	841 Operation Labor and Expenses		
130	842 Rents		
131	842.1 Fuel		
132	842.2 Power		
133	842.3 Gas Losses		
134	TOTAL Operation (Enter Total of lines 128 thru 133)	-	-
135	Maintenance		
136	843.1 Maintenance Supervision and Engineering		
137	843.2 Maintenance of Structures and Improvements		
138	843.3 Maintenance of Gas Holders		
139	843.4 Maintenance of Purification Equipment		
140	843.5 Maintenance of Liquefaction Equipment		
141	843.6 Maintenance of Vaporizing Equipment		
142	843.7 Maintenance of Compressor Equipment		
143	843.8 Maintenance of Measuring and Regulating Equipment		
144	843.9 Maintenance of Other Equipment		
145	TOTAL Maintenance (Enter Total of lines 136 thru 144)	-	-
146	TOTAL Other Storage Expenses (Enter Total of lines 134 and 145)	-	-

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [x] An Original (2) [ ] A Resubmission	Date of Report (Mo,Da,Yr) 03/31/2007	Year of Report Dec. 31, 2006

GAS OPERATION AND MAINTENANCE EXPENSES (Continued)

If the amount for the previous year is not derived from previously reported figures, explain in footnotes.

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
147	C. Liquefied Natural Gas Terminaling and Processing Expenses		
148	Operation		
149	844.1 Operation Supervision and Engineering		
150	844.2 LNG Processing Terminal Labor and Expenses		
151	844.3 Liquefaction Processing Labor and Expenses		
152	844.4 Liquefaction Transportation Labor and Expenses		
153	844.5 Measuring and Regulating Labor and Expenses		
154	844.6 Compressor Station Labor and Expenses		
155	844.7 Communication System Expenses		
156	844.8 System Control and Load Dispatching		
157	845.1 Fuel		
158	845.2 Power		
159	845.3 Rents		
160	845.4 Demurrage Charges		
161	845.5 (Less) Wharfage Receipts--Credit		
162	845.6 Processing Liquefied or Vaporized Gas by Others		
163	846.1 Gas Losses		
164	846.2 Other Expenses		
165	TOTAL Operation (Enter Total of lines 149 thru 164)	-	-
166	Maintenance		
167	847.1 Maintenance Supervision and Engineering		
168	847.2 Maintenance of Structures and Improvements		
169	847.3 Maintenance of LNG Processing Terminal Equipment		
170	847.4 Maintenance of LNG Transportation Equipment		
171	847.5 Maintenance of Measuring and Regulating Equipment		
172	847.6 Maintenance of Compressor Station Equipment		
173	847.7 Maintenance of Communication Equipment		
174	847.8 Maintenance of Other Equipment		
175	TOTAL Maintenance (Enter Total of lines 167 thru 174)	-	-
176	TOTAL Liquefied Nat. Gas Terminaling and Proc. Exp. (Lines 165 & 175)	-	-
177	TOTAL Natural Gas Storage (Enter Total of lines 125, 146, and 176)	10,119,644	8,899,081

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [x] An Original (2) [ ] A Resubmission	Date of Report (Mo,Da,Yr) 03/31/2007	Year of Report Dec. 31, 2006

GAS OPERATION AND MAINTENANCE EXPENSES (Continued)

If the amount for the previous year is not derived from previously reported figures, explain in footnotes.

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
178	3. TRANSMISSION EXPENSES		
179	Operation		
180	850 Operation Supervision and Engineering	17,599	14,431
181	851 System Control and Load Dispatching	255,329	250,269
182	852 Communication System Expenses	29	332
183	853 Compressor Station Labor and Expenses		
184	854 Gas for Compressor Station Fuel		
185	855 Other Fuel and Power for Compressor Stations		
186	856 Mains Expenses	240,187	227,822
187	857 Measuring and Regulating Station Expenses		
188	858 Transmission and Compression of Gas by Others		
189	859 Other Expenses		
190	860 Rents	4,770	3,290
191	TOTAL Operation (Enter Total of lines 180 thru 190)	517,914	496,144
	3 TRANSMISSION EXPENSES (Continued)		
192	Maintenance		
193	861 Maintenance Supervision and Engineering		
194	862 Maintenance of Structures and Improvements		-
195	863 Maintenance of Mains	706,684	356,695
196	864 Maintenance of Compressor Station Equipment		
197	865 Maintenance of Measuring and Reg. Station Equipment		
198	866 Maintenance of Communication Equipment		-
199	867 Maintenance of Other Equipment		-
200	TOTAL Maintenance (Enter Total of lines 193 thru 199)	706,684	356,695
201	TOTAL Transmission Expenses (Enter Total of lines 191 and 200)	1,224,598	852,839
202	4. DISTRIBUTION EXPENSES		
203	Operation		
204	870 Operation Supervision and Engineering		
205	871 Distribution Load Dispatching	347,104	341,299
206	872 Compressor Station Labor and Expenses		
207	873 Compressor Station Fuel and Power		

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [x] An Original (2) [ ] A Resubmission	Date of Report (Mo,Da,Yr) 03/31/2007	Year of Report Dec. 31, 2006

GAS OPERATION AND MAINTENANCE EXPENSES (Continued)

If the amount for the previous year is not derived from previously reported figures, explain in footnotes.

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
208	874 Mains and Services Expense	2.449,620	2.555,044
209	875 Measuring and Regulating Station Expenses--General	483,487	567,497
210	876 Measuring and Regulating Station Expenses--Industrial	324.928	283,882
211	877 Measuring and Regulating Station Expenses--City Gate Check Station	174,979	156,762
212	878 Meter and House Regulator Expenses	51,773	68,917
213	879 Customer Installations Expenses	214.842	258,861
214	880 Other Expenses	3,127,914	2.883,881
215	881 Rents	9,963	13,801
216	TOTAL Operation (Enter Total of lines 204 thru 215)	7,184,610	7,129,944
217	Maintenance		
218	885 Maintenance Supervision and Engineering		
219	886 Maintenance of Structures and Improvements	495.374	469.345
220	887 Maintenance of Mains	4,672.076	4.199.756
221	888 Maintenance of Compressor Station Equipment		
222	889 Maintenance of Meas. and Reg. Station Equipment--General	90.505	25,830
223	890 Maintenance of Meas. and Reg. Station Equipment--Industrial	100.685	78,680
224	891 Maintenance of Meas. and Reg. Station Equipment--City Gate Check Station	296,318	286,477
225	892 Maintenance of Services	972,347	877,771
226	893 Maintenance of Meters and House Regulators		
227	894 Maintenance of Other Equipment	101,179	159,461
228	TOTAL Maintenance (Enter Total of lines 218 thru 227)	6,728,484	6,097,320
229	TOTAL Distribution Expenses (Enter Total of lines 216 and 228)	13,913,094	13,227,264
230	5. CUSTOMER ACCOUNTS EXPENSE		
231	Operation		
232	901 Supervision	607,128	599,890
233	902 Meter Reading Expenses	1,649,440	1.544,942
234	903 Customer Records and Collection Expenses	3.591,972	3.530,227
235	904 Uncollectible Accounts	2.475,240	1,670,008
236	905 Miscellaneous Customer Accounts Expenses	152,296	178,081
237	TOTAL Customer Accounts Expenses (Enter Total of lines 232 thru 236)	8,476,076	7,523,148

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Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [x] An Original (2) [ ] A Resubmission	Date of Report (Mo,Da,Yr) 03/31/2007	Year of Report Dec. 31, 2006

GAS OPERATION AND MAINTENANCE EXPENSES (Continued)

If the amount for the previous year is not derived from previously reported figures, explain in footnotes.

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
238	6. CUSTOMER SERVICE AND INFORMATION EXPENSES		
239	Operation		
240	907 Supervision	118,439	79,866
241	908 Customer Assistance Expenses	2,000,181	1,928,040
242	909 Informational and Instructional Expenses	182,928	107,683
243	910 Miscellaneous Customer Service and Informational Expenses	83,429	108,925
244	TOTAL Customer Service and Information Expense (Lines 240 thru 243)	2,384,977	2,224,514
245	7. SALES EXPENSE		
246	Operation		
247	911 Supervision		
248	912 Demonstrating and Selling Expenses		
249	913 Advertising Expenses	2,165	2,681
250	916 Miscellaneous Sales Expenses		-
251	TOTAL Sales Expense (Enter Total of lines 247 thru 250)	2,165	2,681
252	8. ADMINISTRATIVE AND GENERAL EXPENSES		
253	Operation		
254	920 Administrative and General Salaries	3,395,046	3,305,621
255	921 Office Supplies and Expenses	1,804,962	2,056,989
256	922 (Less) Administrative Expenses Transferred--Cr.	263,724	258,847
257	923 Outside Services Employed	860,926	960,271
258	924 Property Insurance	175,275	122,036
259	925 Injuries and Damages	467,962	664,940
260	926 Employee Pensions and Benefits	6,581,626	5,742,129
261	927 Franchise Requirements	503,083	490,848
262	928 Regulatory Commission Expenses		
263	929 (Less) Duplicate Charges--Cr.	1,163,127	698,342
264	930.1 General Advertising Expenses	94,572	149,235
265	930.2 Miscellaneous General Expenses	2,177,797	6,892,176
266	931 Rents	366,511	282,681
267	TOTAL Operation (Enter Total of lines 254 thru 266)	15,000,909	19,709,737
268	Maintenance		
269	935 Maintenance of General Plant	1,900,021	1,419,023
270	TOTAL Administrative and General Exp. (Total of lines 267 and 269)	16,900,930	21,128,760
271	TOTAL GAS Oper. & Maint. Exp. (Lines 97, 177, 201, 229, 237, 244, 251 and 270)	348,304,946	392,966,319

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [x] An Original (2) [ ] A Resubmission	Date of Report (Mo,Da,Yr) 3/31/2007	Year of Report Dec. 31, 2006

GAS USED IN UTILITY OPERATIONS--CREDIT (Accounts 810, 811, 812)

1. Report below particulars (details) of credits during the year to Accounts 810, 811 and 812 which offset charges to operating expenses or other accounts for the cost of gas from the respondent's own supply.
2. Natural gas means either natural gas unmixed, or any mixture of natural and manufactured gas.
3. If the reported Mcf for any use is an estimated quantity, state such fact in a footnote.
4. If any natural gas was used by the respondent for which a change was not made to the appropriate operating expense or other account, list separately in column (c) the Mcf of gas used, omitting entries in columns (d) and (e).
5. Report pressure base of measurement of gas volumes at 14.73 psia at 60°F.

Line No.	Purpose for Which Gas Was Used (a)	Account Charged (b)	Natural Gas: Mcf of Gas Used (c)	Natural Gas: Amount of Credit (d)	Natural Gas: Amount per Mcf (in Cents) (e)	Manufactured Gas: Mcf of Gas Used (f)	Manufactured Gas: Amount of Credit (g)
1	810 Gas used for Compressor Station Fuel--Cr	819/834	135,846	1,330,924	979.7		
2	811 Gas used for Products Extraction--Cr						
3	Gas Shrinkage and Other Usage in Respdnt's Own Proc.						
4	Gas Shrinkage, Etc. for Respdt's Gas Processed by Others						
5	812 Gas used by Other Util. Oprs--Cr (Rpt sep. for each prin. use. Group minor uses)						
6	City Gate Stations	877	12,460	120,220	964.8		
7	Gas used for burner ignition and stabilization at electric generating stations	501	521,783	4,678,378	896.6		
8	Gas used in electric generation	547	989,127	7,858,086	794.4		
9	Various	Various	17,098	158,899	929.3		
10							
11	Total 812		1,540,468	12,815,583	831.9		
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25	TOTAL		1,676,314	14,146,507	843.9		

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [x] An Original (2) [ ] A Resubmission	Date of Report (Mo,Da,Yr) 03/31/2007	Year of Report Dec. 31, 2006

OTHER GAS SUPPLY EXPENSES (Account 813)

Report other gas supply expenses by descriptive titles which clearly indicate the nature of such expenses Show maintenance expenses separately Indicate the functional classification and purpose of property to which any expenses relate.

Line No.	Description (a)	Amount (in dollars) (b)
1	Miscellaneous gas supply labor, transportation and other expenses	35,865
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50	TOTAL	35,865

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Name of Respondent	This Report Is:	Date of Report (Mo,Da,Yr)	Year of Report
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MISCELLANEOUS GENERAL EXPENSES (Account 930.2) (GAS)

1 Provide the information requested below on miscellaneous general expense.
2 For Other Expenses, show the (a) purpose, (b) recipient and © amount of such items. List separately amounts of $250,000 or more however, amounts less than $250,000 may be grouped if the number of items of so grouped is shown.

Line No.	Description (a)		Amount (in dollars) (b)
1	Industry association dues		29,092
2	Experimental and general research expenses		
	a. Gas Research Institute		-
	b. Other		34,116
3	Publishing and distributing information and reports to stockholders; trustee, registrar, and transfer agent fees and expenses, and other expenses of servicing outstanding securities of the respondent.		
4	Other Expenses		
5			
6	Purpose	Recipient	
7			
8	Amortization of Manufactured Gas Plant		305,400
9	Amortization of Value Delivery Team Workforce Reductions		1,582,075
10	Amortization of Rate Case Expenses		157,668
11	Miscellaneous Debits and Credits	VARIOUS	69,446
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47	TOTAL		2,177,797

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [x] An Original (2) [ ] A Resubmission	Date of Report (Mo,Da,Yr) 03/31/2007	Year of Report Dec. 31, 2006

DEPRECIATION, DEPLETION, AND AMORTIZATION OF GAS PLANT (403, 404.1, 404.2, 404.3, 405)

(Except Amortization of Acquisition Adjustments)

1. Report in Section A the amounts of depreciation expense, depletion and amortization for the accounts indicated and classified according to the plant functional groups shown.
2. Report all available information called for in Section B for the year 1971, 1974 and every fifth year thereafter. Report only annual changes in the intervals between the report years (1971, 1974 and every fifth year thereafter).
Report in column (b) all depreciable plant balances to which rates are applied and show a composite total. (If more desirable , report by plant account, subaccount or functional classifications other than those pre - printed

Section A. Summary of Depreciation, Depletion, and Amortization Charges

Line No.	Functional Classification (a)	Depreciation Expense (Account 403) (b)	Amortization and depletion of Producing Natural Gas Land and Land Rights (Account 404.1) (c)	Amortization and Underground Storage Land and Land Rights (Account 404.2) (d)
1	Intangible Plant			
2	Production plant, manufactured gas			
3	Production and gathering plant, natural gas			
4	Products extraction plant			
5	Underground gas storage plant	1,408,564		
6	Other storage plant			
7	Base load LNG terminating and			
8	processing plant			
9	Transmission plant	241,669		
10	Distribution plant	13,093,581		
11	General plant	131,344		
12	Common plant - gas	2,095,627		
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25	TOTAL	16,970,785		-

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [x] An Original (2) [ ] A Resubmission	Date of Report (Mo,Da,Yr) 03/31/2007	Year of Report Dec. 31, 2006

DEPRECIATION, DEPLETION, AND AMORTIZATION OF GAS PLANT (403, 404.1, 404.2, 404.3, 405)

(Except Amortization of Acquisition Adjustments) (Continued)

in column (a). Indicate at the bottom of Section B the manner in which column (b) balances are obtained. If average balances, state the method of averaging used. For column (c) report available information for each plant functional classification listed in column (a). If composite depreciation accounting is used, report available information called for in columns (b) and (c) on this basis. Where the unit - of - production metod is used to determine depreciation charges, show at bottom of Section B any revisions made to estimated gas reserves.

3. If provisions for depreciation were made during the year in addition to depreciation provided by application of reported rates, state at the bottom of Section B the amounts and nature of the provisions and the plant items to which related.

Section A. Summary of Depreciation, Depletion, and Amortization Charges

Amortization of Other Limited - term Gas Plant (Account 404.3) (e)	Amortization of Other Gas Plant (Account 405) (f)	Total (b to f) (g)	Functional Classification (a)	Line No.
			Intangible Plant	1
			Production plant, manufactured gas	2
			Production and gathering plant, natural gas	3
			Products extraction plant	4
		1,408,564	Underground gas storage plant	5
			Other storeage plant	6
			Base load LNG terminating and	7
			processing plant	8
		241,669	Transmission plant	9
		13,093,581	Distribution plant	10
		131,344	General plant	11
1,525,512		3,621,139	Common plant - gas	12
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1,525,512		18,496,297	TOTAL	25

Name of Respondent	This Report Is:	Date of Report	Year of Report
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DEPRECIATION, DEPLETION, AND AMORTIZATION OF GAS PLANT (Continued)

Section B. Factors Used in Estimating Depreciation Charges

Line No.	Functional Classification (a)	Depreciation Plant Base (Thousands) (b)	Applied Depr Rate(s) (Percent) (c)
1	Production and Gathering Plant		
2	Offshore	N/A	N/A
3	Onshore	N/A	N/A
4	Underground Gas Storage Plant	60,952	2.22%
5	Transmission Plant		
6	Offshore	N/A	N/A
7	Onshore	12,894	1.68%
8	General Plant	4,442	3.72%
9	Distribution Plant	440,059	2.95%
10			

Notes to Depreciation, Depletion, and Amortization of Gas Plant

Name of Respondent	This Report Is:	Date of Report (Mo,Da,Yr)	Year of Report
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PARTICULARS CONCERNING CERTAIN INCOME DEDUCTIONS AND INTEREST CHARGES ACCOUNTS

Report the information specified below, in the order given, for the respective income deduction and interest charges account. Provide a subheading for each account and a total for the account.

(a) Miscellaneous Amortization (Account 425): Describe the nature of items included in this account, the contra account charged, the total of amortization charges for the year, and the period of amortization.

(b) Miscellaneous Income Deductions: Report the nature, payee, and amount of other income deductions for the year as requireed by Accounts 426.1, Donations; 426.2, Life Insurance; 426.3, Penalties; 426.4 Expenditures for Certain Civic, Political and Related Activities; and 426.5, Other Deductions, of the Uniform System of Accounts. Amounts less than $250,000 may be grouped by classes within the above accounts.

(c) Interest on Debt to Associated Companies (Account 430): For each associated company that incurred interest on debt during the year, indicate the amount and interest rate respectively for (a) advances on notes, (b) advances on open account, (c) notes payable, (d) accounts payable, and (e) other debt, and total interest. Explain the nature of other debt on which interest was incurred during the year.

Line No.	Item (a)	Amount (b)
1	Account 426.1 - Donations	
2	University of Kentucky Research Foundation	250,000
3	Various	1,320,962
4	Total Account 426.1	1,570,962
5		
6	Account 426.3 - Penalties	
7	Various	486
8	Total Account 426.3	486
9		
10	Account 426.4 - Civic, Political and Related Activity	
11	Related Activities	912,095
12	Total Account 426.4	912,095
13		
14	Account 426.5 - Other Deductions	
15	Futergen Industrial Alliance Inc	550,000
16	Various	1,283,758
17	Total Account 426.5	1,833,758
18		
19		
20	Account 430 - Interest on Debt to Associated Company	
21	E.On U.S. LLC	1,747,545
22	Kentucky Utilities Company	115,113
23	Fidelia	10,942,500
24	Total Account 430	12,805,158
25		
26	Account 431 - Other Interest Expense	
27	Other Tax Deficiencies	2,344,225
28	Customer Deposits - 6% Interest Rate	902,480
29	Gas Refunds	2,379
30	Total Account 431	3,249,084
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	03/31/2007	End of 2006/Q4

DISTRIBUTION OF SALARIES AND WAGES

Report below the distribution of total salaries and wages for the year. Segregate amounts originally charged to clearing accounts to Utility Departments, Construction, Plant Removals, and Other Accounts, and enter such amounts in the appropriate lines and columns provided. In determining this segregation of salaries and wages originally charged to clearing accounts, a method of approximation giving substantially correct results may be used.

Line No.	Classification (a)	Direct Payroll Distribution (b)	Allocation of Payroll charged for Clearing Accounts (c)	Total (d)
1	Electric			
2	Operation			
3	Production	17,107,990		
4	Transmission	608,444		
5	Regional Market			
6	Distribution	4,762,595		
7	Customer Accounts	880,094		
8	Customer Service and Informational	1,321		
9	Sales			
10	Administrative and General			
11	TOTAL Operation (Enter Total of lines 3 thru 10)	23,360,444		
12	Maintenance			
13	Production	7,713,739		
14	Transmission	173,384		
15	Regional Market			
16	Distribution	2,379,410		
17	Administrative and General	217,437		
18	TOTAL Maint. (Total of lines 12 thru 17)	10,483,970		
19	Total Operation and Maintenance			
20	Production (Enter Total of lines 3 and 13)	24,821,729		
21	Transmission (Enter Total of lines 4 and 14)	781,828		
22	Regional Market (Enter Total of Lines 5 and 15)			
23	Distribution (Enter Total of lines 6 and 16)	7,142,005		
24	Customer Accounts (Transcribe from line 7)	880,094		
25	Customer Service and Informational (Transcribe from line 8)	1,321		
26	Sales (Transcribe from line 9)			
27	Administrative and General (Enter Total of lines 10 and 17)	217,437		
28	TOTAL Oper. and Maint. (Total of lines 20 thru 27)	33,844,414	7,666,762	41,511,176
29	Gas			
30	Operation			
31	Production-Manufactured Gas			
32	Production-Nat. Gas (Including Expl. and Dev.)			
33	Other Gas Supply	456,286		
34	Storage, LNG Terminaling and Processing	1,193,419		
35	Transmission	343,959		
36	Distribution	2,055,607		
37	Customer Accounts	757,336		
38	Customer Service and Informational			
39	Sales			
40	Administrative and General	42,756		
41	TOTAL Operation (Enter Total of lines 31 thru 40)	4,849,363		
42	Maintenance			
43	Production-Manufactured Gas			
44	Production-Natural Gas (Including Exploration and Development)			
45	Other Gas Supply			
46	Storage, LNG Terminaling and Processing	1,028,876		
47	Transmission	102,069		

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
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DISTRIBUTION OF SALARIES AND WAGES (Continued)

Line No.	Classification (a)	Direct Payroll Distribution (b)	Allocation of Payroll charged for Clearing Accounts (c)	Total (d)
48	Distribution	3,290,864		
49	Administrative and General	70,159		
50	TOTAL Maint. (Enter Total of lines 43 thru 49)	4,491,968		
51	Total Operation and Maintenance			
52	Production-Manufactured Gas (Enter Total of lines 31 and 43)			
53	Production-Natural Gas (Including Expl. and Dev.) (Total lines 32,			
54	Other Gas Supply (Enter Total of lines 33 and 45)	456,286		
55	Storage, LNG Terminaling and Processing (Total of lines 31 thru	2,222,295		
56	Transmission (Lines 35 and 47)	446,028		
57	Distribution (Lines 36 and 48)	5,346,471		
58	Customer Accounts (Line 37)	757,336		
59	Customer Service and Informational (Line 38)			
60	Sales (Line 39)			
61	Administrative and General (Lines 40 and 49)	112,915		
62	TOTAL Operation and Maint. (Total of lines 52 thru 61)	9,341,331	2,157,081	11,498,412
63	Other Utility Departments			
64	Operation and Maintenance			
65	TOTAL All Utility Dept. (Total of lines 28, 62, and 64)	43,185,745	9,823,843	53,009,588
66	Utility Plant			
67	Construction (By Utility Departments)			
68	Electric Plant	3,762,158	3,570,766	7,332,924
69	Gas Plant	2,554,999	2,077,703	4,632,702
70	Other (provide details in footnote):	74,357	27,821	102,178
71	TOTAL Construction (Total of lines 68 thru 70)	6,391,514	5,676,290	12,067,804
72	Plant Removal (By Utility Departments)			
73	Electric Plant	500,347	298,679	799,026
74	Gas Plant	242,596	93,540	336,136
75	Other (provide details in footnote):	3,520	424	3,944
76	TOTAL Plant Removal (Total of lines 73 thru 75)	746,463	392,643	1,139,106
77	Other Accounts (Specify, provide details in footnote):			
78	Accounts Receivable (work for others)	909,691	221,710	1,131,401
79	Certain Civic, Political and Related Activities and Other	154,599	11,050	165,649
80	Accounts Receivable (Non-jurisdictional - Trimble County)	1,333,502	130,204	1,463,706
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95	TOTAL Other Accounts	2,397,792	362,964	2,760,756
96	TOTAL SALARIES AND WAGES	52,721,514	16,255,740	68,977,254

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Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
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FOOTNOTE DATA

Schedule Page: 354 Line No.: 70 Column: b

Common Utility Plant

Schedule Page: 354 Line No.: 75 Column: b

Common Utility Plant

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CHARGES FOR OUTSIDE PROFESSIONAL AND OTHER CONSULTATIVE SERVICES

1 Report the information specified below for all charges made during the year included in any account (including plant accounts) for outside consultative and other professional services These services include rate, management, construction, engineering, research, financial, valuation, legal, accounting, purchasing, advertising, labor relations, and public relations, rendered for the respondent under written or oral arrangement, for which aggregate payments were made during the year to any corporation, partnership, organization of any kind, or individual (other than for services as an employee or for payments made for medical and related services) amounting to more than $250,000, including payments for legislative services, except those which should be reported in Account 426 4 *Expenditures for Certain Civic, Political and Related Activities*

(a) Name of person or organization rendering services

(b) Total Charges for the year

2 Designate associated companies with an asterisk in column (b)

Line No.	Description (a)	* (b)	Amount (in dollars) (c)
1	ACCU READ SERVICES		2,800,360
2	ANN ARBOR, MI 48108		
3			
4	CENTRAL LOCATING SERVICE LTD		334,750
5	PHILADELPHIA, PA 19182-5124		
6			
7	CHECKFREEPAY CORP		252,107
8	HARTFORD, CT 06102-5736		
9			
10	ENERGY ECONOMICS INC		1,536,717
11	DODGE CENTER, MN 55927		
12			
13	FISHEL CO		1,167,458
14	COLUMBUS, OH 43260-2478		
15			
16	J Y LEGNER ASSOCIATES INC		416,859
17	LOUISVILLE, KY 40224-0331		
18			
19	JPMORGAN CHASE BANK		256,014
20	CHICAGO IL 60673-0176		
21			
22	MILLER PIPELINE CORP		12,020,854
23	CHICAGO, IL 60686		
24			
25	OFF DUTY POLICE SERVICES INC		278,465
26	LOUISVILLE, KY 40245-2076		
27			
28	OPS PLUS INC		327,051
29	LOUISVILLE, KY 40218		
30			
31	SCHMIDT CONSULTING SERVICES INC		405,450
32	PITTSBURGH, PA 15237		
33			
34	SOUTHERN CROSS CORP		758,798
35	NOCROSS, GA 30092		
36			
37	SOUTHERN PIPELINE CONST CO		3,080,059
38	LOUISVILLE, KY 40219		
39			
40	STOLL CONSTRUCTION AND PAVING CO INC		1,096,214
41	LOUISVILLE, KY 40206		
42			

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CHARGES FOR OUTSIDE PROFESSIONAL AND OTHER CONSULTATIVE SERVICES

Line No.	Description (a)	• (b)	Amount (in dollars) (c)
43	TODAYS STAFFING INC		316.622
44	DALLAS, TX 75391-0270		
45			
46	XEROX CORP		761,128
47	DALLAS, TX 75265-0361		
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Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [x] An Original (2) [ ] A Resubmission	Date of Report (Mo,Da,Yr) 03/31/2007	Year of Report Dec. 31,2006

COMPRESSOR STATION

1. Report below particular (details) concerning compressor stations. Use the following subheadings: field compressor stations, products extraction compressor stations, underground storage compressor stations, transmission compressor stations, distribution compressor stations, and other compressor stations.
2. For column (a), indicate the production areas where such stations are used. Relatively small field compressor stations may be grouped by production areas. Show the number of stations grouped. Designate any station held under a title other than full ownership. State in a footnote the name of owner or co-owner, the nature of respondent's title, and percent of ownership, if jointly owned. Designate any station that was not operated during the past year. State in a footnote whether the book cost of such station

Line No.	Description of Investment (a)	Number of Employees (b)	Plant Cost (c)
1	Underground Storage:		
2	Magnolia		
3	Magnolia, KY	13	10,260,990
4			
5	Muldraugh		
6	Muldraugh, KY	14	16,090,154
7			
8	Flint Hill (2)		
9	Flint Hill, KY		273,275
10			
11			
12			
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20			
21			
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24			
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26			
27	Notes:		
28	(1) Exclusive of supervision and engineering.		
29	(2) The gas field at this location has been retired.		
30			
31			
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33			
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37			
38			

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [x] An Original (2) [ ] A Resubmission	Date of Report (Mo,Da,Yr) 03/31/2007	Year of Report Dec. 31, 2006

COMPRESSOR STATION

ıas been retired in the books of account, or what disposition of the station and its book cost are contemplated. Designate any compressor units in transmission compressor stations installed and put into operation during the year and show in a footnote the size of each such unit, and the date each such unit was placed in operation.

3. For column (d), include the type of fuel or power. if other than natural gas. If two types of fuel or power are used, show separate entries for natural gas and the other fuel or power

Expenses (Except depreciation and taxes) (1)			Operation Data			
Fuel or Power (d)	Other (e)	Gas for Compressor Fuel Mcf (14.73 psia at 60 F) (f)	Total Compressor Hours of Operation During Year (g)	No. of Compressors Operated at Time of Station Peak (h)	Date of Station Peak (i)	Line No.
						1
						2
209,707	1,186,137	115,981	10,730	6	12/4/2006	3
						4
						5
1,125,500	1,472,177	20,280	2,206	3	3/21/2006	6
						7
						8
						9
						10
1,335,207		136,261				11
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Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [x] An Original (2) [ ] A Resubmission	Date of Report (Mo,Da,Yr) 03/31/2007	Year of Report Dec. 31, 2006

GAS STORAGE PROJECTS

1 Report particulars (details) for total gas storage projects.
2 Total storage plant (column b) should agree with amounts reported by the respondent in Acct's 350.1 to 364.8 inclusive (pages 206-207)

3. Give particulars (details) of any gas stored for the benefit of another company under a gas exchange arrangement or on basis of purchase and resale to other company. Designate with an asterisk if other company is an associated company.

Line No.	Item (a)	Gas Belonging to Respondent (MCF) (b)	Gas Belonging to Others (MCF) (c)	Total Amount (MCF) (d)
1	STORAGE OPERATIONS (IN MCF)			
2	Gas Delivered to Storage			
3	January	-	-	-
4	February	-	-	-
5	March	-	-	-
6	April	-	-	-
7	May	-	-	-
8	June	1,175,750	-	1,175,750
9	July	2,834,969	-	2,834,969
10	August	2,976,908	-	2,976,908
11	September	2,710,359	-	2,710,359
12	October	2,406,723	-	2,406,723
13	November	185,732	-	185,732
14	December	104,959	-	104,959
15	TOTAL (Enter Total of Lines 2 Thru 13)	12,395,400	-	12,395,40(
16	Gas Withdrawn from Storage			
17	January	2,422,043	-	2,422,043
18	February	2,675,013	-	2,675,013
19	March	2,769,947	-	2,769,947
20	April	1,316,732	-	1,316,732
21	May	613,678	-	613,678
22	June	843	-	843
23	July	(154)	-	(154)
24	August	263	-	263
25	September	362	-	362
26	October	1,164	-	1,164
27	November	673,650	-	673,650
28	December	2,153,807	-	2,153,807
29	TOTAL (Enter Total of Lines 16 Thru 27)	12,627,348	-	12,627,348

Name of Respondent	This Report Is:	Date of Report	Year of Report
Louisville Gas and Electric Company	(1) [x] An Original (2) [ ] A Resubmission	(Mo,Da,Yr) 03/31/2007	Dec. 31, 2006

GAS STORAGE PROJECTS

Line No.	Item (a)	Total Amount (b)
	Storage Operations (In Mcf)	
42	Top or Working Gas End of Year	11,555,232
43	Cushion Gas (Including Native Gas) (1)	10,810,000
44	Total Gas in Reservoir (Enter Total of Line 42 and Line 43)	22,365,232
45	Certificated Storage Capacity	25,900,000
46	Number of Injection -- Withdrawal Wells	386
47	Number of Observation Wells	153
48	Maximum Day's Withdrawal from Storage	186,240
49	Date of Maximum Days' Withdrawal	21-Mar-06
50	LNG Terminal Companies (In Mcf)	
51	Number of Tanks	N/A
52	Capacity of Tanks	N/A
53	LNG Volumes	
54	a) Received at "Ship Rail"	N/A
55	b) Transferred to Tanks	N/A
56	c) Withdrawn from Tanks	N/A
57	d) "Boil Off" Vaporization Loss	N/A
58	e) Converted to Mcf at Tailgate of Terminal	N/A

(1) Including noncurrent gas of 2,930,000 Mcf (account 117)

Name of Respondent	This Report Is:	Date of Report	Year of Report
Louisville Gas and Electric Company	(1) [x] An Original (2) [ ] A Resubmission	(Mo,Da,Yr) 3/31/2007	Dec. 31, 2006

TRANSMISSION LINES

1 Report below by States the total miles of transmission lines of each transmission system operated by respondent at end of year.
2 Report separately any lines held under a title other that full ownership. Designate such lines with an asterisk and in a footnote state the name of owner, or co-owner, nature of respondent's title, and percent ownership if jointly owned.
3 Report separately any line that was not operated during the past year Enter in a footnote the particulars (details) and state whether the book cost of such a line, or any portion thereof, has been retired in the books of account, or what disposition of the line and its book cost are contemplated
4. Report the number of miles of pipe to one decimal point.

Line No.	Designation (Identification) of Line or Group of Lines (a)	Total Miles of Pipe (to 0.1) (b)
1	Western Kentucky Line	49.0
2	Magnolia Line	126.5
3	Calvary Line	57.3
4	Elder Park Line	27.4
5		
6		
7		
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43		
44	TOTAL	260.2

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [x] An Original (2) [ ] A Resubmission	Date of Report (Mo.Da.Yr) 03/31/2007	Year of Report Dec. 31, 2006

TRANSMISSION SYSTEM PEAK DELIVERIES

1 Report below the total transmission system deliveries of gas. excluding deliveries to storage. for the periods of system peak deliveries indicated below. during the twelve months embracing the heating season overlapping the year's end for which this report is submitted. classified as to sales subject to FERC rate schedules and other sales The season's peak normally will be reached before the due date of this report. April 30. which permits inclusion of the peak information required on this page.

2. Report Mcf on a pressure base of 14.73 psia at 60°F.

Line No.	Item (a)	Mcf of Gas *Delivered to* Interstate Pipelines (b)	Mcf of Gas *Delivered to* Others (c)	Total *(b) + (c)* (d)
	Section A. Single Day Peak Deliveries			
1	Date: February 5, 2006			
2	Volumes of Gas Transported			
3	No-Notice Transportation		93,000	93,000
4	Other Firm Transportation		66,000	66,000
5	Interruptible Transporation		0	0
6	*Other - End-Use Transport*		76,000	76,000
6.01				
7	TOTAL	-	235,000	235,000
8	Volumes of gas Withdrawn from Storage under Storage Contracts			
9	No-Notice Storage		16,000	16,000
10	Other Firm Storage		0	0
11	Interruptible Storage		0	0
12	Other (Describe) - On-System Storage		0	0
12.01				0
13	TOTAL	-	16,000	16,000
14	Other Operational Activities			
15	Gas Withdrawn from Storage for System Operations		192,000	192,000
16	Reduction in Line Pack		0	0
17	Other (Describe)			-
18	TOTAL	-	192,000	192,000
19	Section B: CONSECUTIVE THREE-DAY PEAK DELIVERIES			
20	Dates: February 4, 5, 6, 2006			
21	Volumes of Gas Transported			
22	No-Notice Transportation		270,000	270,000
23	Other Firm Transportation		195,000	195,000
24	Interruptible Transportation		0	0
25	Other (Describe) - End-Use Transport		220,000	220,000
25.01				-
26	TOTAL	-	685,000	685,000
27	Volumes of Gas Withdrawn from Storage under Storage Contracts			
28	No-Notice Storage		101,000	101,000
29	Other Firm Storage		0	0
30	Interruptible Storage		0	0
31	*Other (Describe)*		0	0
31.01				-
32	TOTAL	-	101,000	101,000
33	Other Operational Activities			
34	Gas Withdrawn from Storage for System Operations		459,000	459,000
35	Reduction in Line Pack		0	0
36	Other (Describe)			-
37	TOTAL	-	459,000	459,000

Name of Respondent	This Report Is:	Date of Report (Mo,Da,Yr)	Year of Report
Louisville Gas and Electric Company	(1) [x] An Original (2) [ ] A Resubmission	03/31/2007	Dec. 31, 2006

AUXILIARY PEAKING FACILITIES

1. Report below auxiliary facilities of the respondent for meeting seasonal peak demands on the respondent's system, such as underground storage projects, liquefied petroleum gas installations, gas liquefaction plants, oil gas sets, etc.
2. For column (c), for underground storage projects, report the delivery capacity on February 1 of the heating season overlapping the year-end for which this report is submitted. For other facilities, report the rated maximum daily delivery capacities.
3. For column (d), include or exclude (as appropriate) the cost of any plant used jointly with another facility on the basis of predominant use, unless the auxiliary peaking facility is a separate plant as contemplated by general instruction 12 of the Uniform System of Accounts.

Line No.	Location of Facility (a)	Type of Facility (b)	*Maximum Daily* Delivery Capacity of Facility, Mcf at 14.73 psia at 60° (c)	Cost of Facility (In dollars) (d)	Was Facility Operated *on Day of Highest* Transmission Peak Delivery? Yes (e)	No (f)
1	Muldraugh -		@ 02-01-2007			
2	Meade County, Ky	Underground Storage	220,000	18,754,116	x	
3						
4	Doe Run -					
5	Meade County, Ky. and					
6	*Harrison County, Ind.*	*Underground Storage*	55,000	7,364,578	x	
7						
8	Magnolia -					
9	Green, Hart and					
10	LaRue Counties, Ky.	Underground Storage	96,912	26,491,825	x	
11						
12	Center -					
13	Metcalfe, Green and					
14	Barren Counties, Ky.	Underground Storage	12,497	7,364,368	x	
15						
16	Canmer -					
17	Hart and Green					
18	Counties, Ky.		(1)	258,996		
19						
20	Flint Hill -					
21	Hardin County, Ky.		(1)	273,275		
22						
23						
24		(2)	384,409	60,507,158		
25						
26						
27						
28						
29	Notes:					
30	(1) Gas fields at these locations have been retired. These facilities are currently used in other					
31	gas-system operations.					
32	(2) Due to pipeline and compressor capacity and multiple fields discharging into one pipeline, overall					
33	system deliverability has been established at this figure, even though individual fields may have					
34	greater deliverability than shown, and may aggregate to a higher total, especially earlier in the					
35	season, when operated independently.					
36						
37						
38						
39						
40						
41						
42						

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [x] An Original (2) [ ] A Resubmission	Date of Report (Mo,Da,Yr) 03/31/2007	Year of Report Dec. 31, 2006

GAS ACCOUNT – NATURAL GAS

1 The purpose of this page is to account for the quantity of natural gas received and delivered by the respondent. taking into consideration differences in pressure bases used in measuring Mcf of natural gas received and delivered
2 Natural gas means either natural gas unmixed or any mixture of natural and manufactured gas
3 Enter in column (c) the Mcf as reported in the schedules indicated for the items of receipts and deliveries.
4 In a footnote report the volumes of gas from respondent's own production delivered to respondent's transmission system and included in natural gas sale
5 If the respondent operates two or more systems which are not interconnected, submit separate pages for this purpose Use copies of pages 520 and 521.
6 Also indicate by footnote the volumes of gas not subject to Commission regulation which did not incur FERC regulatory costs by showing (1) the local distribution volumes delivered to the local distribution-company portion of the reporting pipeline by another jurisdictional pipeline; (2) the volumes which the reporting pipeline transported or sold through its local distribution facilities or intrastate facilities, and which the reporting pipeline received through gathering facilities, distribution facilities. but not through any of the interstate portion of the reporting pipeline and , (3) the gathering line volumes which were not destined for interstate market or which were not transported through any interstate portion of the reporting pipeline.
7 Also indicate by footnote (1) the system supply volumes of gas which are stored by the reporting pipeline during the reporting year and also reported as sales, transportation and compression volumes by the reporting pipeline during the same reporting year, (2) the system supply volumes of gas which are stored by the reporting pipeline during the reporting year and which the reporting pipeline intends to sell or transport in a future reporting year. and (3) contract storage volumes.
8 Also indicate the volumes of pipeline production field sales which are included in both the company's total sales figure and the company's total transportion figure (lines 42 and 46 of page 521)

01 NAME OF SYSTEM

Line No.	Item (a)	Ref. Page No. (b)	Amount of Mcf (14 73 psia at 60° F) (c)
2	GAS RECEIVED		
3	Gas Purchases (Accounts 800-805)		31,830,802
4	Gas of Others Received for Gathering (Account 489.1)	303	
5	Gas of Others Received for Transmission (Account 489.2)	305	
6	Gas of Others Received for Distribution (Account 489.3)	301	11,899,896
7	Gas of Others Received for Contract Storage (Account 489.4)	307	
8	Exchanged Gas Received from Others (Account 806)	328	
9	Gas Received as Imbalances (Account 806)	328	
10	Receipt of Respondent's Gas Transported by Others (Account 858)	332	
11	Other Gas Withdrawn from Storage (Explain)		12,627,348
12	Gas Received from Shippers as Compressor Station Fuel		
13	Gas Received from Shippers as Lost and Unaccounted for		
14	Other Receipts (Specify): Purchased gas for resale		-
15	Total Receipts (Total of lines 3 thru 14)		56,358,046
16	GAS DELIVERED		
17	Gas Sales (Accounts 480-484)		29,085,221
18	Deliveries of Gas Gathered for Others (Account 489.1)	303	
19	Deliveries of Gas Transported for Others (Account 489.2)	305	
20	Deliveries of Gas Distributed for Others (Account 489.3)	301	11,999,360
21	Deliveries of Contract Storage Gas (Account 489.4)	307	
22	Exchange Gas Delivered to Others (Account 806)	328	
23	Gas Delivered as Imbalances (Account 806)	328	
24	Deliveries of Gas to Others for Transportation (Account 858)	332	
25	Other Gas Delivered to Storage (Explain)		12,395,400
26	Gas Used for Compressor Station Fuel	509	135,846
27	Other Deliveries (Specify): Duplicate Charges (Gas Department)		1,650,404
28	Total Deliveries (Total of lines 17 thru 27)		55,266,231
29	GAS UNACCOUNTED FOR		
30	Production System Losses		
31	Gathering System Losses		
32	Transmission System Losses		
33	Dstribution System Losses		
34	Storage System Losses		
35	Other Losses (Specify)		1,091,816
36	Total Unaccounted For (Total of lines 30 thru 35)		1,091,816
37	Total Deliveries and Unaccounted For (Total of lines 28 and 36)		56,358,047

Name of Respondent	This Report Is:	Date of Report	Year of Report
Louisville Gas and Electric Company	(1) [x] An Original (2) [ ] A Resubmission	(Mo,Da,Yr) 3/31/2007	Dec. 31, 2006

SYSTEM MAPS

1 Furnish 5 copies of a system map (one with each filed copy of this report) of the facilities operated by the respondent for the production, gathering, transportation, and sale of natural gas New maps need not be furnished if no important change has occurred in the facilities operated by the respondent since the date of the maps furnished with a previous year's annual report. If, however, maps are not furnished for this reason, reference should be made in the space below to the year's annual report with which the maps were furnished.

2. Indicate the following information on the maps:

(a) Transmission lines--colored in red, if they are not otherwise clearly indicated.

(b) Principal pipeline arteries of gathering systems.

(c) Sizes of pipe in principal pipelines shown on map.

(d) Normal directions of gas flow--indicated by arrows.

(e) Location of natural gas fields or pools in which the respondent produces or purchases natural gas.

(f) Locations of compressor stations, products extraction plants, stabilization plants, important purification plants, underground storage areas, recycling areas, etc.

(g) Important main line interconnections with other natural gas companies, indicating in each case whether gas is received or delivered and name of connecting company.

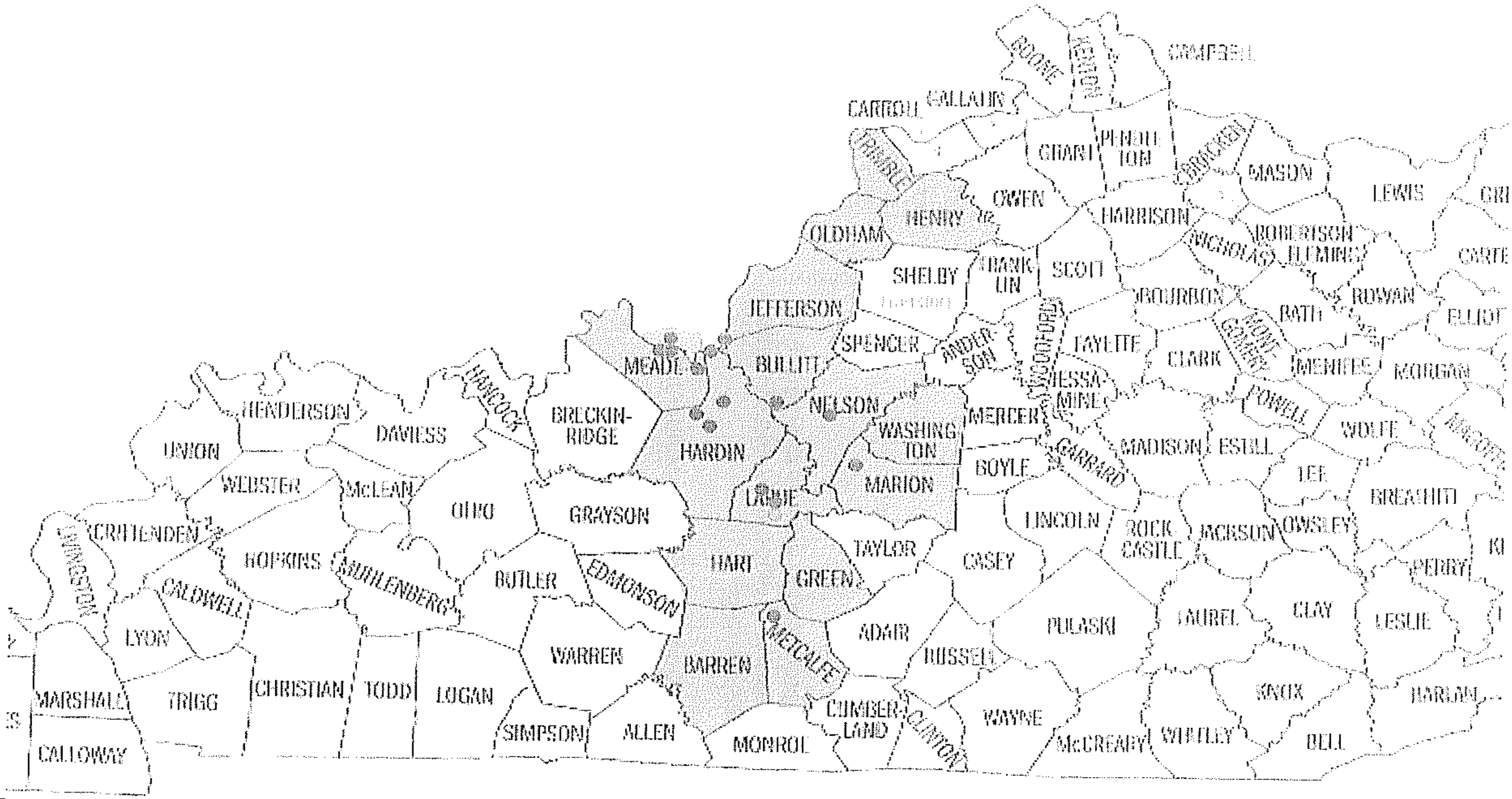
(h) Principal communities in which respondent renders local distribution service.

3. In addition, show on each map: graphic scale to which map is drawn; date as of which the map represents the facts it purports to show; a legend giving all symbols and abbreviations used; designations of facilities leased to or from another company, giving name of such other company.

4. Maps not larger than 24 inches square are desired. If necessary, however, submit larger maps to show essential information. Fold the maps to a size not larger than this report. Bind the maps to the report.

Map attached.

Counties in Kentucky That LG&E Storage System & Gas Transmission Pipelines are Located



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NEW ISSUE **BOOK-ENTRY-ONLY**

Subject to the conditions and exceptions set forth under the caption "Tax Treatment," Bond Counsel is of the opinion that, under current law, interest on the Bonds offered hereby will be excludable from the gross income of the recipients thereof for federal income tax purposes, except that no opinion will be expressed regarding such exclusion from gross income with respect to any Bond during any period in which it is held by a "substantial user" or a "related person" of the Project as such terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Bonds will not be an item of tax preference in determining alternative minimum taxable income for individuals and corporations under the Code. Such interest may be subject to certain federal income taxes imposed on certain corporations, including imposition of the branch profits tax on a portion of such interest. Bond Counsel is further of the opinion that interest on the Bonds will be excludable from the gross income of the recipients thereof for Kentucky income tax purposes and that, under current law, the principal of the Bonds will be exempt from ad valorem taxes in Kentucky. Issuance of the Bonds is subject to receipt of a favorable tax opinion of Bond Counsel as of the date of delivery of the Bonds. See "Tax Treatment" herein

$60,000,000
County of Trimble, Kentucky
Environmental Facilities Revenue Refunding Bonds
2007 Series A
(Louisville Gas and Electric Company Project)

Dated: Date of original delivery — Due: June 1, 2033

The County of Trimble, Kentucky, Environmental Facilities Revenue Refunding Bonds, 2007 Series A (Louisville Gas and Electric Company Project) (the "Bonds") will be special and limited obligations of the County of Trimble, Kentucky (the "Issuer"), payable by the Issuer solely from and secured by payments to be received by the Issuer pursuant to a Loan Agreement with

Louisville Gas and Electric Company

(the "Company"), except as payable from proceeds of such Bonds or investment earnings thereon. The Bonds will not constitute general obligations of the Issuer or a charge against the general credit or taxing powers thereof or of the Commonwealth of Kentucky or any other political subdivision of Kentucky.

Payment of the principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation ("Ambac Assurance" or the "Bond Insurer") simultaneously with the delivery of the Bonds.

Ambac

The Bonds will accrue interest from the date of original issuance, and as initially issued will bear interest at a Long Term Rate of 4.60% per annum to maturity, payable on each June 1 and December 1, commencing June 1, 2007. The Bonds will be subject to optional redemption on and after June 1, 2017, extraordinary optional redemption, in whole or in part, and mandatory redemption following a determination of taxability prior to maturity, as described herein. See "Summary of the Bonds—Redemptions—*Optional Redemption*," "—*Extraordinary Optional Redemption In Whole*," "—*Extraordinary Optional Redemption in Whole or in Part*," and "—*Mandatory Redemption; Determination of Taxability*."

PRICE: 100%

The Bonds will be secured solely by payments to be made by the Company under the Loan Agreement, which will be an unsecured general obligation of the Company, and will rank on a parity with other unsecured indebtedness of the Company. The Company will covenant not to incur, assume or guarantee any secured indebtedness other than as permitted in the Loan Agreement. See "Security; Limitation on Liens."

The Bonds, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository. Purchases of beneficial ownership interests in the Bonds will be made in book-entry only form in denominations of $5,000 and integral multiples thereof. Purchasers will not receive certificates representing their beneficial interests in the Bonds. See the information contained under the caption "Summary of the Bonds—Book-Entry-Only System" herein. The principal of, premium, if any, and interest on the Bonds will be paid by Deutsche Bank Trust Company Americas, as Trustee, to Cede & Co., as long as Cede & Co. is the registered owner of the Bonds. Disbursement of such payments to the DTC Participants is the responsibility of DTC, and disbursement of such payments to the purchasers of beneficial ownership interests is the responsibility of DTC's Direct and Indirect Participants, as more fully described herein.

The Bonds are offered when, as and if issued and received by the Underwriters, subject to prior sale, withdrawal or modification of the offer without notice, and to the approval of legality by Stoll Keenon Ogden PLLC, Louisville, Kentucky, as Bond Counsel and upon satisfaction of certain conditions. Certain legal matters will be passed upon for the Company by its counsel, Jones Day, Chicago, Illinois and John R. McCall, Esq., Executive Vice President, General Counsel and Corporate Secretary of the Company, for the Issuer by its County Attorney, and for the Underwriters by their counsel, Winston & Strawn LLP, Chicago, Illinois. It is expected that the Bonds will be available for delivery to DTC in New York, New York on or about April 26, 2007.

Citi **LaSalle Financial Services, Inc.**

Dated: April 19, 2007

No dealer, broker, salesman or other person has been authorized by the Issuer, the Company or the Underwriters to give any information or to make any representation with respect to the Bonds, other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to above since the date hereof. Although the Issuer has consented to the use of this Official Statement in connection with the initial issuance and sale of the Bonds, the Issuer does not make any representation with respect to the accuracy or completeness hereof and will incur no liability with respect thereto, except for the information under the caption "The Issuer."

In connection with the offering of the Bonds, the Underwriters may over-allot or effect transactions which stabilize or maintain the market prices of such Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER, THE COMPANY, THE BOND INSURER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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OFFICIAL STATEMENT

$60,000,000
County of Trimble, Kentucky
Environmental Facilities Revenue Refunding Bonds
2007 Series A
(Louisville Gas and Electric Company Project)

Introductory Statement

This Official Statement, including the cover page and Appendices, is provided to furnish information in connection with the offer and sale by the County of Trimble, Kentucky (the "Issuer") of its Environmental Facilities Revenue Refunding Bonds, 2007 Series A (Louisville Gas and Electric Company Project), in the aggregate principal amount of $60,000,000 (the "Bonds") to be issued pursuant to an Indenture of Trust dated as of March 1, 2007 (the "Indenture") between the Issuer and Deutsche Bank Trust Company Americas (the "Trustee"), as Trustee, Paying Agent and Bond Registrar.

Pursuant to a Loan Agreement by and between Louisville Gas and Electric Company (the "Company") and the Issuer, dated as of March 1, 2007 (the "Loan Agreement"), proceeds from the sale of the Bonds, other than accrued interest, if any, paid by the initial purchasers thereof, will be loaned by the Issuer to the Company. The Loan Agreement is a separate undertaking by and between the Company and the Issuer.

The proceeds of the Bonds (other than any accrued interest) will be applied in full, together with other funds made available by the Company, to pay and discharge all of the $60,000,000 outstanding principal amount of "County of Trimble, Kentucky, Pollution Control Revenue Bonds, 1992 Series A (Louisville Gas and Electric Company Project)," dated September 17, 1992 (the "1992 Bonds"), previously issued by the Issuer to finance and refinance certain air and water pollution control facilities and solid waste disposal facilities (the "Project") owned by the Company.

It is a condition to the Underwriters' obligation to purchase the Bonds that the Company irrevocably instruct the trustee in respect of the 1992 Bonds on or prior to the date of issuance of the Bonds, to call the 1992 Bonds for redemption.

The Company is an operating subsidiary of E.ON U.S. LLC (formerly known as LG&E Energy LLC) and E.ON AG (the "Parents"). See "Appendix A — The Company." The Parents *will have no obligation to make any payments due under the Loan Agreement* or any other payments of principal, interest, premium or purchase price of the Bonds.

The Company will repay the loan under the Loan Agreement by making payments to the Trustee in sufficient amount to pay the principal of and interest and any premium on, and purchase price of, the Bonds. See "Summary of the Loan Agreement — General." Pursuant to the Indenture, the Issuer's rights under the Loan Agreement (other than with respect to certain indemnification and expense payments) will be assigned to the Trustee as security for the Bonds.

The Bonds will be secured solely by payments to be made by the Company under the Loan Agreement, which will be an unsecured general obligation of the Company, and will rank on a parity with other unsecured indebtedness of the Company. See "Security; Limitation on Liens."

The Bonds are special and limited obligations of the Issuer and the Issuer's obligation to pay the principal of and interest and any premium on, and purchase price of, the Bonds is limited solely to the revenues and other amounts received by the Trustee under the Indenture pursuant to the Loan Agreement. The Bonds will not constitute an indebtedness, general obligation or pledge of the faith and credit or taxing power of the Issuer, the Commonwealth of Kentucky or any political subdivision thereof.

Ambac Assurance Corporation ("Ambac Assurance" or the "Bond Insurer") will, concurrently with the issuance of the Bonds, issue its Financial Guaranty Insurance Policy in respect of the Bonds (the "Bond Insurance Policy"), insuring the payment of regularly scheduled payments of the principal of the Bonds and interest thereon that have become "Due for Payment" (as this term is defined in the Bond Insurance Policy), but in either case shall be unpaid by reason of nonpayment by the Issuer. The Bond Insurance Policy will be issued pursuant to an Insurance Agreement between the Company and Ambac Assurance to be dated the date of issuance of the Bonds (the "Insurance Agreement"). The Bond Insurance Policy will not insure payment of the purchase price of Bonds subject to mandatory purchase or purchase on the demand of the Bondholders thereof or payment of the principal, premium or interest on the Bonds as a result of an acceleration, redemption (other than special mandatory redemption upon occurrence of a Determination of Taxability as hereinafter described) or other advancement of maturity. Certain information with respect to the Bond Insurance Policy and the Bond Insurer is included in this Official Statement. See "The Bond Insurance Policy and the Bond Insurer" and Appendix C. So long as the Bond Insurer is not in default under the Bond Insurance Policy, the Indenture and Loan Agreement may not be amended or supplemented, if such action requires the consent or approval of the Bondholders, without the prior written consent of the Bond Insurer. Upon the occurrence of an Event of Default under the Indenture, Ambac Assurance will be entitled to control and direct the enforcement of all rights and remedies granted to the Bondholders or the Trustee. See "Summary of the Indenture — Rights of Bond Insurer."

Brief descriptions of the Company, the Issuer, the Bonds, the Loan Agreement, and the Indenture included in this Official Statement. Such descriptions and information do not purport to be complete, comprehensive or definitive and are not to be construed as a representation or a guaranty of accuracy or completeness. All references herein to the documents are qualified in their entirety by reference to such documents, and references herein to the Bonds are qualified in their entirety by reference to the definitive form thereof included in the Indenture. Copies of the Loan Agreement and the Indenture will be available for inspection at the principal corporate trust office of the Trustee and, until the issuance of the Bonds, may be obtained from the Underwriters. Certain information relating to The Depository Trust Company ("DTC") and the book-entry-only system has been furnished by DTC. Appendix A to this Official Statement and all information contained under the headings "The Project" and "Use of Proceeds" has been furnished by the Company. The Issuer and Bond Counsel assume no responsibility for the accuracy or completeness of such Appendix A or such information. Appendix B to this Official Statement contains the proposed form of opinion of Bond Counsel to be delivered in connection with the issuance and delivery of the Bonds. Appendix C to this Official Statement contains the proposed form of Bond Insurance Policy to be issued by Ambac Assurance in connection with the issuance and delivery of the Bonds.

The Issuer

The Issuer is a public body corporate and politic duly created and existing as a county and political subdivision under the Constitution and laws of the Commonwealth of Kentucky. The Issuer is authorized by Sections 103.200 to 103.285, inclusive, of the Kentucky Revised Statutes (collectively, the "Act") to (a) issue the Bonds and pay and discharge the 1992 Bonds, (b) lend the proceeds from the sale of such Bonds to the Company for such purpose and (c) enter into and perform its obligations under the Loan Agreement and the Indenture. The Issuer, through its legislative body, the Fiscal Court, has adopted one or more ordinances authorizing the issuance of the Bonds and the execution and delivery of the related documents.

THE BONDS ARE SPECIAL AND LIMITED OBLIGATIONS PAYABLE SOLELY AND ONLY FROM CERTAIN SOURCES, INCLUDING AMOUNTS TO BE RECEIVED BY OR ON BEHALF OF THE ISSUER UNDER THE LOAN AGREEMENT. THE BONDS WILL NOT CONSTITUTE AN INDEBTEDNESS, GENERAL OBLIGATION OR PLEDGE OF THE FAITH AND CREDIT OR TAXING POWER OF THE ISSUER, THE COMMONWEALTH OF KENTUCKY OR ANY POLITICAL SUBDIVISION THEREOF, AND WILL NOT GIVE RISE TO A PECUNIARY LIABILITY OF THE ISSUER OR A CHARGE AGAINST ITS GENERAL CREDIT OR TAXING POWERS.

The Project

The Project has been completed. The Project consists of certain air and water pollution control and solid waste disposal facilities in connection with Unit 1 of the Trimble County Station situated in Trimble County, Kentucky. Major components of the Project include electrostatic precipitators to capture fly ash and particulate emissions from the Unit 1 steam boilers; sulphur dioxide removal systems (scrubbers) to remove sulphur dioxide from flue gases; water pollution control and solid waste disposal facilities, including retention basins, sludge and ash ponds for the receipt of sludge wastes produced by sulphur dioxide removal facilities and by electrostatic precipitators as well as bottom ash; both exterior and interior systems for the collection and transmission to treatment and neutralization facilities of polluted liquids, including coal pile liquid runoffs and fuel oil and other chemical spills; a natural draft cooling tower for the abatement of thermal pollution to the interstate stream (Ohio River); and facilities for the reception, transportation, preparation and holding of reactant chemicals and materials used in sulphur dioxide removal systems, which facilities are functionally related and subordinate to such sulphur dioxide removal systems.

The Natural Resources and Environmental Protection Cabinet of the Commonwealth of Kentucky, the agency exercising jurisdiction with respect to the Project, has previously certified that the Project, as designed, is in furtherance of the purposes of abating and controlling atmospheric pollutants or contaminants and water pollution.

Use of Proceeds

The proceeds from the sale of the Bonds (exclusive of accrued interest, if any) will be used, together with funds to be provided by the Company, to pay and discharge, at a redemption price of 100% of the principal amount thereof plus accrued interest, all of the outstanding 1992 Bonds, on the date of issuance of the Bonds. The 1992 Bonds bear interest at a variable rate of interest per annum and mature on September 1, 2017. For the twelve months ended December 31, 2006, the weighted average interest rate on the 1992 Bonds was 3.48%.

Summary of the Bonds

General

The Bonds will be issued in the aggregate principal amount set forth on the cover page of this Official Statement and will mature on June 1, 2033. The Bonds are also subject to redemption prior to maturity as described herein.

From and after the date of the issuance and delivery of the Bonds, the Bonds will bear interest at the Long Term Rate of 4.60% per annum, payable on each June 1 and December 1, commencing June 1, 2007, and, except as described below, will continue to bear interest at such Long Term Rate until maturity. Interest on the Bonds will be computed on the basis of a 360-day year, consisting of twelve 30-day months. Interest payable on any Interest Payment Date will be payable to the registered owner of the Bond as of the Record Date for such payment. The Record Date will be the close of business on May 15 and November 15 preceding each Interest Payment Date.

The Bonds initially will be issued solely in book-entry-only form through DTC (or its nominee, Cede & Co.). So long as the Bonds are held in the book-entry-only system, DTC or its nominee will be the registered owner or holder of the Bonds for all purposes of the Indenture, the Bonds and this Official Statement. See "Book-Entry-Only System" below. Individual purchases of book-entry interests in the Bonds will be made in book-entry-only form in denominations of $5,000 and integral multiples thereof.

Except as otherwise described below for Bonds held in DTC's book-entry-only system, the principal or redemption price of the Bonds is payable at the designated corporate trust office in New York, New York, of the Trustee, as paying agent (the "Paying Agent"). Except as otherwise described below for Bonds held in DTC's book-entry-only system, interest on the Bonds is payable by check mailed to the owner of record; provided that interest payable on each Bond will be payable in immediately available funds by wire transfer within the continental United States or by deposit into a bank account maintained with the Paying Agent at the written request of any owner of record holding at least $1,000,000 aggregate principal amount of the Bonds, received by the Trustee, as bond registrar (the "Bond Registrar"), at least one Business Day prior to any Record Date.

Bonds may be transferred or exchanged for an equal total amount of Bonds of other authorized denominations upon surrender of such Bonds at the principal office of the Bond Registrar, accompanied by a written instrument of transfer or authorization for exchange in form and with guaranty of signature satisfactory to the Bond Registrar, duly executed by the registered owner or the owner's duly authorized attorney. Except as provided in the Indenture, the Bond Registrar will not be required to register the transfer or exchange of any Bond (i) during the fifteen days before any mailing of a notice of redemption of Bonds, (ii) after such Bond has been called for redemption or (iii) for which a registered owner has submitted a demand for purchase (see "Purchases of Bonds on Demand of Owner" below), or which has been purchased (see "Payment of Purchase Price" below). Registration of transfers and exchanges will be made without charge to the registered owners of Bonds, except that the Bond Registrar may require any registered owner requesting registration of transfer or exchange to pay any required tax or governmental charge.

Subject to the requirements of the Indenture, on any date on which the Bonds are subject to optional redemption (see "Redemptions—Optional Redemption" below), the Company, in lieu of such optional redemption, may direct that the Bonds be converted to bear interest at a new Interest Rate Mode (including a new Long Term Rate), as described below. In such event, upon notice to owners in accordance with the Indenture, the Bonds will be subject to mandatory tender for purchase on such conversion date at a purchase price equal to the principal amount thereof plus accrued interest and an amount equal to the redemption premium, if any, which would be payable on such date. The Interest Rate Modes which are available under the Indenture are the Daily Rate, the Weekly Rate, the Flexible Rate, the Semi-Annual Rate, the Annual Rate, the Long Term Rate and the Auction Rate. If conversion to a new Interest Rate Mode is to occur, the Indenture requires the delivery of certain notices to owners of the Bonds, including notice of mandatory tender for purchase as referred to above, by first class mail at least 30 days and not more than 45 prior to the proposed conversion date. In addition, if then required by law or otherwise, a new disclosure document will be prepared describing the applicable provisions of the Bonds after conversion to the new Interest Rate Mode. Consequently, no attempt is made in this Official Statement to describe the terms and provisions of the Bonds and the Indenture which would apply in the event of a conversion to a different Interest Rate Mode.

Citigroup Global Markets Inc. and LaSalle Financial Services, Inc. will each be appointed under the Indenture to serve as Remarketing Agents for the Bonds in the event the Bonds are converted to bear interest at a new Interest Rate Mode. Any Remarketing Agent may resign or be removed and a successor Remarketing Agent may be appointed in accordance with the terms of the Indenture and the Remarketing Agreements for the Bonds between the Remarketing Agents and the Company.

Certain Definitions

As used herein, each of the following terms will have the meaning indicated.

"*Beneficial Owner*" means the person in whose name a Bond is recorded as such by the respective systems of DTC and each Participant (as defined herein) or the registered holder of such Bond if such Bond is not then registered in the name of Cede & Co.

"*Business Day*" means any day other than a Saturday or Sunday or legal holiday or a day on which banking institutions located in the City of New York, New York, or the New York Stock Exchange or banking institutions in the city in which the principal office of the Trustee, the Bond Registrar, the Tender Agent, the Paying Agent, the Auction Agent (if in the Auction

Rate), the Company or the Remarketing Agents are located are authorized by law or executive order to close.

"Conversion" means any conversion from time to time in accordance with the terms of the Indenture of the Bonds from one Interest Rate Mode to another Interest Rate Mode.

Redemptions

Optional Redemption. The Bonds will be subject to redemption at the option of the Issuer, upon the written direction of the Company, in whole or in part, on any date on and after June 1, 2017 at a redemption price of 100% of the principal amount thereof, plus interest accrued, if any, to the redemption date.

Extraordinary Optional Redemption in Whole. The Bonds may be redeemed by the Issuer in whole at any time at 100% of the principal amount thereof plus accrued interest to the redemption date upon the exercise by the Company of an option under the Loan Agreement to prepay the loan if any of the following events shall have occurred within 180 days preceding the giving of written notice by the Company to the Trustee of such election:

(i) if in the judgment of the Company, unreasonable burdens or excessive liabilities have been imposed upon the Company after the issuance of the Bonds with respect to the Project or the operation thereof, including without limitation federal, state or other ad valorem property, income or other taxes not imposed on the date of the Loan Agreement, other than ad valorem taxes levied upon privately owned property used for the same general purpose as the Project;

(ii) if the Project or a portion thereof or other property of the Company in connection with which the Project is used has been damaged or destroyed to such an extent so as, in the judgment of the Company, to render the Project or such other property of the Company in connection with which the Project is used unsatisfactory to the Company for its intended use, and such condition continues for a period of six months;

(iii) there has occurred condemnation of all or substantially all of the Project or the taking by eminent domain of such use or control of the Project or other property of the Company in connection with which the Project is used so as, in the judgment of the Company, to render the Project or such other property of the Company unsatisfactory to the Company for its intended use;

(iv) in the event changes, which the Company cannot reasonably control, in the economic availability of materials, supplies, labor, equipment or other properties or things necessary for the efficient operation of the Generating Station have occurred, which, in the judgment of the Company, render the continued operation of such Generating Station or any generating unit at such station uneconomical; or changes in circumstances after the issuance of the Bonds, including but not limited to changes in solid waste abatement, control and disposal requirements, have occurred such that the Company determines that use of the Project is no longer required or desirable;

(v) the Loan Agreement has become void or unenforceable or impossible of performance by reason of any changes in the Constitution of the Commonwealth of Kentucky or the Constitution of the United States of America or by reason of legislative or administrative action (whether state of federal) or any final decree, judgment or order of any court or administrative body, whether state or federal; or

(vi) a final order or decree of any court or administrative body after the issuance of the Bonds requires the Company to cease a substantial part of its operation at the Generating Station to such extent that the Company will be prevented from carrying on its normal operations at such Generating Station for a period of six months.

Extraordinary Optional Redemption in Whole or in Part. The Bonds are also subject to redemption in whole or in part at 100% of the principal amount thereof plus accrued interest to the redemption date at the option of the Company in an amount not to exceed the net proceeds received from insurance or any condemnation award received by the Issuer or the Company in the event of damage, destruction or condemnation of all or a portion of the Project, subject to receipt of an opinion of Bond Counsel that such redemption will not adversely affect the exclusion of interest on any of the Bonds from gross income for federal income tax purposes. See "Summary of the Loan Agreement — Maintenance; Damage, Destruction and Condemnation." Such redemption may occur at any time, provided that if such event occurs while the Interest Rate Mode for the Bonds is the Flexible Rate or Semi-Annual Rate, such redemption must occur on a date on which the Bonds are otherwise subject to optional redemption as described above.

Mandatory Redemption; Determination of Taxability. The Bonds are required to be redeemed by the Issuer, in whole, or in such part as described below, at a redemption price equal to 100% of the principal amount thereof, without redemption premium, plus accrued interest, if any, to the redemption date, within 180 days following a "Determination of Taxability." As used herein, a "Determination of Taxability" means the receipt by the Trustee of written notice from a current or former registered owner of a Bond or from the Company or the Issuer of (i) the issuance of a published or private ruling or a technical advice memorandum by the Internal Revenue Service in which the Company participated or has been given the opportunity to participate, and which ruling or memorandum the Company, in its discretion, does not contest or from which no further right of administrative or judicial review or appeal exists, or (ii) a final determination from which no further right of appeal exists of any court of competent jurisdiction in the United States in a proceeding in which the Company has participated or has been a party, or has been given the opportunity to participate or be a party, in each case, to the effect that as a result of a failure by the Company to perform or observe any covenant or agreement or the inaccuracy of any representation contained in the Loan Agreement or any other agreement or certificate delivered in connection with the Bonds, the interest on the Bonds is included in the gross income of the owners thereof for federal income tax purposes, other than with respect to a person who is a "substantial user" or a "related person" of a substantial user within the meaning of the Section 147 of Internal Revenue Code of 1986, as amended (the "Code"); provided, however, that no such Determination of Taxability shall be considered to exist as a result of the Trustee receiving notice from a current or former registered owner of a Bond or from the Issuer unless (i) the Issuer or the registered owner or former registered owner of the Bond involved in such proceeding or action (A) gives the Company and the Trustee prompt notice of the commencement thereof, and (B) (if the Company agrees to pay all expenses in connection therewith) offers the Company the opportunity to control unconditionally the defense thereof, and (ii) either (A) the Company does not agree within 30 days of receipt of such offer to pay such expenses and liabilities and to control such defense, or (B) the Company shall exhaust or choose not to exhaust all available proceedings for the contest, review, appeal or rehearing of such decree, judgment or action which the Company determines to be appropriate. No Determination of Taxability described above will result from the inclusion of interest on any Bond in the computation of minimum or indirect taxes. All of the Bonds are required to be redeemed upon a Determination of Taxability as described above unless, in the opinion of Bond Counsel, redemption of a portion of such Bonds would have the result that interest payable on the remaining Bonds outstanding after the redemption would not be so included in any such gross income.

In the event any of the Issuer, the Company or the Trustee has been put on notice or becomes aware of the existence or pendency of any inquiry, audit or other proceedings relating to the Bonds being conducted by the Internal Revenue Service, the party so put on notice is required to give immediate written notice to the other parties of such matters. Promptly upon learning of the occurrence of a Determination of Taxability (whether or not the same is being contested), or any of the events described above, the Company is required to give notice thereof to the Trustee and the Issuer.

If the Internal Revenue Service or a court of competent jurisdiction determines that the interest paid or to be paid on any Bond (except to a "substantial user" of the Project or a "related person" within the meaning of Section 147(a) of the Code) is or was includable in the gross income of the recipient for federal income tax purposes for reasons other than as a result of a failure by the Company to perform or observe any of its covenants, agreements or representations in the Loan Agreement or any other agreement or certificate delivered in connection therewith, the Bonds are not subject to redemption. In such circumstances, Bondholders would continue to hold their Bonds, receiving principal and interest at the applicable rate as and when due, but would be required to include such interest payments in gross income for federal income tax purposes. Also, if the lien of the Indenture is discharged or defeased prior to the occurrence of a final Determination of Taxability, Bonds will not be redeemed as described herein.

General Redemption Terms. Notice of redemption will be given by mailing a redemption notice conforming to the provisions and requirements of the Indenture by first class mail to the registered owners of the Bonds to be redeemed not less than 30 days but not more than 45 days prior to the redemption date.

Any notice mailed as provided in the Indenture will be conclusively presumed to have been given, irrespective of whether the owner receives the notice. Failure to give any such notice by mailing or any defect therein in respect of any Bond will not affect the validity of any proceedings for the redemption of any other Bond. No further interest will accrue on the principal of any Bond called for redemption after the redemption date if funds sufficient for such redemption have been deposited with the Paying Agent as of the redemption date. If the provisions for discharging the Indenture set forth below under the caption, "Summary of the Indenture – Discharge of Indenture" have not been complied with, any redemption notice will state that it is conditional on there being sufficient moneys to pay the full redemption price for the Bonds to be redeemed. So long as the Bonds are held in book-entry-only form, all redemption notices will be sent only to Cede & Co.

Book-Entry-Only System

Portions of the following information concerning DTC and DTC's book-entry-only system have been obtained from DTC. The Issuer, the Company and the Underwriters make no representation as to the accuracy of such information.

Initially, DTC will act as securities depository for the Bonds and the Bonds initially will be issued solely in book-entry-only form to be held under DTC's book-entry-only system, registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered bond in the aggregate principal amount of the Bonds will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934 (the "Exchange Act"). DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants" and, together with "Direct Participants," "Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Issuer or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, the Company or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Tender Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Tender Agent. The requirement for physical delivery of Bonds in connection with a demand for purchase or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Tender Agent's DTC account.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer, the Company, the Tender Agent and the Trustee, or the Issuer, at the request of the Company, may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository for the Bonds). Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered as described in the Indenture (see "*Revision of Book-Entry-Only System; Replacement Bonds*" below). The Beneficial Owner, upon registration of certificates held in the Beneficial Owner's name, will become the registered owner of the Bonds.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the registered owners of the Bonds will mean Cede & Co. and will not mean the Beneficial Owners. Under the Indenture, payments made by the Trustee to DTC or its nominee will satisfy the Issuer's obligations under the Indenture and the Company's obligations under the Loan Agreement, to the extent of the payments so made. Beneficial Owners will not be, and will not be considered by the Issuer or the Trustee to be, and will not have any rights as, owners of Bonds under the Indenture.

The Trustee and the Issuer, so long as a book-entry-only system is used for the Bonds, will send any notice of redemption or of proposed document amendments requiring consent of registered owners and any other notices required by the document (including notices of Conversion and mandatory purchase) to be sent to registered owners only to DTC (or any successor securities depository) or its nominee. Any failure of DTC to advise any Direct Participant, or of any Direct Participant or Indirect Participant to notify the Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the Bonds called for redemption, the document amendment, the Conversion, the mandatory purchase or any other action premised on that notice.

The Issuer, the Company, the Trustee and the Underwriters cannot and do not give any assurances that DTC will distribute payments on the Bonds made to DTC or its nominee as the registered owner or any redemption or other notices, to the Participants, or that the Participants or others will distribute such payments or notices to the Beneficial Owners, or that they will do so on a timely basis, or that DTC will serve and act in the manner described in this Official Statement.

THE ISSUER, THE COMPANY, THE UNDERWRITERS AND THE TRUSTEE WILL HAVE NO RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING A

REGISTERED OWNER WITH RESPECT TO: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (2) THE PAYMENT OF ANY AMOUNT DUE BY DTC TO ANY DIRECT PARTICIPANT OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OR REDEMPTION OR PURCHASE PRICE OF OR INTEREST ON THE BONDS; (3) THE DELIVERY OF ANY NOTICE BY DTC TO ANY DIRECT PARTICIPANT OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED TO BE GIVEN TO REGISTERED OWNERS UNDER THE TERMS OF THE INDENTURE; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS REGISTERED OWNER.

Revision of Book-Entry-Only System; Replacement Bonds. In the event that DTC determines not to continue as securities depository or is removed by the Issuer, at the direction of the Company, as securities depository, the Issuer, at the direction of the Company, may appoint a successor securities depository reasonably acceptable to the Trustee. If the Issuer does not or is unable to appoint a successor securities depository, the Issuer will issue and the Trustee will authenticate and deliver fully registered Bonds, in authorized denominations, to the assignees of DTC or their nominees.

In the event that the book-entry-only system is discontinued, the Bonds may be issued in denominations of $5,000 and integral multiples thereof. Bonds may be transferred or exchanged for an equal total amount of Bonds of other authorized denominations upon surrender of such Bonds at the principal office of the Bond Registrar, accompanied by a written instrument of transfer or authorization for exchange in form and with guaranty of signature satisfactory to the Bond Registrar, duly executed by the registered owner or the owner's duly authorized attorney. Except as provided in the Indenture, the Bond Registrar will not be required to register the transfer or exchange of any Bond during the fifteen days before any mailing of a notice of redemption, after such Bond has been called for redemption in whole or in part, or after such Bond has been tendered or deemed tendered for optional or mandatory purchase as described in the Indenture. Registration of transfers and exchanges will be made without charge to the owners of Bonds, except that the Bond Registrar may require any owner requesting registration of transfer or exchange to pay any required tax or governmental charge.

Security; Limitation on Liens

Payment of the principal of and interest and any premium on the Bonds will be secured by an assignment by the Issuer to the Trustee of the Issuer's interest in and to the Loan Agreement and all payments to be made pursuant thereto (other than certain indemnification and expense payments). Pursuant to the Loan Agreement, the Company will agree to pay, among other things, amounts sufficient to pay the aggregate principal amount of and premium, if any, on the Bonds, together with interest thereon as and when the same become due. The Company further will agree to make payments of the purchase price of the Bonds tendered for purchase to the extent that funds are not otherwise available therefor under the provisions of the Indenture.

As of the date hereof, the Company has outstanding 13 series of first mortgage bonds in an aggregate principal amount of $574,304,000. These first mortgage bonds were issued to secure a like principal amount of tax-exempt debt. On or about the date of issuance of the Bonds, and pursuant to the terms of these existing first mortgage bonds, all of such first mortgage bonds will be terminated and cancelled and will cease to secure the Company's obligations under its existing tax-exempt debt, and all of the Company's obligations under its existing tax-exempt debt will become unsecured general obligations of the Company, ranking on a parity with the Company's obligations under the Loan Agreement to make payments on the Bonds.

In the Loan Agreement, the Company will covenant that it will not issue, assume or guarantee any debt for borrowed money secured by any mortgage, security interest, pledge, or lien ("mortgage") on any of the Company's operating property (as defined below), whether the Company owns it at the date hereof or acquires it later, unless the Company similarly secures its obligations under the Loan Agreement to make payments to the Trustee in sufficient amounts to pay the principal of, premium, if any, and interest required to be paid on the Bonds. This restriction will not apply to:

- mortgages on any property existing at the time the Company acquires the property or at the time the Company acquires the corporation owning the property;
- purchase money mortgages;
- specified governmental mortgages; or
- any extension, renewal or replacement (or successive extensions, renewals or replacements) of any mortgage referred to in the three clauses listed above, so long as the principal amount of indebtedness secured under this clause and not otherwise authorized by the clauses listed above, does not exceed the principal amount of indebtedness secured at the time of the extension, renewal or replacement.

In addition, the Company can also issue secured debt so long as the amount of the secured debt does not exceed the greater of 10% of net tangible assets or 10% of capitalization.

The Company will not, so long as any of the Bonds are outstanding, issue, assume, guarantee or permit to exist any debt of the Company secured by a mortgage, the creditor of which controls, is controlled by, or is under common control with, the Company.

For purposes of this limitation on liens, "operating property" means (i) any interest in real property owned by the Company, and (ii) any asset owned by the Company that is depreciable in accordance with generally accepted accounting principles.

The Bond Insurance Policy and the Bond Insurer

The information relating to Ambac Assurance contained herein has been furnished solely by Ambac Assurance. No representation is made by the Underwriters, the Issuer or the Company as to the accuracy or adequacy of such information or as to the absence of material adverse changes in the condition of Ambac Assurance subsequent to the date hereof. The following discussion does not purport to be complete and is qualified in its entirety by reference to the Bond Insurance Policy, a specimen of the form of which is attached hereto as Appendix C.

Payment Pursuant to Bond Insurance Policy

Ambac Assurance has made a commitment to issue the Bond Insurance Policy relating to the Bonds effective as of the date of issuance of the Bonds. Under the terms of the Bond Insurance Policy, Ambac Assurance will pay to The Bank of New York, in New York, New York, or any successor thereto (the "Insurance Trustee"), that portion of the principal of and interest on the Bonds that shall become "Due for Payment" but shall be unpaid by reason of "Nonpayment" by the "Obligor" (as such terms are defined in the Bond Insurance Policy). Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and/or interest becomes "Due for Payment" or within one Business Day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Trustee. The insurance will extend for the term of the Bonds and, once issued, cannot be cancelled by Ambac Assurance.

The Bond Insurance Policy will insure payment only on the stated maturity date or upon special mandatory redemption on a determination of taxability, in the case of principal, and on stated dates for payment, in the case of interest. If the Bonds become subject to other redemption and insufficient funds are available for redemption of all outstanding Bonds, Ambac Assurance will remain obligated to pay principal of and interest on outstanding Bonds on the originally scheduled interest and principal payment dates. In the event of any acceleration of the principal of the Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration, except to the extent that Ambac Assurance elects, in its sole discretion, to pay all or a portion of the accelerated principal and interest accrued thereon to the date of acceleration (to the extent unpaid by the Obligor). Upon payment of all such accelerated principal and interest accrued to the acceleration date, Ambac Assurance's obligations under the Bond Insurance Policy shall be fully discharged.

In the event the Trustee has notice that any payment of principal of or interest on a Bond that has become Due for Payment and that is made to a Bondholder by or on behalf of the Issuer has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, non-appealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The Bond Insurance Policy does **not** insure any risk other than Nonpayment. Specifically, the Bond Insurance Policy does **not** cover:

(a) payment on acceleration, as a result of a call for redemption (other than a special mandatory redemption upon the occurrence of a determination of taxability as provided in the Bond Insurance Policy) or as a result of any other advancement of maturity;

(b) payment of any redemption, prepayment or acceleration premium;

(c) nonpayment of principal or interest caused by the insolvency or negligence of the Trustee, Paying Agent or Bond Registrar, if any;

(d) loss relating to payments of the purchase price of Bonds upon tender by a registered owner thereof or any preferential transfer relating to payments of the purchase price of Bonds upon tender by a registered owner thereof; or

(e) loss relating to payments made in connection with the sale of Bonds in connection with the sale of Bonds at Auctions or losses suffered as a result of a Bondholder's inability to sell Bonds.

Notwithstanding the foregoing, under the Bond Insurance Policy, the definition of "Due for Payment" is expanded to include date or dates of mandatory redemption of the Bonds, in whole or in part, pursuant to a final determination of taxability as described herein under "Summary of the Bonds — Redemptions – *Mandatory Redemption; Determination of Taxability*."

If it becomes necessary to call upon the Bond Insurance Policy, payment of any principal by the Bond Insurer requires surrender of applicable Bonds to the Insurance Trustee, together with an appropriate instrument of assignment so as to permit ownership of such Bonds to be registered in the name of Ambac Assurance to the extent of the payment under the Bond Insurance Policy. Payment of interest pursuant to the Bond Insurance Policy requires proof of Bondholder entitlement to interest payments and an appropriate assignment of the Bondholder's right to payment to Ambac Assurance.

Upon payment of the insurance benefits to a Bondholder, Ambac Assurance will become the owner of the Bond or right to payment of principal or interest on such Bond and will be fully subrogated to the surrendering Bondholder's rights to payment.

Insurance Agreement with Company

Ambac Assurance has agreed to issue the Bond Insurance Policy pursuant to the Insurance Agreement. Under the Insurance Agreement, the Company is obligated to reimburse Ambac Assurance, immediately and unconditionally upon demand, for all payments made by Ambac Assurance under the terms of the Insurance Policy. The Company is also obligated to deliver certain collateral to the Trustee for the benefit of the bondholders and comply with certain financial and other covenants specified therein. The Insurance Agreement includes certain events of default, including the failure of the Company to pay amounts owed thereunder to Ambac Assurance, any breach by the Company of representations, warranties and covenants set forth therein and certain events of bankruptcy. If any such event of default should occur and be continuing, Ambac Assurance may, among other things, notify the Trustee of such an event of default which would result in an "Event of Default" under the Indenture. See "Summary of the Indenture — Defaults and Remedies."

Ambac Assurance Corporation

Ambac Assurance is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in

50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately $10,015,000,000 (unaudited) and statutory capital of approximately $6,371,000,000 (unaudited) as of December 31, 2006. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc., Moody's Investors Service, Inc. ("Moody's") and Fitch Ratings have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its financial guaranty insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Issuer of the Bonds.

Ambac Assurance makes no representation regarding the Bonds or the advisability of investing in the Bonds and makes no representation regarding, nor has it participated in the preparation of, this Official Statement other than the information supplied by Ambac Assurance and presented under the heading "The Bond Insurance Policy and the Bond Insurer" and in Appendix C.

Available Information

The parent company of Ambac Assurance, Ambac Financial Group, Inc. ("AFG"), is subject to the informational requirements of the Exchange Act, and in accordance therewith files reports, proxy statements and other information with the SEC. These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at http://www.sec.gov that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including AFG. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc. (the "NYSE"), 20 Broad Street, New York, New York 10005.

Copies of Ambac Assurance's financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance's administrative offices is One State Street Plaza, 19th Floor, New York, New York 10004 and its telephone number is (212) 668-0340.

Incorporation of Certain Documents by Reference

The following document filed by AFG with the SEC (File No. 1-10777) is incorporated by reference in this Official Statement.

1) AFG's Annual Report on Form 10-K for the fiscal year ended December 31, 2006 and filed on March 1, 2007.

All documents subsequently filed by AFG pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "Available Information."

Summary of the Loan Agreement

The following, in addition to the provisions contained elsewhere in this Official Statement, is a brief description of certain provisions of the Loan Agreement. This description is only a summary and does not purport to be complete and definitive. Reference is made to the Loan Agreement for the detailed provisions thereof.

General

The term of the Loan Agreement shall commence as of its date and end on the earliest to occur of June 1, 2033, or the date on which all of the Bonds shall have been fully paid or provision has been made for such payment pursuant to the Indenture. See "Summary of the Indenture — Discharge of Indenture."

The Company has agreed to repay the loan pursuant to the Loan Agreement by making timely payments to the Trustee in sufficient amounts to pay the principal of, premium, if any, and interest required to be paid on the Bonds on each date upon which any such payments are due. The Company has also agreed to pay (a) the agreed upon fees and expenses of the Trustee, the Bond Registrar, the Tender Agent and the Paying Agent and all other amounts which may be payable to the Trustee, the Bond Registrar, the Paying Agent, the Auction Agent and the Tender Agent, as may be applicable, under the Indenture, (b) the expenses in connection with any redemption of the Bonds and (c) the reasonable expenses of the Issuer.

The Company covenants and agrees with the Issuer that it will cause the purchase of tendered Bonds that are not remarketed in accordance with the Indenture and, to that end, the Company shall cause funds to be made available to the Tender Agent at the times and in the manner required to effect such purchases in accordance with the Indenture.

All payments to be made by the Company to the Issuer pursuant to the Loan Agreement (except the fees and reasonable out-of-pocket expenses of the Issuer, the Trustee, the Paying Agent, the Bond Registrar, the Tender Agent and the Auction Agent, and amounts related to indemnification) have been assigned by the Issuer to the Trustee, and the Company will pay such amounts directly to the Trustee. The obligations of the Company to make the payments pursuant to the Loan Agreement are absolute and unconditional.

Maintenance of Tax Exemption

The Company and the Issuer have agreed not to take any action that would result in the interest paid on the Bonds being included in gross income of any Bondholder (other than a holder who is a "substantial user" of the Project or a "related person" within the meaning of Section 147(a) of the Code) for federal income tax purposes or that adversely affects the validity of the Bonds.

Limitation on Liens

The Company has agreed that, so long as any of the Bonds are outstanding, it will not create, assume or guarantee debt for borrowed money secured by any mortgage, except as described above under "Security; Limitation on Liens."

Payment of Taxes

The Company has agreed to pay certain taxes and other governmental charges that may be lawfully assessed, levied or charged against or with respect to the Project (see, however, subparagraph (i) under "Summary of the Bonds — Redemptions — *Extraordinary Optional Redemption in Whole*"). The Company may contest such taxes or other governmental charges unless the security provided by the Indenture would be materially endangered.

Maintenance; Damage, Destruction and Condemnation

So long as any Bonds are outstanding, the Company will maintain the Project or cause the Project to be maintained in good working condition and will make or cause to be made all proper repairs, replacements and renewals necessary to continue to constitute the Project as air and water pollution control and abatement facilities and solid waste disposal facilities under Section 103(b)(4)(E) and (F) of the Code and the Act. However, the Company will have no obligation to maintain, repair, replace or renew any portion of the Project, the maintenance, repair, replacement or renewal of which becomes uneconomical to the Company because of certain events, including damage or destruction by a cause not within the Company's control, condemnation of the Project, change in government standards and regulations, economic or other obsolescence or termination of operation of generating facilities to the Project.

The Company, at its own expense, may remodel the Project or make substitutions, modifications and improvements to the Project as it deems desirable, which remodeling, substitutions, modifications and improvements shall be deemed, under the terms of the Loan Agreement to be a part of the Project. The Company may not, however, change or alter the basic nature of the Project or cause it to lose its status under Section 103(b)(4)(E) and (F) of the Code and the Act.

If, prior to the payment of all Bonds outstanding, the Project or any portion thereof is destroyed, damaged or taken by the exercise of the power of eminent domain and the Issuer or the Company receives net proceeds from insurance or a condemnation award in connection therewith, the Company shall (i) cause such net proceeds to be used to repair or restore the Project or (ii) take any other action, including the redemption of the Bonds in whole or in part at their principal amount, which, by the opinion of Bond Counsel, will not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes. See "Summary of the Bonds — Redemptions — *Extraordinary Optional Redemption in Whole or in Part*."

Insurance

The Company will insure the Project in a manner consistent with general industry practice.

Assignment, Merger and Release of Obligations of the Company

The Company may assign the Loan Agreement, pursuant to an opinion of Bond Counsel that such assignment will not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes, without obtaining the consent of either the Issuer or the Trustee. Such assignment, however, shall not relieve the Company from primary liability for any of its obligations under the Loan Agreement and performance and observance of the other covenants and agreements to be performed by the Company. The Company may dispose of all or substantially all of its assets or consolidate with or merge into another corporation, provided the acquirer of the Company's assets or the corporation with which it shall consolidate with or merge into shall be a corporation or other business organization organized and existing under the laws of the United States of America or one of the states of the United States of America or the District of Columbia, shall be qualified and admitted to do business in the Commonwealth of Kentucky, shall assume in writing all of the obligations and covenants of the Company under the Loan Agreement and shall deliver a copy of such assumption to the Issuer and Trustee.

Release and Indemnification Covenant

The Company will indemnify and hold the Issuer harmless against any expense or liability incurred, including attorneys' fees, resulting from any loss or damage to property or any injury to or death of any person occurring on or about or resulting from any defect in the Project or from any action commenced in connection with the financing thereof.

Events of Default

Each of the following events constitutes an "event of default" under the Loan Agreement:

(1) failure by the Company to pay the amounts required for payment of the principal of, including purchase price for tendered Bonds and redemption and acceleration prices, and interest accrued, on the Bonds, at the times specified therein taking into account any periods of grace provided in the Indenture and the Bonds for the applicable payment of interest on the Bonds (see "Summary of the Indenture — Defaults and Remedies");

(2) failure by the Company to observe and perform any covenant, condition or agreement, other than as referred to in paragraph (1) above, for a period of thirty days after written notice by the Issuer or Trustee, provided, however, that if such failure is capable of being corrected, but cannot be corrected in such 30-day period, it will not constitute an event of default under the Loan Agreement if corrective action with respect thereto is instituted within such period and is being diligently pursued;

(3) certain events of bankruptcy, dissolution, liquidation, reorganization or insolvency of the Company; or

(4) the occurrence of an Event of Default under the Indenture.

Under the Loan Agreement, certain of the Company's obligations (other than the Company's obligations, among others, (i) not to permit any action which would result in interest paid on the Bonds being included in gross income for federal and Kentucky income taxes; (ii) to maintain its corporate existence and good standing, and to neither dispose of all or substantially all of its assets or consolidate with or merge into another corporation unless certain provisions of the Loan Agreement are satisfied; and (iii) to make loan payments and certain other payments under the provisions of the Loan Agreement) may be suspended if by reason of force majeure (as defined in the Loan Agreement) the Company is unable to carry out such obligations.

Remedies

Upon the happening of an event of default under the Loan Agreement, the Trustee, on behalf of the Issuer, may, among other things, take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Company, under the Loan Agreement.

Any amounts collected upon the happening of any such event of default shall be applied in accordance with the Indenture or, if the Bonds have been fully paid (or provision for payment thereof has been made in accordance with the Indenture) and all other liabilities of the Company accrued under the Indenture and the Loan Agreement have been paid or satisfied, made available to the Company.

Options to Prepay, Obligation to Prepay

The Company may prepay the loan pursuant to the Loan Agreement, in whole or in part, on certain dates, at the prepayment prices as shown under the captions "Summary of the Bonds — Redemptions — *Optional Redemption*," "*Extraordinary Optional Redemption in Whole*" and "*Extraordinary Optional Redemption in Whole or in Part*." Upon the occurrence of the event described under the caption "Summary of the Bonds — Redemptions — *Mandatory Redemption; Determination of Taxability*," the Company shall be obligated to prepay the loan in an aggregate amount sufficient to redeem the required principal amount of the Bonds.

In each instance, the loan prepayment price shall be a sum sufficient, together with other funds deposited with the Trustee and available for such purpose, to redeem the requisite amount of the Bonds at a price equal to the applicable redemption price plus accrued interest to the redemption date, and to pay all reasonable and necessary fees and expenses of the Trustee, the Paying Agent and all other liabilities of the Company under the Loan Agreement accrued to the redemption date.

Amendments and Modifications

No amendment or modification of the Loan Agreement is permissible without the written consent of the Trustee. The Issuer and the Trustee may, however, without the consent of or notice to any Bondholders, enter into any amendment or modification of the Loan Agreement (i) which may be required by the provisions of the Loan Agreement or the Indenture, (ii) for the purpose of curing any ambiguity or formal defect or omission, (iii) with the consent of the Bond Insurer, in connection with any modification or change necessary to conform the Loan

Agreement with changes and modifications in the Indenture that require the consent of the Bond Insurer or (iv) in connection with any other change which, in the judgment of the Trustee, does not adversely affect the Trustee or the Bondholders. Except for such amendments, and subject to the provisions of the Indenture described under the caption "Summary of the Indenture — Rights of Bond Insurer," the Loan Agreement may be amended or modified only with the consent of the Bondholders holding a majority in principal amount of the Bonds then outstanding (see "Summary of the Indenture — Supplemental Indentures" for an explanation of the procedures necessary for Bondholder consent); provided, however, that the approval of the Bondholders holding 100% in principal amount of the Bonds then outstanding is necessary to effectuate an amendment or modification with respect to the Loan Agreement of the type described in clauses (i) through (iv) of the first sentence of the second paragraph of "Summary of the Indenture — Supplemental Indentures." Any amendment of the Loan Agreement requiring the consent of the Bondholders also requires the consent of the Bond Insurer.

Summary of the Indenture

The following, in addition to the provisions contained elsewhere in this Official Statement, is a brief description of certain provisions of the Indenture. This description is only a summary and does not purport to be complete and definitive. Reference is made to the Indenture for the detailed provisions thereof.

Security

Pursuant to the Indenture, the Issuer will assign and pledge to the Trustee its interest in and to the Loan Agreement, including payments and other amounts due the Issuer thereunder, together with all moneys, property and securities from time to time held by the Trustee under the Indenture (with certain exceptions, including moneys held in or earnings on the Rebate Fund and the Purchase Fund). The Bonds will not be directly secured by the Project.

No Pecuniary Liability of the Issuer

No provision, covenant or agreement contained in the Indenture or in the Loan Agreement, nor any breach thereof, shall constitute or give rise to any pecuniary liability of the Issuer or any charge upon any of its assets or its general credit or taxing powers. The Issuer has not obligated itself by making the covenants, agreements or provisions contained in the Indenture or in the Loan Agreement, except with respect to the Project and the application of the amounts assigned to payment of the principal of, premium, if any, and interest on the Bonds.

The Bond Fund

The payments to be made by the Company pursuant to the Loan Agreement to the Issuer and certain other amounts specified in the Indenture will be deposited into a Bond Fund established pursuant to the Indenture (the "Bond Fund") and will be maintained in trust by the Trustee. Moneys in the Bond Fund will be used solely and only for the payment of the principal of, premium, if any, and interest on the Bonds, for the redemption of Bonds prior to maturity and for the payment of the reasonable fees and expenses to which the Trustee, Bond Registrar, Tender Agent, Authentication Agent, any Paying Agents and the Issuer are entitled pursuant to the Indenture or the Loan Agreement. Any moneys held in the Bond Fund will be invested by the Trustee at the specific written direction of the Company in certain Governmental Obligations, investment-grade corporate obligations and other investments permitted under the Indenture.

The Rebate Fund

A Rebate Fund has been created by the Indenture (the "Rebate Fund") and will be maintained as a separate fund free and clear of the lien of the Indenture. The Issuer, the Trustee and the Company have agreed to comply with all rebate requirements of the Code and, in particular, the Company has agreed that if necessary, it will deposit in the Rebate Fund any such amount as is required under the Code. However, the Issuer, the Trustee and the Company may disregard the Rebate Fund provisions to the extent that they shall receive an opinion of Bond Counsel that such failure to comply will not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes.

Discharge of Indenture

When all the Bonds and all fees and charges accrued and to accrue of the Trustee and the Paying Agent have been paid or provided for, and when proper notice has been given to the Bondholders or the Trustee that the proper amounts have been so paid or provided for, and if the Issuer is not in default in any other respect under the Indenture, the Indenture shall become null and void. The Bonds shall be deemed to have been paid and discharged when there shall have been irrevocably deposited with the Trustee moneys sufficient to pay the principal, premium, if any, and accrued interest on such Bonds to the due date (whether such date be by reason of maturity or upon redemption) or, in lieu thereof, Governmental Obligations shall have been deposited which mature in such amounts and at such times as will provide the funds necessary to so pay such Bonds, and when all reasonable and necessary fees and expenses of the Trustee, the Authenticating Agent, the Bond Registrar and the Paying Agent have been paid or provided for.

Defaults and Remedies

As long as the Bond Insurance Policy is in full force and effect with respect to the Bonds and the Bond Insurer is not in default thereunder, upon the occurrence and continuance of an Event of Default, and subject to certain indemnification provisions, the Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the registered owners or the Trustee for the benefit of the registered owners under the Indenture including, without limitation, the right to accelerate the principal of the Bonds and the right to annul any declaration of acceleration, and the Bond Insurer shall also be entitled to approve waivers of Events of Default. (See "Rights of Bond Insurer" below.)

Each of the following events constitutes an "Event of Default" under the Indenture:

(a) Failure to make payment of any installment of interest on any Bond, (i) if such Bond bears interest at other than the Long Term Rate, within a period of one Business Day from the due date and (ii) if such Bond bears interest at the Long Term Rate, within a period of five Business Days from the date due;

(b) Failure to make punctual payment of the principal of, or premium, if any, on any Bond on the due date, whether at the stated maturity thereof, or upon proceedings for redemption, or upon the maturity thereof by declaration or if payment of the purchase price of any Bond required to be purchased pursuant to the Indenture is not made when such payment has become due and payable, provided that no event of default shall have occurred in respect of failure to receive such purchase price for any Bond if the Company shall have made the payment on the next Business Day as described in the Indenture;

(c) Failure of the Issuer to perform or observe any other of the covenants, agreements or conditions in the Indenture or in the Bonds which failure continues for a period of 30 days after written notice by the Trustee, provided, however, that if such failure is capable of being cured, but cannot be cured in such 30-day period, it will not constitute an event of default under the Indenture if corrective action in respect of such failure is instituted within such 30-day period and is being diligently pursued;

(d) The occurrence of an "event of default" under the Loan Agreement (see "Summary of the Loan Agreement — Events of Default"); or

(e) Written notice from the Bond Insurer to the Trustee that an event of default has occurred and is continuing under the Insurance Agreement.

Upon the occurrence of an Event of Default under the Indenture, the Trustee may, subject to the provisions of the Indenture described under "Rights of Bond Insurer" below, and upon the written request of the registered owners holding not less than 25% in aggregate principal amount of Bonds then outstanding and upon receipt of indemnity reasonably satisfactory to it shall: (i) declare the principal of all Bonds and interest accrued thereon to be immediately due and payable and (ii) declare all payments under the Loan Agreement to be immediately due and payable and enforce each and every other right granted to the Issuer under the Loan Agreement for the benefit of the Bondholders. In exercising such rights, the Trustee shall take any action that, in the judgment of the Trustee, would best serve the interests of the registered owners. Upon the occurrence of an Event of Default under the Indenture, the Trustee may also proceed to pursue any available remedy by suit at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Bonds then outstanding.

In the event that the maturity of the Bonds is accelerated, the Bond Insurer may elect, in its sole discretion, to pay all or a portion of the accelerated principal and interest accrued on such principal to the date of acceleration (to the extent unpaid by the Issuer or the Company) with respect to the Bonds, and the Trustee shall accept such amounts. Upon payment of all of such accelerated principal and interest accrued to the acceleration date as provided above, the Bond Insurer's obligations under the Bond Insurance Policy shall be fully discharged.

If the Trustee recovers any moneys following an Event of Default, unless the principal of the Bonds shall have been declared due and payable, all such moneys shall be applied in the following order: (i) to the payment of the fees, expenses, liabilities and advances incurred or made by the Trustee and the Paying Agent and the payment of any sums due and payable to the United States pursuant to Section 148(f) of the Code, (ii) to the payment of all interest then due on the Bonds, and (iii) to the payment of unpaid principal and premium, if any, of the Bonds. If the principal of the Bonds has become due or has been accelerated, such moneys shall be applied in the following order: (i) to the payment of the fees, expenses, liabilities and advances incurred or made by the Trustee and the Paying Agent and (ii) to the payment of principal of and interest then due and unpaid on the Bonds.

No Bondholder may institute any suit or proceeding in equity or at law for the enforcement of the Indenture unless an Event of Default has occurred of which the Trustee has been notified or is deemed to have notice, and registered owners holding not less than 25% in aggregate principal amount of Bonds then outstanding shall have made written request to the Trustee to proceed to exercise the powers granted under the Indenture or to institute such action in their own name and the Trustee shall fail or refuse to exercise its powers within a reasonable time after receipt of indemnity satisfactory to it.

Any judgment against the Issuer pursuant to the exercise of rights under the Indenture shall be enforceable only against specific assigned payments, funds and accounts under the Indenture in the hands of the Trustee. No deficiency judgment shall be authorized against the general credit of the Issuer.

Subject to the provisions of the Indenture summarized under "Rights of Bond Insurer" below, no default under paragraph (c) above shall constitute an Event of Default until actual notice is given to the Issuer and the Company by the Trustee or the Bond Insurer or to the Issuer, the Company and the Trustee by the registered owners holding not less than 25% in aggregate principal amount of all Bonds outstanding and the Issuer and the Company shall have had thirty days after such notice to correct the default and failed to do so. If the default is such that it cannot be corrected within the applicable period but is capable of being cured, it will not constitute an Event of Default if corrective action is instituted by the Issuer or the Company within the applicable period and diligently pursued until the default is corrected.

Following the occurrence of an Event of Default under the Indenture, the Bond Insurer will have the right to direct an accounting at the Company's expense, and the Company's failure to comply with such direction within thirty (30) days after receipt of written notice of the direction from the Bond Insurer will be deemed a default under the Indenture; provided, however, that if compliance cannot occur within such period, then such period will be extended so long as compliance is begun within such period and diligently pursued, but only if such extension would not materially adversely affect the interests of the Bondholders.

Waiver of Events of Default

As long as the Bond Insurance Policy is in full force and effect with respect to the Bonds and the Bond Insurer is not in default thereunder, upon the occurrence and continuance of an Event of Default, and subject to certain indemnification provisions, the Bond Insurer shall be entitled to control and direct the right to annul any declaration of acceleration, and the Bond Insurer shall also be entitled to approve all waivers of Events of Default. (See "Rights of Bond Insurer" below.)

Except as provided below, the Trustee may in its discretion waive any Event of Default under the Indenture and shall do so upon the written request of the registered owners holding a majority in principal amount of all Bonds then outstanding. If, after the principal of all Bonds then outstanding shall have been declared to be due and payable and prior to any judgment or decree for the appointment of a receiver or for the payment of the moneys due shall have been obtained or entered, (i) the Company shall cause to be deposited with the Trustee a sum sufficient to pay all matured installments of interest upon all Bonds and the principal of and premium, if any, on any and all Bonds which shall have become due otherwise than by reason of such declaration (with interest thereon as provided in the Indenture) and the expenses of the Trustee in connection with such default and (ii) all Events of Default under the Indenture (other than nonpayment of the principal of Bonds due by said declaration) shall have been remedied, then such Event of Default shall be deemed waived and such declaration and its consequences rescinded and annulled by the Trustee. Such waiver, rescission and annulment shall be binding upon all Bondholders. No such waiver, rescission and annulment shall extend to or affect any subsequent Event of Default or impair any right or remedy consequent thereon.

Notwithstanding the foregoing, nothing in the Indenture shall affect the right of a registered owner to enforce the payment of principal of, premium, if any, and interest on the Bonds after the maturity thereof.

Supplemental Indentures

The Issuer and the Trustee may enter into indentures supplemental to the Indenture without the consent of or notice to, the Bondholders in order (i) to cure any ambiguity or formal defect or omission in the Indenture, (ii) to grant to or confer upon the Trustee, as may lawfully be granted, additional rights, remedies, powers or authorities for the benefit of the Bondholders, (iii) to subject to the Indenture additional revenues, properties or collateral, (iv) to permit qualification of the Indenture under any federal statute or state blue sky law, (v) to add additional covenants and agreements of the Issuer for the protection of the Bondholders or to surrender or limit any rights, powers or authorities reserved to or conferred upon the Issuer, (vi) with the consent of the Bond Insurer, to make any other modification or change to the Indenture which, in the sole judgment of the Trustee, does not adversely affect the Trustee or any Bondholder, (vii) with the consent of the Bond Insurer, to make other amendments not otherwise permitted by (i), (ii), (iii), (iv) or (vi) of this paragraph to provisions relating to federal income tax matters under the Code or other relevant provisions if, in the opinion of Bond Counsel, those amendments would not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes, (viii) with the consent of the Bond Insurer, to make any modification or change to the Indenture necessary to provide liquidity or credit support for the Bonds, or (ix) to permit the issuance of the Bonds in other than book-entry-only form or to provide changes to or for the book-entry system.

Subject to the consent of the Bond Insurer, exclusive of supplemental indentures for the purposes set forth in the preceding paragraph, the consent of registered owners holding a majority in aggregate principal amount of all Bonds then outstanding is required to approve any supplemental indenture, except no such supplemental indenture shall permit, without the consent of all of the registered owners of the Bonds then outstanding, (i) an extension of the maturity of the principal of or the interest on any Bond issued under the Indenture or a reduction in the principal amount of any Bond or the rate of interest or time of redemption or redemption premium thereon, (ii) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, (iii) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indenture, or (iv) the deprivation of any registered owners of the lien of the

Indenture. As discussed below, any action under the Indenture which requires the consent or approval of the registered owners of the Bonds shall, in addition, be subject to the consent of the Bond Insurer.

If at any time the Issuer shall request the Trustee to enter into any supplemental indenture requiring the consent of the registered owners of the Bonds, the Trustee, upon being satisfactorily indemnified with respect to expenses, must notify all such registered owners. Such notice shall set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the principal office of the Trustee for inspection. If, within sixty days (or such longer period as shall be prescribed by the Issuer or the Company) following the mailing of such notice, the registered owners holding the requisite amount of the Bonds outstanding shall have consented to the execution thereof, no Bondholder shall have any right to object or question the execution thereof.

No supplemental indenture shall become effective unless the Company consents to the execution and delivery of such supplemental indenture. The Company shall be deemed to have consented to the execution and delivery of any supplemental indenture if the Trustee does not receive a notice of protest or objection signed by the Company on or before 4:30 p.m., local time in the city in which the principal office of the Trustee is located, on the fifteenth day after the mailing to the Company of a notice of the proposed changes and a copy of the proposed supplemental indenture.

Rights of Bond Insurer

The Indenture grants certain rights to the Bond Insurer. In addition to those rights, the Bond Insurer shall, to the extent it makes payment of principal of or interest on the Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Bond Insurance Policy. If an Event of Default occurs, so long as the Bond Insurance Policy remains in full force and effect and the Bond Insurer is not in default, the Bond Insurer shall have the right to institute any suit, action or proceeding at law or in equity under the same terms as a registered owner may institute any action under the Indenture.

To the extent that the Indenture confers upon or gives or grants to the Bond Insurer any right, remedy or claim under or by reason of the Indenture, the Bond Insurer is explicitly recognized under the Indenture as being a third-party beneficiary thereunder and may enforce any such right, remedy or claim conferred, given or granted thereunder.

As long as the Bond Insurance Policy is in full force and effect with respect to the Bonds and the Bond Insurer is not in default thereunder: (a) any provision of the Indenture expressly recognizing or granting rights in or to the Bond Insurer may not be amended in any manner which affects the rights of the Bond Insurer thereunder without the prior written consent of the Bond Insurer; (b) any action under the Indenture which requires the consent or approval of the registered owners shall, in addition to such approval, be subject to the prior written consent of the Bond Insurer; (c) upon the occurrence and continuance of an Event of Default, and subject to certain indemnification provisions, the Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the registered owners or the Trustee for the benefit of the registered owners under the Indenture including, without limitation, (i) the right to accelerate the principal of the Bonds, (ii) the right to annul any declaration of acceleration, and the Bond Insurer shall also be entitled to approve all waivers of Events of Default, and (d) the Bond Insurer shall be entitled to receive copies of notices, certificates and other documents received by the Trustee pursuant to the Indenture or given to the Bondholders and notification of any failure to provide any such document as required by the Indenture or the Loan Agreement, and shall be furnished by the Company with any filings made in accordance with SEC Rule 15c2-12 and copies of certain financial statements, audit or annual report of the Company.

Notwithstanding anything in the Indenture or the Loan Agreement to the contrary, in the event that the principal or interest due on the Bonds shall be paid by the Bond Insurer pursuant to the Bond Insurance Policy, the Bonds shall remain outstanding for all purposes, shall not be defeased or otherwise satisfied and shall not be considered paid by the Issuer, and the assignment and pledge of the revenues and security of the Company under the Loan Agreement and all covenants, agreements and other obligations of the Issuer to the Bondholders shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of the Bondholders.

Enforceability of Remedies

The remedies available to the Trustee, the Issuer and the owners upon an event of default under the Loan Agreement or the Indenture are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, the remedies specified by the Loan Agreement or the Indenture may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by principles of equity, bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting the rights of creditors generally.

Tax Treatment

In the opinion of Bond Counsel, under existing law, including current statutes, regulations, administrative rulings and official interpretations, subject to the qualifications and exceptions set forth below, interest on the Bonds will be excluded from the gross income of the recipients thereof for federal income tax purposes, except that no opinion will be expressed regarding such exclusion from gross income with respect to any Bond during any period in which it is held by a "substantial user" of the Project or a "related person" as such terms are used in Section 147(a) of the Code. Interest on the Bonds will not be an item of tax preference in determining alternative minimum taxable income for individuals and corporations under the Code. It is Bond Counsel's further opinion that, subject to the assumptions stated in the preceding sentence, (i) interest on the Bonds will be excluded from gross income of the owners thereof for Kentucky income tax purposes and (ii) the Bonds will be exempt from all ad valorem taxes in Kentucky.

The opinion of Bond Counsel as to the excludability of interest from gross income for federal income tax purposes will be based upon and will assume the accuracy of certain representations of facts and circumstances, including with respect to the Project, which are within the knowledge of the Company and compliance by the Company with certain covenants and undertakings set forth in the proceedings authorizing the Bonds which are intended to assure that the Bonds are and will remain obligations the interest on which is not includable in gross income of the recipients thereof under the law in effect on the date of such opinion. Bond Counsel will not independently verify the accuracy of the certifications and representations made by the Company and the Issuer. On the date of the opinion and subsequent to the original delivery of the Bonds, such representations of facts and circumstances must be accurate and such covenants and undertakings must continue to be complied with in order that interest on the Bonds be and remain excludable from gross income of the recipients thereof for federal income tax purposes under existing law. Bond Counsel will express no opinion (i) regarding the exclusion of interest on any Bond from gross income for federal income tax purposes on or after the date on which any change, including any interest rate conversion, permitted by the documents other than with the approval of Bond Counsel is taken which adversely affects the tax treatment of the Bonds or (ii) as to the treatment for purposes of federal income taxation of interest on the Bonds upon a Determination of Taxability.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which, including provisions for potential payments by the Issuer to the federal government, require future or continued compliance after issuance of the Bonds in order for the interest to be and to continue to be so excluded from the date of issuance. Noncompliance with certain of these requirements by the Company or the Issuer with respect to the Bonds could cause the interest on the Bonds to be included in gross income for federal income tax purposes and to be subject to federal income taxation retroactively to the date of their issuance. The Company and the Issuer will each covenant to take all actions required of each to assure that the interest on the Bonds shall be and remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion.

The opinion of Bond Counsel as to the exclusion of interest on the Bonds from gross income for federal income tax purposes and federal tax treatment of interest on the Bonds will be subject to the following exceptions and qualifications:

(a) Provisions of the Code applicable to corporations (as defined for federal income tax purposes) which impose an alternative minimum tax on a portion of the excess of adjusted current earnings over other alternative minimum taxable income may subject a portion of the interest on the Bonds earned by certain corporations to such corporate alternative minimum tax. Such corporate alternative minimum tax does not apply to any S corporation, regulated investment company, real estate investment trust or REMIC.

(b) The Code also provides for a "branch profits tax" which subjects to tax, at a rate of 30%, the effectively connected earnings and profits of a foreign corporation which engages in a United States trade or business. Interest on the Bonds would be includable in the amount of effectively connected earnings and profits and thus would increase the branch profits tax liability.

(c) The Code also provides that passive investment income, including interest on the Bonds, may be subject to taxation for any S corporation with Subchapter C earnings and profits at the close of its taxable year if greater than 25% of its gross receipts is passive investment income.

Except as stated above, Bond Counsel will express no opinion as to any federal or Kentucky tax consequences resulting from the receipt of interest on the Bonds.

Owners of the Bonds should be aware that the ownership of the Bonds may result in collateral federal income tax consequences. For instance, the Code provides that property and casualty insurance companies will be required to reduce their loss reserve deductions by 15% of the tax-exempt interest received on certain obligations, such as the Bonds, acquired after August 7, 1986. (For purposes of the immediately preceding sentence, a portion of dividends paid to an affiliated insurance company may be treated as tax-exempt interest.) The Code further provides for the disallowance of any deduction for interest expenses incurred by banks and certain other financial institutions allocable to carrying certain tax-exempt obligations, such as the Bonds, acquired after August 7, 1986. The Code also provides that, with respect to taxpayers other than such financial institutions, such taxpayers will be unable to deduct any portion of the interest expenses incurred or continued to purchase or carry the Bonds. The Code also provides, with respect to individuals, that interest on tax-exempt obligations, including the Bonds, is included in modified adjusted gross income for purposes of determining the taxability of social security and railroad retirement benefits. Furthermore, the earned income tax credit is not allowed for individuals with an aggregate amount of disqualified income within the meaning of Section 32 of the Code, which exceeds $2,200. Interest on the Bonds will be taken into account in the calculation of disqualified income. Prospective purchasers of the Bonds should consult their own tax advisors regarding such matters and any other tax consequences of holding the Bonds.

From time to time, there are legislative proposals in Congress which, if enacted, could alter or amend one or more of the federal tax matters referred to above or could adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to obligations (such as the Bonds) issued prior to enactment.

A draft of the opinion of Bond Counsel relating to the Bonds in substantially the form in which it is expected to be delivered on the date of issuance of the Bonds is attached as Appendix C.

Legal Matters

Certain legal matters incident to the authorization, issuance and sale by the Issuer of the Bonds are subject to the approving opinion of Bond Counsel. Bond Counsel has in the past, and may in the future, act as counsel to the Company with respect to certain matters. Certain legal matters will be passed upon for the Issuer by its County Attorney. Certain legal matters will be passed upon for the Company by Jones Day, Chicago, Illinois, and John R. McCall, Esq., Executive Vice President, General Counsel and Corporate Secretary for the Company. Certain legal matters will be passed upon for the Underwriters by their counsel, Winston & Strawn LLP, Chicago, Illinois.

Underwriting

Citigroup Global Markets Inc. and LaSalle Financial Services, Inc. (the "Underwriters") have agreed to purchase the Bonds from the Issuer at the public offering price set forth on the cover page of this Official Statement. The Underwriters are committed to purchase all the Bonds if any Bonds are purchased. In connection with the underwriting of the Bonds, the Underwriters will be paid by the Company fees in the amount of $300,000. Also, the Underwriters will receive from the Company reimbursement for certain reasonable out-of-pocket expenses, including attorneys' fees.

The Underwriters may offer and sell the Bonds to certain dealers and others at prices lower than the public offering price set forth on the cover page of this Official Statement. After the Bonds are released for sale to the public, the public offering price and other selling terms may from time to time be varied by the Underwriters.

In connection with the offering of the Bonds, the Underwriters may over-allot or effect transactions which stabilize or maintain the market prices of such bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

Pursuant to an Inducement Letter, the Company has agreed to indemnify the Underwriters and the Issuer against certain civil liabilities, including liabilities under the federal securities laws, or contribute to payments that the Underwriters or the Issuer may be required to make in respect thereof.

In the ordinary course of their business, the Underwriters and certain of their affiliates have in the past and may in the future engage in investment and commercial banking transactions with the Company, including the provision of certain advisory services to the Company.

Continuing Disclosure

Because the Bonds will be special and limited obligations of the Issuer, the Issuer is not an "obligated person" for purposes of Rule 15c2-12 (the "Rule") promulgated by the SEC under the Exchange Act, and does not have any continuing obligations thereunder. Accordingly, the Issuer will not provide any continuing disclosure information with respect to the Bonds or the Issuer.

In order to enable the Underwriters to comply with the requirements of the Rule, the Company will covenant in a continuing disclosure undertaking agreement delivered to the Trustee for the benefit of the holders of the Bonds (the "Continuing Disclosure Agreement") to provide certain continuing disclosure for the benefit of the holders of the Bonds. Under its Continuing Disclosure Agreement, the Company will covenant to take the following actions:

(a) The Company will provide to each nationally recognized municipal securities information repository ("NRMSIR"), recognized by the SEC pursuant to the Rule, and the state information depository, if any, of the Commonwealth of Kentucky (a "SID" and, together with the NRMSIR, a "Repository") recognized by the SEC (1) annual financial information of the type set forth in Appendix A to this Official Statement (including any information incorporated by reference therein) and (2) audited financial statements prepared in accordance with generally accepted accounting principles, in each case not later than 120 days after the end of the Company's fiscal year.

(b) The Company will file in a timely manner with each NRMSIR or the Municipal Securities Rulemaking Board, and with the SID, if any, notice of the occurrence of any of the following events (if applicable) with respect to the Bonds, if material: (i) principal and interest payment delinquencies; (ii) non-payment related defaults; (iii) any unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancement facilities reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions or events affecting the tax-exempt status of the Bonds; (vii) modifications to rights of the holders of the Bonds; (viii) the giving of notice of optional or unscheduled redemption of any Bonds; (ix) defeasance of the Bonds or any portion thereof; (x) release, substitution, or sale of property securing repayment of the Bonds; and (xi) rating changes with respect to the Bonds or the Company or any obligated person, within the meaning of the Rule.

(c) The Company will file in a timely manner with each Repository notice of a failure by the Company to file any of the notices or reports referred to in paragraphs (a) and (b) above by the due date.

The Company may amend its Continuing Disclosure Agreement (and the Trustee shall agree to any amendment so requested by the Company that does not change the duties of the Trustee thereunder) or waive any provision thereof, but only with a change in circumstances that arises from a change in legal requirements, change in law, or change in the nature or status of the Company with respect to the Bonds or the type of business conducted by the Company; provided that the undertaking, as amended or following such waiver, would have complied with the requirements of the Rule on the date of issuance of the Bonds, after taking into account any amendments to the Rule as well as any change in circumstances, and the amendment or waiver does not materially impair the interests of the holders of the Bonds to which such undertaking relates, in the opinion of the Trustee or counsel expert in federal securities laws acceptable to both the Company and the Trustee, or is approved by the Beneficial Owners of a majority in aggregate principal amount of the outstanding Bonds. The Company acknowledges that its undertakings pursuant to the Rule described under this heading are intended to be for the benefit for the holders of the Bonds and shall be enforceable by the holders of those Bonds or by the Trustee on behalf of such holders. Any breach by the Company of these undertakings pursuant to the Rule will not constitute an event of default under the Indenture, the Loan Agreement or the Bonds.

This Official Statement has been duly approved, executed and delivered by the County Judge/Executive of the Issuer, on behalf of the Issuer. However, the Issuer neither has nor assumes any responsibility as to the accuracy or completeness of any of the information in this Official Statement except for information furnished by the Issuer under the caption "The Issuer."

COUNTY OF TRIMBLE, KENTUCKY

By: /s/ Randy Stevens
County Judge/Executive

Appendix A

The Company

Louisville Gas and Electric Company ("LG&E") is a regulated public utility that provides electric service to approximately 398,000 customers and natural gas to approximately 324,000 customers in Louisville and adjacent areas in Kentucky. LG&E's service territory covers approximately 700 square miles in 17 counties and has an estimated population of one million. Included in this area is the Fort Knox Military Reservation to which LG&E transports natural gas and provides electric service, but which maintains its own distribution systems. LG&E also provides natural gas service in limited additional areas.

For the twelve month period ended December 31, 2006, approximately 70% of LG&E's total operating revenues were derived from electric operations and approximately 30% from natural gas operations. Coal-fired generating units provided approximately 97% of LG&E's net kilowatt-hour generation for the twelve month period ended December 31, 2006. The remainder of net generation was made up of a hydroelectric plant and natural gas and oil fueled combustion turbine peaking units. LG&E does not have any nuclear generating stations and has no plans to build any in the foreseeable future.

LG&E is a subsidiary of E.ON U.S. LLC ("E.ON U.S."), a diversified energy-services holding company headquartered in Louisville, Kentucky and an indirect subsidiary of E.ON AG ("E.ON"), an international integrated energy company with its principal operations in continental Europe, the United Kingdom, Scandinavia and the U.S. Prior to December 1, 2005, E.ON U.S. was known as LG&E Energy LLC. Previously, effective December 30, 2003, LG&E Energy LLC (now E.ON U.S. LLC) became the successor, by assignment and subsequent merger, to all the assets and liabilities of LG&E Energy Corp.

In December 2000, LG&E Energy Corp., now E.ON U.S. LLC, was acquired by Powergen plc, now Powergen Limited ("Powergen"). Subsequently, in July 2002, E.ON completed its acquisition of Powergen. As a result of the acquisition, E.ON U.S. became a wholly owned subsidiary of E.ON. As a result of these acquisitions and otherwise, E.ON and E.ON U.S. registered as holding companies under the Public Utility Holding Company Act of 2005 in June 2006, and were formerly registered holding companies under the Public Utility Holding Company Act of 1935. LG&E has continued its separate identity and its preferred stock and debt securities were not affected by these merger transactions.

LG&E has commenced a review of certain federal and state permitting, licensing and oversight matters relating to existing natural gas operations at its Doe Run, Kentucky storage field. The Doe Run field has been in use since the 1940's and its operations include limited facilities in Indiana. The review relates, in part, to the applicable jurisdictional status of such operations under the Natural Gas Act and other statutes and whether additional regulatory authorizations or operational steps are required or advisable. LG&E has had preliminary communications with the Federal Energy Regulatory Commission ("FERC") and relevant regulatory agencies in Kentucky and Indiana and is continuing to coordinate with such entities. The Company anticipates completing its review during mid-2007 and will consider appropriate, follow-up regulatory or other actions or proceedings, if any, thereafter. LG&E believes that no sanctions are warranted but is unable to estimate the ultimate outcome of the matter, including whether FERC might seek to impose any penalties under the Energy Policy Act of 2005 or otherwise.

LG&E's executive offices are located at 220 West Main Street, P.O. Box 32010, Louisville, Kentucky 40232, telephone: (502) 627-2000.

Selected Financial Data

(Millions of $)

	Year Ended December 31,		
	2006	2005	2004
Income Statement Information:			
Operating Revenues	$1,338	$1,424	$1,173
Net Income	117	129	96
Ratio of Earnings to Fixed Charges (1)	5.16x	6.11x	5.38x

	December 31, 2006	% of Capitalization
Capitalization:		
Total Long-Term Debt (2)	$ 572	33%
Total Preferred Stock (2)	70	4
Total Common Equity	1,094	63
Total Capitalization	$1,736	100%

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(1) For purposes of this ratio, "Earnings" consist of the aggregate of Income Before Cumulative Effect of a Change in Accounting Principle, taxes on income, investment tax credit (net) and "Fixed Charges." "Fixed Charges" consist of interest charges and one-third of rentals charged to operating expenses.

(2) LG&E redeemed all of its outstanding preferred stock and mandatorily redeemable preferred stock on April 16, 2007. Funding for this redemption was provided by new long-term loans in the aggregate amount of $138 million from LG&E's affiliate, Fidelia Corporation.

The unaudited financial data in the table above for the years ended December 31, 2006, 2005 and 2004 is derived from LG&E's audited financial statements for the years ended December 31, 2006, 2005 and 2004 included in LG&E's Form 10-K for the year ended

December 31, 2006. PricewaterhouseCoopers LLP audited LG&E's financial statements for the years ended December 31, 2006, 2005 and 2004.

Available Information

LG&E currently is subject to the information requirements of the Securities Exchange Act of 1934 and, accordingly, files reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). Such reports, proxy statements and other information, as well as reports and other information regarding E.ON, on file can be inspected and copied at the public reference facilities of the SEC, currently at Room 1580, 100 F Street, N.E., Washington, DC 20549; and copies of such material can be obtained from the Public Reference Section of the SEC at its principal office at 100 F Street, N.E., Washington, DC 20549 at prescribed rates or from the SEC's Web Site (http://www.sec.gov). Please call the SEC at 1-800-SEC-0330 for further information on the public reference room.

It is anticipated that shortly after the date of the issuance of the Bonds, LG&E will no longer be subject to the information requirements of the Securities Exchange Act of 1934 and will cease filing such reports, proxy statements and other information with the SEC. LG&E will continue to file audited annual financial information and certain unaudited quarterly financial information with the Depositories. LG&E also will provide such information to the Underwriters and will provide such information upon request to any holders or potential holders of the Bonds.

Documents Incorporated By Reference

The following documents, as filed by LG&E with the SEC, are incorporated herein by reference:

1. Form 10-K Annual Report of LG&E for the year ended December 31, 2006;
2. Form 8-K Current Report of LG&E filed with the SEC on March 15, 2007;
3. Form 8-K Current Report of LG&E filed with the SEC on April 11, 2007; and
4. Form 8-K Current Report of LG&E filed with the SEC on April 18, 2007.

All documents filed by LG&E with the SEC or the Depositories subsequent to the date of this Official Statement and prior to the termination of the offering of the Bonds shall be deemed to be incorporated by reference in this Appendix and to be made a part hereof from their respective dates of filing. Any statement contained in a document incorporated or deemed to be incorporated by reference in this Official Statement shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained in this Official Statement or in any other subsequently filed document which also is or is deemed to be incorporated by reference in this Official Statement modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement. As indicated above, it is anticipated that LG&E will cease filing reports with the SEC shortly after the date of issuance of the Bonds.

LG&E hereby undertakes to provide without charge to each person (including any beneficial owner) to whom a copy of this Official Statement has been delivered, on the written or oral request of any such person, a copy of any or all of the documents referred to above which have been or may be incorporated in this Official Statement by reference, other than certain exhibits to such documents. Requests for such copies should be directed to Dan Arbough, Louisville Gas and Electric Company, 220 West Main Street, P.O. Box 32010, Louisville, Kentucky 40232, telephone: (502) 627-2000.

Appendix B

(Form of Opinion of Bond Counsel)

, 2007

Re: $60,000,000 County of Trimble, Kentucky, Environmental Facilities Revenue Refunding Bonds, 2007 Series A (Louisville Gas and Electric Company Project)

We hereby certify that we have examined certified copies of the proceedings of record of the County of Trimble, Kentucky (the "County"), acting by and through its Fiscal Court as its duly authorized governing body, preliminary to and in connection with the issuance by the County of its Environmental Facilities Revenue Refunding Bonds, 2007 Series A (Louisville Gas and Electric Company Project), dated their date of issuance, in the aggregate principal amount of $60,000,000 (the "Bonds"). The Bonds are issued under the provisions of Sections 103.200 to 103.285, inclusive, of the Kentucky Revised Statutes (the "Act"), for the purpose of providing funds which will be used, with other funds provided by Louisville Gas and Electric Company (the "Company") for the current refunding of $60,000,000 aggregate principal amount of the County's Pollution Control Revenue Bonds, 1992 Series A (Louisville Gas and Electric Company Project), dated September 17, 1992 (the "Prior Bonds"), which were issued for the purpose of currently refunding a portion of the capital costs of facilities for the control, containment, reduction and abatement of atmospheric and liquid pollutants and contaminants and for the disposal of solid wastes serving the Trimble County Generating Station of the Company in Trimble County, Kentucky (the "Project"), as provided by the Act.

The Bonds mature on June 1, 2033 and bear interest initially at the Long Term Rate, as defined in the Indenture, hereinafter described, subject to change as provided in such Indenture. The Bonds will be subject to optional and mandatory redemption prior to maturity at the times, in the manner and upon the terms set forth in the Bonds. From such examination of the proceedings of the Fiscal Court of the County referred to above and from an examination of the Act, we are of the opinion that the County is duly authorized and empowered to issue the Bonds under the laws of the Commonwealth of Kentucky now in force.

We have examined an executed counterpart of a certain Loan Agreement, dated as of March 1, 2007 (the "Loan Agreement"), between the County and the Company and a certified copy of the proceedings of record of the Fiscal Court of the County preliminary to and in connection with the execution and delivery of the Loan Agreement, pursuant to which the County has agreed to issue the Bonds and to lend the proceeds thereof to the Company to provide funds to pay and discharge with other funds provided by the Company, the Prior Bonds. The Company has agreed to make Loan payments to the Trustee at times and in amounts fully adequate to pay maturing principal of, interest on and redemption premium, if any, on the Bonds as same become due and payable. From such examination, we are of the opinion that such proceedings of the Fiscal Court of the County show lawful authority for the execution and delivery of the Loan Agreement; that the Loan Agreement has been duly authorized, executed and delivered by the County; and that the Loan Agreement is a legal, valid and binding obligation of the County, enforceable in accordance with its terms, subject to the qualification that the enforcement thereof may be limited by laws relating to bankruptcy, insolvency or other similar laws affecting creditors' rights generally, including equitable provisions where equitable remedies are sought.

We have also examined an executed counterpart of a certain Indenture of Trust, dated as of March 1, 2007 (the "Indenture"), by and between the County and Deutsche Bank Trust Company Americas, as trustee (the "Trustee"), securing the Bonds and setting forth the covenants and undertakings of the County in connection with the Bonds and a certified copy of the proceedings of record of the Fiscal Court of the County preliminary to and in connection with the execution and delivery of the Indenture. Pursuant to the Indenture, certain of the County's rights under the Loan Agreement, including the right to receive payments thereunder, and all moneys and securities held by the Trustee in accordance with the Indenture (except moneys and securities in the Rebate Fund created thereby) have been assigned to the Trustee, as security for the holders of the Bonds. From such examination, we are of the opinion that such proceedings of the Fiscal Court of the County show lawful authority for the execution and delivery of the Indenture; that the Indenture has been duly authorized, executed and delivered by the County; and that the Indenture is a legal, valid and binding obligation upon the parties thereto according to its terms, subject to the qualification that the enforcement thereof may be limited by laws relating to bankruptcy, insolvency or other similar laws affecting creditors' rights generally, including equitable provisions where equitable remedies are sought.

In our opinion the Bonds have been validly authorized, executed and issued in accordance with the laws of the Commonwealth of Kentucky now in full force and effect, and constitute legal, valid and binding special obligations of the County entitled to the benefit of the security provided by the Indenture and enforceable in accordance with their terms, subject to the qualification that the enforcement thereof may be limited by laws relating to bankruptcy, insolvency or other similar laws affecting creditors' rights generally, including equitable provisions where equitable remedies are sought. The Bonds are payable by the County solely and only from payments and other amounts derived from the Loan Agreement and as provided in the Indenture.

In our opinion, under existing laws, including current statutes, regulations, administrative rulings and official interpretations by the Internal Revenue Service, subject to the exceptions and qualifications contained in the succeeding paragraphs, (i) interest on the Bonds is excluded from the gross income of the recipients thereof for federal income tax purposes, except that no opinion is expressed regarding such exclusion from gross income with respect to any Bond during any period in which it is held by a "substantial user" of the Project or a "related person," as such terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) interest on the Bonds is not a separate item of tax preference in determining alternative minimum taxable income for individuals and corporations under the Code. In arriving at this opinion, we have relied upon representations, factual statements and certifications of the Company with respect to certain material facts which are solely within the Company's knowledge in reaching our conclusion, inter alia, that not less than substantially all of the proceeds of the Prior Bonds were used to refinance air and water pollution control facilities and solid waste disposal facilities qualified for financing under Section 103(b)(4)(E) and (F) of the Internal Revenue Code of 1954, as amended. Further, in arriving at the opinion set forth in this paragraph as to the exclusion from gross income of interest on the Bonds, we have assumed and this opinion is conditioned on, the accuracy of and continuing compliance by the Company and the County with representations and covenants set forth in the Loan Agreement and the Indenture which are intended to assure compliance with certain tax-exempt interest provisions of the Code. Such representations and covenants must be accurate and must be complied with subsequent to the issuance of the Bonds in order that interest on the Bonds be excluded from gross income for federal income tax purposes. Failure to comply with certain of such representations and covenants in respect of the Bonds subsequent to the issuance of the Bonds could cause the interest thereon to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. We express no opinion (i) regarding the exclusion of interest on any Bond from gross income for federal income tax purposes on or after the date on which any change, including any interest rate conversion, permitted by the documents (other than with approval of this firm) is taken which adversely affects the tax treatment of the Bonds or (ii) as to the treatment for purposes of federal income taxation of interest on the Bonds upon a Determination of Taxability. We are further of the opinion that interest on the Bonds is excluded from gross income of the recipients thereof for Kentucky income tax purposes and that the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and all political subdivisions thereof.

Our opinion as to the exclusion of interest on the Bonds from gross income for federal income tax purposes and federal tax treatment of interest on the Bonds is further subject to the following exceptions and qualifications:

(a) Provisions of the Code applicable to corporations (as defined for federal income tax purposes) which impose an alternative minimum tax on a portion of the excess of adjusted current earnings over other alternative minimum taxable income may subject a portion of the interest on the Bonds earned by certain corporations to such corporate alternative minimum tax. Such corporate alternative minimum tax does not apply to any S corporation, regulated investment company, real estate investment trust or REMIC.

(b) The Code provides for a "branch profits tax" which subjects to tax, at a rate of 30%, the effectively connected earnings and profits of a foreign corporation which engages in a United States trade or business. Interest on the Bonds would be includable in the amount of effectively connected earnings and profits and thus would increase the branch profits tax liability.

(c) The Code also provides that passive investment income, including interest on the Bonds, may be subject to taxation for any S corporation with Subchapter C earnings and profits at the close of its taxable year if greater than 25% of its gross receipts is passive investment income.

Except as stated above, we express no opinion as to any federal or Kentucky tax consequences resulting from the receipt of interest on the Bonds.

Holders of the Bonds should be aware that the ownership of the Bonds may result in collateral federal income tax consequences. For instance, the Code provides that, for taxable years beginning after December 31, 1986, property and casualty insurance companies will be required to reduce their loss reserve deductions by 15% of the tax-exempt interest received on certain obligations, such as the Bonds, acquired after August 7, 1986. (For purposes of the immediately preceding sentence, a portion of dividends paid to an affiliated insurance company may be treated as tax-exempt interest.) The Code further provides for the disallowance of any deduction for interest expenses incurred by banks and certain other financial institutions allocable to carrying certain tax-exempt obligations, such as the Bonds, acquired after August 7, 1986. The Code also provides that, with respect to taxpayers other than such financial institutions, such taxpayers will be unable to deduct any portion of the interest expenses incurred or continued to purchase or carry the Bonds. The Code also provides, with respect to individuals, that interest on tax-exempt obligations, including the Bonds, is included in modified adjusted gross income for purposes of determining the taxability of social security and railroad retirement benefits. Furthermore, the earned income credit is not allowed for individuals with an aggregate amount of disqualified income within the meaning of section 32 of the Code, which exceeds $2,200. Interest on the Bonds will be taken into account in the calculation of disqualified income.

We have received opinions of John R. McCall, Esq., General Counsel of the Company and Jones Day, Chicago, Illinois, counsel to the Company, of even date herewith. In rendering this opinion, we have relied upon said opinions with respect to the matters therein. We have also received an opinion of even date herewith of Hon. Perry Arnold, County Attorney of Trimble County, Kentucky, and relied upon said opinion with respect to the matters therein. Said opinions are in forms satisfactory to us as to both scope and content.

We express no opinion as to the title to, the description of, or the existence or priority of any liens, charges or encumbrances on, the Project.

In rendering the foregoing opinions, we are passing upon only those matters specifically set forth in such opinions and are not passing upon the investment quality of the Bonds or the accuracy or completeness of any statements made in connection with any offer or sale thereof. The opinions herein are expressed as of the date hereof and we assume no obligation to supplement or update such opinions to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

We are members of the Bar of the Commonwealth of Kentucky and do not purport to be experts on the laws of any jurisdiction other than the Commonwealth of Kentucky and the United States of America, and we express no opinion as to the laws of any jurisdiction other than those specified.

STOLL KEENON OGDEN PLLC

Appendix C

Form of Bond Insurance Policy

Ambac

Financial Guaranty Insurance Policy

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Obligor: Policy Number:

Obligations: Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

Robert J. Genader

President

AMBAC ASSURANCE CORPORATION CORPORATE SEAL WISCONSIN

Anne G. Gill

Secretary

Effective Date:

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Noraida Lauro

Authorized Officer of Insurance Trustee

Form No.: 2B-0012 (1/01)

Ambac

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Endorsement

Policy for:

Attached to and forming part of Policy No.:

Effective Date of Endorsement:

Notwithstanding the terms and conditions in the Policy, it is further understood that in the event all or a portion of the Obligations become subject to mandatory redemption pursuant to Section 4.01(a)(i) of the Indenture in connection with the requirement that the Company prepay the Loan in whole or in part pursuant to Section 10.3 of the Agreement following the occurrence of a Determination of Taxability, the principal of and interest on such Obligations due upon any such redemption shall be deemed Due for Payment within the meaning of the Policy. As used in this Endorsement, the term "Indenture" means the Indenture of Trust dated as of March 1, 2007 between the Obligor and Deutsche Bank Trust Company Americas, as Trustee, the term "Company" means Louisville Gas and Electric Company, a Kentucky corporation, the term "Agreement" means the Loan Agreement dated as of March 1, 2007, between the Obligor and the Company; the term "Loan" has the meaning ascribed thereto in the Indenture; and the term "Determination of Taxability" has the meaning ascribed thereto in the Agreement.

Nothing herein contained shall be held to vary, alter, waive or extend any of the terms, conditions, provisions, agreements or limitations of the above mentioned Policy other than as above stated.

In Witness Whereof, Ambac has caused this Endorsement to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

Ambac Assurance Corporation

Robert J Genader

President

AMBAC ASSURANCE CORPORATION CORPORATE SEAL WISCONSIN

Anne G. Gill

Secretary

Authorized Representative

LG&E Prospectus – Environmental Facilities Revenue Refunding Bonds
Prospectus Dated: April 18, 2007

NEW ISSUES BOOK-ENTRY-ONLY

Subject to the conditions and exceptions set forth under the caption "Tax Treatment." Bond Counsel is of the opinion that, under current law, interest on each series of Bonds offered hereby will be excludable from the gross income of the recipients thereof for federal income tax purposes, except that no opinion will be expressed regarding such exclusion from gross income with respect to any Bond during any period in which it is held by a "substantial user" or a "related person" of the Project as such terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code") Interest on each series of Bonds will not be an item of tax preference in determining alternative minimum taxable income for individuals and corporations under the Code. Such interest may be subject to certain federal income taxes imposed on certain corporations, including imposition of the branch profits tax on a portion of such interest Bond Counsel is further of the opinion that interest on each series of Bonds will be excludable from the gross income of the recipients thereof for Kentucky income tax purposes and that, under current law, the principal of each series of Bonds will be exempt from ad valorem taxes in Kentucky. Issuance of each series of Bonds is subject to receipt of a favorable tax opinion of Bond Counsel as of the date of delivery of each series of Bonds See "Tax Treatment" herein.

$31,000,000
Louisville/Jefferson County Metro Government, Kentucky Environmental Facilities Revenue Refunding Bonds 2007 Series A (Louisville Gas and Electric Company Project)

$35,200,000
Louisville/Jefferson County Metro Government, Kentucky Environmental Facilities Revenue Refunding Bonds 2007 Series B (Louisville Gas and Electric Company Project)

Dated: Date of original delivery Due: June 1, 2033

The Bonds of each series (individually the "Series A Bonds" and the "Series B Bonds" and. collectively, the "Bonds") will be special and limited obligations of the Louisville/Jefferson County Metro Government, Kentucky (the "Issuer"), payable by the Issuer solely from and secured by payments to be received by the Issuer pursuant to separate Loan Agreements with

Louisville Gas and Electric Company

(the "Company"), except as payable from proceeds of such Bonds or investment earnings thereon. The Bonds will not constitute general obligations of the Issuer or a charge against the general credit or taxing powers thereof or of the Commonwealth of Kentucky or any other political subdivision of Kentucky.

Payment of the principal of and interest on each series of Bonds when due will be insured by separate financial guaranty insurance policies to be issued by Ambac Assurance Corporation ("Ambac Assurance" or the "Bond Insurer") simultaneously with the delivery of the Bonds.

Ambac

The Bonds of each series are separate series and the sale and delivery of one series is not dependent on the sale and delivery of the other series. The Bonds of each series will accrue interest from the respective date of original issuance, will initially be issued in a seven-day Auction Period, and will initially bear interest at an Auction Rate determined pursuant to the Auction Procedures described in Appendix B hereto. The first Auction will occur on May 3, 2007 with subsequent auctions occurring each Thursday unless changed as provided herein. The first Interest Payment Date on the Bonds will be May 4, 2007 and each Friday thereafter subject to certain exceptions described herein The Bonds of each series will continue to bear interest at an Auction Rate until their Conversion to a different Interest Rate Mode or until maturity While the Bonds of a series bear interest at the Auction Rate, the Bonds of such series will not be subject to purchase on demand of the owners thereof. Prospective purchasers of the Bonds should carefully review the Auction Procedures and should note that such procedures provide that (i) a Bid or Sell Order constitutes a commitment to purchase or sell Bonds based upon the results of an Auction, (ii) Auctions will be conducted through telephone communications and (iii) settlement for purchases and sales will be made on the Business Day following an Auction Beneficial interests in Bonds bearing interest at an Auction Rate may be transferred only pursuant to a Bid or Sell Order placed in an Auction or to or through a Broker-Dealer See "Summary of the Bonds—Broker-Dealers." "Summary of the Bonds—Certain Considerations Affecting Auction Rate Securities," "Summary of the Bonds—Summary of Certain Provisions of the Bonds" and "Appendix B—Auction Procedures."

PRICE: 100%

The Bonds will be secured solely by payments to be made by the Company under the Loan Agreement, which will be an unsecured general obligation of the Company, and will rank on a parity with other unsecured indebtedness of the Company. The Company will covenant not to incur, assume or guarantee any secured indebtedness other than as permitted in the Loan Agreement. See "Security; Limitation on Liens."

The Bonds, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York DTC will act as securities depository. Purchases of beneficial ownership interests in the Bonds bearing interest at the Auction Rate will be made in book-entry only form in denominations of $25,000 and integral multiples thereof. Purchasers will not receive certificates representing their beneficial interests in the Bonds. See the information contained under the caption "Summary of the Bonds—Book-Entry-Only System" herein The principal of, premium, if any, and interest on the Bonds will be paid by Deutsche Bank Trust Company Americas, as Trustee, to Cede & Co., as long as Cede & Co is the registered owner of the Bonds Disbursement of such payments to the DTC Participants is the responsibility of DTC, and disbursement of such payments to the purchasers of beneficial ownership interests is the responsibility of DTC's Direct and Indirect Participants, as more fully described herein.

The Bonds are offered when, as and if issued and received by the Underwriters, subject to prior sale, withdrawal or modification of the offer without notice, and to the approval of legality by Stoll Keenon Ogden PLLC, Louisville, Kentucky, as Bond Counsel and upon satisfaction of certain conditions. Certain legal matters will be passed upon for the Company by its counsel, Jones Day, Chicago, Illinois and John R. McCall, Esq., Executive Vice President, General Counsel and Corporate Secretary of the Company, for the Issuer by its County Attorney, and for the Underwriters by their counsel, Winston & Strawn LLP, Chicago, Illinois. It is expected that the Bonds will be available for delivery to DTC in New York, New York on or about April 26, 2007.

JPMorgan **Morgan Stanley**

Dated: April 18, 2007

No dealer, broker, salesman or other person has been authorized by the Issuer, the Company or the Underwriters to give any information or to make any representation with respect to the Bonds, other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to above since the date hereof. Although the Issuer has consented to the use of this Official Statement in connection with the initial issuance and sale of the Bonds, the Issuer does not make any representation with respect to the accuracy or completeness hereof and will incur no liability with respect thereto, except for the information under the caption "The Issuer."

In connection with the offering of the Bonds, the Underwriters may over-allot or effect transactions which stabilize or maintain the market prices of such Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER, THE COMPANY, THE BOND INSURER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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OFFICIAL STATEMENT

$31,000,000	**$35,200,000**
Louisville/Jefferson County	**Louisville/Jefferson County**
Metro Government, Kentucky	**Metro Government, Kentucky**
Environmental Facilities Revenue Refunding Bonds	**Environmental Facilities Revenue Refunding Bonds**
2007 Series A	**2007 Series B**
(Louisville Gas and Electric Company Project)	**(Louisville Gas and Electric Company Project)**

Introductory Statement

This Official Statement, including the cover page and Appendices, is provided to furnish information in connection with the offer and sale by the Louisville/Jefferson County Metro Government, Kentucky (the "Issuer") of (i) its Environmental Facilities Revenue Refunding Bonds, 2007 Series A (Louisville Gas and Electric Company Project), in the aggregate principal amount of $31,000,000 (the "Series A Bonds") to be issued pursuant to an Indenture of Trust dated as of March 1, 2007 (the "Series A Indenture") between the Issuer and Deutsche Bank Trust Company Americas (the "Series A Trustee"), as Trustee, Paying Agent and Bond Registrar and (ii) its Environmental Facilities Revenue Refunding Bonds, 2007 Series B (Louisville Gas and Electric Company Project), in the aggregate principal amount of $35,200,000 (the "Series B Bonds" and, collectively with the Series A Bonds, the "Bonds") to be issued pursuant to an Indenture of Trust dated as of March 1, 2007 (the "Series B Indenture" and, collectively with the Series A Indenture, the "Indenture") between the Issuer and Deutsche Bank Trust Company Americas (the "Series B Trustee" and, collectively with the Series A Trustee, the "Trustee"), as Trustee, Paying Agent and Bond Registrar.

Pursuant to separate Loan Agreements by and between Louisville Gas and Electric Company (the "Company") and the Issuer, dated as of March 1, 2007 (each, a "Loan Agreement"), proceeds from the sale of the Bonds, other than accrued interest, if any, paid by the initial purchasers thereof, will be loaned by the Issuer to the Company. The Loan Agreements are separate undertakings by and between the Company and the Issuer.

The proceeds of the Series A Bonds (other than any accrued interest) will be applied in full, together with other funds made available by the Company, to pay and discharge all of the $31,000,000 outstanding principal amount of "County of Jefferson, Kentucky Pollution Control Revenue Bonds, 1992 Series A (Louisville Gas and Electric Company Project) dated September 17, 1992 (the "1992 Bonds"), previously issued by the Issuer to refinance certain air pollution control facilities (the "Series A Project") owned by the Company. The proceeds of the Series B Bonds (other than any accrued interest) will be applied in full, together with other funds made available by the Company, to pay and discharge $35,200,000 outstanding principal amount of County of Jefferson, Kentucky Pollution Control Revenue Bonds, 1993 Series A (Louisville Gas and Electric Company Project) dated August 31, 1993 (the "1993 Bonds"), previously issued by the Issuer to finance certain air and water pollution control and solid waste disposal facilities (the "Series B Project") owned by the Company.

It is a condition to the Underwriters' obligation to purchase the applicable series of Bonds that the Company irrevocably instruct the trustee in respect of the 1992 Bonds and the 1993 Bonds, as the case may be, on or prior to the date of issuance of the Bonds, to call the 1992 Bonds and the 1993 Bonds, as the case may be, for redemption.

The Company is an operating subsidiary of E.ON U.S. LLC (formerly known as LG&E Energy LLC) and E.ON AG (the "Parents"). See "Appendix A — The Company." The Parents will have no obligation to make any payments due under the Loan Agreement or any other payments of principal, interest, premium or purchase price of the Bonds.

The Company will repay the loan under the applicable Loan Agreement by making payments to the applicable Trustee in sufficient amounts to pay the principal of and interest and any premium on, and purchase price of, the applicable series of Bonds. See "Summary of the Loan Agreement — General." Pursuant to the applicable Indenture, the Issuer's rights under the applicable Loan Agreement (other than with respect to certain indemnification and expense payments) will be assigned to the applicable Trustee as security for the applicable series of Bonds.

The Bonds will be secured solely by payments to be made by the Company under the Loan Agreements, which will be unsecured general obligations of the Company, and will rank on a parity with other unsecured indebtedness of the Company. See "Security; Limitation on Liens" and "Summary of the Bonds — Remarketing and Purchase of Bonds."

The Bonds are special and limited obligations of the Issuer and the Issuer's obligation to pay the principal of and interest and any premium on, and purchase price of, the Bonds is limited solely to the revenues and other amounts received by the Trustee under the applicable Indenture pursuant to the applicable Loan Agreement. The Bonds will not constitute an indebtedness, general obligation or pledge of the faith and credit or taxing power of the Issuer, the Commonwealth of Kentucky or any political subdivision thereof.

Ambac Assurance Corporation ("Ambac Assurance" or the "Bond Insurer") will, concurrently with the issuance of the Bonds, issue separate Financial Guaranty Insurance Policies in respect of each series of Bonds (a "Bond Insurance Policy"), insuring the payment of regularly scheduled payments of the principal of the applicable series of Bonds and interest thereon that have become "Due for Payment" (as this term is defined in such Bond Insurance Policy), but in either case shall be unpaid by reason of nonpayment by the Issuer. Each Bond Insurance Policy will be issued pursuant to an Insurance Agreement between the Company and Ambac Assurance to be dated the date of issuance of the applicable series of Bonds (the "Insurance Agreement"). The Bond Insurance Policy will not insure payment of the purchase price of Bonds subject to mandatory purchase or purchase on the demand of the Bondholders thereof or payment of the principal, premium or interest on the Bonds as a result of an acceleration, redemption (other than special mandatory redemption upon occurrence of a Determination of Taxability as hereinafter described) or other advancement of maturity. Certain information with respect to the Bond Insurance Policy and the Bond Insurer is included in this Official Statement. See "The Bond Insurance Policy and the Bond Insurer" and Appendix D. So long as the Bond Insurer is not in default under the Bond Insurance Policy, the applicable Indenture and applicable Loan Agreement may not be amended or supplemented, if such action requires the consent or approval of the Bondholders, without the prior written consent of the Bond Insurer. Upon the occurrence of an Event of Default under the Indenture, Ambac Assurance will be entitled to control and direct the enforcement of all rights and remedies granted to the applicable Bondholders or the applicable Trustee. See "Summary of the Indenture — Rights of Bond Insurer."

Each series of Bonds initially will bear interest at an Auction Rate accruing from the applicable date of original issuance of such series of Bonds (the "Issue Date"). Thereafter, while the Bonds bear interest at an Auction Rate, the rate of interest, which will not exceed the Maximum Rate (as defined herein), will be determined pursuant to the Auction Procedures on the Business Day preceding the first day of the related Auction Period by the Auction Agent and will remain in effect until the end of the Auction Period. The initial Auction Rate for each series of Bonds will be established by the Underwriters on or prior to the Issue Date. The first Auction shall occur on May 3, 2007 with subsequent auctions occurring each Thursday unless changed as provided herein. The first Interest Payment Date will be May 4, 2007 and each Friday thereafter subject to certain exceptions described herein. See "Appendix B — Auction Procedures."

Deutsche Bank Trust Company Americas will be appointed Auction Agent under the applicable Indenture. Its corporate trust office is at 60 Wall Street, 27th Floor, Mailstop NYC 60-2715, New York, New York 10005, Attention: Auction Desk. The Auction Agent may be removed or replaced by the Company in accordance with the terms of the applicable Indenture.

J.P. Morgan Securities Inc. and Morgan Stanley & Co. Incorporated will be appointed as Broker-Dealers with respect to the Bonds on the Issue Date. One or more other Broker-Dealers may be appointed, and any Broker-Dealer may be removed or replaced, by the Company.

J.P. Morgan Securities Inc. and Morgan Stanley & Co. Incorporated will each be appointed under the applicable Indenture to serve as Remarketing Agents for the Bonds. Any Remarketing Agent may resign or be removed and a successor Remarketing Agent may be appointed in accordance with the terms of the applicable Indenture and the applicable Remarketing Agreement for the Bonds between the Remarketing Agents and the Company.

Brief descriptions of the Company, the Issuer, the Bonds, the Loan Agreement, and the Indenture are included in this Official Statement. Such descriptions and information do not purport to be complete, comprehensive or definitive and are not to be construed as a representation or a guaranty of accuracy or completeness. All references herein to the documents are qualified in their entirety by reference to such documents, and references herein to the Bonds are qualified in their entirety by reference to the definitive form thereof included in the Indenture. Copies of the Loan Agreements and the Indentures will be available for inspection at the principal corporate trust office of the Trustee and, until the issuance of the Bonds, may be obtained from the Underwriters. Certain information relating to The Depository Trust Company ("DTC") and the book-entry-only system has been furnished by DTC.

Appendix A to this Official Statement and all information contained under the headings "The Projects" and "Use of Proceeds" has been furnished by the Company. The Issuer and Bond Counsel assume no responsibility for the accuracy or completeness of such Appendix A or such information. Appendix B to this Official Statement contains a description of the Auction Procedures. Appendix C to this Official Statement contains the proposed forms of opinion of Bond Counsel to be delivered in connection with the issuance and delivery of the Bonds. Appendix D to this Official Statement contains the proposed form of Bond Insurance Policy to be issued by Ambac Assurance in connection with the issuance and delivery of the Bonds. Appendix E to this Official Statement contains a description of certain provisions applicable to the Bonds while bearing interest at a Flexible Rate, a Variable Rate (as hereinafter defined) or a Long Term Rate.

The Issuer

The Issuer is a public body corporate and politic duly created and existing as a political subdivision under the Constitution and laws of the Commonwealth of Kentucky. The Issuer is authorized by Chapter 67C and Sections 103.200 to 103.285, inclusive, of the Kentucky Revised Statutes (collectively, the "Act") to (a) issue the Bonds and pay and discharge the 1992 Bonds and the 1993 Bonds, (b) lend the proceeds from the sale of such Bonds to the Company for such purpose and (c) enter into and perform its obligations under the Loan Agreements and the Indentures. The Issuer, through its legislative body, the Metro Government Legislative Council, has adopted one or more ordinances authorizing the issuance of the Bonds and the execution and delivery of the related documents.

THE BONDS ARE SPECIAL AND LIMITED OBLIGATIONS PAYABLE SOLELY AND ONLY FROM CERTAIN SOURCES, INCLUDING AMOUNTS TO BE RECEIVED BY OR ON BEHALF OF THE ISSUER UNDER THE APPLICABLE LOAN AGREEMENT. THE BONDS WILL NOT CONSTITUTE AN INDEBTEDNESS, GENERAL OBLIGATION OR PLEDGE OF THE FAITH AND CREDIT OR TAXING POWER OF THE ISSUER, THE COMMONWEALTH OF KENTUCKY OR ANY POLITICAL SUBDIVISION THEREOF, AND WILL NOT GIVE RISE TO A PECUNIARY LIABILITY OF THE ISSUER OR A CHARGE AGAINST ITS GENERAL CREDIT OR TAXING POWERS.

The Projects

Series A Project

The Series A Project has been completed. The Series A Project consists of certain air pollution control facilities in connection with the Mill Creek and Cane Run Stations of the Company situated in Jefferson County, Kentucky. Major components of the Series A Project include the acquisition, construction, installation and equipping of electrostatic precipitators and sulphur dioxide removal systems serving generating units at the two generating stations.

The Natural Resources and Environmental Protection Cabinet of the Commonwealth of Kentucky and the Air Pollution Control District of Jefferson County, the agencies exercising jurisdiction with respect to the Series A Project, have each previously certified that the Series A

Project, as designed, is in furtherance of the purpose of controlling atmospheric pollutants or contaminants.

Series B Project

The Series B Project has been completed. The Series B Project consists of certain air and water pollution control and solid waste disposal facilities in connection with the Mill Creek and Can Run Stations of the Company situated in Jefferson County, Kentucky. Major components of the Series B Project include the acquisition, construction, installation and equipping of electrostatic precipitators, sulphur dioxide removal systems, an ash retention and disposal basin, sludge processing facilities, solid waste disposal facilities and a mechanical draft cooling tower serving generating units at the generating stations.

The National Resources and Environmental Protection Cabinet of the Commonwealth of Kentucky and the Air Pollution Control District of Jefferson County, the agencies exercising jurisdiction with respect to the Series B Project, have each previously certified that the Series B Project, as designed, is in furtherance of the purpose of controlling atmospheric and water pollutants or contaminants.

Use of Proceeds

The proceeds from the sale of each series of Bonds (exclusive of accrued interest, if any) will be used, together with funds to be provided by the Company, to pay and discharge, at a redemption price of 100% of the principal amount thereof plus accrued interest, all of the outstanding 1992 Bonds and 1993 Bonds, as the case may be, on the date of issuance of the applicable Bonds. The 1992 Bonds bear interest at a variable rate of interest per annum and mature on September 1, 2017. For the twelve months ended December 31, 2006, the weighted average interest rate on the 1992 Bonds was 3.53%. The 1993 Bonds bear interest at a variable rate of interest per annum and mature on August 15, 2013. For the twelve months ended December 31, 2006, the weighted average interest rate on the 1993 Bonds was 3.49%.

Separate Series

The Series A Bonds and the Series B Bonds will be paid from payments made by or on behalf of the Company, will have substantially the same claim to such source of funds and are treated for federal income tax purposes as a single issue of obligations. The Series A Bonds and the Series B Bonds, however, are separate series and the sale and delivery of one series is not dependent on the sale and delivery of the other series. In addition, optional or mandatory redemption of either the Series A Bonds or the Series B Bonds may be made in the manner described below without the redemption of the other series. Similarly, a default under one of the series of Bonds or Loan Agreements will not necessarily constitute a default under the other series of Bonds or Loan Agreement. Each series of Bonds can bear interest at an Interest Rate Mode different from the Interest Rate Mode borne by the other series of Bonds. Unless specifically otherwise noted, the following discussion under the captions "Summary of the Bonds," "Security; Limitation of Liens," "The Bond Insurance Policy and the Bond Insurer," "Summary of the Loan Agreement," "Summary of the Indenture," "Enforceability Of

Remedies," "Tax Treatment," "Continuing Disclosure" and "Appendix B – Auction Procedures" applies equally, but separately, to the Series A Bonds and the Series B Bonds.

As used under such captions with respect to the Series A Bonds, the term "Project" shall mean the Series A Project, the term "Bonds" shall mean the Series A Bonds, the term "Loan Agreement" shall mean the Loan Agreement pursuant to which the Issuer will loan the proceeds from the sale of the Series A Bonds to the Company, the term "Indenture" shall mean the Series A Indenture, and the term "Trustee" shall mean the Series A Trustee.

As used under such captions with respect to the Series B Bonds, the term "Project" shall mean the Series B Project, the term "Bonds" shall mean the Series B Bonds, the term "Loan Agreement" shall mean the Loan Agreement pursuant to which the Issuer will loan the proceeds from the sale of the Series B Bonds to the Company, the term "Indenture" shall mean the Series B Indenture, and the term "Trustee" shall mean the Series B Trustee.

Summary of the Bonds

General

The Bonds will be issued in the aggregate principal amount set forth on the cover page of this Official Statement and will mature on June 1, 2033. The Bonds are also subject to redemption prior to maturity as described herein.

From and after the date of the issuance and delivery of the Bonds, the Bonds will bear interest at the Auction Rate and will continue to bear interest at the Auction Rate until a Conversion to another Interest Rate Mode is specified by the Company or until the maturity of the Bonds. The permitted Interest Rate Modes for the Bonds are (i) the "Flexible Rate," (ii) the "Daily Rate," (iii) the "Weekly Rate," (iv) the "Semi-Annual Rate," (v) the "Annual Rate," (vi) the "Long Term Rate" and (vii) the "Auction Rate." The Daily Rate, Weekly Rate, Semi-Annual Rate and Annual Rate are collectively referred to herein as "Variable Rates." Changes in the Interest Rate Mode will be effected, and notice of such changes will be given, as described below in "Conversion of Interest Rate Modes."

The Bonds initially will bear interest at an Auction Rate accruing from the Issue Date. Thereafter, while the Bonds bear interest at an Auction Rate, the rate of interest, which will not exceed the Maximum Rate, will be determined pursuant to the Auction Procedures on the Business Day preceding the first day of the related Auction Period by the Auction Agent and will remain in effect until the end of the Auction Period. The initial Auction Rate will be established by the Underwriters on or prior to the Issue Date. The first Auction will occur on May 3, 2007 with subsequent auctions occurring each Thursday unless changed as provided herein The first Interest Payment Date will be May 4, 2007 and each Friday thereafter subject to certain exceptions described herein. See "Appendix B — Auction Procedures."

If there are more Bonds which bear interest at an Auction Rate offered for sale than there are buyers for those Bonds in any Auction, the owners of the Bonds may not be able to sell some or all of their Bonds at that time. The relative buying and selling interest of market participants in the Bonds and in the auction rate securities market as a whole vary over time, may be adversely affected by, among other things, news relating to the Company or the Issuer, the attractiveness of alternative investments, the perceived risk of owning the security (whether related to credit, liquidity or any other risk), the tax treatment accorded the instruments, the accounting treatment accorded auction rate securities, including recent clarifications of U.S. generally accepted accounting principles relating to the treatment of the Bonds, reactions to regulatory actions or press reports, financial reporting cycles and market sentiment generally. Shifts of demand in response to any of the factors listed above cannot be predicted and may be short-lived or exist for longer periods.

While the Bonds bear interest at the Auction Rate, the Bonds will not be subject to purchase on demand of the owners of the Bonds. The Bonds may be transferred by a Beneficial Owner only by offering such Bonds for sale at a scheduled Auction. There can be no assurance that sufficient Bonds by Potential Holders will be submitted to enable Bonds submitted for sale to be actually sold. Reference is made to "Summary of Certain Provisions of the Bonds," "Broker-Dealers" and "Certain Considerations Affecting Auction Rate Securities" below, as well as "Appendix B - Auction Procedures" for further details of the Bonds.

During each Rate Period for an Interest Rate Mode (other than an Auction Rate), the interest rate or rates for the Bonds in that Interest Rate Mode, and Flexible Rate Periods for Bonds accruing interest at a Flexible Rate, will be determined by the Remarketing Agents in accordance with the Indenture; provided that the interest rate or rates borne by any Bonds may not exceed the lesser of (i) the maximum interest rate permitted by applicable law or (ii) 15% per annum.

Interest on the Bonds which bear interest at an Auction Rate for an Auction Period of 180 days or less will be computed on the basis of a 360-day year for the actual number of days elapsed. Interest on the Bonds which bear interest at a Flexible Rate, Daily Rate or Weekly Rate will be computed on the basis of a year of 365 or 366 days, as appropriate, and paid for the actual number of days elapsed. Interest on the Bonds which bear interest at a Semi-Annual Rate, Annual Rate, Long Term Rate or Auction Rate for an Auction Period of more than 180 days will be computed on the basis of a 360-day year, consisting of twelve 30-day months. Interest payable on any Interest Payment Date will be payable to the registered owner of the Bond as of the Record Date for such payment; provided that in the case of Bonds bearing interest at the Flexible Rate, interest will be payable to the registered owner of such Bond on the Interest Payment Date therefor. The Record Date, in the case of interest accrued at an Auction Rate, will be the close of business on the second Business Day preceding each Interest Payment Date, in the case of interest accrued at a Daily Rate or Weekly Rate, will be the close of business on the Business Day immediately preceding each Interest Payment Date, and in the case of interest accrued at a Semi-Annual Rate, Annual Rate or Long Term Rate, will be the close of business on the fifteenth day (whether or not a Business Day) of the month preceding each Interest Payment Date.

The Bonds initially will be issued solely in book-entry-only form through DTC (or its nominee, Cede & Co.). So long as the Bonds are held in the book-entry-only system, DTC or its nominee will be the registered owner or holder of the Bonds for all purposes of the Indenture, the Bonds and this Official Statement. See "Summary of the Bonds — Book-Entry-Only System" below. Individual purchases of book-entry interests in the Bonds will be made in book-entry-only form in (i) denominations of $25,000 and integral multiples thereof, if bearing interest at the Auction Rate, (ii) denominations of $100,000 or any integral multiple thereof, if bearing interest at the Daily Rate or the Weekly Rate, (iii) denominations of $100,000 or any integral multiple of $5,000 in excess of $100,000, if bearing interest at Flexible Rates, or (iv) denominations of $5,000 and integral multiples thereof, if bearing interest at the Semi-Annual Rate, the Annual Rate or the Long Term Rate.

Except as otherwise described below for Bonds held in DTC's book-entry-only system, the principal or redemption price of the Bonds is payable at the designated corporate trust office in New York, New York, of the Trustee, as paying agent (the "Paying Agent"). Except as otherwise described below for Bonds held in DTC's book-entry-only system, interest on the Bonds is payable by check mailed to the owner of record; provided that interest payable on each Bond will be payable in immediately available funds by wire transfer within the continental United States or by deposit into a bank account maintained with the Paying Agent (i) if the Interest Rate Mode is the Auction Rate, the Daily Rate, the Weekly Rate or the Flexible Rate, or (ii) at the written request of any owner of record holding at least $1,000,000 aggregate principal amount of the Bonds, if the Interest Rate Mode is the Semi-Annual Rate, Annual Rate or Long Term Rate, received by the Trustee, as bond registrar (the "Bond Registrar"), at least one Business Day prior to any Record Date. Except as otherwise described below for Bonds held in DTC's book-entry-only system, if the Interest Rate Mode is the Flexible Rate, interest payable on each Bond will be paid only upon presentation and surrender of such Bond.

Bonds may be transferred or exchanged for an equal total amount of Bonds of other authorized denominations upon surrender of such Bonds at the principal office of the Bond Registrar, accompanied by a written instrument of transfer or authorization for exchange in form and with guaranty of signature satisfactory to the Bond Registrar, duly executed by the registered owner or the owner's duly authorized attorney. Except as provided in the Indenture, the Bond Registrar will not be required to register the transfer or exchange of any Bond (i) during the fifteen days before any mailing of a notice of redemption of Bonds, (ii) after such Bond has been called for redemption or (iii) for which a registered owner has submitted a demand for purchase (see "Purchases of Bonds on Demand of Owner" below), or which has been purchased (see "Payment of Purchase Price" below). Registration of transfers and exchanges will be made without charge to the registered owners of Bonds, except that the Bond Registrar may require any registered owner requesting registration of transfer or exchange to pay any required tax or governmental charge.

Tender Agent

While the Bonds bear interest at the Auction Rate, the Bonds will not be subject to purchase on demand of the owners. While the Bonds bear interest in another Interest Rate Mode, owners may tender their Bonds, and in certain circumstances will be required to tender their Bonds, to the Tender Agent for purchase at the times and in the manner described herein under "Mandatory Purchases of Bonds" and in Appendix E. So long as the Bonds are held in DTC's book-entry-only system, the Trustee will act as Tender Agent under the Indenture. Any successor Tender Agent appointed pursuant to the Indenture will also be a Paying Agent.

Remarketing Agents

J.P. Morgan Securities Inc. and Morgan Stanley & Co. Incorporated will act as the Remarketing Agents with respect to the Bonds (the "Remarketing Agents"). Each of the Remarketing Agents (i) may be removed by the Issuer at any time in the Issuer's sole discretion, (ii) will resign if so requested by the Company by an instrument filed with the Issuer, the Remarketing Agents, the Trustee and the Tender Agent, and (iii) may resign in accordance with the Remarketing Agreement upon sixty days' notice.

Broker-Dealers

Each Auction requires the participation of one or more Broker-Dealers. The Auction Agent will enter into separate Broker-Dealer Agreements with J.P. Morgan Securities Inc. and Morgan Stanley & Co. Incorporated, as initial Broker-Dealers (the "Broker-Dealers"). The Auction Agent may, with the consent of the Company, enter into similar agreements with one or more additional Broker-Dealers which provide for the participation of such Broker-Dealers in Auctions. In the Broker-Dealer Agreements, the Broker-Dealers agree to handle customers' orders in accordance with their duties under applicable securities laws and rules.

Certain Considerations Affecting Auction Rate Securities

Role of Broker-Dealer. The Broker-Dealers have been appointed by the issuers or obligors of various auction rate securities to serve as a dealer in the auctions for those securities and are paid by the issuers for their services. The Broker-Dealers receive broker-dealer fees from such issuers at an agreed-upon annual rate that is applied to the principal amount of securities sold or successfully placed through the Broker-Dealer in such auctions.

The Broker-Dealers are designated in the Broker-Dealer Agreements as the Broker-Dealers to contact Existing Holders and Potential Holders and solicit Bids (as such terms are defined herein) for the Bonds. Each Broker-Dealer will receive Broker-Dealer fees from the Company with respect to the Bonds sold or successfully placed through it in Auctions. Each Broker-Dealer may share a portion of such fees with other dealers that submit Orders through it that are filled in the Auction.

Bidding by Broker-Dealers. The Broker-Dealers are permitted, but not obligated, to submit Orders in Auctions for their own accounts either as a Bidder (as defined herein) or a Seller (as defined herein) and routinely do so in the auction rate securities market in their sole discretion. If a Broker-Dealer submits an Order (as defined herein) for its own account, it would have an advantage over other Bidders because the Broker-Dealer would have knowledge of the other Orders placed through it in that Auction, and, thus, could determine the rate and size of its Order so as to increase the likelihood that (i) its Order will be accepted in the Auction and (ii) the Auction will clear at a particular rate. For this reason, and because the Broker-Dealers are appointed and paid by the Company to serve as Broker-Dealers in the Auction, the Broker-Dealers' interests in serving as a Broker-Dealer in an Auction may differ from those of Existing Holders and Potential Holders who participate in Auctions. See "*Role of Broker-Dealer*." A Broker-Dealer would not have knowledge of Orders submitted to the Auction Agent by any other firm that is, or may in the future be, appointed to accept Orders pursuant to a Broker-Dealer Agreement.

Where a Broker-Dealer is the only Broker-Dealer appointed by the Company to serve as the Broker-Dealer in the Auction, it would be the only Broker-Dealer that submits Orders to the Auction Agent in that Auction. As a result, in such circumstances, such Broker-Dealer could discern the clearing rate before the Orders are submitted to the Auction Agent and set the clearing rate with its Order.

The Broker-Dealers may routinely place one or more Bids in an Auction for their own account to acquire the Bonds for their respective inventory, to prevent an "Auction Failure" (which occurs if there are insufficient clearing bids which would result in the Auction Rate being set at the Maximum Rate) or to prevent an Auction from clearing at a rate that the Broker-Dealers believe does not reflect the market for the Bonds. A Broker-Dealer may place such Bids even after obtaining knowledge of some or all of the other Orders submitted through it. When bidding in an Auction for its own account, a Broker-Dealer also may bid inside or outside the range of rates that it posts in its Price Talk. See "*Price Talk*."

The Broker-Dealers routinely encourage bidding by others in auctions generally for which they serve as broker-dealer. The Broker-Dealers also may encourage bidding by others in Auctions, including to prevent an Auction Failure or to prevent an Auction from clearing at a rate that the Broker-Dealers believe does not reflect the market for the Bonds. A Broker-Dealer may encourage such Bids even after obtaining knowledge of some or all of the other Orders submitted through it.

Bids by the Broker-Dealers or by those they may encourage to place Bids are likely to affect (i) the Auction Rate — including preventing the Auction Rate from being set at the Maximum Rate or otherwise causing Bidders to receive a lower rate than they might have received had the Broker-Dealers not bid or not encouraged others to bid and (ii) the allocation of Bonds being auctioned — including displacing some Bidders who may have their Bids rejected or receive fewer Bonds than they would have received if the Broker-Dealers had not bid or encouraged others to bid. Because of these practices, the fact that an Auction clears successfully does not mean that an investment in the Bonds involves no significant liquidity or credit risk. The Broker-Dealers are not obligated to continue to place such bids or to continue to encourage other Bidders to do so in any particular Auction to prevent an Auction Failure or an Auction from clearing at a rate the Broker-Dealers believe does not reflect the market for the Bonds. Investors should not assume that the Broker-Dealers will place bids or encourage others to do so or that Auction Failures will not occur. Investors should also be aware that Bids by the Broker-Dealers or by those they may encourage to place Bids may cause lower Auction Rates to occur.

The statements herein regarding bidding by a Broker-Dealer apply only to a Broker-Dealer's auction desk and any other business units of such Broker-Dealer that are not separated from the auction desk by an information barrier designed to limit inappropriate dissemination of bidding information.

In any particular Auction, if all outstanding Bonds are the subject of Submitted Hold Orders, the Auction Rate for the next succeeding Auction Period will be the All Hold Rate (as defined herein) (such a situation is called an "All Hold Auction").

If a Broker-Dealer holds any Bonds for its own account on an Auction Date, it is such Broker-Dealer's practice to submit a Sell Order into the Auction with respect to such Bonds, which would prevent that Auction from being an All Hold Auction. A Broker-Dealer may, but is not obligated to, submit Bids for its own account in that same Auction, as set forth above.

"Price Talk." Before the start of an Auction, a Broker-Dealer may, in its discretion, make available to its customers who are Existing Holders and Potential Holders such Broker-Dealer's good faith judgment of the range of likely clearing rates for the Auction based on market and other information. This is known as "Price Talk." Price Talk is not a guaranty that the rate established through the Auction will be within the Price Talk, and Existing Holders and Potential Holders are free to use it or ignore it. A Broker-Dealer may occasionally update and change the Price Talk based on changes in credit quality or macroeconomic factors that are likely to result in a change in interest rate levels, such as an announcement by the Federal Reserve Board of a change in the Federal Funds rate or an announcement by the Bureau of Labor Statistics of unemployment numbers. Potential Holders should confirm with a Broker-Dealer the manner by which such Broker-Dealer will communicate such Price Talk and any changes to the Price Talk.

"All-or-Nothing" Bids. The Broker-Dealers will not accept "all-or-nothing" Bids (i.e., Bids whereby the Bidder proposes to reject an allocation smaller than the entire quantity bid) or any other type of Bid that allows the Bidder to avoid auction procedures that require the pro rata allocation of Bonds where there are not sufficient Sell Orders to fill all bids at the clearing rate.

No Assurances Regarding Auction Outcomes. The Broker-Dealers provide no assurance as to the outcome of any Auction. The Broker-Dealers also do not provide any assurance that any Bid will be successful, in whole or in part, or that the Auction will clear at a rate that a Bidder considers acceptable. Bids may be only partially filled, or not filled at all, and the Auction Rate on any Bonds purchased or retained in the Auction may be lower than market rate for similar investments.

The Broker-Dealers will not agree before an Auction to buy Bonds from or sell Bonds to a customer after the Auction.

Deadlines. Each particular Auction has a formal deadline by which all Bids must be submitted by the Broker-Dealers to the Auction Agent. This deadline is called the "Submission Deadline." To provide sufficient time to process and submit customer Bids to the Auction Agent before the Submission Deadline, the Broker-Dealers impose an earlier deadline — called the "Broker-Dealer Deadline" — by which their Bidders must submit Bids to the Broker-Dealers. The Broker-Dealer Deadline is subject to change by a Broker-Dealer. Potential Holders should consult with a Broker-Dealer as to its Broker-Dealer Deadline. A Broker-Dealer may allow for correction of clerical errors after the Broker-Dealer Deadline and prior to the Submission Deadline. A Broker-Dealer may submit Bids for its own account at any time until the Submission Deadline and may change Bids it has submitted for its own account at any time until the Submission Deadline. The Auction Procedures provide that until one hour after the Auction Agent completes the dissemination of the results of an Auction, new Orders can be submitted to the Auction Agent if such Orders were received by the Broker-Dealer or generated by the Broker-Dealer for its own account prior to the Submission Deadline and the failure to submit such Orders prior to the Submission Deadline was the result of force majeure, a technological failure or a clerical error. In addition until one hour after the Auction Agent completes the dissemination of the results of an Auction, a Broker-Dealer may modify or withdraw an Order submitted to the Auction Agent prior to the Submission Deadline if the Broker-Dealer determines that such Order contained a clerical error. In the event of such a submission, modification or withdrawal the Auction Agent will rerun the Auction, if necessary, taking into account such submission, modification or withdrawal.

Existing Holder's Ability to Resell Auction Rate Securities May Be Limited. An Existing Holder may sell, transfer or dispose of a Bond (i) in an Auction, only pursuant to a Bid or Sell Order in accordance with the Auction Procedures, or (ii) outside an Auction, only to or through a Broker-Dealer.

Existing Holders will be able to sell all of the Bonds that are the subject of their submitted Sell Orders only if there are Bidders willing to purchase those Bonds in the Auction. If Sufficient Clearing Bids have not been made, Existing Holders that have submitted Sell Orders will not be able to sell in the Auction all, and may not be able to sell any, of the Bonds subject to such submitted Sell Orders. As discussed above (see "*Bidding by Broker-Dealers*"), the Broker-Dealers may submit a bid in an Auction to avoid an Auction Failure, but are not obligated to do so. There may not always be enough bidders to prevent an Auction Failure in the absence of the Broker-Dealers bidding in the Auction for their own accounts or encouraging others to bid. Therefore, Auction Failures are possible, especially if the Company's credit were to deteriorate, if a market disruption were to occur or if, for any reason, the Broker-Dealers were unable or unwilling to bid.

Between Auctions, there can be no assurance that a secondary market for the Bonds will develop or, if it does develop, that it will provide Existing Holders the ability to resell the Bonds on the terms or at the times desired by an Existing Holder. The Broker-Dealers may, in their own discretion, decide to buy or sell the Bonds in the secondary market for their own accounts from or to investors at any time and at any price, including at prices equivalent to, below, or above par for the Bonds. However, the Broker-Dealers are not obligated to make a market in the Bonds, and may discontinue trading in the Bonds without notice for any reason at any time. Existing Holders who resell between Auctions may receive an amount less than par, depending on market conditions.

If an Existing Holder purchased a Bond through a dealer which is not a Broker-Dealer for the Bonds, such Existing Holder's ability to sell its Bond may be affected by the continued ability of its dealer to transact trades for the Bonds through a Broker-Dealer.

The ability to resell the Bonds will depend on various factors affecting the market for the Bonds, including news relating to Company or the Bond Insurer, the attractiveness of alternative investments, investor demand for short term securities, the perceived risk of owning the Bonds (whether related to credit, liquidity or any other risk), the tax or accounting treatment accorded the Bonds (including U.S. generally accepted accounting principles as they apply to the accounting treatment of auction rate securities), reactions of market participants to regulatory actions (such as those described in "*Securities and Exchange Commission Settlements*," below) or press reports, financial reporting cycles and market conditions generally. Demand for the Bonds may change without warning, and declines in demand may be short-lived or continue for longer periods.

Resignation of the Auction Agent or the Broker-Dealer Could Impact the Ability to Hold Auctions. The Auction Agreement provides that the Auction Agent may resign from its duties as Auction Agent by giving at least 90 days' notice (30 days' notice if the Auction Agent has not received payment of its fees) to the Trustee, the Company, the Bond Insurer, the initial Broker-Dealers and the Issuer and does not require, as a condition to the effectiveness of such resignation, that a replacement Auction Agent be in place if its fees have not been paid. The Broker-Dealer Agreements provide that the Broker-Dealers thereunder may resign upon 5 days' notice (provided, however that if the Broker-Dealer is an initial Broker-Dealer, such initial Broker-Dealer may not resign or terminate a Broker-Dealer Agreement without first obtaining the prior written consent of the Company) and does not require, as a condition to the effectiveness of such resignation, that a replacement Broker-Dealer be in place. For any Auction Period during which there is no duly appointed Auction Agent, or during which there is no duly appointed Broker-Dealer, it will not be possible to hold Auctions, with the result that the interest rate on the Bonds will be the Maximum Rate.

Securities and Exchange Commission Settlements. On May 31, 2006, the U.S. Securities and Exchange Commission (the "SEC") announced that it had settled its investigation of fifteen firms, including the Broker-Dealers, that participate in the auction rate securities market regarding their respective practices and procedures in this market. The SEC alleged in the settlement that the firms had managed auctions for auction rate securities in which they participated in ways that were not adequately disclosed or that did not conform to disclosed auction procedures. As part of the settlement, the Broker-Dealers agreed to pay civil penalties. In addition, the Broker-Dealers, without admitting or denying the SEC's allegations, agreed to provide to customers written descriptions of their material auction practices and procedures, and to implement procedures reasonably designed to detect and prevent any failures by the Broker-Dealers to conduct the auction process in accordance with disclosed procedures. No assurance can be offered as to how the settlement may affect the market for auction rate securities or the Bonds.

In addition, on January 9, 2007, the SEC announced that it had settled its investigation of three banks, including the Auction Agent, that participate as auction agents in the auction rate securities market, regarding their respective practices and procedures in this market. The SEC alleged in the settlement that the auction agents allowed broker-dealers in auctions to submit bids or revise bids after the submission deadlines and allowed broker-dealers to intervene in auctions in ways that affected the rates paid on the auction rate securities. As part of the settlement, the Auction Agent agreed to pay civil penalties. In addition, the Auction Agent, without admitting or denying the SEC's allegations, agreed to provide to broker-dealers and issuers written descriptions of its material auction practices and procedures and to implement procedures reasonably designed to detect and prevent any failures by that Auction Agent to conduct the auction process in accordance with disclosed procedures. No assurance can be offered as to how the settlement may affect the market for auction rate securities or the Bonds.

Certain Definitions

As used herein, each of the following terms will have the meaning indicated. Certain capitalized terms used herein and not otherwise defined will have the meanings set forth in Appendix B.

"*Annual Period*" means the period beginning on, and including, the Conversion Date to the Annual Rate and ending on, and including, the day next preceding the second Interest Payment Date thereafter, and each successive twelve-month period (or portion thereof) thereafter until the day preceding the earlier of the Conversion to a different Interest Rate Mode or the maturity of the Bonds.

"*Auction Rate*" shall have the meaning set forth in Appendix B.

"*Auction Rate Period*" shall have the meaning set forth in Appendix B.

"*Beneficial Owner*" means the person in whose name a Bond is recorded as such by the respective systems of DTC and each Participant (as defined herein) or the registered holder of such Bond if such Bond is not then registered in the name of Cede & Co.

"*Business Day*" means any day other than a Saturday or Sunday or legal holiday or a day on which banking institutions located in the City of New York, New York, or the New York Stock Exchange or banking institutions in the city in which the principal office of the Trustee, the Bond Registrar, the Tender Agent, the Paying Agent, the Auction Agent, the Company or the Remarketing Agents are located are authorized by law or executive order to close.

"*Conversion*" means any conversion from time to time in accordance with the terms of the Indenture of the Bonds from one Interest Rate Mode to another Interest Rate Mode.

"*Conversion Date*" means initially the date of original issuance of the Bonds, and thereafter means the date on which any Conversion becomes effective.

"*Daily Rate Period*" means the period beginning on, and including, the Conversion Date to the Daily Rate and ending on and including the day preceding the next Business Day and each period thereafter beginning on and including a Business Day and ending on and including the day preceding the next succeeding Business Day until the day preceding the earlier of the Conversion to a different Interest Rate Mode or the maturity of the Bonds.

"*Flexible Rate*" means the Interest Rate Mode for the Bonds in which the interest rate for each Bond is determined with respect to such Bond during each Flexible Rate Period applicable to that Bond, as provided in the Indenture.

"*Flexible Rate Period*" means with respect to any Bond, each period (which may be from one day to 270 days, or such lower maximum number of days as is then permitted under the Indenture) determined for such Bond, as provided in the Indenture.

"*Interest Payment Date*" means (i) if the Interest Rate Mode is the Daily Rate or the Weekly Rate, the first Business Day of each calendar month, (ii) if the Interest Rate Mode is the Flexible Rate, for each Bond the last day of each Flexible Rate Period for such Bond (or if such day is not a Business Day, the next succeeding Business Day), (iii) if the Interest Rate Mode is the Semi-Annual Rate, the Annual Rate or the Long Term Rate, June 1 and December 1, and, in the case of the Long Term Rate, also the Conversion Date or the effective date of a change to a new Long Term Rate Period; (iv) if the Interest Rate Mode is the Auction Rate (a) for any Auction Period other than a daily Auction Period or a Flexible Auction Period, the Business Day immediately following such Auction Period, (b) for a daily Auction Period, the first Business Day of the month immediately succeeding such Auction Period, and (c) for a Flexible Auction Period of (i) seven or more but fewer than 183 days, the Business Day immediately following such Flexible Auction Period, or (ii) 183 or more days, each semiannual date on which interest on the Bonds would be payable if such Bonds bore interest at a fixed rate of interest and on the Business Day immediately following such Flexible Auction Period; and (v) with respect to any Bond, the Conversion Date (including the date of a failed Conversion) or the effective date of a change to a new Long Term Rate Period for such Bond. In any case, the final Interest Payment Date will be the maturity date of the Bonds.

"*Interest Period*" means for all Bonds (or for any Bond if the Interest Rate Mode is the Flexible Rate) the period from and including each Interest Payment Date to and including the day immediately preceding the next Interest Payment Date, provided, however that the first Interest Period for the Bonds will begin on (and include) the date of issuance of the Bonds and the final Interest Period will end on June 1, 2033.

"*Interest Rate Mode*" means the Auction Rate, the Flexible Rate, the Daily Rate, the Weekly Rate, the Semi-Annual Rate, the Annual Rate and the Long Term Rate.

"*Long Term Rate Period*" means any period established by the Company as hereinafter set forth under "Appendix E — Summary of Certain Provisions of the Bonds while Bearing Interest at a Flexible Rate, a Variable Rate or a Long Term Rate – Determination of Interest Rates for Interest Rate Modes — *Long Term Rates and Long Term Rate Periods*" and beginning on, and including, the Conversion Date to the Long Term Rate and ending on, and including, the day preceding the last Interest Payment Date for such period and, thereafter, each successive period of the same duration as the Long Term Rate Period previously established until the day preceding the earliest of the change to a different Long Term Rate Period, the Conversion to a different Interest Rate Mode or the maturity of the Bonds.

"*Maximum Rate*" means the lesser of (i) the maximum interest rate permitted by applicable law or (ii) 15%.

"*Prevailing Market Conditions*" means, without limitation, the following factors: existing short-term or long-term market rates for securities, the interest on which is excluded from gross income for federal income tax purposes; indexes of such short-term or long-term rates and the existing market supply and demand for securities bearing such short-term or long-term rates; existing yield curves for short-term or long-term securities for obligations of credit quality comparable to the Bonds, the interest on which is excluded from gross income for federal income tax purposes; general economic conditions; industry economic and financial conditions that may affect or be relevant to the Bonds; and such other facts, circumstances and conditions as the Remarketing Agents, in their sole discretion, determine to be relevant.

"*Purchase Date*" means any date on which Bonds are to be purchased on the demand of the registered owners thereof or are subject to mandatory purchase as described in the Indenture.

"*Semi-Annual Rate Period*" means any period beginning on, and including, the Conversion Date to the Semi-Annual Rate, and ending on, and including, the day preceding the first Interest Payment Date thereafter and each successive six-month period thereafter beginning on and including an Interest Payment Date and ending on and including the day next preceding the next Interest Payment Date until the day preceding the earlier of the Conversion to a different Interest Rate Mode or the maturity of the Bonds.

"*Weekly Rate Period*" means the period beginning on, and including, the Conversion Date to the Weekly Rate, and ending on, and including, the next Thursday, and thereafter the period beginning on, and including, any Friday and ending on, and including, the earliest of the next Thursday, the day preceding the Conversion to a different Interest Rate Mode or the maturity of the Bonds.

Summary of Certain Provisions of the Bonds

The Bonds initially will bear interest at an Auction Rate accruing from the Issue Date, at a rate established by the Underwriters on or prior to the Issue Date. Thereafter, the Auction Rate for each Auction Period (as defined in Appendix B hereto) will equal the interest rate determined pursuant to the Auction Procedures set forth in Appendix B; provided that such interest rate will not exceed the Maximum Rate. The Bonds will bear interest at the applicable Auction Rate until they are converted to a Variable Rate, Flexible Rate or Long Term Rate. Following the Initial Period (as defined herein), the Bonds will be in a seven-day Auction Period. During any Auction Period, the Bonds may be converted among flexible, daily, seven-day, 28-day, 35-day, three month or six month periods.

During any Auction Period, the Bonds will bear interest at the Auction Rate determined pursuant to the Auction Procedures. The Auction Rate for any initial Auction Period immediately after either any conversion to an Auction Period or a mandatory purchase of Bonds pursuant to the Indenture will be the rate of interest per annum determined and certified to the Trustee (with a copy to the Bond Registrar, Paying Agent and the Company) by the initial Broker-Dealer on a date not later than the effective date of such conversion or the date of such mandatory purchase, as the case may be, as the minimum rate of interest which, in the opinion of the initial Broker-Dealer, would be necessary as of the date of such conversion or the date of such mandatory purchase, as the case may be, to market Bonds in a secondary market transaction at a price equal to the principal amount thereof; provided that such interest rate will not exceed the Maximum Rate.

If the Auction Agent fails to calculate or, for any reason, fails to provide the Auction Rate on the Auction Date, for any Auction Period (i) if the preceding Auction Period was a period of 35 days or less, (A) a new Auction Period shall be established for the same length of time as the preceding Auction Period, if the failure to make such calculation was because there was not at the time a duly appointed and acting Auction Agent or Broker-Dealer, and the Auction Period Rate for the new Auction Period shall be 80% of the Index if the Index is ascertainable on such date (by the Auction Agent, if there is at the time an Auction Agent, or the Trustee, if at the time there is no Auction Agent) or, (B) if the failure to make such calculation was for any other reason or if the Index is not ascertainable on such date, the prior Auction Period shall be extended to the seventh day following the day that would have been the last day of the preceding Auction Period (or if such seventh day is not followed by a Business Day then to the next succeeding day that is followed by a Business Day) and the Auction Period Rate for the period as so extended shall be the same as the Auction Period Rate for the Auction Period prior to the extension, and (ii) if the preceding Auction Period was a period of greater than 35 days, (A) a new Auction Period shall be established for a period that ends on the seventh day following the day that was the last day of the preceding Auction Period, (or if such seventh day is not followed by a Business Day then to the next succeeding day which is followed by a Business Day) if the failure to make such calculation was because there was not at the time a duly appointed and acting Auction Agent or Broker-Dealer, and the Auction Period Rate for the new Auction Period shall be 100% of the Index if the Index is ascertainable on such date (by the Auction Agent, if there is at the time an Auction Agent, or the Trustee, if at the time there is no Auction Agent) or, (B) if the failure to make such calculation was for any other reason or if the Index is not ascertainable on such date, the prior Auction Period shall be extended to the seventh day following the day that would have been the last day of the preceding Auction Period (or if such seventh day is not followed by a Business Day then to the next succeeding day that is followed by a Business Day) and the Auction Period Rate for the period as so extended shall be the same as the Auction Period Rate for the Auction Period prior to the extension. If a new Auction Period is established as set forth in clause (ii) (A) above, an Auction shall be held on the last Business Day of the new Auction Period to determine an Auction Rate for an Auction Period beginning on the Business Day immediately following the last day of the new Auction Period and ending on the date on which the Auction Period otherwise would have ended had there been no new Auction Period or Auction Periods subsequent to the last Auction Period for which a Winning Bid Rate had been determined. If an Auction Period is extended as set forth in clause (i) (B) or (ii) (B) above, an Auction shall be held on the last Business Day of the Auction Period as so extended to determine an Auction Rate for an Auction Period beginning on the Business Day immediately following the last day of the extended Auction Period and ending on the date on which the Auction Period otherwise would have ended had there been no extension of the prior Auction Period.

Notwithstanding the foregoing, neither new nor extended Auction Periods shall total more than 35 days in the aggregate. If at the end of the 35 days the Auction Agent fails to calculate or provide the Auction Rate, or there is not at the time a duly appointed and acting Auction Agent or Broker-Dealer, the Auction Period Rate shall be the Maximum Rate.

If there is a failed conversion from an Auction Period to any other period or if there is a failure to change the length of the current Auction Period due to the lack of Sufficient Clearing Bids at the Auction on the Auction Date for the first new Auction Period, the Auction Period Rate for the next Auction Period shall be the Maximum Rate and the Auction Period shall be a seven-day Auction Period.

An Auction to determine the interest rate for the next succeeding Auction Period will be held on each Auction Date. The procedure for submitting orders prior to the Submission Deadline (as defined in Appendix B) on each Auction Date is described in Appendix B, as are the particulars regarding the determination of the Auction Rate and the allocation of the Bonds.

The Company, may, from time to time on the Interest Payment Date immediately following the end of any Auction Period, change the length of the Auction Period with respect to all of the Bonds of a Series among daily, seven-days, 28-days, 35-days, three months, six months or a Flexible Auction Period in order to accommodate economic and financial factors that may affect or be relevant to the length of the Auction Period and the interest rate borne by such Bonds. The Company shall initiate the change in the length of the Auction Period by giving written notice to the Issuer, the Trustee, the Auction Agent, the Broker-Dealers and DTC that the Auction Period shall change if the conditions described herein are satisfied and the proposed effective date of the change, at least 10 Business Days prior to the Auction Date for such Auction Period.

Any such changed Auction Period shall be for a period of one day, seven-days, 28-days, 35-days, three months, six months or a Flexible Auction Period and shall be for all of the Bonds of such Series.

The change in length of the Auction Period shall take effect only if Sufficient Clearing Bids exist at the Auction on the Auction Date for such new Auction Period. For purposes of the Auction for such new Auction Period only, except to the extent any Existing Holder submits an Order with respect to such Bonds of any Series, each Existing Holder shall be deemed to have submitted Sell Orders with respect to all of its Bonds of such Series if the change is to a longer Auction Period and a Hold Order if the change is to a shorter Auction Period. If there are not Sufficient Clearing Bids for the first Auction Period, the Auction Rate for the new Auction Period shall be the Maximum Rate, and the Auction Period shall be a seven-day Auction Period.

The Auction Agent, at the direction of the Company, may specify an earlier or later Auction Date (but in no event more than five Business Days earlier or later) than the Auction Date that would otherwise be determined in accordance with the definition of "Auction Date" in order to conform with then current market practice with respect to similar securities or to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the interest rate borne by the Bonds. The Auction Agent shall provide notice of the Company's direction to specify an earlier Auction Date for an Auction Period by means of a written notice delivered at least 45 days prior to the proposed changed Auction Date to the Trustee, the Issuer, the Company and the Broker-Dealers with a copy to DTC. In the event the Auction Agent is instructed to specify an earlier Auction Date, the days of the week on which an Auction Period begins and ends, the day of the week on which a Flexible Auction Period ends and the Interest Payment Date relating to a Flexible Auction Period shall be adjusted accordingly.

If, in the opinion of the Auction Agent and the Broker-Dealers, there is insufficient notice of an unscheduled holiday to allow the efficient implementation of the Auction Procedures set forth herein, the Auction Agent and the Broker-Dealers may, as they deem appropriate, set a different Auction Date and adjust any Interest Payment Dates and Auction Periods affected by such unscheduled holiday.

For a more detailed discussion of the Bonds and the Auction Procedures to be used to determine the Auction Rate, see Appendix B to this Official Statement.

Conversion of Interest Rate Modes

Method of Conversion. The Interest Rate Mode for the Bonds is subject to Conversion from time to time, in whole but not in part, on the dates specified below under "Limitations on Conversion," at the option of the Company, upon notice from the Bond Registrar to the registered owners of the Bonds, as described below. With any notice of Conversion, the Company must also deliver to the Bond Registrar and the Bond Insurer an opinion of Bond Counsel stating that such Conversion is authorized or permitted by the Act and is authorized by the Indenture and will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes, other than a Conversion from the Daily Rate Period to the Weekly Rate Period or from the Weekly Rate Period to the Daily Rate Period.

Limitations on Conversion. Any Conversion of the Interest Rate Mode for the Bonds must be in compliance with the following conditions: (i) the Conversion Date must be a date on which the Bonds are subject to optional redemption (see "Redemptions — *Optional Redemption*" below); provided that any Conversion from the Daily Rate Period to a Weekly Rate Period or from the Weekly Rate Period to the Daily Rate Period must be on a Friday and, if the Conversion is to or from an Auction Rate Period, the Conversion Date must be the last Interest Payment Date in respect of that Auction Rate Period; (ii) if the proposed Conversion Date would not be an Interest Payment Date but for the Conversion, the Conversion Date must be a Business Day; (iii) if the Conversion is from the Flexible Rate, (a) the Conversion Date may be no earlier than the latest Interest Payment Date established prior to the giving of notice to the Remarketing Agents of such proposed Conversion and (b) no further Interest Payment Date may be established while the Interest Rate Mode is then the Flexible Rate if such Interest Payment Date would occur after the effective date of that Conversion; and (iv) after a determination is made requiring mandatory redemption of all Bonds pursuant to the Indenture (see "Redemptions" below), no change in the Interest Rate Mode may be made prior to such mandatory redemption. Before the Company may convert the Interest Rate Mode for Bonds from the Auction Rate to any other Interest Rate Mode, the Company must first obtain the written consent of the Bond Insurer to that Conversion and, unless such conversion is to a Long-Term Rate Period fixed to maturity, the Bond Insurer may require that the Company obtain a liquidity facility.

Notice to Owners of Conversion of Interest Rate Mode. The Bond Registrar will notify each registered owner of the Conversion by first class mail at least 15 days (30 days in the case of Conversion from or to the Semi-Annual Rate, the Annual Rate or a Long Term Rate) but not more than 45 days before each Conversion Date. The notice will state those matters required to be set forth therein under the Indenture.

Cancellation of Conversion of Interest Rate Mode. Notwithstanding the foregoing, no Conversion will occur if (A) the Remarketing Agents have not determined the initial interest rate for the new Interest Rate Mode in accordance with the terms of the Indenture, (B) the Bonds that are to be purchased are not remarketed or sold by the Remarketing Agents, or (C) the Bond Registrar receives written notice from Bond Counsel prior to the opening of business on the effective date of Conversion to the effect that the opinion of such Bond Counsel required under the Indenture has been rescinded. If such Conversion fails to occur, such Bonds in the Auction Rate will remain in such Interest Rate Mode and Bonds in any other Interest Rate Mode will automatically be converted to the Weekly Rate (with the first period adjusted in length so that the last day of such period will be a Thursday) at the rate determined by the Remarketing Agents on the failed Conversion Date; provided, that there must be delivered to the Issuer, the Trustee, the Bond Registrar, the Tender Agent, the Company, the Bond Insurer and the Remarketing Agents, an opinion of Bond Counsel to the effect that determining the interest rate to be borne by the Bonds at a Weekly Rate is authorized or permitted by the Act and is authorized under the Indenture and will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. If such opinion is not delivered on the failed Conversion Date, the Bonds will bear interest for a Rate Period of the same type and of substantially the same length as the Rate Period in effect prior to the failed Conversion Date at a rate of interest determined by the Remarketing Agents on the failed Conversion Date (or if shorter, the Rate Period ending on the date before the maturity date); provided that if the Bonds then bear interest at the Long Term Rate, and if such opinion is not delivered on the date which would have been the effective date of a new Long Term Rate Period, the Bonds will bear interest at the Annual Rate, commencing on such date, at an Annual Rate determined by the Remarketing Agents on such date. If the proposed Conversion of Bonds fails as described herein, any mandatory purchase of such Bonds will remain effective.

Purchases of Bonds on Demand of Owner

As initially issued, the Bonds will bear interest at the Auction Rate and as a result will not be subject to purchase on demand of the owners thereof. When the Interest Rate Mode is other than the Auction Rate, the Bonds are subject to purchase on the demand of the owners thereof as described in Appendix E.

Mandatory Purchases of Bonds

Mandatory Purchase on All Conversion Dates or Change by the Company in Long Term Rate Period. The Bonds will be subject to mandatory purchase at a purchase price equal to the principal amount thereof, plus, if the Interest Rate Mode is the Long Term Rate, the redemption premium, if any, which would be payable as described under "Redemptions — *Optional Redemption*" below, if the Bonds were redeemed on the Purchase Date (A) on each Conversion Date and (B) on the effective date of any change by the Company of the Long Term Rate Period. Such tender and purchase will be required even if the change in Long Term Rate Period or the Conversion is canceled pursuant to the Indenture. For a description of provisions applicable to Interest Rate Modes other than the Auction Rate, see Appendix E.

Notice to Owners of Mandatory Purchases. Notice to owners of a mandatory purchase of Bonds on a Conversion Date or upon a change in Long Term Rate Period will be given by the Bond Registrar, together with the notice of such Conversion or change of Long Term Rate Period, as applicable, by first class mail at least 15 days (30 days in the case of Conversion from or to the Auction Rate, the Semi-Annual Rate, the Annual Rate or the Long Term Rate or in the case of a change in the Long Term Rate Period) but not more than 45 days before each Conversion Date or each effective date of a change in the Long Term Rate Period. The notice of mandatory purchase will state those matters required to be set forth therein under the Indenture.

Remarketing and Purchase of Bonds

The Indenture provides that, subject to the terms of a Remarketing Agreement with the Company, the Remarketing Agents will use their commercially reasonable best efforts to offer for sale Bonds purchased upon demand of the owners thereof and, unless otherwise instructed by the Company, upon mandatory purchase, provided that Bonds will not be remarketed upon the occurrence and continuance of certain Events of Default under the Indenture, except in the sole discretion of the Remarketing Agents. Each such sale will be at a price equal to the principal amount thereof, plus interest accrued to the date of sale. The Remarketing Agents, the Trustee, the Paying Agent, the Bond Registrar or the Tender Agent each may purchase any Bonds offered for sale for its own account.

The purchase price of Bonds tendered for purchase will be paid by the Tender Agent from moneys derived from the remarketing of such Bonds by the Remarketing Agents and, if such remarketing proceeds are insufficient, from moneys made available by the Company. The Company is obligated to purchase any Bonds tendered for purchase to the extent such Bonds have not been remarketed. Any such purchases by the Company will not result in the extinguishment of the purchased Bonds. The Company currently maintains lines of credit or other liquidity facilities in amounts determined by it to be sufficient to meet its current needs and expects to continue to maintain such lines of credit or other liquidity facilities from time to time to the extent determined by it to be necessary to meet its then-current needs. The Trustee, any Paying Agent, the Tender Agent and the owners of the Bonds have no right to draw under any line of credit or other liquidity facility maintained by the Company. There is no provision in the Indenture or the Loan Agreement requiring the Company to maintain such financing arrangements which may be discontinued at any time without notice. The Bond Insurance Policy is not intended to provide a direct source of liquidity to pay the purchase price of Bonds tendered for purchase pursuant to the Indenture.

Any deficiency in purchase price payments resulting from the Remarketing Agents' failure to deliver remarketing proceeds of all Bonds with respect to which the Remarketing Agents notified the Tender Agent were remarketed will not result in an Event of Default under the Indenture until the opening of business on the next succeeding Business Day unless the Company fails to provide sufficient funds to pay such purchase price by the opening of business on such next succeeding Business Day. If sufficient funds are not available for the purchase of all tendered Bonds, no purchase of Bonds will be consummated, but failure to consummate such purchase will not be deemed to be an Event of Default under the Indenture if sufficient funds have been provided in a timely manner by the Company to the Tender Agent for such purpose.

Payment of Purchase Price

When a book-entry-only system is not in effect, payment of the purchase price of any Bond will be payable (and delivery of a replacement Bond in exchange for the portion of any Bond not purchased if such Bond is purchased in part will be made) on the Purchase Date upon delivery of such Bond to the Tender Agent on such Purchase Date; provided that such Bond must be delivered to the Tender Agent: (i) at or prior to 12:00 noon (New York City time), in the case of Bonds delivered for purchase during a Weekly Rate Period or Flexible Rate Period, (ii) at or prior to 1:00 p.m. (New York City time), in the case of Bonds delivered for purchase during a Daily Rate Period or (iii) at or prior to 11:00 a.m. (New York City time), in the case of Bonds delivered for purchase during a Semi-Annual Rate Period, Annual Rate Period or Long Term Rate Period. If the date of such purchase is not a Business Day, the purchase price will be payable on the next succeeding Business Day.

Any Bond delivered for payment of the purchase price must be accompanied by an instrument of transfer thereof in form satisfactory to the Tender Agent executed in blank by the registered owner thereof and with all signatures guaranteed. The Tender Agent may refuse to accept delivery of any Bond for which an instrument of transfer satisfactory to it has not been provided and has no obligation to pay the purchase price of such Bond until a satisfactory instrument is delivered.

If the registered owner of any Bond (or portion thereof) that is subject to purchase pursuant to the Indenture fails to deliver such Bond with an appropriate instrument of transfer to the Tender Agent for purchase on the Purchase Date, and if the Tender Agent is in receipt of the purchase price therefor, such Bond (or portion thereof) nevertheless will be deemed purchased on the Purchase Date thereof. Any owner who so fails to deliver such Bond for purchase on (or before) the Purchase Date will have no further rights thereunder, except the right to receive the purchase price thereof from those moneys deposited with the Tender Agent in the Purchase Fund pursuant to the Indenture upon presentation and surrender of such Bond to the Tender Agent properly endorsed for transfer in blank with all signatures guaranteed.

When a book-entry-only system is in effect, the requirement for physical delivery of the Bonds will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on the records of DTC to the participant account of the Tender Agent.

Redemptions

Optional Redemption.

(i) Whenever the Interest Rate Mode for the Bonds is the Auction Rate, the Bonds will be subject to redemption at the option of the Issuer, upon the written direction of the Company, in whole or in part, on the Business Day immediately succeeding any Auction Date (as defined in Appendix B attached hereto), at a redemption price of 100% of the principal amount thereof, together with accrued interest to the redemption date.

(ii) Whenever the Interest Rate Mode for the Bonds is the Daily Rate or the Weekly Rate, the Bonds will be subject to redemption at the option of the Issuer, upon the written direction of the Company, in whole or in part, at a redemption price of 100% of the principal amount thereof, plus interest accrued, if any, to the redemption date, on any Business Day.

(iii) Whenever the Interest Rate Mode for a Bond is the Flexible Rate, such Bond will be subject to redemption at the option of the Issuer, upon the written direction of the Company, in whole or in part, at a redemption price of 100% of the principal amount thereof on any Interest Payment Date for that Bond.

(iv) Whenever the Interest Rate Mode for the Bonds is the Semi-Annual Rate, the Bonds will be subject to redemption at the option of the Issuer, upon the written direction of the Company, in whole or in part, at a redemption price of 100% of the principal amount thereof on any Interest Payment Date for each Semi-Annual Rate Period.

(v) Whenever the Interest Rate Mode for the Bonds is the Annual Rate, the Bonds will be subject to redemption at the option of the Issuer, upon the written direction of the Company, in whole or in part, at a redemption price of 100% of the principal amount thereof on the final Interest Payment Date for each Annual Rate Period.

(vi) Whenever the Interest Rate Mode for the Bonds is the Long Term Rate, the Bonds will be subject to redemption at the option of the Issuer, upon the written direction of the Company, in whole or in part, (A) on the final Interest Payment Date for the then current Long Term Rate Period at a redemption price of 100% of the principal amount thereof and (B) prior to the end of the then current Long Term Rate Period at any time during the redemption periods and at the redemption prices set forth below, plus in each case interest accrued, if any, to the redemption date:

Original Length of Current Long Term Rate Period (Years)	**Commencement of Redemption Period**	**Redemption Price as Percentage of Principal**
More than or equal to 10 years	First Interest Payment Date on or after the tenth anniversary of commencement of Long Term Rate Period	100%
Less than 10 years	Non-callable	Non-callable

Subject to certain conditions, including provision of an opinion of Bond Counsel that a change in the redemption provisions of the Bonds will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes, the redemption periods and redemption prices may be revised, effective as of the Conversion Date, the date of a change in the Long Term Rate Period or a Purchase Date on the final Interest Payment Date during a Long Term Rate Period, to reflect Prevailing Market Conditions on such date as determined by the Remarketing Agents in their judgment. Any such revision of the redemption periods and redemption prices will not be considered an amendment or a supplement to the Indenture and will not require the consent of any Bondholder or any other person or entity.

Extraordinary Optional Redemption in Whole. The Bonds may be redeemed by the Issuer in whole at any time at 100% of the principal amount thereof plus accrued interest to the redemption date upon the exercise by the Company of an option under the Loan Agreement to prepay the loan if any of the following events shall have occurred within 180 days preceding the giving of written notice by the Company to the Trustee of such election:

(i) if in the judgment of the Company, unreasonable burdens or excessive liabilities have been imposed upon the Company after the issuance of the Bonds with respect to the Project or the operation thereof, including without limitation federal, state or other ad valorem property, income or other taxes not imposed on the date of the Loan Agreement, other than ad valorem taxes levied upon privately owned property used for the same general purpose as the Project;

(ii) if the Project or a portion thereof or other property of the Company in connection with which the Project is used has been damaged or destroyed to such an extent so as, in the judgment of the Company, to render the Project or such other property of the Company in connection with which the Project is used unsatisfactory to the Company for its intended use, and such condition continues for a period of six months;

(iii) there has occurred condemnation of all or substantially all of the Project or the taking by eminent domain of such use or control of the Project or other property of the Company in connection with which the Project is used so as, in the judgment of the Company, to render the Project or such other property of the Company unsatisfactory to the Company for its intended use;

(iv) in the event changes, which the Company cannot reasonably control, in the economic availability of materials, supplies, labor, equipment or other properties or things necessary for the efficient operation of the Generating Station have occurred, which, in the judgment of the Company, render the continued operation of such Generating Station or any generating unit at such station uneconomical; or changes in circumstances after the issuance of the Bonds, including but not limited to changes in solid waste abatement, control and disposal requirements, have occurred such that the Company determines that use of the Project is no longer required or desirable;

(v) the Loan Agreement has become void or unenforceable or impossible of performance by reason of any changes in the Constitution of the Commonwealth of Kentucky or the Constitution of the United States of America or by reason of legislative or administrative action (whether state of federal) or any final decree, judgment or order of any court or administrative body, whether state or federal; or

(vi) a final order or decree of any court or administrative body after the issuance of the Bonds requires the Company to cease a substantial part of its operation at the Generating Station to such extent that the Company will be prevented from carrying on its normal operations at such Generating Station for a period of six months.

Extraordinary Optional Redemption in Whole or in Part. The Bonds are also subject to redemption in whole or in part at 100% of the principal amount thereof plus accrued interest to the redemption date at the option of the Company in an amount not to exceed the net proceeds received from insurance or any condemnation award received by the Issuer or the Company in the event of damage, destruction or condemnation of all or a portion of the Project, subject to receipt of an opinion of Bond Counsel that such redemption will not adversely affect the exclusion of interest on any of the Bonds from gross income for federal income tax purposes. See "Summary of the Loan Agreement — Maintenance; Damage, Destruction and Condemnation." Such redemption may occur at any time, provided that if such event occurs while the Interest Rate Mode for the Bonds is the Flexible Rate or Semi-Annual Rate, such redemption must occur on a date on which the Bonds are otherwise subject to optional redemption as described above.

Mandatory Redemption; Determination of Taxability. The Bonds are required to be redeemed by the Issuer, in whole, or in such part as described below, at a redemption price equal to 100% of the principal amount thereof, without redemption premium, plus accrued interest, if any, to the redemption date, within 180 days following a "Determination of Taxability." As used herein, a "Determination of Taxability" means the receipt by the Trustee of written notice from a current or former registered owner of a Bond or from the Company or the Issuer of (i) the issuance of a published or private ruling or a technical advice memorandum by the Internal Revenue Service in which the Company participated or has been given the opportunity to participate, and which ruling or memorandum the Company, in its discretion, does not contest or from which no further right of administrative or judicial review or appeal exists, or (ii) a final determination from which no further right of appeal exists of any court of competent jurisdiction in the United States in a proceeding in which the Company has participated or has been a party, or has been given the opportunity to participate or be a party, in each case, to the effect that as a result of a failure by the Company to perform or observe any covenant or agreement or the inaccuracy of any representation contained in the Loan Agreement or any other agreement or certificate delivered in connection with the Bonds, the interest on the Bonds is included in the gross income of the owners thereof for federal income tax purposes, other than with respect to a person who is a "substantial user" or a "related person" of a substantial user within the meaning of the Section 147 of Internal Revenue Code of 1986, as amended (the "Code"); provided, however, that no such Determination of Taxability shall be considered to exist as a result of the Trustee receiving notice from a current or former registered owner of a Bond or from the Issuer unless (i) the Issuer or the registered owner or former registered owner of the Bond involved in such proceeding or action (A) gives the Company and the Trustee prompt notice of the commencement thereof, and (B) (if the Company agrees to pay all expenses in connection therewith) offers the Company the opportunity to control unconditionally the defense thereof, and (ii) either (A) the Company does not agree within 30 days of receipt of such offer to pay such expenses and liabilities and to control such defense, or (B) the Company shall exhaust or choose not to exhaust all available proceedings for the contest, review, appeal or rehearing of such decree, judgment or action which the Company determines to be appropriate. No Determination of Taxability described above will result from the inclusion of interest on any Bond in the computation of minimum or indirect taxes. All of the Bonds are required to be redeemed upon a Determination of Taxability as described above unless, in the opinion of Bond Counsel, redemption of a portion of such Bonds would have the result that interest payable on the remaining Bonds outstanding after the redemption would not be so included in any such gross income.

In the event any of the Issuer, the Company or the Trustee has been put on notice or becomes aware of the existence or pendency of any inquiry, audit or other proceedings relating to the Bonds being conducted by the Internal Revenue Service, the party so put on notice is required to give immediate written notice to the other parties of such matters. Promptly upon learning of the occurrence of a Determination of Taxability (whether or not the same is being contested), or any of the events described above, the Company is required to give notice thereof to the Trustee and the Issuer.

If the Internal Revenue Service or a court of competent jurisdiction determines that the interest paid or to be paid on any Bond (except to a "substantial user" of the Project or a "related person" within the meaning of Section 147(a) of the Code) is or was includable in the gross income of the recipient for federal income tax purposes for reasons other than as a result of a failure by the Company to perform or observe any of its covenants, agreements or representations in the Loan Agreement or any other agreement or certificate delivered in connection therewith, the Bonds are not subject to redemption. In such circumstances, Bondholders would continue to hold their Bonds, receiving principal and interest at the applicable rate as and when due, but would be required to include such interest payments in gross income for federal income tax purposes. Also, if the lien of the Indenture is discharged or defeased prior to the occurrence of a final Determination of Taxability, Bonds will not be redeemed as described herein.

General Redemption Terms. Notice of redemption will be given by mailing a redemption notice conforming to the provisions and requirements of the Indenture by first class mail to the registered owners of the Bonds to be redeemed not less than 30 days (15 days if the Interest Rate Mode for the Bonds is the Auction Rate, Flexible Rate, Daily Rate or Weekly Rate) but not more than 45 days prior to the redemption date.

Any notice mailed as provided in the Indenture will be conclusively presumed to have been given, irrespective of whether the owner receives the notice. Failure to give any such notice by mailing or any defect therein in respect of any Bond will not affect the validity of any proceedings for the redemption of any other Bond. No further interest will accrue on the principal of any Bond called for redemption after the redemption date if funds sufficient for such redemption have been deposited with the Paying Agent as of the redemption date. If the provisions for discharging the Indenture set forth below under the caption, "Summary of the Indenture – Discharge of Indenture" have not been complied with, any redemption notice will state that it is conditional on there being sufficient moneys to pay the full redemption price for the Bonds to be redeemed. So long as the Bonds are held in book-entry-only form, all redemption notices will be sent only to Cede & Co.

Book-Entry-Only System

Portions of the following information concerning DTC and DTC's book-entry-only system have been obtained from DTC. The Issuer, the Company and the Underwriters make no representation as to the accuracy of such information.

Initially, DTC will act as securities depository for the Bonds and the Bonds initially will be issued solely in book-entry-only form to be held under DTC's book-entry-only system, registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered bond in the aggregate principal amount of the Bonds will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934 (the "Exchange Act"). DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants" and, together with "Direct Participants," "Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Issuer or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, the Company or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Tender Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Tender Agent. The requirement for physical delivery of Bonds in connection with a demand for purchase or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Tender Agent's DTC account.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer, the Company, the Tender Agent and the Trustee, or the Issuer, at the request of the Company, may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository for the Bonds). Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered as described in the Indenture (see "Summary of the Bonds — Book-Entry-Only System — *Revision of Book-Entry-Only*

System; Replacement Bonds" below). The Beneficial Owner, upon registration of certificates held in the Beneficial Owner's name, will become the registered owner of the Bonds.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the registered owners of the Bonds will mean Cede & Co. and will not mean the Beneficial Owners. Under the Indenture, payments made by the Trustee to DTC or its nominee will satisfy the Issuer's obligations under the Indenture and the Company's obligations under the Loan Agreement, to the extent of the payments so made. Beneficial Owners will not be, and will not be considered by the Issuer or the Trustee to be, and will not have any rights as, owners of Bonds under the Indenture.

The Trustee and the Issuer, so long as a book-entry-only system is used for the Bonds, will send any notice of redemption or of proposed document amendments requiring consent of registered owners and any other notices required by the document (including notices of Conversion and mandatory purchase) to be sent to registered owners only to DTC (or any successor securities depository) or its nominee. Any failure of DTC to advise any Direct Participant, or of any Direct Participant or Indirect Participant to notify the Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the Bonds called for redemption, the document amendment, the Conversion, the mandatory purchase or any other action premised on that notice.

The Issuer, the Company, the Trustee and the Underwriters cannot and do not give any assurances that DTC will distribute payments on the Bonds made to DTC or its nominee as the registered owner or any redemption or other notices, to the Participants, or that the Participants or others will distribute such payments or notices to the Beneficial Owners, or that they will do so on a timely basis, or that DTC will serve and act in the manner described in this Official Statement.

THE ISSUER, THE COMPANY, THE UNDERWRITERS AND THE TRUSTEE WILL HAVE NO RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING A REGISTERED OWNER WITH RESPECT TO: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (2) THE PAYMENT OF ANY AMOUNT DUE BY DTC TO ANY DIRECT PARTICIPANT OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OR REDEMPTION OR PURCHASE PRICE OF OR INTEREST ON THE BONDS; (3) THE DELIVERY OF ANY NOTICE BY DTC TO ANY DIRECT PARTICIPANT OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED TO BE GIVEN TO REGISTERED OWNERS UNDER THE TERMS OF THE INDENTURE; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS REGISTERED OWNER.

Revision of Book-Entry-Only System; Replacement Bonds. In the event that DTC determines not to continue as securities depository or is removed by the Issuer, at the direction of the Company, as securities depository, the Issuer, at the direction of the Company, may appoint a successor securities depository reasonably acceptable to the Trustee. If the Issuer does not or is unable to appoint a successor securities depository, the Issuer will issue and the Trustee will authenticate and deliver fully registered Bonds, in authorized denominations, to the assignees of DTC or their nominees.

In the event that the book-entry-only system is discontinued, the following provisions will apply. The Bonds may be issued in denominations of $25,000 and integral multiples thereof, if the Interest Rate Mode is the Auction Rate; in denominations of $5,000 and integral multiples thereof, if the Interest Rate Mode is the Semi-Annual Rate, the Annual Rate or the Long Term Rate; in denominations of $100,000 and integral multiples of $5,000 in excess thereof, if the Interest Rate Mode is the Flexible Rate; and in denominations of $100,000 and integral multiples thereof, if the Interest Rate Mode is the Daily Rate or the Weekly Rate. Bonds may be transferred or exchanged for an equal total amount of Bonds of other authorized denominations upon surrender of such Bonds at the principal office of the Bond Registrar, accompanied by a written instrument of transfer or authorization for exchange in form and with guaranty of signature satisfactory to the Bond Registrar, duly executed by the registered owner or the owner's duly authorized attorney. Except as provided in the Indenture, the Bond Registrar will not be required to register the transfer or exchange of any Bond during the fifteen days before any mailing of a notice of redemption, after such Bond has been called for redemption in whole or in part, or after such Bond has been tendered or deemed tendered for optional or mandatory purchase as described under "Purchases of Bonds on Demand of Owner" and "Mandatory Purchases of Bonds." Registration of transfers and exchanges will be made without charge to the owners of Bonds, except that the Bond Registrar may require any owner requesting registration of transfer or exchange to pay any required tax or governmental charge.

Security; Limitation on Liens

Payment of the principal of and interest and any premium on the Bonds will be secured by an assignment by the Issuer to the Trustee of the Issuer's interest in and to the Loan Agreement and all payments to be made pursuant thereto (other than certain indemnification and expense payments). Pursuant to the Loan Agreement, the Company will agree to pay, among other things, amounts sufficient to pay the aggregate principal amount of and premium, if any, on the Bonds, together with interest thereon as and when the same become due. The Company further will agree to make payments of the purchase price of the Bonds tendered for purchase to the extent that funds are not otherwise available therefor under the provisions of the Indenture.

As of the date hereof, the Company has outstanding 13 series of first mortgage bonds in an aggregate principal amount of $574,304,000. These first mortgage bonds were issued to secure a like principal amount of tax-exempt debt. On or about the date of issuance of the Bonds, and pursuant to the terms of these existing first mortgage bonds, all of such first mortgage bonds will be terminated and cancelled and will cease to secure the Company's obligations under its existing tax-exempt debt, and all of the Company's obligations under its existing tax-exempt debt will become unsecured general obligations of the Company, ranking on a parity with the Company's obligations under the Loan Agreement to make payments on the Bonds.

In the Loan Agreement, the Company will covenant that it will not issue, assume or guarantee any debt for borrowed money secured by any mortgage, security interest, pledge, or lien ("mortgage") on any of the Company's operating property (as defined below), whether the Company owns it at the date hereof or acquires it later, unless the Company similarly secures its obligations under the Loan Agreement to make payments to the Trustee in sufficient amounts to pay the principal of, premium, if any, and interest required to be paid on the Bonds. This restriction will not apply to:

- mortgages on any property existing at the time the Company acquires the property or at the time the Company acquires the corporation owning the property;
- purchase money mortgages;
- specified governmental mortgages; or
- any extension, renewal or replacement (or successive extensions, renewals or replacements) of any mortgage referred to in the three clauses listed above, so long as the principal amount of indebtedness secured under this clause and not otherwise authorized by the clauses listed above, does not exceed the principal amount of indebtedness secured at the time of the extension, renewal or replacement.

In addition, the Company can also issue secured debt so long as the amount of the secured debt does not exceed the greater of 10% of net tangible assets or 10% of capitalization.

The Company will not, so long as any of the Bonds are outstanding, issue, assume, guarantee or permit to exist any debt of the Company secured by a mortgage, the creditor of which controls, is controlled by, or is under common control with, the Company.

For purposes of this limitation on liens, "operating property" means (i) any interest in real property owned by the Company, and (ii) any asset owned by the Company that is depreciable in accordance with generally accepted accounting principles.

The Bond Insurance Policy and the Bond Insurer

The information relating to Ambac Assurance contained herein has been furnished solely by Ambac Assurance. No representation is made by the Underwriters, the Remarketing Agents, the Issuer or the Company as to the accuracy or adequacy of such information or as to the absence of material adverse changes in the condition of Ambac Assurance subsequent to the date hereof. The following discussion does not purport to be complete and is qualified in its entirety by reference to the Bond Insurance Policy, a specimen of the form of which is attached hereto as Appendix D.

Payment Pursuant to Bond Insurance Policy

Ambac Assurance has made a commitment to issue the Bond Insurance Policy relating to the Bonds effective as of the date of issuance of the Bonds. Under the terms of the Bond Insurance Policy, Ambac Assurance will pay to The Bank of New York, in New York, New York, or any successor thereto (the "Insurance Trustee"), that portion of the principal of and interest on the Bonds that shall become "Due for Payment" but shall be unpaid by reason of "Nonpayment" by the "Obligor" (as such terms are defined in the Bond Insurance Policy). Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and/or interest becomes "Due for Payment" or within one Business Day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Trustee. The insurance will extend for the term of the Bonds and, once issued, cannot be cancelled by Ambac Assurance.

The Bond Insurance Policy will insure payment only on the stated maturity date or upon special mandatory redemption on a determination of taxability, in the case of principal, and on stated dates for payment, in the case of interest. If the Bonds become subject to other redemption and insufficient funds are available for redemption of all outstanding Bonds, Ambac Assurance will remain obligated to pay principal of and interest on outstanding Bonds on the originally scheduled interest and principal payment dates. In the event of any acceleration of the principal of the Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration, except to the extent that Ambac Assurance elects, in its sole discretion, to pay all or a portion of the accelerated principal and interest accrued thereon to the date of acceleration (to the extent unpaid by the Obligor). Upon payment of all such accelerated principal and interest accrued to the acceleration date, Ambac Assurance's obligations under the Bond Insurance Policy shall be fully discharged.

In the event the Trustee has notice that any payment of principal of or interest on a Bond that has become Due for Payment and that is made to a Bondholder by or on behalf of the Issuer has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, non-appealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The Bond Insurance Policy does **not** insure any risk other than Nonpayment. Specifically, the Bond Insurance Policy does **not** cover:

(a) payment on acceleration, as a result of a call for redemption (other than a special mandatory redemption upon the occurrence of a determination of taxability as provided in the Bond Insurance Policy) or as a result of any other advancement of maturity;

(b) payment of any redemption, prepayment or acceleration premium;

(c) nonpayment of principal or interest caused by the insolvency or negligence of the Trustee, Paying Agent or Bond Registrar, if any;

(d) loss relating to payments of the purchase price of Bonds upon tender by a registered owner thereof or any preferential transfer relating to payments of the purchase price of Bonds upon tender by a registered owner thereof; or

(e) loss relating to payments made in connection with the sale of Bonds in connection with the sale of Bonds at Auctions or losses suffered as a result of a Bondholder's inability to sell Bonds.

Notwithstanding the foregoing, under the Bond Insurance Policy, the definition of "Due for Payment" is expanded to include date or dates of mandatory redemption of the Bonds, in whole or in part, pursuant to a final determination of taxability as described herein under "Summary of the Bonds — Redemptions – *Mandatory Redemption; Determination of Taxability*."

If it becomes necessary to call upon the Bond Insurance Policy, payment of any principal by the Bond Insurer requires surrender of applicable Bonds to the Insurance Trustee, together with an appropriate instrument of assignment so as to permit ownership of such Bonds to be registered in the name of Ambac Assurance to the extent of the payment under the Bond Insurance Policy. Payment of interest pursuant to the Bond Insurance Policy requires proof of Bondholder entitlement to interest payments and an appropriate assignment of the Bondholder's right to payment to Ambac Assurance.

Upon payment of the insurance benefits to a Bondholder, Ambac Assurance will become the owner of the Bond or right to payment of principal or interest on such Bond and will be fully subrogated to the surrendering Bondholder's rights to payment.

Insurance Agreement with Company

Ambac Assurance has agreed to issue the Bond Insurance Policy pursuant to the Insurance Agreement. Under the Insurance Agreement, the Company is obligated to reimburse Ambac Assurance, immediately and unconditionally upon demand, for all payments made by Ambac Assurance under the terms of the Insurance Policy. The Company is also obligated to deliver certain collateral to the Trustee for the benefit of the bondholders and comply with certain financial and other covenants specified therein. The Insurance Agreement includes certain events of default, including the failure of the Company to pay amounts owed thereunder to Ambac Assurance, any breach by the Company of representations, warranties and covenants set forth therein and certain events of bankruptcy. If any such event of default should occur and be continuing, Ambac Assurance may, among other things, notify the Trustee of such an event of default which would result in an "Event of Default" under the Indenture. See "Summary of the Indenture — Defaults and Remedies."

Ambac Assurance Corporation

Ambac Assurance is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately $10,015,000,000 (unaudited) and statutory capital of approximately $6,371,000,000 (unaudited) as of December 31, 2006.

Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc., Moody's Investors Service, Inc. ("Moody's") and Fitch Ratings have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its financial guaranty insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Issuer of the Bonds.

Ambac Assurance makes no representation regarding the Bonds or the advisability of investing in the Bonds and makes no representation regarding, nor has it participated in the preparation of, this Official Statement other than the information supplied by Ambac Assurance and presented under the heading "The Bond Insurance Policy and the Bond Insurer" and in Appendix D.

Available Information

The parent company of Ambac Assurance, Ambac Financial Group, Inc. ("AFG"), is subject to the informational requirements of the Exchange Act, and in accordance therewith files reports, proxy statements and other information with the SEC. These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at http://www.sec.gov that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including AFG. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc. (the "NYSE"), 20 Broad Street, New York, New York 10005.

Copies of Ambac Assurance's financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance's administrative offices is One State Street Plaza, 19th Floor, New York, New York 10004 and its telephone number is (212) 668-0340.

Incorporation of Certain Documents by Reference

The following document filed by AFG with the SEC (File No. 1-10777) is incorporated by reference in this Official Statement.

1) AFG's Annual Report on Form 10-K for the fiscal year ended December 31, 2006 and filed on March 1, 2007.

All documents subsequently filed by AFG pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "Available Information."

Summary of the Loan Agreement

The following, in addition to the provisions contained elsewhere in this Official Statement, is a brief description of certain provisions of the Loan Agreement. This description is only a summary and does not purport to be complete and definitive. Reference is made to the Loan Agreement for the detailed provisions thereof.

General

The term of the Loan Agreement shall commence as of its date and end on the earliest to occur of June 1, 2033, or the date on which all of the Bonds shall have been fully paid or provision has been made for such payment pursuant to the Indenture. See "Summary of the Indenture — Discharge of Indenture."

The Company has agreed to repay the loan pursuant to the Loan Agreement by making timely payments to the Trustee in sufficient amounts to pay the principal of, premium, if any, and interest required to be paid on the Bonds on each date upon which any such payments are due. The Company has also agreed to pay (a) the agreed upon fees and expenses of the Trustee, the Bond Registrar, the Tender Agent and the Paying Agent and all other amounts which may be payable to the Trustee, the Bond Registrar, the Paying Agent, the Auction Agent and the Tender Agent, as may be applicable, under the Indenture, (b) the expenses in connection with any redemption of the Bonds and (c) the reasonable expenses of the Issuer.

The Company covenants and agrees with the Issuer that it will cause the purchase of tendered Bonds that are not remarketed in accordance with the Indenture and, to that end, the Company shall cause funds to be made available to the Tender Agent at the times and in the manner required to effect such purchases in accordance with the Indenture (see "Summary of the Bonds — Remarketing and Purchase of Bonds").

All payments to be made by the Company to the Issuer pursuant to the Loan Agreement (except the fees and reasonable out-of-pocket expenses of the Issuer, the Trustee, the Paying Agent, the Bond Registrar, the Tender Agent and the Auction Agent, and amounts related to indemnification) have been assigned by the Issuer to the Trustee, and the Company will pay such amounts directly to the Trustee. The obligations of the Company to make the payments pursuant to the Loan Agreement are absolute and unconditional.

Maintenance of Tax Exemption

The Company and the Issuer have agreed not to take any action that would result in the interest paid on the Bonds being included in gross income of any Bondholder (other than a holder who is a "substantial user" of the Project or a "related person" within the meaning of Section 147(a) of the Code) for federal income tax purposes or that adversely affects the validity of the Bonds.

Limitation on Liens

The Company has agreed that, so long as any of the Bonds are outstanding, it will not create, assume or guarantee debt for borrowed money secured by any mortgage, except as described above under "Security; Limitation on Liens."

Payment of Taxes

The Company has agreed to pay certain taxes and other governmental charges that may be lawfully assessed, levied or charged against or with respect to the Project (see, however, subparagraph (i) under "Summary of the Bonds — Redemptions — *Extraordinary Optional Redemption in Whole*"). The Company may contest such taxes or other governmental charges unless the security provided by the Indenture would be materially endangered.

Maintenance; Damage, Destruction and Condemnation

So long as any Bonds are outstanding, the Company will maintain the Project or cause the Project to be maintained in good working condition and will make or cause to be made all proper repairs, replacements and renewals necessary to continue to constitute the Series A Project as air pollution control and abatement facilities under Section 103(b)(4)(F) of the Code and the Act and the Series B Project as air and water pollution control and abatement facilities and solid waste disposal facilities under Section 103(b)(4)(E) and (F) of the Code and the Act. However, the Company will have no obligation to maintain, repair, replace or renew any portion of the Project, the maintenance, repair, replacement or renewal of which becomes uneconomical to the Company because of certain events, including damage or destruction by a cause not within the Company's control, condemnation of the Project, change in government standards and regulations, economic or other obsolescence or termination of operation of generating facilities to the Project.

The Company, at its own expense, may remodel the Project or make substitutions, modifications and improvements to the Project as it deems desirable, which remodeling, substitutions, modifications and improvements shall be deemed, under the terms of the Loan Agreement to be a part of the Project. The Company may not, however, change or alter the basic nature of the Project or cause it to lose its status under Section 103(b)(4)(F) or Section 103(b)(4)(E) and (F), as the case may be, of the Code and the Act.

If, prior to the payment of all Bonds outstanding, the Project or any portion thereof is destroyed, damaged or taken by the exercise of the power of eminent domain and the Issuer or the Company receives net proceeds from insurance or a condemnation award in connection therewith, the Company shall (i) cause such net proceeds to be used to repair or restore the Project or (ii) take any other action, including the redemption of the Bonds in whole or in part at their principal amount, which, by the opinion of Bond Counsel, will not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes. See "Summary of the Bonds — Redemptions — *Extraordinary Optional Redemption in Whole or in Part*."

Insurance

The Company will insure the Project in a manner consistent with general industry practice.

Assignment, Merger and Release of Obligations of the Company

The Company may assign the Loan Agreement, pursuant to an opinion of Bond Counsel that such assignment will not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes, without obtaining the consent of either the Issuer or the Trustee. Such assignment, however, shall not relieve the Company from primary liability for any of its obligations under the Loan Agreement and performance and observance of the other covenants and agreements to be performed by the Company. The Company may dispose of all or substantially all of its assets or consolidate with or merge into another corporation, provided the acquirer of the Company's assets or the corporation with which it shall consolidate with or merge into shall be a corporation or other business organization organized and existing under the laws of the United States of America or one of the states of the United States of America or the District of Columbia, shall be qualified and admitted to do business in the Commonwealth of Kentucky, shall assume in writing all of the obligations and covenants of the Company under the Loan Agreement and shall deliver a copy of such assumption to the Issuer and Trustee.

Release and Indemnification Covenant

The Company will indemnify and hold the Issuer harmless against any expense or liability incurred, including attorneys' fees, resulting from any loss or damage to property or any injury to or death of any person occurring on or about or resulting from any defect in the Project or from any action commenced in connection with the financing thereof.

Events of Default

Each of the following events constitutes an "event of default" under the Loan Agreement:

(1) failure by the Company to pay the amounts required for payment of the principal of, including purchase price for tendered Bonds and redemption and acceleration prices, and interest accrued, on the Bonds, at the times specified therein taking into account any periods of grace provided in the Indenture and the Bonds for the applicable payment of interest on the Bonds (see "Summary of the Indenture — Defaults and Remedies");

(2) failure by the Company to observe and perform any covenant, condition or agreement, other than as referred to in paragraph (1) above, for a period of thirty days after written notice by the Issuer or Trustee, provided, however, that if such failure is capable of being corrected, but cannot be corrected in such 30-day period, it will not constitute an event of default under the Loan Agreement if corrective action with respect thereto is instituted within such period and is being diligently pursued;

(3) certain events of bankruptcy, dissolution, liquidation, reorganization or insolvency of the Company; or

(4) the occurrence of an Event of Default under the Indenture.

Under the Loan Agreement, certain of the Company's obligations (other than the Company's obligations, among others, (i) not to permit any action which would result in interest paid on the Bonds being included in gross income for federal and Kentucky income taxes; (ii) to maintain its corporate existence and good standing, and to neither dispose of all or substantially all of its assets or consolidate with or merge into another corporation unless certain provisions of the Loan Agreement are satisfied; and (iii) to make loan payments and certain other payments under the provisions of the Loan Agreement) may be suspended if by reason of force majeure (as defined in the Loan Agreement) the Company is unable to carry out such obligations.

Remedies

Upon the happening of an event of default under the Loan Agreement, the Trustee, on behalf of the Issuer, may, among other things, take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Company, under the Loan Agreement.

Any amounts collected upon the happening of any such event of default shall be applied in accordance with the Indenture or, if the Bonds have been fully paid (or provision for payment thereof has been made in accordance with the Indenture) and all other liabilities of the Company accrued under the Indenture and the Loan Agreement have been paid or satisfied, made available to the Company.

Options to Prepay, Obligation to Prepay

The Company may prepay the loan pursuant to the Loan Agreement, in whole or in part, on certain dates, at the prepayment prices as shown under the captions "Summary of the Bonds — Redemptions — *Optional Redemption*," "*Extraordinary Optional Redemption in Whole*" and "*Extraordinary Optional Redemption in Whole or in Part*." Upon the occurrence of the event described under the caption "Summary of the Bonds — Redemptions — *Mandatory Redemption; Determination of Taxability*," the Company shall be obligated to prepay the loan in an aggregate amount sufficient to redeem the required principal amount of the Bonds.

In each instance, the loan prepayment price shall be a sum sufficient, together with other funds deposited with the Trustee and available for such purpose, to redeem the requisite amount of the Bonds at a price equal to the applicable redemption price plus accrued interest to the redemption date, and to pay all reasonable and necessary fees and expenses of the Trustee, the Paying Agent and all other liabilities of the Company under the Loan Agreement accrued to the redemption date.

Amendments and Modifications

No amendment or modification of the Loan Agreement is permissible without the written consent of the Trustee. The Issuer and the Trustee may, however, without the consent of or notice to any Bondholders, enter into any amendment or modification of the Loan Agreement (i) which may be required by the provisions of the Loan Agreement or the Indenture, (ii) for the purpose of curing any ambiguity or formal defect or omission, (iii) with the consent of the Bond Insurer, in connection with any modification or change necessary to conform the Loan Agreement with changes and modifications in the Indenture that require the consent of the Bond Insurer or (iv) in connection with any other change which, in the judgment of the Trustee, does not adversely affect the Trustee or the Bondholders. Except for such amendments, and subject to the provisions of the Indenture described under the caption "Summary of the Indenture — Rights of Bond Insurer," the Loan Agreement may be amended or modified only with the consent of the Bondholders holding a majority in principal amount of the Bonds then outstanding (see "Summary of the Indenture — Supplemental Indentures" for an explanation of the procedures necessary for Bondholder consent); provided, however, that the approval of the Bondholders holding 100% in principal amount of the Bonds then outstanding is necessary to effectuate an amendment or modification with respect to the Loan Agreement of the type described in clauses (i) through (iv) of the first sentence of the second paragraph of "Summary of the Indenture — Supplemental Indentures." Any amendment of the Loan Agreement requiring the consent of the Bondholders also requires the consent of the Bond Insurer.

Summary of the Indenture

The following, in addition to the provisions contained elsewhere in this Official Statement, is a brief description of certain provisions of the Indenture. This description is only a summary and does not purport to be complete and definitive. Reference is made to the Indenture for the detailed provisions thereof.

Security

Pursuant to the Indenture, the Issuer will assign and pledge to the Trustee its interest in and to the Loan Agreement, including payments and other amounts due the Issuer thereunder, together with all moneys, property and securities from time to time held by the Trustee under the Indenture (with certain exceptions, including moneys held in or earnings on the Rebate Fund and the Purchase Fund). The Bonds will not be directly secured by the Project.

No Pecuniary Liability of the Issuer

No provision, covenant or agreement contained in the Indenture or in the Loan Agreement, nor any breach thereof, shall constitute or give rise to any pecuniary liability of the Issuer or any charge upon any of its assets or its general credit or taxing powers. The Issuer has not obligated itself by making the covenants, agreements or provisions contained in the Indenture or in the Loan Agreement, except with respect to the Project and the application of the amounts assigned to payment of the principal of, premium, if any, and interest on the Bonds.

The Bond Fund

The payments to be made by the Company pursuant to the Loan Agreement to the Issuer and certain other amounts specified in the Indenture will be deposited into a Bond Fund established pursuant to the Indenture (the "Bond Fund") and will be maintained in trust by the Trustee. Moneys in the Bond Fund will be used solely and only for the payment of the principal of, premium, if any, and interest on the Bonds, for the redemption of Bonds prior to maturity and for the payment of the reasonable fees and expenses to which the Trustee, Bond Registrar, Tender Agent, Authentication Agent, any Paying Agents and the Issuer are entitled pursuant to the Indenture or the Loan Agreement. Any moneys held in the Bond Fund will be invested by the Trustee at the specific written direction of the Company in certain Governmental Obligations, investment-grade corporate obligations and other investments permitted under the Indenture.

The Rebate Fund

A Rebate Fund has been created by the Indenture (the "Rebate Fund") and will be maintained as a separate fund free and clear of the lien of the Indenture. The Issuer, the Trustee and the Company have agreed to comply with all rebate requirements of the Code and, in particular, the Company has agreed that if necessary, it will deposit in the Rebate Fund any such amount as is required under the Code. However, the Issuer, the Trustee and the Company may disregard the Rebate Fund provisions to the extent that they shall receive an opinion of Bond Counsel that such failure to comply will not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes.

Discharge of Indenture

When all the Bonds and all fees and charges accrued and to accrue of the Trustee and the Paying Agent have been paid or provided for, and when proper notice has been given to the Bondholders or the Trustee that the proper amounts have been so paid or provided for, and if the Issuer is not in default in any other respect under the Indenture, the Indenture shall become null and void. The Bonds shall be deemed to have been paid and discharged when there shall have been irrevocably deposited with the Trustee moneys sufficient to pay the principal, premium, if any, and accrued interest on such Bonds to the due date (whether such date be by reason of maturity or upon redemption) or, in lieu thereof, Governmental Obligations shall have been deposited which mature in such amounts and at such times as will provide the funds necessary to so pay such Bonds, and when all reasonable and necessary fees and expenses of the Trustee, the Authenticating Agent, the Bond Registrar and the Paying Agent have been paid or provided for.

Defaults and Remedies

As long as the Bond Insurance Policy is in full force and effect with respect to the Bonds and the Bond Insurer is not in default thereunder, upon the occurrence and continuance of an Event of Default, and subject to certain indemnification provisions, the Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the registered owners or the Trustee for the benefit of the registered owners under the Indenture including, without limitation, the right to accelerate the principal of the Bonds and the right to annul any *declaration of acceleration, and the Bond Insurer shall also be entitled to approve waivers of Events of Default. (See "Rights of Bond Insurer" below.)*

Each of the following events constitutes an "Event of Default" under the Indenture:

(a) Failure to make payment of any installment of interest on any Bond, (i) if such Bond bears interest at other than the Long Term Rate, within a period of one Business Day from the due date and (ii) if such Bond bears interest at the Long Term Rate, within a period of five Business Days from the date due;

(b) Failure to make punctual payment of the principal of, or premium, if any, on any Bond on the due date, whether at the stated maturity thereof, or upon proceedings for redemption, or upon the maturity thereof by declaration or if payment of the purchase price of any Bond required to be purchased pursuant to the Indenture is not made when such payment has become due and payable, provided that no event of default shall have occurred in respect of failure to receive such purchase price for any Bond if the Company shall have made the payment on the next Business Day as described in the last paragraph under "Summary of the Bonds — Remarketing and Purchase of Bonds" above;

(c) Failure of the Issuer to perform or observe any other of the covenants, agreements or conditions in the Indenture or in the Bonds which failure continues for a period of 30 days after written notice by the Trustee, provided, however, that if such failure is capable of being cured, but cannot be cured in such 30-day period, it will not constitute an event of default under the Indenture if corrective action in respect of such failure is instituted within such 30-day period and is being diligently pursued;

(d) The occurrence of an "event of default" under the Loan Agreement (see "Summary of the Loan Agreement — Events of Default"); or

(e) Written notice from the Bond Insurer to the Trustee that an event of default has occurred and is continuing under the Insurance Agreement.

Upon the occurrence of an Event of Default under the Indenture, the Trustee may, subject to the provisions of the Indenture described under "Rights of Bond Insurer" below, and upon the written request of the registered owners holding not less than 25% in aggregate principal amount of Bonds then outstanding and upon receipt of indemnity reasonably satisfactory to it shall: (i) declare the principal of all Bonds and interest accrued thereon to be immediately due and payable and (ii) declare all payments under the Loan Agreement to be immediately due and payable and enforce each and every other right granted to the Issuer under the Loan Agreement for the benefit of the Bondholders. In exercising such rights, the Trustee shall take any action that, in the judgment of the Trustee, would best serve the interests of the registered owners. Upon the occurrence of an Event of Default under the Indenture, the Trustee may also proceed to pursue any available remedy by suit at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Bonds then outstanding.

In the event that the maturity of the Bonds is accelerated, the Bond Insurer may elect, in its sole discretion, to pay all or a portion of the accelerated principal and interest accrued on such principal to the date of acceleration (to the extent unpaid by the Issuer or the Company) with respect to the Bonds, and the Trustee shall accept such amounts. Upon payment of all of such accelerated principal and interest accrued to the acceleration date as provided above, the Bond Insurer's obligations under the Bond Insurance Policy shall be fully discharged.

If the Trustee recovers any moneys following an Event of Default, unless the principal of the Bonds shall have been declared due and payable, all such moneys shall be applied in the following order: (i) to the payment of the fees, expenses, liabilities and advances incurred or made by the Trustee and the Paying Agent and the payment of any sums due and payable to the United States pursuant to Section 148(f) of the Code, (ii) to the payment of all interest then due on the Bonds, and (iii) to the payment of unpaid principal and premium, if any, of the Bonds. If the principal of the Bonds has become due or has been accelerated, such moneys shall be applied in the following order: (i) to the payment of the fees, expenses, liabilities and advances incurred or made by the Trustee and the Paying Agent and (ii) to the payment of principal of and interest then due and unpaid on the Bonds.

No Bondholder may institute any suit or proceeding in equity or at law for the enforcement of the Indenture unless an Event of Default has occurred of which the Trustee has been notified or is deemed to have notice, and registered owners holding not less than 25% in aggregate principal amount of Bonds then outstanding shall have made written request to the Trustee to proceed to exercise the powers granted under the Indenture or to institute such action in their own name and the Trustee shall fail or refuse to exercise its powers within a reasonable time after receipt of indemnity satisfactory to it.

Any judgment against the Issuer pursuant to the exercise of rights under the Indenture shall be enforceable only against specific assigned payments, funds and accounts under the Indenture in the hands of the Trustee. No deficiency judgment shall be authorized against the general credit of the Issuer.

Subject to the provisions of the Indenture summarized under "Rights of Bond Insurer" below, no default under paragraph (c) above shall constitute an Event of Default until actual notice is given to the Issuer and the Company by the Trustee or the Bond Insurer or to the Issuer, the Company and the Trustee by the registered owners holding not less than 25% in aggregate principal amount of all Bonds outstanding and the Issuer and the Company shall have had thirty days after such notice to correct the default and failed to do so. If the default is such that it cannot be corrected within the applicable period but is capable of being cured, it will not constitute an Event of Default if corrective action is instituted by the Issuer or the Company within the applicable period and diligently pursued until the default is corrected.

Following the occurrence of an Event of Default under the Indenture, the Bond Insurer will have the right to direct an accounting at the Company's expense, and the Company's failure to comply with such direction within thirty (30) days after receipt of written notice of the direction from the Bond Insurer will be deemed a default under the Indenture; provided, however, that if compliance cannot occur within such period, then such period will be extended so long as compliance is begun within such period and diligently pursued, but only if such extension would not materially adversely affect the interests of the Bondholders.

Waiver of Events of Default

As long as the Bond Insurance Policy is in full force and effect with respect to the Bonds and the Bond Insurer is not in default thereunder, upon the occurrence and continuance of an Event of Default, and subject to certain indemnification provisions, the Bond Insurer shall be entitled to control and direct the right to annul any declaration of acceleration, and the Bond Insurer shall also be entitled to approve all waivers of Events of Default. *(See "Rights of Bond Insurer" below.)*

Except as provided below, the Trustee may in its discretion waive any Event of Default under the Indenture and shall do so upon the written request of the registered owners holding a majority in principal amount of all Bonds then outstanding. If, after the principal of all Bonds then outstanding shall have been declared to be due and payable and prior to any judgment or decree for the appointment of a receiver or for the payment of the moneys due shall have been obtained or entered, (i) the Company shall cause to be deposited with the Trustee a sum sufficient to pay all matured installments of interest upon all Bonds and the principal of and premium, if any, on any and all Bonds which shall have become due otherwise than by reason of such declaration (with interest thereon as provided in the Indenture) and the expenses of the Trustee in connection with such default and (ii) all Events of Default under the Indenture (other than nonpayment of the principal of Bonds due by said declaration) shall have been remedied, then such Event of Default shall be deemed waived and such declaration and its consequences rescinded and annulled by the Trustee. Such waiver, rescission and annulment shall be binding upon all Bondholders. No such waiver, rescission and annulment shall extend to or affect any subsequent Event of Default or impair any right or remedy consequent thereon.

Notwithstanding the foregoing, nothing in the Indenture shall affect the right of a registered owner to enforce the payment of principal of, premium, if any, and interest on the Bonds after the maturity thereof.

Supplemental Indentures

The Issuer and the Trustee may enter into indentures supplemental to the Indenture without the consent of or notice to, the Bondholders in order (i) to cure any ambiguity or formal defect or omission in the Indenture, (ii) to grant to or confer upon the Trustee, as may lawfully be granted, additional rights, remedies, powers or authorities for the benefit of the Bondholders, (iii) to subject to the Indenture additional revenues, properties or collateral, (iv) to permit qualification of the Indenture under any federal statute or state blue sky law, (v) to add additional covenants and agreements of the Issuer for the protection of the Bondholders or to surrender or limit any rights, powers or authorities reserved to or conferred upon the Issuer, (vi) with the consent of the Bond Insurer, to make any other modification or change to the Indenture which, in the sole judgment of the Trustee, does not adversely affect the Trustee or any Bondholder, (vii) with the consent of the Bond Insurer, to make other amendments not otherwise permitted by (i), (ii), (iii), (iv) or (vi) of this paragraph to provisions relating to federal income tax matters under the Code or other relevant provisions if, in the opinion of Bond Counsel, those amendments would not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes, (viii) with the consent of the Bond Insurer, to make any modification or change to the Indenture necessary to provide liquidity or credit support for the

Bonds, or (ix) to permit the issuance of the Bonds in other than book-entry-only form or to provide changes to or for the book-entry system.

Subject to the consent of the Bond Insurer, exclusive of supplemental indentures for the purposes set forth in the preceding paragraph, the consent of registered owners holding a majority in aggregate principal amount of all Bonds then outstanding is required to approve any supplemental indenture, except no such supplemental indenture shall permit, without the consent of all of the registered owners of the Bonds then outstanding, (i) an extension of the maturity of the principal of or the interest on any Bond issued under the Indenture or a reduction in the principal amount of any Bond or the rate of interest or time of redemption or redemption premium thereon, (ii) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, (iii) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indenture, or (iv) the deprivation of any registered owners of the lien of the Indenture. As discussed below, any action under the Indenture which requires the consent or approval of the registered owners of the Bonds shall, in addition, be subject to the consent of the Bond Insurer.

If at any time the Issuer shall request the Trustee to enter into any supplemental indenture requiring the consent of the registered owners of the Bonds, the Trustee, upon being satisfactorily indemnified with respect to expenses, must notify all such registered owners. Such notice shall set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the principal office of the Trustee for inspection. If, within sixty days (or such longer period as shall be prescribed by the Issuer or the Company) following the mailing of such notice, the registered owners holding the requisite amount of the Bonds outstanding shall have consented to the execution thereof, no Bondholder shall have any right to object or question the execution thereof.

No supplemental indenture shall become effective unless the Company consents to the execution and delivery of such supplemental indenture. The Company shall be deemed to have consented to the execution and delivery of any supplemental indenture if the Trustee does not receive a notice of protest or objection signed by the Company on or before 4:30 p.m., local time in the city in which the principal office of the Trustee is located, on the fifteenth day after the mailing to the Company of a notice of the proposed changes and a copy of the proposed supplemental indenture.

Rights of Bond Insurer

The Indenture grants certain rights to the Bond Insurer. In addition to those rights, the Bond Insurer shall, to the extent it makes payment of principal of or interest on the Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Bond Insurance Policy. If an Event of Default occurs, so long as the Bond Insurance Policy remains in full force and effect and the Bond Insurer is not in default, the Bond Insurer shall have the right to institute any suit, action or proceeding at law or in equity under the same terms as a registered owner may institute any action under the Indenture.

To the extent that the Indenture confers upon or gives or grants to the Bond Insurer any right, remedy or claim under or by reason of the Indenture, the Bond Insurer is explicitly recognized under the Indenture as being a third-party beneficiary thereunder and may enforce any such right, remedy or claim conferred, given or granted thereunder.

As long as the Bond Insurance Policy is in full force and effect with respect to the Bonds and the Bond Insurer is not in default thereunder: (a) any provision of the Indenture expressly recognizing or granting rights in or to the Bond Insurer may not be amended in any manner which affects the rights of the Bond Insurer thereunder without the prior written consent of the Bond Insurer; (b) any action under the Indenture which requires the consent or approval of the registered owners shall, in addition to such approval, be subject to the prior written consent of the Bond Insurer; (c) upon the occurrence and continuance of an Event of Default, and subject to certain indemnification provisions, the Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the registered owners or the Trustee for the benefit of the registered owners under the Indenture including, without limitation, (i) the right to accelerate the principal of the Bonds, (ii) the right to annul any declaration of acceleration, and the Bond Insurer shall also be entitled to approve all waivers of Events of Default, and (d) the Bond Insurer shall be entitled to receive copies of notices, certificates and other documents received by the Trustee pursuant to the Indenture or given to the Bondholders and notification of any failure to provide any such document as required by the Indenture or the Loan Agreement, and shall be furnished by the Company with any filings made in accordance with SEC Rule 15c2-12 and copies of certain financial statements, audit or annual report of the Company.

Notwithstanding anything in the Indenture or the Loan Agreement to the contrary, in the event that the principal or interest due on the Bonds shall be paid by the Bond Insurer pursuant to the Bond Insurance Policy, the Bonds shall remain outstanding for all purposes, shall not be defeased or otherwise satisfied and shall not be considered paid by the Issuer, and the assignment and pledge of the revenues and security of the Company under the Loan Agreement and all covenants, agreements and other obligations of the Issuer to the Bondholders shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of the Bondholders.

Enforceability of Remedies

The remedies available to the Trustee, the Issuer and the owners upon an event of default under the Loan Agreement or the Indenture are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, the remedies specified by the Loan Agreement or the Indenture may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by principles of equity, bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting the rights of creditors generally.

Tax Treatment

In the opinion of Bond Counsel, under existing law, including current statutes, regulations, administrative rulings and official interpretations, subject to the qualifications and exceptions set forth below, interest on the Bonds will be excluded from the gross income of the recipients thereof for federal income tax purposes, except that no opinion will be expressed regarding such exclusion from gross income with respect to any Bond during any period in which it is held by a "substantial user" of the Project or a "related person" as such terms are used in Section 147(a) of the Code. Interest on the Bonds will not be an item of tax preference in determining alternative minimum taxable income for individuals and corporations under the Code. It is Bond Counsel's further opinion that, subject to the assumptions stated in the preceding sentence, (i) interest on the Bonds will be excluded from gross income of the owners thereof for Kentucky income tax purposes and (ii) the Bonds will be exempt from all ad valorem taxes in Kentucky.

The opinion of Bond Counsel as to the excludability of interest from gross income for federal income tax purposes will be based upon and will assume the accuracy of certain representations of facts and circumstances, including with respect to the Project, which are within the knowledge of the Company and compliance by the Company with certain covenants and undertakings set forth in the proceedings authorizing the Bonds which are intended to assure that the Bonds are and will remain obligations the interest on which is not includable in gross income of the recipients thereof under the law in effect on the date of such opinion. Bond Counsel will not independently verify the accuracy of the certifications and representations made by the Company and the Issuer. On the date of the opinion and subsequent to the original delivery of the Bonds, such representations of facts and circumstances must be accurate and such covenants and undertakings must continue to be complied with in order that interest on the Bonds be and remain excludable from gross income of the recipients thereof for federal income tax purposes under existing law. Bond Counsel will express no opinion (i) regarding the exclusion of interest on any Bond from gross income for federal income tax purposes on or after the date on which any change, including any interest rate conversion, permitted by the documents other than with the approval of Bond Counsel is taken which adversely affects the tax treatment of the Bonds or (ii) as to the treatment for purposes of federal income taxation of interest on the Bonds upon a Determination of Taxability.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which, including provisions for potential payments by the Issuer to the federal government, require future or continued compliance after issuance of the Bonds in order for the interest to be and to continue to be so excluded from the date of issuance. Noncompliance with certain of these requirements by the Company or the Issuer with respect to the Bonds could cause the interest on the Bonds to be included in gross income for federal income tax purposes and to be subject to federal income taxation retroactively to the date of their issuance. The Company and the Issuer will each covenant to take all actions required of each to assure that the interest on the Bonds shall be and remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion.

The opinion of Bond Counsel as to the exclusion of interest on the Bonds from gross income for federal income tax purposes and federal tax treatment of interest on the Bonds will be subject to the following exceptions and qualifications:

(a) Provisions of the Code applicable to corporations (as defined for federal income tax purposes) which impose an alternative minimum tax on a portion of the excess of adjusted current earnings over other alternative minimum taxable income may subject a portion of the interest on the Bonds earned by certain corporations to such corporate alternative minimum tax. Such corporate alternative minimum tax does not apply to any S corporation, regulated investment company, real estate investment trust or REMIC.

(b) The Code also provides for a "branch profits tax" which subjects to tax, at a rate of 30%, the effectively connected earnings and profits of a foreign corporation which engages in a United States trade or business. Interest on the Bonds would be includable in the amount of effectively connected earnings and profits and thus would increase the branch profits tax liability.

(c) The Code also provides that passive investment income, including interest on the Bonds, may be subject to taxation for any S corporation with Subchapter C earnings and profits at the close of its taxable year if greater than 25% of its gross receipts is passive investment income.

Except as stated above, Bond Counsel will express no opinion as to any federal or Kentucky tax consequences resulting from the receipt of interest on the Bonds.

Owners of the Bonds should be aware that the ownership of the Bonds may result in collateral federal income tax consequences. For instance, the Code provides that property and casualty insurance companies will be required to reduce their loss reserve deductions by 15% of the tax-exempt interest received on certain obligations, such as the Bonds, acquired after August 7, 1986. (For purposes of the immediately preceding sentence, a portion of dividends paid to an affiliated insurance company may be treated as tax-exempt interest.) The Code further provides for the disallowance of any deduction for interest expenses incurred by banks and certain other financial institutions allocable to carrying certain tax-exempt obligations, such as the Bonds, acquired after August 7, 1986. The Code also provides that, with respect to taxpayers other than such financial institutions, such taxpayers will be unable to deduct any portion of the interest expenses incurred or continued to purchase or carry the Bonds. The Code also provides, with respect to individuals, that interest on tax-exempt obligations, including the Bonds, is included in modified adjusted gross income for purposes of determining the taxability of social security and railroad retirement benefits. Furthermore, the earned income tax credit is not allowed for individuals with an aggregate amount of disqualified income within the meaning of Section 32 of the Code, which exceeds $2,200. Interest on the Bonds will be taken into account in the calculation of disqualified income. Prospective purchasers of the Bonds should consult their own tax advisors regarding such matters and any other tax consequences of holding the Bonds.

From time to time, there are legislative proposals in Congress which, if enacted, could alter or amend one or more of the federal tax matters referred to above or could adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to obligations (such as the Bonds) issued prior to enactment.

A draft of the opinion of Bond Counsel relating to the Bonds in substantially the form in which it is expected to be delivered on the date of issuance of the Bonds of each series is attached as Appendix C-1 and C-2.

Legal Matters

Certain legal matters incident to the authorization, issuance and sale by the Issuer of the Bonds are subject to the approving opinion of Bond Counsel. Bond Counsel has in the past, and may in the future, act as counsel to the Company with respect to certain matters. Certain legal matters will be passed upon for the Issuer by its County Attorney. Certain legal matters will be passed upon for the Company by Jones Day, Chicago, Illinois, and John R. McCall, Esq., Executive Vice President, General Counsel and Corporate Secretary for the Company. Certain legal matters will be passed upon for the Underwriters by their counsel, Winston & Strawn LLP, Chicago, Illinois.

Underwriting

J.P. Morgan Securities Inc. and Morgan Stanley & Co. Incorporated (the "Underwriters") have agreed to purchase the Bonds from the Issuer at the public offering price set forth on the cover page of this Official Statement. The Underwriters are committed to purchase all the Series A Bonds if any Series A Bonds are purchased and all the Series B Bonds if any Series B Bonds are purchased. In connection with the underwriting of the Bonds, the Underwriters will be paid by the Company fees in the amount of $231,700. Also, the Underwriters will receive from the Company reimbursement for certain reasonable out-of-pocket expenses, including attorneys' fees.

The Underwriters may offer and sell the Bonds to certain dealers and others at prices lower than the public offering price set forth on the cover page of this Official Statement. After the Bonds are released for sale to the public, the public offering price and other selling terms may from time to time be varied by the Underwriters.

In connection with the offering of the Bonds, the Underwriters may over-allot or effect transactions which stabilize or maintain the market prices of such bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

Pursuant to an Inducement Letter, the Company has agreed to indemnify the Underwriters and the Issuer against certain civil liabilities, including liabilities under the federal securities laws, or contribute to payments that the Underwriters or the Issuer may be required to make in respect thereof.

In the ordinary course of their business, the Underwriters and certain of their affiliates have in the past and may in the future engage in investment and commercial banking transactions with the Company, including the provision of certain advisory services to the Company.

Continuing Disclosure

Because the Bonds will be special and limited obligations of the Issuer, the Issuer is not an "obligated person" for purposes of Rule 15c2-12 (the "Rule") promulgated by the SEC under the Exchange Act, and does not have any continuing obligations thereunder. Accordingly, the Issuer will not provide any continuing disclosure information with respect to the Bonds or the Issuer.

In order to enable the Underwriters to comply with the requirements of the Rule, the Company will covenant in a continuing disclosure undertaking agreement delivered to the Trustee for the benefit of the holders of the Bonds (the "Continuing Disclosure Agreement") to provide certain continuing disclosure for the benefit of the holders of the Bonds. Under its Continuing Disclosure Agreement, the Company will covenant to take the following actions:

(a) The Company will provide to each nationally recognized municipal securities information repository ("NRMSIR"), recognized by the SEC pursuant to the Rule, and the state information depository, if any, of the Commonwealth of Kentucky (a "SID" and, together with the NRMSIR, a "Repository") recognized by the SEC (1) annual financial information of the type set forth in Appendix A to this Official Statement (including any information incorporated by reference therein) and (2) audited financial statements prepared in accordance with generally accepted accounting principles, in each case not later than 120 days after the end of the Company's fiscal year.

(b) The Company will file in a timely manner with each NRMSIR or the Municipal Securities Rulemaking Board, and with the SID, if any, notice of the occurrence of any of the following events (if applicable) with respect to the Bonds, if material: (i) principal and interest payment delinquencies; (ii) non-payment related defaults; (iii) any unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancement facilities reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions or events affecting the tax-exempt status of the Bonds; (vii) modifications to rights of the holders of the Bonds; (viii) the giving of notice of optional or unscheduled redemption of any Bonds; (ix) defeasance of the Bonds or any portion thereof; (x) release, substitution, or sale of property securing repayment of the Bonds; and (xi) rating changes with respect to the Bonds or the Company or any obligated person, within the meaning of the Rule.

(c) The Company will file in a timely manner with each Repository notice of a failure by the Company to file any of the notices or reports referred to in paragraphs (a) and (b) above by the due date.

The Company may amend its Continuing Disclosure Agreement (and the Trustee shall agree to any amendment so requested by the Company that does not change the duties of the Trustee thereunder) or waive any provision thereof, but only with a change in circumstances that arises from a change in legal requirements, change in law, or change in the nature or status of the Company with respect to the Bonds or the type of business conducted by the Company; provided that the undertaking, as amended or following such waiver, would have complied with the requirements of the Rule on the date of issuance of the Bonds, after taking into account any amendments to the Rule as well as any change in circumstances, and the amendment or waiver does not materially impair the interests of the holders of the Bonds to which such undertaking relates, in the opinion of the Trustee or counsel expert in federal securities laws acceptable to both the Company and the Trustee, or is approved by the Beneficial Owners of a majority in aggregate principal amount of the outstanding Bonds. The Company acknowledges that its undertakings pursuant to the Rule described under this heading are intended to be for the benefit for the holders of the Bonds and shall be enforceable by the holders of those Bonds or by the Trustee on behalf of such holders. Any breach by the Company of these undertakings pursuant to the Rule will not constitute an event of default under the Indenture, the Loan Agreement or the Bonds.

This Official Statement has been duly approved, executed and delivered by the Metro Mayor of the Issuer, on behalf of the Issuer. However, the Issuer neither has nor assumes any responsibility as to the accuracy or completeness of any of the information in this Official Statement except for information furnished by the Issuer under the caption "The Issuer."

LOUISVILLE/JEFFERSON COUNTY
METRO GOVERNMENT, KENTUCKY

By: /s/ Jerry E. Abramson
Metro Mayor

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Appendix A

The Company

Louisville Gas and Electric Company ("LG&E") is a regulated public utility that provides electric service to approximately 398,000 customers and natural gas to approximately 324,000 customers in Louisville and adjacent areas in Kentucky. LG&E's service territory covers approximately 700 square miles in 17 counties and has an estimated population of one million. Included in this area is the Fort Knox Military Reservation to which LG&E transports natural gas and provides electric service, but which maintains its own distribution systems. LG&E also provides natural gas service in limited additional areas.

For the twelve month period ended December 31, 2006, approximately 70% of LG&E's total operating revenues were derived from electric operations and approximately 30% from natural gas operations. Coal-fired generating units provided approximately 97% of LG&E's net kilowatt-hour generation for the twelve month period ended December 31, 2006. The remainder of net generation was made up of a hydroelectric plant and natural gas and oil fueled combustion turbine peaking units. LG&E does not have any nuclear generating stations and has no plans to build any in the foreseeable future.

LG&E is a subsidiary of E.ON U.S. LLC ("E.ON U.S."), a diversified energy-services holding company headquartered in Louisville, Kentucky and an indirect subsidiary of E.ON AG ("E.ON"), an international integrated energy company with its principal operations in continental Europe, the United Kingdom, Scandinavia and the U.S. Prior to December 1, 2005, E.ON U.S. was known as LG&E Energy LLC. Previously, effective December 30, 2003, LG&E Energy LLC (now E.ON U.S. LLC) became the successor, by assignment and subsequent merger, to all the assets and liabilities of LG&E Energy Corp.

In December 2000, LG&E Energy Corp., now E.ON U.S. LLC, was acquired by Powergen plc, now Powergen Limited ("Powergen"). Subsequently, in July 2002, E.ON completed its acquisition of Powergen. As a result of the acquisition, E.ON U.S. became a wholly owned subsidiary of E.ON. As a result of these acquisitions and otherwise, E.ON and E.ON U.S. registered as holding companies under the Public Utility Holding Company Act of 2005 in June 2006, and were formerly registered holding companies under the Public Utility Holding Company Act of 1935. LG&E has continued its separate identity and its preferred stock and debt securities were not affected by these merger transactions.

LG&E's executive offices are located at 220 West Main Street, P.O. Box 32010, Louisville, Kentucky 40232, telephone: (502) 627-2000.

Selected Financial Data

(Millions of $)

	Year Ended December 31,		
	2006	2005	2004
Income Statement Information:			
Operating Revenues	$1,338	$1,424	$1,173
Net Income	117	129	96
Ratio of Earnings to Fixed Charges (1)	5.16x	6.11x	5.38x

	December 31, 2006	% of Capitalization
Capitalization:		
Total Long-Term Debt (2)	$ 572	33%
Total Preferred Stock (2)	70	4
Total Common Equity	1,094	63
Total Capitalization	$1,736	100%

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(1) For purposes of this ratio, "Earnings" consist of the aggregate of Income Before Cumulative Effect of a Change in Accounting Principle, taxes on income, investment tax credit (net) and "Fixed Charges." "Fixed Charges" consist of interest charges and one-third of rentals charged to operating expenses.

(2) LG&E redeemed all of its outstanding preferred stock and mandatorily redeemable preferred stock on April 16, 2007. Funding for this redemption was provided by new long-term loans in the aggregate amount of $138 million from LG&E's affiliate, Fidelia Corporation.

The unaudited financial data in the table above for the years ended December 31, 2006, 2005 and 2004 is derived from LG&E's audited financial statements for the years ended December 31, 2006, 2005 and 2004 included in LG&E's Form 10-K for the year ended December 31, 2006. PricewaterhouseCoopers LLP audited LG&E's financial statements for the years ended December 31, 2006, 2005 and 2004.

Available Information

LG&E currently is subject to the information requirements of the Securities Exchange Act of 1934 and, accordingly, files reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). Such reports, proxy statements and other information, as well as reports and other information regarding E.ON, on file can be inspected and copied at the public reference facilities of the SEC, currently at Room 1580, 100 F Street, N.E., Washington, DC 20549; and copies of such material can be obtained from the Public Reference Section of the SEC at its principal office at 100 F Street, N.E., Washington, DC 20549 at prescribed rates or from the SEC's Web Site (http://www.sec.gov). Please call the SEC at 1-800-SEC-0330 for further information on the public reference room.

It is anticipated that shortly after the date of the issuance of the Bonds, LG&E will no longer be subject to the information requirements of the Securities Exchange Act of 1934 and will cease filing such reports, proxy statements and other information with the SEC. LG&E will continue to file audited annual financial information and certain unaudited quarterly financial information with the Repositories. LG&E also will provide such information to the Underwriters and Broker-Dealers and will provide such information upon request to any holders or potential holders of the Bonds.

Documents Incorporated By Reference

The following documents, as filed by LG&E with the SEC, are incorporated herein by reference:

1. Form 10-K Annual Report of LG&E for the year ended December 31, 2006;

2. Form 8-K Current Report of LG&E filed with the SEC on March 15, 2007;

3. Form 8-K Current Report of LG&E filed with the SEC on April 11, 2007; and

4. Form 8-K Current Report of LG&E filed with the SEC on April 18, 2007.

All documents filed by LG&E with the SEC or the Repositories subsequent to the date of this Official Statement and prior to the termination of the offering of the Bonds shall be deemed to be incorporated by reference in this Appendix and to be made a part hereof from their respective dates of filing. Any statement contained in a document incorporated or deemed to be incorporated by reference in this Official Statement shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained in this Official Statement or in any other subsequently filed document which also is or is deemed to be incorporated by reference in this Official Statement modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement. As indicated above, it is anticipated that LG&E will cease filing reports with the SEC shortly after the date of issuance of the Bonds.

LG&E hereby undertakes to provide without charge to each person (including any beneficial owner) to whom a copy of this Official Statement has been delivered, on the written or oral request of any such person, a copy of any or all of the documents referred to above which have been or may be incorporated in this Official Statement by reference, other than certain exhibits to such documents. Requests for such copies should be directed to Dan Arbough, Louisville Gas and Electric Company, 220 West Main Street, P.O. Box 32010, Louisville, Kentucky 40232, telephone: (502) 627-2000.

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Appendix B

Auction Procedures

The following is a summary of definitions of certain terms relating to the Auction Procedures:

"*Agent Member*" means a member of, or participant in, DTC who shall act on behalf of a Bidder.

"*All Hold Rate*" means, as of any Auction Date, 55% of the Index in effect on such Auction Date for any Bond the interest on which is not includable in gross income of the beneficial owner of such Bond for federal income tax purposes and 85% of the Index in effect on such Auction Date for any Bond the interest on which is includable in gross income of the beneficial owner of such Bond for federal income tax purposes.

"*Auction*" shall mean each periodic implementation of the Auction Procedures.

"*Auction Agreement*" shall mean the Auction Agreement dated as of March 1, 2007 between the Company and the Auction Agent, as amended and supplemented from time to time.

"*Auction Agent*" shall mean the auction agent appointed in accordance with the Indenture.

"*Auction Date*" means:

(a) Daily Auction Period. If the Bonds are in a daily Auction Period, each Business Day unless such day is the Business Day prior to the conversion from a daily Auction Period to another Auction Period,

(b) Flexible Auction Period. If the Bonds are in a Flexible Auction Period, the last Business Day of the Flexible Auction Period, and

(c) Other Auction Periods. If the Bonds are in any other Auction Period, the Business Day next preceding each Interest Payment Date for such Bonds (whether or not an Auction shall be conducted on such date);

provided, however, that the last Auction Date with respect to the Bonds in an Auction Period other than a daily Auction Period or Flexible Auction Period shall be the earlier of (i) the Business Day next preceding the Interest Payment Date next preceding the Conversion Date for the Bonds and (ii) the Business Day next preceding the Interest Payment Date next preceding the final maturity date for the Bonds; and

provided, further, that if the Bonds are in a daily Auction Period, the last Auction Date shall be the earlier of (x) the second Business Day next preceding the Conversion Date for the Bonds and (y) the Business Day next preceding the final maturity date for the Bonds. The last Business Day of a Flexible Auction Period shall be the Auction Date for the Auction Period which begins on the next succeeding Business Day, if any. On the second Business Day preceding the conversion from a daily Auction Period to another Auction Period, there shall be an Auction for the last daily Auction Period. On the Business Day preceding the conversion from a daily Auction Period to another Auction Period, there shall be one Auction for the first Auction Period following the conversion.

The first Auction Date for the Bonds is May 3, 2007.

"*Auction Desk*" means the business unit of a Broker-Dealer that fulfills the responsibilities of the Broker-Dealer under a Broker-Dealer Agreement, including soliciting Bids for the Bonds, and units of the Broker-Dealer which are not separated from such business unit by information controls appropriate to control, limit and monitor the inappropriate dissemination and use of information about Bids.

"*Auction Period*" means:

(a) *Flexible Auction Period.* A Flexible Auction Period;

(b) *Daily Auction Period.* With respect to Bonds in a daily Auction Period, a period beginning on each Business Day and extending to but not including the next succeeding Business Day unless such Business Day is the second Business Day preceding the conversion from a daily Auction Period to another Auction Period, in which case the daily Auction Period shall extend to, but not include, the next Interest Payment Date;

(c) *Seven day Auction Period.* With respect to Bonds in a seven-day Auction Period, if Auctions generally are conducted on the day of the week specified in column A of the table below, a period of generally seven days beginning on the day of the week specified in column B of the table below (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day of the week specified in column C of the table below) and ending on the day of the week specified in column C of the table below in the next succeeding week (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day):

(A) When Auctions Occur on This Day	(B) Auction Period Generally Begins This Day	(C) Auction Periods Generally End This Day
Friday	Monday	Sunday
Monday	Tuesday	Monday
Tuesday	Wednesday	Tuesday
Wednesday	Thursday	Wednesday
Thursday	Friday	Thursday

(d) *28-day Auction Period.* With respect to Bonds in a 28-day Auction Period, if Auctions generally are conducted on the day of the week specified in column A of the table above, a period of generally 28 days beginning on the day of the week specified in column B of the table above (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day of the week specified in column C of the table above) and ending on the same day of the week specified in column C of the table above four weeks later (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day).

(e) *35-day Auction Period*. With respect to Bonds in a 35-day Auction Period, if Auctions generally are conducted on the day of the week specified in column A of the table above, a period of generally 35 days beginning on the day of the week specified in column B of the table above (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day of the week specified in column C of the table above) and ending on the day of the week specified in column C of the table above five weeks later (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day).

(f) *Three-month Auction Period*. With respect to Bonds in a three-month Auction Period, a period of generally three months (or shorter period upon a conversion from another Auction Period) beginning on the day following the last day of the prior Auction Period and ending on the calendar day immediately preceding the first Business Day of the month that is the third calendar month following the beginning date of such Auction Period; and

(g) *Six-month Auction Period*. With respect to Bonds in a six-month Auction Period, a period of generally six months (or shorter period upon a conversion from another Auction Period) beginning on the day following the last day of the prior Auction Period and ending on the calendar day immediately preceding the first Business Day of the month that is the sixth calendar month following the beginning date of such Auction Period;

Provided, however, that if there is a conversion of Bonds with Auctions generally conducted on the day of the week specified in column A of the table above, (i) from a daily Auction Period to a seven-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the next succeeding day of the week specified in column C of the table above (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (ii) from a daily Auction Period to a 28-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and shall end on the day of the week specified in column C of the table above (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 21 days but not more than 28 days from such date of conversion, and (iii) from a daily Auction Period to a 35-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the day of the week specified in column C of the table above (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 28 days but no more than 35 days from such date of conversion.

Notwithstanding the foregoing, if an Auction is for an Auction Period of more than seven days and the Auction Rate on such Auction Date is the Maximum Rate as the result of a lack of

Sufficient Clearing Bids, the Auction Period shall automatically convert to a seven-day Auction Period. On the following Auction Date, the Auction shall be conducted for an Auction Period of the same length as the Auction Period prior to such automatic conversion. If such Auction is successful, the Auction Period shall revert to the length prior to the automatic conversion, and, if such Auction is not successful, the Auction Period shall be another seven-day period.

"*Auction Period Rate*" means the Auction Rate or any other rate of interest to be borne by the Bonds during each Auction Period determined in accordance with these Auction Procedures; provided, however, in no event may the Auction Period Rate exceed the Maximum Rate.

"*Auction Procedures*" means the procedures for conducting Auctions for Bonds during an Auction Rate Period set forth in this Appendix B.

"*Auction Rate*" means for each Auction Period, (i) if Sufficient Clearing Bids exist, the Winning Bid Rate, provided, however, if all of the Bonds are the subject of Submitted Hold Orders, the All Hold Rate for such Bonds and (ii) if Sufficient Clearing Bids do not exist, the Maximum Rate for such Bonds.

"*Auction Rate Period*" means any period of time commencing on the day following the Initial Period and ending on the earlier of the Conversion Date or the day preceding the final maturity date of the Bonds.

"*Authorized Denominations*" means $25,000 and integral multiples thereof so long as the Bonds bear interest at the Auction Period Rate.

"*Available Bonds*" means, on each Auction Date, the number of Units of Bonds that are not the subject of Submitted Hold Orders.

"*Bid*" shall have the meaning set forth below under "Orders by Existing Holders and Potential Holders."

"*Bidder*" shall have the meaning set forth below under "Orders by Existing Holders and Potential Holders."

"*Broker-Dealer*" shall mean any entity permitted by law to perform the functions required of a Broker-Dealer set forth in the Auction Procedures (i) that is an Agent Member (or an affiliate of an Agent Member), (ii) that has been selected by the Company with the consent of the Auction Agent, and (iii) that has entered into a Broker-Dealer Agreement with the Auction Agent that remains effective. The "Broker-Dealer of record" with respect to any Bond is the Broker-Dealer which placed the Order for such Bond or whom the Existing Holder of such Bond has designated as its Broker-Dealer with respect to such Bond, in each case as reflected in the records of the Auction Agent.

"*Broker-Dealer Agreement*" shall mean, if the Bonds are in the Auction Rate Period, each agreement between a Broker-Dealer and the Auction Agent substantially in the form of Exhibit A to the Auction Agreement pursuant to which a Broker-Dealer, among other things, agrees to participate in Auctions as set forth in the Auction Procedures, as from time to time amended and supplemented.

"*Broker-Dealer Deadline*" means, with respect to an Order, the internal deadline established by the Broker-Dealer through which the Order was placed after which it will not accept Orders or any change in any Order previously placed with such Broker-Dealer; provided, however, that nothing shall prevent the Broker-Dealer from correcting Clerical Errors by the Broker-Dealer with respect to Orders from Bidders after the Broker-Dealer Deadline pursuant to the provisions herein. Any Broker-Dealer may change the time or times of its Broker-Dealer Deadline as it relates to such Broker-Dealer by giving notice not less than two Business Days prior to the date such change is to take effect to Bidders who place Orders through such Broker-Dealer.

"*Clerical Error*" means a clerical error in the processing of an Order, and includes, but is not limited to, the following: (i) a transmission error, including but not limited to, an Order sent to the wrong address or number, failure to transmit certain pages or illegible transmission, (ii) failure to transmit an Order received from one or more Existing Holders or Potential Holders (including Orders from the Broker-Dealer which were not originated by the Auction Desk) prior to the Broker-Dealer Deadline or generated by the Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline or (iii) a typographical error. Determining whether an error is a "Clerical Error" is within the reasonable judgment of the Broker-Dealer, provided that the Broker-Dealer has a record of the correct Order that shows it was so received or so generated prior to the Broker-Dealer Deadline or the Submission Deadline, as applicable.

"*Company*" means Louisville Gas and Electric Company.

"*DTC*" shall mean The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, and its successors and assigns (in each case, which shall be a qualified and registered "clearing agency" under Section 17A of the Securities Exchange Act of 1934, as amended) or if The Depository Trust Company or its successor or assign resigns from its functions as depository for the Bonds, any other securities depository which agrees to follow the procedures required to be followed by a securities depository in connection with the Bonds and which is selected by the Issuer, at the direction of the Company, with the consent of the initial Broker-Dealer.

"*Electronic Means*" means, facsimile transmission, email transmission or other similar electronic means of communication providing evidence of transmission, including a telephone communication confirmed by any other method set forth in this definition.

"*Error Correction Deadline*" means one hour after the Auction Agent completes the dissemination of the results of the Auction to Broker-Dealers without regard to the time of receipt of such results by any Broker-Dealer; provided, however, in no event shall the Error Correction Deadline extend past 4:00 p.m., New York City time, unless the Auction Agent experiences technological failure or force majeure in disseminating the Auction results which causes a delay in dissemination past 3:00 p.m., New York City time.

"*Existing Holder*" shall mean, (a) with respect to and for the purpose of dealing with the Auction Agent in connection with an Auction, a person who is a Broker-Dealer listed in the Existing Holder registry at the close of business on the Business Day immediately preceding the

Auction Date for such Auction; and (b) with respect to and for the purpose of dealing with the Broker-Dealer in connection with an Auction, a person who is a beneficial owner of Bonds.

"*Flexible Auction Period*" means with,

(a) any period of 182 days or less which is divisible by seven and which begins on an Interest Payment Date and ends (i) in the case of Bonds with Auctions generally conducted on Fridays, on a Sunday unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (ii) in the case of Bonds with Auctions generally conducted on Mondays, on a Monday unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (iii) in the case of Bonds with Auctions generally conducted on Tuesdays, on a Tuesday unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (iv) in the case of Bonds with Auctions generally conducted on Wednesdays, on a Wednesday unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, and (v) in the case of Bonds with Auctions generally conducted on Thursdays, on a Thursday unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day or

(b) any period which is longer than 182 days which begins on an Interest Payment Date and ends not later than the final scheduled maturity date of the Bonds.

"*Hold Order*" shall have the meaning set forth below under "Orders by Existing Holders and Potential Holders."

"*Index*" shall mean:

(i) On any Auction Date with respect to Bonds in any Auction Period of less than 180 days, the Index shall be LIBOR. The Index with respect to Bonds in any Auction Period of 180 days or more shall be greater of LIBOR or the rate on the United States Treasury Securities having a maturity which closely approximates the length of the Auction Period, as last published in The Wall Street Journal.

(ii) If for any reason on any Auction Date the Index shall not be determined as provided in the Indenture, the Index shall be the Index for the Auction Period ending on such Auction Date.

(iii) The determination of the Index as provided in the Indenture shall be conclusive and binding upon the Company, the Issuer, the Trustee, the initial Broker-Dealer and any other Broker-Dealers, the Auction Agent and the registered owners and Beneficial Owners of the Bonds.

"*Initial Period*" means the period from April 26, 2007 to May 3, 2007.

"*Interest Payment Date*" with respect to Bonds bearing interest at Auction Period Rates, means May 4, 2007 and thereafter (a) when used with respect to any Auction Period other than a daily Auction Period or a Flexible Auction Period, the Business Day immediately following such

Auction Period, (b) when used with respect to a daily Auction Period, the first Business Day of the month immediately succeeding such Auction Period, (c) when used with respect to a Flexible Auction Period of (i) seven or more but fewer than 183 days, the Business Day immediately following such Flexible Auction Period, or (ii) 183 or more days, each semiannual date on which interest on the Bonds would be payable if such Bonds bore interest at a fixed rate of interest and on the Business Day immediately following such Flexible Auction Period, and (d) the date when the final payment of principal of the Bonds becomes due and payable (whether at stated maturity, upon redemption or acceleration, or otherwise).

"*LIBOR*" on any date of determination for any Auction Period, means: (i) for any Auction Period of fewer than 49 days, the offered rate for deposits in U.S. dollars for a one-month period which appears on the Telerate Page 3750 at approximately 11:00 a.m., London time, on such date, or if such date is not a date on which dealings in U.S. dollars are transacted in the London interbank market, then on the immediately preceding day on which such dealings were transacted in such market and (ii) for any Auction Period of (A) 49 or more but fewer than 70 days, such rates for deposit in U.S. dollars for a two-month period, (B) 70 or more but fewer than 120 days, such rates for deposit in U.S. dollars for a three-month period, (C) 120 days or more but fewer than 148 days the arithmetic average of such rates for deposits in U.S. dollars for three and six-month periods, (D) 148 or more but fewer than 180 days, such rate for deposits in U.S. dollars for a six month period, (E) 180 or more but fewer than 225 days, the arithmetic average of such rates for deposits in U.S. dollars for six and nine-month periods, (F) 225 or more but fewer than 290 days, such rate for deposits in U.S. dollars for a nine-month period, (G) 290 or more but fewer than 325 days, such rates for deposits in U.S. dollars for nine-month period, and (H) 325 or more but fewer than 365 days, such rate for deposits in U.S. dollars for a one-year period.

"*Maximum Rate*" shall mean on any date of determination, the lesser of (i) the maximum interest rate permitted by applicable law or (ii) 15%.

"*Order*" shall have the meaning set forth below under "Orders by Existing Holders and Potential Holders."

"*Potential Holder*" shall mean any person, including any Existing Holder, who may be interested in acquiring the beneficial ownership of Bonds during an Auction Rate Period or, in the case of an Existing Holder thereof, the beneficial ownership of an additional principal amount of Bonds during an Auction Rate Period.

"*Sell Order*" shall have the meaning set forth below under "Orders by Existing Holders and Potential Holders."

"*Submission Deadline*" means 1:00 p.m., New York City time, on each Auction Date not in a daily Auction Period and 11:00 a.m., New York City time, on each Auction Date in a daily Auction Period, or such other time on such date as shall be specified from time to time by the Auction Agent if directed in writing by the Trustee or the Company pursuant to the Auction Agreement as the time by which Broker-Dealers are required to submit Orders to the Auction Agent. Notwithstanding the foregoing, the Auction Agent will follow the Securities Industry and Financial Markets Association's Early Market Close Recommendations for shortened trading days for the bond markets (the "SIFMA Recommendation") unless the Auction Agent is instructed otherwise in writing by the Trustee or the Company. In the event of a SIFMA Recommendation with respect to an Auction Date, the Submission Deadline will be 11:30 a.m., instead of 1:00 p.m., New York City time.

"*Submitted Bid*" shall have the meaning set forth below under "Determination of Auction Period Rate."

"*Submitted Hold Order*" shall have the meaning set forth below under "Determination of Auction Period Rate."

"*Submitted Order*" shall have the meaning set forth below under "Determination of Auction Period Rate."

"*Submitted Sell Order*" shall have the meaning set forth below under "Determination of Auction Period Rate."

"*Sufficient Clearing Bids*" means an Auction for which the number of Units of such Bonds that are the subject of Submitted Bids by Potential Holders specifying one or more rates not higher than the Maximum Rate is not less than the number of Units of such Bonds that are the subject of Submitted Sell Orders and of Submitted Bids by Existing Holders specifying rates higher than the Maximum Rate.

"*Units*" has the meaning set forth below under "Determination of Auction Period Rate."

"*Winning Bid Rate*" means the lowest rate specified in any Submitted Bid which if calculated by the Auction Agent as the Auction Rate would cause the number of Units of such Bonds that are the subject of Submitted Bids specifying a rate not greater than such rate to be not less than the number of Units of Available Bonds.

The following are the procedures to be used in conducting Auctions. As a summary, it does not purport to be complete and is qualified in its entirety by reference to the Auction Procedures set forth in the Indenture.

Auction Period — General

During any Auction Rate Period, the Bonds shall bear interest at the Auction Rate determined as set forth below. The Auction Rate for any initial Auction Period immediately after either any conversion to an Auction Rate Period or a mandatory purchase of Bonds pursuant to the Indenture shall be the rate of interest per annum determined and certified to the Trustee (with a copy to the Bond Registrar, Paying Agent and the Company) by the initial Broker-Dealer on a date not later than the effective date of such conversion or the date of such mandatory purchase, as the case may be, as the minimum rate of interest which, in the opinion of the initial Broker-Dealer, would be necessary as of the date of such conversion or the date of such mandatory purchase, as the case may be, to market Bonds in a secondary market transaction at a price equal to the principal amount thereof; provided that such interest rate shall not exceed the Maximum Rate. Except for the Initial Period, which commences on the date of original issuance of the Bonds, and as otherwise provided in the Indenture for any other Auction Period, the Auction Rate shall be the rate of interest per annum that results from implementation of the Auction Procedures; provided that such interest rate shall not exceed the Maximum Rate. If the Auction Agent fails to calculate or, for any reason, fails to provide the Auction Rate on the Auction Date, for any Auction Period the Auction Rate shall be determined as set forth below under "Determination of Auction Period Rate"

Change of Auction Period

The Company, may, from time to time on the Interest Payment Date immediately following the end of any Auction Period, change the length of the Auction Period with respect to all of the Bonds among daily, seven-days, 28-days, 35-days, three months, six months or a Flexible Auction Period in order to accommodate economic and financial factors that may affect or be relevant to the length of the Auction Period and the interest rate borne by such Bonds. The Company shall initiate the change in the length of the Auction Period by giving written notice to the Issuer, the Trustee, the Auction Agent, the Broker-Dealers and the DTC that the Auction Period shall change if the conditions described herein are satisfied and the proposed effective date of the change, at least 10 Business Days prior to the Auction Date for such Auction Period.

Any such changed Auction Period shall be for a period of one day, seven-days, 28-days, 35-days, three months, six months or a Flexible Auction Period and shall be for all of the Bonds.

The change in length of the Auction Period shall take effect only if Sufficient Clearing Bids exist at the Auction on the Auction Date for such new Auction Period. For purposes of the Auction for such new Auction Period only, except to the extent any Existing Holder submits an Order with respect to such Bonds, each Existing Holder shall be deemed to have submitted Sell Orders with respect to all of its Bonds if the change is to a longer Auction Period and a Hold Order if the change is to a shorter Auction Period. If there are not Sufficient Clearing Bids for the first Auction Period, the Auction Rate for the new Auction Period shall be the Maximum Rate, and the Auction Period shall be a seven-day Auction Period.

The Auction Agent, at the direction of the Company, may specify an earlier or later Auction Date (but in no event more than five Business Days earlier or later) than the Auction Date that would otherwise be determined in accordance with the definition of "Auction Date" in order to conform with then current market practice with respect to similar securities or to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the interest rate borne by the Bonds. The Auction Agent shall provide notice of the Company's direction to specify an earlier Auction Date for an Auction Period by means of a written notice delivered at least 45 days prior to the proposed changed Auction Date to the Trustee, the Issuer, the Company and the Broker-Dealers with a copy to DTC. In the event the Auction Agent is instructed to specify an earlier Auction Date, the days of the week on which an Auction Period begins and ends, the day of the week on which a Flexible Auction Period ends and the Interest Payment Date relating to a Flexible Auction Period shall be adjusted accordingly.

If, in the opinion of the Auction Agent and the Broker-Dealers, there is insufficient notice of an unscheduled holiday to allow the efficient implementation of the Auction Procedures set forth herein, the Auction Agent and the Broker-Dealers may, as they deem appropriate, set a different Auction Date and adjust any Interest Payment Dates and Auction Periods affected by such unscheduled holiday.

Orders by Existing Holders and Potential Holders

Subject to the provisions described above under "Auction Period — General", Auctions shall be conducted on each Auction Date in the manner described under this heading and in the remainder of this Appendix B prior to the Submission Deadline on each Auction Date during an Auction Rate Period.

Prior to the Broker-Dealer Deadline on each Auction Date:

(i) each Existing Holder may submit to a Broker-Dealer, in writing or by such other method as shall be reasonably acceptable to such Broker-Dealer, one or more Orders as to:

(A) the principal amount of Bonds, if any, held by such Existing Holder which such Existing Holder commits to continue to hold for the next succeeding Auction Period without regard to the Auction Rate for such Auction Period,

(B) the principal amount of Bonds, if any, held by such Existing Holder which such Existing Holder commits to continue to hold for the next succeeding Auction Period if the Auction Rate for the next succeeding Auction Period is not less than the rate per annum specified in such Order (and if the Auction Rate is less than such specified rate, the effect of the Order shall be as set forth in paragraph (b)(i)(A) below), and/or

(C) the principal amount of Bonds, if any, held by such Existing Holder which such Existing Holder offers to sell on the first Business Day of the next succeeding Auction Period (or on the same day in the case of a daily Auction Period) without regard to the Auction Rate for the next succeeding Auction Period; and

(ii) each Potential Holder may submit to a Broker-Dealer, in writing or by such other method as shall be reasonably acceptable to such Broker-Dealer, an Order as to the principal amount of Bonds, which each such Potential Holder offers to purchase if the Auction Rate for the next succeeding Auction Period is not less than the rate per annum then specified by such Potential Holder.

For the purposes of the Auction Procedures, an Order containing the information referred to in clause (i)(A) above is referred to as a "Hold Order," an Order containing the information referred to in clause (i)(B) or (ii) above is referred to as a "Bid," and an Order containing the information referred to in clause (i)(C) above is referred to as a "Sell Order."

No Auction Desk of a Broker-Dealer shall accept as an Order a submission (whether received from an Existing Holder or a Potential Holder or generated by the Broker-Dealer for its own account) which does not conform to the requirements of the Auction Procedures, including, but not limited to, submissions which are not in Authorized Denominations, specify a rate which contains more than three figures to the right of the decimal point or specify an amount greater than the amount of outstanding Bonds. No Auction Desk of a Broker-Dealer shall accept a Bid or Sell Order which is conditioned on being filled in whole or a Bid which does not specify a specific interest rate.

(i) A Bid by an Existing Holder shall constitute an offer to sell on the first Business Day of the next succeeding Auction Period (or the same day in the case of a daily Auction Period):

(A) the principal amount of Bonds specified in such Bid if the Auction Rate for the next succeeding Auction Period shall be less than the rate specified in such Bid; or

(B) such principal amount or a lesser principal amount of Bonds to be determined as described in subsection (a)(v) below under the heading "Allocation of Bonds" if the Auction Rate for the next succeeding Auction Period shall be equal to such specified rate; or

(C) a lesser principal amount of Bonds to be determined as described in subsection (b)(iv) below under the heading "Allocation of Bonds" if such specified rate shall be higher than the Maximum Rate and Sufficient Clearing Bids do not exist.

(ii) A Sell Order by an Existing Holder shall constitute an offer to sell:

(A) the principal amount of Bonds specified in such Sell Order; or

(B) such principal amount or a lesser principal amount of Bonds as described in subsection (b)(iv) below under the heading "Allocation of Bonds" if Sufficient Clearing Bids do not exist.

(iii) A Bid by a Potential Holder shall constitute an offer to purchase:

(A) the principal amount of Bonds specified in such Bid if the Auction Rate for the next succeeding Auction Period shall be higher than the rate specified therein; or

(B) such principal amount or a lesser principal amount of Bonds as described in subsection (a)(vi) below under the heading "Allocation of Bonds" if the Auction Rate for the next succeeding Auction Period shall be equal to such specified rate.

Anything herein to the contrary notwithstanding:

(i) If an Order or Orders covering all of the Bonds held by an Existing Holder is not submitted to the Broker-Dealer of record for such Existing Holder prior to the Broker-Dealer Deadline, such Broker-Dealer shall deem a Hold Order to have been submitted on behalf of such Existing Holder covering the principal amount of Bonds held by such Existing Holder and not subject to Orders submitted to such Broker-Dealer; provided, however, that if there is a conversion from one Auction Period to a longer Auction Period and Orders have not been submitted to such Broker-Dealer prior to the Broker-Dealer Deadline covering the aggregate principal amount of Bonds to be converted held by such Existing Holder, such Broker-Dealer shall deem a Sell Order to have been submitted on behalf of such Existing Holder covering the principal amount of Bonds to be converted held by such Existing Holder not subject to Orders submitted to such Broker-Dealer.

(ii) for purposes of any Auction, any Order by any Existing Holder or Potential Holder shall be revocable until the Broker-Dealer Deadline, and after the Broker-Dealer Deadline, all such Orders shall be irrevocable, except as provided below under the heading "Submission of Orders by Broker-Dealers to Auction Agent"; and

(iii) for purposes of any Auction other than during a daily Auction Period, any Bonds sold or purchased pursuant to the immediately preceding paragraph shall be sold or purchased at a price equal to 100% of the principal amount thereof; provided that, for purposes of any Auction during a daily Auction Period, such sale or purchase price shall be 100% of the principal amount thereof plus accrued interest to the date of sale or purchase.

Submission of Orders by Broker-Dealers to Auction Agent

Each Broker-Dealer shall submit to the Auction Agent in writing, or by such Electronic Means as shall be reasonably acceptable to the Auction Agent, prior to the Submission Deadline on each Auction Date, all Orders accepted by such Broker-Dealer in accordance with the provisions set forth above under "Orders by Existing Holders and Potential Holders" and specifying with respect to each Order or aggregation of Orders pursuant to the following paragraph:

(i) the name of the Broker-Dealer;

(ii) the number of Bidders placing Orders, if requested by the Auction Agent;

(iii) the aggregate number of Units of Bonds, if any, that are the subject of such Order, where each Unit is equal to the principal amount of the minimum Authorized Denomination of the Bonds;

(iv) to the extent that such Bidder is an Existing Holder:

(A) the number of Units of Bonds, if any, subject to any Hold Order placed by such Existing Holder;

(B) the number of Units of Bonds, if any, subject to any Bid placed by such Existing Holder and the rate specified in such Bid; and

(C) the number of Units of Bonds, if any, subject to any Sell Order placed by such Existing Holder; and

(v) to the extent such Bidder is a Potential Holder, the rate specified in such Bid.

If more than one Bid is submitted to a Broker-Dealer on behalf of any single Potential Holder, the Broker-Dealer shall aggregate each Bid on behalf of such Potential Holder submitted with the same rate and consider such Bids as a single Bid and shall consider each Bid submitted with a different rate a separate Bid with the rate and the number of Units of Bonds specified therein.

A Broker-Dealer may aggregate the Orders of different Potential Holders with those of other Potential Holders on whose behalf the Broker-Dealer is submitting Orders and may aggregate the Orders of different Existing Holders with other Existing Holders on whose behalf the Broker-Dealer is submitting Orders; provided, however, Bids may only be aggregated if the interest rates on the Bids are the same.

None of the Issuer, the Company, the Trustee or the Auction Agent shall be responsible for the failure of any Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Holder or Potential Holder.

Nothing contained herein shall preclude a Broker-Dealer from placing an Order for some or all of the Bonds for its own account.

Until the Submission Deadline, a Broker-Dealer may withdraw or modify any Order previously submitted to the Auction Agent (i) for any reason if the Order was generated by the Auction Desk of the Broker-Dealer for the account of the Broker-Dealer or (ii) to correct a Clerical Error in the case of any other Order, including Orders from the Broker-Dealer which were not originated by the Auction Desk.

After the Submission Deadline and prior to the Error Correction Deadline, a Broker-Dealer may:

(i) submit to the Auction Agent an Order received from an Existing Holder, Potential Holder or a Broker-Dealer which is not an Order originated by the Auction Desk, in each case prior to the Broker-Dealer Deadline, or an Order generated by the Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline (provided that in each case the Broker-Dealer has a record of such Order and the time when such Order was received or generated) and not submitted to the Auction Agent prior to the Submission Deadline as a result of (A) an event of force majeure or a technological failure which made delivery prior to the Submission Deadline impossible or, under the conditions then prevailing, impracticable or (B) a Clerical Error on the part of the Broker-Dealer; or

(ii) modify or withdraw an Order received from an Existing Holder or Potential Holder or generated by the Broker-Dealer (whether generated by the Broker-Dealer's Auction Desk or elsewhere within the Broker-Dealer) for its own account and submitted to the Auction Agent prior to the Submission Deadline or pursuant to clause (i) above, if the Broker-Dealer determines that such Order contained a Clerical Error on the part of the Broker-Dealer.

In the event a Broker-Dealer makes a submission, modification or withdrawal pursuant to the prior paragraph and the Auction Agent has already run the Auction, the Auction Agent shall rerun the Auction, taking into account such submission, modification or withdrawal. Each submission, modification or withdrawal of an Order submitted pursuant to the prior paragraph by a Broker-Dealer after the Submission Deadline and prior to the Error Correction Deadline shall constitute a representation by the Broker-Dealer that (A) in the case of a newly submitted Order or portion thereof or revised Order, the failure to submit such Order prior to the Submission Deadline resulted from an event described in clause (i) above and such Order was received from an Existing Holder or Potential Holder or is an Order received from the Broker-Dealer that was not originated by the Auction Desk, in each case, prior to the Broker-Dealer Deadline, or generated internally by such Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline or (B) in the case of a modified or withdrawn Order, such Order was received from an Existing Holder, a Potential Holder or the Broker-Dealer which was not originated by the Auction Desk prior to the Broker-Dealer Deadline, or generated internally by such Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline and such Order as submitted to the Auction Agent contained a Clerical Error on the part of the Broker-Dealer and that such Order has been modified or withdrawn solely to effect a correction of such Clerical Error, and in the case of either (A) or (B), as applicable, the Broker-Dealer has a record of such Order and the time when such Order was received or generated. The Auction Agent shall be entitled to rely conclusively (and shall have no liability for relying) on such representation for any and all purposes of the Auction Procedures.

If after the Auction Agent announces the results of an Auction, a Broker-Dealer becomes aware that an error was made by the Auction Agent, the Broker-Dealer shall communicate such awareness to the Auction Agent prior to 5:00 p.m. New York City time on the Auction Date (or 2:00 pm. New York City time in the case of Bonds in a daily Auction Period). If the Auction Agent determines there has been such an error (as a result of either a communication from a Broker-Dealer or its own discovery) prior to 3:00 p.m. New York City time on the first day of the Auction Period with respect to which such Auction was conducted, the Auction Agent shall correct the error and notify each Broker-Dealer that submitted Bids or held a position in Bonds in such Auction of the corrected results.

Nothing contained herein shall preclude the Auction Agent from:

(i) advising a Broker-Dealer prior to the Submission Deadline that it has not received Sufficient Clearing Bids for the Bonds; provided, however, that if the Auction Agent so advises any Broker-Dealer, it shall so advise all Broker-Dealers; or

(ii) verifying the Orders of a Broker-Dealer prior to or after the Submission Deadline; provided, however, that if the Auction Agent verifies the Orders of any Broker-Dealer, it shall verify the Orders of all Broker-Dealers requesting such verification.

Treatment of Orders by the Auction Agent

If the Auction Agent receives an Order which does not conform to the requirements of the Auction Procedures, the Auction Agent may contact the Broker-Dealer submitting such Order until one hour after the Submission Deadline and inform such Broker-Dealer that it may resubmit such Order so that it conforms to the requirements of the Auction Procedures. Upon being so informed, such Broker-Dealer may correct and resubmit to the Auction Agent any such

Order that, solely as a result of a Clerical Error on the part of such Broker-Dealer, did not conform to the requirements of the Auction Procedures when previously submitted to the Auction Agent. Any such resubmission by a Broker-Dealer shall constitute a representation by such Broker-Dealer that the failure of such Order to have so conformed was solely as a result of a Clerical Error on the part of such Broker-Dealer. If the Auction Agent has not received a corrected conforming Order within one hour and fifteen minutes of the Submission Deadline, the Auction Agent shall, if and to the extent applicable, adjust or apply such Order, as the case may be, in conformity with the provisions of subsections (b), (c) or (d) below and, if the Auction Agent is unable to so adjust or apply such Order, the Auction Agent shall reject such Order.

If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round such rate up to the next highest one thousandth of one percent (0.001%).

If one or more Orders covering in the aggregate more than the number of Units of Outstanding Bonds are submitted by a Broker-Dealer to the Auction Agent, such Orders shall be considered valid in the following order of priority:

(i) all Hold Orders shall be considered Hold Orders, but only up to and including in the aggregate the number of Units of Bonds for which such Broker-Dealer is the Broker-Dealer of record;

(ii) (A) any Bid of a Broker-Dealer shall be considered valid as a Bid of an Existing Holder up to and including the excess of the number of Units of Bonds for which such Broker-Dealer is the Broker-Dealer of record over the number of Units of the Bonds subject to Hold Orders referred to in clause (i) above;

(B) subject to clause (A) above, all Bids of a Broker-Dealer with the same rate shall be aggregated and considered a single Bid of an Existing Holder up to and including the excess of the number of Units of Bonds for which such Broker-Dealer is the Broker-Dealer of record over the number of Units of Bonds for which such Broker-Dealer is the Broker-Dealer of record subject to Hold Orders referred to in clause (i) above;

(C) subject to clause (A) above, if more than one Bid with different rates is submitted by a Broker-Dealer, such Bids shall be considered Bids of an Existing Holder in the ascending order of their respective rates up to the amount of the excess of the number of Units of Bonds for which such Broker-Dealer is the Broker-Dealer of record over the number of Units of Bonds for which such Broker-Dealer is the Broker-Dealer of record subject to Hold Orders referred to in clause (i) above; and

(D) the number of Units, if any, of such Bonds subject to Bids not considered to be Bids for which such Broker-Dealer is the Broker-Dealer of record under this clause (ii) shall be treated as the subject of a Bid by a Potential Holder;

(iii) all Sell Orders shall be considered Sell Orders, but only up to and including the number of Units of Bonds equal to the excess of the number of Units of Bonds for which such Broker-Dealer is the Broker-Dealer of record over the sum of the number of Units of the Bonds considered to be subject to Hold Orders pursuant to clause (i) above and the number of Units of Bonds considered to be subject to Bids for which such Broker-Dealer is the Broker-Dealer of record pursuant to clause (ii) above.

If any Order is for other than an integral number of Units, then the Auction Agent shall round the amount down to the nearest number of whole Units, and the Auction Agent shall conduct the Auction Procedures as if such Order had been submitted in such number of Units.

For purposes of any Auction other than during a daily Auction Period, if an Auction Agent has been notified by the Trustee, Issuer or Company that any portion of an Order by a Broker-Dealer relates to a Bond which has been called for redemption on or prior to the Interest Payment Date next succeeding such Auction, the Order shall be invalid with respect to such portion and the Auction Agent shall conduct the Auction Procedures as if such portion of such Order had not been submitted.

For purposes of any Auction other than during a daily Auction Period, no portion of a Bond which the Auction Agent has been notified by the Trustee, Issuer or Company has been called for redemption on or prior to the Interest Payment Date next succeeding such Auction shall be included in the calculation of Available Bonds for such Auction.

If an Order or Orders covering all of the Bonds is not submitted by a Broker-Dealer of record prior to the Submission Deadline, the Auction Agent shall deem a Hold Order to have been submitted on behalf of such Broker-Dealer covering the number of Units of Bonds for which such Broker-Dealer is the Broker-Dealer of record and not subject to Orders submitted to the Auction Agent; provided, however, that if there is a conversion from one Auction Period to a longer Auction Period and Orders have not been submitted by such Broker-Dealer prior to the Submission Deadline covering the number of Units of Bonds to be converted for which such Broker-Dealer is the Broker-Dealer of record, the Auction Agent shall deem a Sell Order to have been submitted on behalf of such Broker-Dealer covering the number of Units of Bonds to be converted for which such Broker-Dealer is the Broker-Dealer of record not subject to Orders submitted by such Broker-Dealer.

Determination of Auction Period Rate

If requested by the Trustee or a Broker-Dealer, not later than 10:30 a.m., New York City time (or such other time as may be agreed to by the Auction Agent and all Broker-Dealers), on each Auction Date, the Auction Agent shall advise such Broker-Dealer (and thereafter confirm to the Trustee, if requested) of the All Hold Rate, the Index and, if the Maximum Rate is not a fixed interest rate, the Maximum Rate. Such advice, and confirmation, shall be made by telephone or other Electronic Means acceptable to the Auction Agent.

Promptly after the Submission Deadline on each Auction Date, the Auction Agent shall assemble all Orders submitted or deemed submitted to it by the Broker-Dealers (each such Order as submitted or deemed submitted by a Broker-Dealer being hereinafter referred to as a "Submitted Hold Order," a "Submitted Bid" or a "Submitted Sell Order," as the case may be, and collectively as a "Submitted Order") and shall determine (i) the Available Bonds, (ii) whether there are Sufficient Clearing Bids, and (iii) the Auction Rate.

If the Auction Agent fails to calculate or, for any reason, fails to provide the Auction Rate on the Auction Date, for any Auction Period (i) if the preceding Auction Period was a period of 35 days or less, (A) a new Auction Period shall be established for the same length of time as the preceding Auction Period, if the failure to make such calculation was because there was not at the time a duly appointed and acting Auction Agent or Broker-Dealer, and the Auction Period Rate for the new Auction Period shall be 80% of the Index if the Index is ascertainable on such date (by the Auction Agent, if there is at the time an Auction Agent, or the Trustee, if at the time there is no Auction Agent) or, (B) if the failure to make such calculation was for any other reason or if the Index is not ascertainable on such date, the prior Auction Period shall be extended to the seventh day following the day that would have been the last day of the preceding Auction Period (or if such seventh day is not followed by a Business Day then to the next succeeding day that is followed by a Business Day) and the Auction Period Rate for the period as so extended shall be the same as the Auction Period Rate for the Auction Period prior to the extension, and (ii) if the preceding Auction Period was a period of greater than 35 days, (A) a new Auction Period shall be established for a period that ends on the seventh day following the day that was the last day of the preceding Auction Period, (or if such seventh day is not followed by a Business Day then to the next succeeding day which is followed by a Business Day) if the failure to make such calculation was because there was not at the time a duly appointed and acting Auction Agent or Broker-Dealer, and the Auction Period Rate for the new Auction Period shall be 100% of the Index if the Index is ascertainable on such date (by the Auction Agent, if there is at the time an Auction Agent, or the Trustee, if at the time there is no Auction Agent) or, (B) if the failure to make such calculation was for any other reason or if the Index is not ascertainable on such date, the prior Auction Period shall be extended to the seventh day following the day that would have been the last day of the preceding Auction Period (or if such seventh day is not followed by a Business Day then to the next succeeding day that is followed by a Business Day) and the Auction Period Rate for the period as so extended shall be the same as the Auction Period Rate for the Auction Period prior to the extension. In the event a new Auction Period is established as set forth in clause (ii) (A) above, an Auction shall be held on the last Business Day of the new Auction Period to determine an Auction Rate for an Auction Period beginning on the Business Day immediately following the last day of the new Auction Period and ending on the date on which the Auction Period otherwise would have ended had there been no new Auction Period or Auction Periods subsequent to the last Auction Period for which a Winning Bid Rate had been determined. In the event an Auction Period is extended as set forth in clause (i) (B) or (ii) (B) above, an Auction shall be held on the last Business Day of the Auction Period as so extended to determine an Auction Rate for an Auction Period beginning on the Business Day immediately following the last day of the extended Auction Period and ending on the date on which the Auction Period otherwise would have ended had there been no extension of the prior Auction Period.

Notwithstanding the foregoing, neither new nor extended Auction Periods shall total more than 35 days in the aggregate. If at the end of the 35 days the Auction Agent fails to calculate or provide the Auction Rate, or there is not at the time a duly appointed and acting Auction Agent or Broker-Dealer, the Auction Period Rate shall be the Maximum Rate.

In the event of a failed conversion from an Auction Period to any other period or in the event of a failure to change the length of the current Auction Period due to the lack of Sufficient Clearing Bids at the Auction on the Auction Date for the first new Auction Period, the Auction Period Rate for the next Auction Period shall be the Maximum Rate and the Auction Period shall be a seven-day Auction Period.

If the Bonds are no longer maintained in book-entry-only form by DTC, then the Auctions shall cease and the Auction Period Rate shall be the Maximum Rate.

Allocation of Bonds

(a) In the event of Sufficient Clearing Bids, subject to the further provisions of subsections (c) and (d) below, Submitted Orders shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Holder shall be accepted, thus requiring each such Existing Holder to continue to hold the Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Sell Order of each Existing Holder shall be accepted and the Submitted Bid of each Existing Holder specifying any rate that is higher than the Winning Bid Rate shall be rejected, thus requiring each such Existing Holder to sell the Bonds that are the subject of such Submitted Sell Order or Submitted Bid;

(iii) the Submitted Bid of each Existing Holder specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Existing Holder to continue to hold the Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Bid of each Potential Holder specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Potential Holder to purchase the Bonds that are the subject of such Submitted Bid;

(v) the Submitted Bid of each Existing Holder specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Existing Holder to continue to hold the Bonds that are the subject of such Submitted Bid, but only up to and including the number of Units of Bonds obtained by multiplying (A) the aggregate number of Units of Outstanding Bonds which are not the subject of Submitted Hold Orders described in clause (i) above or of Submitted Bids described in clauses (iii) or (iv) above by (B) a fraction the numerator of which shall be the number of Units of Outstanding Bonds held by such Existing Holder subject to such Submitted Bid and the denominator of which shall be the aggregate number of Units of Outstanding Bonds subject to such Submitted Bids made by all such Existing Holders that specified a rate equal to the Winning Bid Rate, and the remainder, if any, of such Submitted Bid shall be rejected, thus requiring each such Existing Holder to sell any excess amount of Bonds;

(vi) the Submitted Bid of each Potential Holder specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Potential Holder to purchase the Bonds that are the subject of such Submitted Bid, but only in an amount equal to the number of Units of Bonds obtained by multiplying (A) the aggregate number of Units of Outstanding Bonds which are not the subject of Submitted Hold Orders described in clause (i) above or of Submitted Bids described in clauses (iii), (iv) or (v) above by (B) a fraction the numerator of which shall be the number of Units of Outstanding Bonds subject to such Submitted Bid and the denominator of which shall be the sum of the aggregate number of Units of Outstanding Bonds subject to such Submitted Bids made by all such Potential Holders that specified a rate equal to the Winning Bid Rate, and the remainder of such Submitted Bid shall be rejected; and

(vii) the Submitted Bid of each Potential Holder specifying any rate that is higher than the Winning Bid Rate shall be rejected.

(b) In the event there are not Sufficient Clearing Bids, Submitted Orders shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Holder shall be accepted, thus requiring each such Existing Holder to continue to hold the Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Bid of each Existing Holder specifying any rate that is not higher than the Maximum Rate shall be accepted, thus requiring each such Existing Holder to continue to hold the Bonds that are the subject of such Submitted Bid;

(iii) the Submitted Bid of each Potential Holder specifying any rate that is not higher than the Maximum Rate shall be accepted, thus requiring each such Potential Holder to purchase the Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Sell Orders of each Existing Holder shall be accepted as Submitted Sell Orders and the Submitted Bids of each Existing Holder specifying any rate that is higher than the Maximum Rate shall be deemed to be and shall be accepted as Submitted Sell Orders, in both cases only up to and including the number of Units of Bonds obtained by multiplying (A) the aggregate number of Units of Bonds subject to Submitted Bids described in clause (iii) of this subsection (b) by (B) a fraction the numerator of which shall be the number of Units of Outstanding Bonds held by such Existing Holder subject to such Submitted Sell Order or such Submitted Bid deemed to be a Submitted Sell Order and the denominator of which shall be the number of Units of Outstanding Bonds subject to all such Submitted Sell Orders and such Submitted Bids deemed to be Submitted Sell Orders, and the remainder of each such Submitted Sell Order or Submitted Bid shall be deemed to be and shall be accepted as a Hold Order and each such Existing Holder shall be required to continue to hold such excess amount of Bonds; and

(v) the Submitted Bid of each Potential Holder specifying any rate that is higher than the Maximum Rate shall be rejected.

Notice of Auction Period Rate

On each Auction Date, the Auction Agent shall notify each Broker-Dealer that participated in the Auction held on such Auction Date by Electronic Means acceptable to the Auction Agent and the applicable Broker-Dealer of the following:

(i) the Auction Period Rate determined on such Auction Date for the succeeding Auction Period;

(ii) whether Sufficient Clearing Bids existed for the determination of the Winning Bid Rate;

(iii) if such Broker-Dealer submitted a Bid or a Sell Order on behalf of an Existing Holder, whether such Bid or Sell Order was accepted or rejected and the number of Units of Bonds, if any, to be sold by such Existing Holder;

(iv) if such Broker-Dealer submitted a Bid on behalf of a Potential Holder, whether such Bid was accepted or rejected and the number of Units of Bonds, if any, to be purchased by such Potential Holder;

(v) if the aggregate number of Units of the Bonds to be sold by all Existing Holders on whose behalf such Broker-Dealer submitted Bids or Sell Orders is different from the aggregate number of Units of Bonds to be purchased by all Potential Holders on whose behalf such Broker-Dealer submitted a Bid, the name or names of one or more Broker-Dealers (and the Agent Member, if any, of each such other Broker-Dealer) and the number of Units of Bonds to be (A) purchased from one or more Existing Holders on whose behalf such other Broker-Dealers submitted Bids or Sell Orders or (B) sold to one or more Potential Holders on whose behalf such Broker-Dealer submitted Bids; and

(vi) the immediately succeeding Auction Date.

On each Auction Date, each Broker-Dealer that submitted an Order on behalf of any Existing Holder or Potential Holder shall: (i) if requested by an Existing Holder or a Potential Holder, advise such Existing Holder or Potential Holder on whose behalf such Broker-Dealer submitted an Order as to (A) the Auction Period Rate determined on such Auction Date, (B) whether any Bid or Sell Order submitted on behalf of such Holder was accepted or rejected and (C) the immediately succeeding Auction Date; (ii) instruct each Potential Holder on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, to instruct such Potential Holder's Agent Member to pay to such Broker-Dealer (or its Agent Member) through DTC the amount necessary to purchase the number of Units of Bonds to be purchased pursuant to such Bid (including, with respect to the Bonds in a daily Auction Period, accrued interest if the purchase date is not an Interest Payment Date for such Bond) against receipt of such Bonds; and (iii) instruct each Existing Holder on whose behalf such Broker-Dealer submitted a Sell Order that was accepted or a Bid that was rejected in whole or in part, to instruct such Existing Holder's Agent Member to deliver to such Broker-Dealer (or its Agent Member) through DTC the number of Units of Bonds to be sold pursuant to such Bid or Sell Order against payment therefor.

The Auction Agent shall give notice of the Auction Rate to the Company, Issuer and Trustee by mutually acceptable Electronic Means and the Trustee shall promptly give notice of such Auction Rate to DTC.

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If for any reason on any Auction Date the Index shall not be determined as provided in the Indenture, the Index shall be the Index for the Auction Period ending on such Auction Date.

The determination of the Index as provided in the Indenture shall be conclusive and binding upon the Issuer, the Company, the Trustee, the Broker-Dealers, the Auction Agent and the Holders of the Bonds.

Miscellaneous Provisions Regarding Auctions

In these Auction Procedures, each reference to the purchase, sale or holding of Bonds shall refer to beneficial interests in Bonds, unless the context clearly requires otherwise.

During an Auction Rate Period, the provisions of the Indenture and the definitions contained therein and described herein, including without limitation the definitions of All Hold Rate, Index, Interest Payment Date, Maximum Rate, Auction Period Rate and Auction Rate, may be amended pursuant to the Indenture by obtaining the consent of the owners of all affected outstanding Bonds bearing interest at the Auction Period Rate as follows. If on the first Auction Date occurring at least 20 days after the date on which the Trustee mailed notice of such proposed amendment to the registered owners of the affected outstanding Bonds as required by the Indenture, (i) the Auction Period Rate which is determined on such date is the Winning Bid Rate or the All Hold Rate and (ii) there is delivered to the Company and the Trustee an opinion of Bond Counsel to the effect that such amendment shall not adversely affect the validity of the Bonds or any exemption from federal income taxation to which the interest on the Bonds would otherwise be entitled, the proposed amendment shall be deemed to have been consented to by the registered owners of all affected outstanding Bonds bearing interest at an Auction Period Rate.

If DTC notifies the Issuer that it is unwilling or unable to continue as registered owner of the Bonds or if at any time DTC shall no longer be registered or in good standing under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation and a successor to DTC is not appointed by the Issuer at the direction of the Company within 90 days after the Issuer receives notice or becomes aware of such condition, as the case may be, the Auctions shall cease and the Issuer shall execute and the Trustee shall authenticate and deliver certificates representing the Bonds. Such Bonds shall be registered in such names and Authorized Denominations as DTC, pursuant to instructions from the Agent Members or otherwise, shall instruct the Issuer and the Trustee.

During an Auction Rate Period, so long as the ownership of the Bonds is maintained in book-entry form by DTC, an Existing Holder or a beneficial owner may sell, transfer or otherwise dispose of a Bond only pursuant to a Bid or Sell Order in accordance with the Auction Procedures or to or through a Broker-Dealer, provided that (i) in the case of all transfers other than pursuant to Auctions, such Existing Holder or its Broker-Dealer or its Agent Member advises the Auction Agent of such transfer and (ii) a sale, transfer or other disposition of Bonds from a customer of a Broker-Dealer who is listed on the records of that Broker-Dealer as the owner of such Bonds to that Broker-Dealer or another customer of that Broker-Dealer shall not be deemed to be a sale, transfer or other disposition for purposes of this paragraph if such Broker-Dealer remains the Existing Holder of the Bonds so sold, transferred or disposed of immediately after such sale, transfer or disposition.

Appendix C-1

(Form of Opinion of Bond Counsel)

April __, 2007

Re: $31,000,000 "Louisville/Jefferson County Metro Government, Kentucky, Environmental Facilities Revenue Refunding Bonds, 2007 Series A (Louisville Gas and Electric Company Project)"

We hereby certify that we have examined certified copies of the proceedings of record of the Louisville/Jefferson County Metro Government, Kentucky (the "Issuer"), being the governmental successor by operation of law to the County of Jefferson, Kentucky (the "Predecessor County"), acting by and through its Metro Council as its duly authorized governing body, preliminary to and in connection with the issuance by the Issuer of its Environmental Facilities Revenue Refunding Bonds, 2007 Series A (Louisville Gas and Electric Company Project), dated their date of issuance, in the aggregate principal amount of $31,000,000 (the "Bonds"). The Bonds are issued under the provisions of Chapter 67C and Sections 103.200 to 103.285, inclusive, of the Kentucky Revised Statutes (the "Act"), for the purpose of providing funds which will be used, with other funds provided by Louisville Gas and Electric Company (the "Company") for the current refunding of $31,000,000 aggregate principal amount of the Predecessor County's Pollution Control Revenue Bonds, 1992 Series A (Louisville Gas and Electric Company Project), dated September 17, 1992 (the "Prior Bonds"), which were issued for the purpose of currently refunding a portion of the capital costs of facilities for the abatement and control of air pollution serving the Mill Creek and Cane Run Generating Stations of the Company in Jefferson County, Kentucky (the "Project"), as provided by the Act.

The Bonds mature on June 1, 2033 and bear interest initially at the Auction Rate, as defined in the Indenture, hereinafter described, subject to change as provided in such Indenture. The Bonds will be subject to optional and mandatory redemption prior to maturity at the times, in the manner and upon the terms set forth in the Bonds. From such examination of the proceedings of the Metro Council of the Issuer referred to above and from an examination of the Act, we are of the opinion that the Issuer is duly authorized and empowered to issue the Bonds under the laws of the Commonwealth of Kentucky now in force.

We have examined an executed counterpart of a certain Loan Agreement, dated as of March 1, 2007 (the "Loan Agreement"), between the Issuer and the Company and a certified copy of the proceedings of record of the Metro Council of the Issuer preliminary to and in connection with the execution and delivery of the Loan Agreement, pursuant to which the Issuer has agreed to issue the Bonds and to lend the proceeds thereof to the Company to provide funds to pay and discharge, with other funds provided by the Company, the Prior Bonds. The Company has agreed to make Loan payments to the Trustee at times and in amounts fully adequate to pay maturing principal of, interest on and redemption premium, if any, on the Bonds as same become due and payable. From such examination, we are of the opinion that such proceedings of the Metro Council of the Issuer show lawful authority for the execution and delivery of the Loan

Agreement; that the Loan Agreement has been duly authorized, executed and delivered by the Issuer; and that the Loan Agreement is a legal, valid and binding obligation of the Issuer, enforceable in accordance with its terms, subject to the qualification that the enforcement thereof may be limited by laws relating to bankruptcy, insolvency or other similar laws affecting creditors' rights generally, including equitable provisions where equitable remedies are sought.

We have also examined an executed counterpart of a certain Indenture of Trust, dated as of March 1, 2007 (the "Indenture"), by and between the Issuer and Deutsche Bank Trust Company Americas, as trustee (the "Trustee"), securing the Bonds and setting forth the covenants and undertakings of the Issuer in connection with the Bonds and a certified copy of the proceedings of record of the Metro Council of the Issuer preliminary to and in connection with the execution and delivery of the Indenture. Pursuant to the Indenture, certain of the Issuer's rights under the Loan Agreement, including the right to receive payments thereunder, and all moneys and securities held by the Trustee in accordance with the Indenture (except moneys and securities in the Rebate Fund created thereby) have been assigned to the Trustee, as security for the holders of the Bonds. From such examination, we are of the opinion that such proceedings of the Metro Council of the Issuer show lawful authority for the execution and delivery of the Indenture; that the Indenture has been duly authorized, executed and delivered by the Issuer; and that the Indenture is a legal, valid and binding obligation upon the parties thereto according to its terms, subject to the qualification that the enforcement thereof may be limited by laws relating to bankruptcy, insolvency or other similar laws affecting creditors' rights generally, including equitable provisions where equitable remedies are sought.

In our opinion the Bonds have been validly authorized, executed and issued in accordance with the laws of the Commonwealth of Kentucky now in full force and effect, and constitute legal, valid and binding special obligations of the Issuer entitled to the benefit of the security provided by the Indenture and enforceable in accordance with their terms, subject to the qualification that the enforcement thereof may be limited by laws relating to bankruptcy, insolvency or other similar laws affecting creditors' rights generally, including equitable provisions where equitable remedies are sought. The Bonds are payable by the Issuer solely and only from payments and other amounts derived from the Loan Agreement and as provided in the Indenture.

In our opinion, under existing laws, including current statutes, regulations, administrative rulings and official interpretations by the Internal Revenue Service, subject to the exceptions and qualifications contained in the succeeding paragraphs, (i) interest on the Bonds is excluded from the gross income of the recipients thereof for federal income tax purposes, except that no opinion is expressed regarding such exclusion from gross income with respect to any Bond during any period in which it is held by a "substantial user" of the Project or a "related person," as such terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) interest on the Bonds is not a separate item of tax preference in determining alternative minimum taxable income for individuals and corporations under the Code. In arriving at this opinion, we have relied upon representations, factual statements and certifications of the Company with respect to certain material facts which are solely within the Company's knowledge in reaching our conclusion, inter alia, that not less than substantially all of the proceeds of the Prior Bonds were used to refinance air pollution control facilities qualified for financing under Section 103(b)(4)(F) of the Internal Revenue Code of 1954, as amended.

Further, in arriving at the opinion set forth in this paragraph as to the exclusion from gross income of interest on the Bonds, we have assumed and this opinion is conditioned on, the accuracy of and continuing compliance by the Company and the Issuer with representations and covenants set forth in the Loan Agreement and the Indenture which are intended to assure compliance with certain tax-exempt interest provisions of the Code. Such representations and covenants must be accurate and must be complied with subsequent to the issuance of the Bonds in order that interest on the Bonds be excluded from gross income for federal income tax purposes. Failure to comply with certain of such representations and covenants in respect of the Bonds subsequent to the issuance of the Bonds could cause the interest thereon to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. We express no opinion (i) regarding the exclusion of interest on any Bond from gross income for federal income tax purposes on or after the date on which any change, including any interest rate conversion, permitted by the documents (other than with approval of this firm) is taken which adversely affects the tax treatment of the Bonds or (ii) as to the treatment for purposes of federal income taxation of interest on the Bonds upon a Determination of Taxability. We are further of the opinion that interest on the Bonds is excluded from gross income of the recipients thereof for Kentucky income tax purposes and that the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and all political subdivisions thereof.

Our opinion as to the exclusion of interest on the Bonds from gross income for federal income tax purposes and federal tax treatment of interest on the Bonds is further subject to the following exceptions and qualifications:

(a) Provisions of the Code applicable to corporations (as defined for federal income tax purposes) which impose an alternative minimum tax on a portion of the excess of adjusted current earnings over other alternative minimum taxable income may subject a portion of the interest on the Bonds earned by certain corporations to such corporate alternative minimum tax. Such corporate alternative minimum tax does not apply to any S corporation, regulated investment company, real estate investment trust or REMIC.

(b) The Code provides for a "branch profits tax" which subjects to tax, at a rate of 30%, the effectively connected earnings and profits of a foreign corporation which engages in a United States trade or business. Interest on the Bonds would be includable in the amount of effectively connected earnings and profits and thus would increase the branch profits tax liability.

(c) The Code also provides that passive investment income, including interest on the Bonds, may be subject to taxation for any S corporation with Subchapter C earnings and profits at the close of its taxable year if greater than 25% of its gross receipts is passive investment income.

Except as stated above, we express no opinion as to any federal or Kentucky tax consequences resulting from the receipt of interest on the Bonds.

Holders of the Bonds should be aware that the ownership of the Bonds may result in collateral federal income tax consequences. For instance, the Code provides that, for taxable years beginning after December 31, 1986, property and casualty insurance companies will be required to reduce their loss reserve deductions by 15% of the tax-exempt interest received on certain obligations, such as the Bonds, acquired after August 7, 1986. (For purposes of the immediately preceding sentence, a portion of dividends paid to an affiliated insurance company may be treated as tax-exempt interest.) The Code further provides for the disallowance of any deduction for interest expenses incurred by banks and certain other financial institutions allocable to carrying certain tax-exempt obligations, such as the Bonds, acquired after August 7, 1986. The Code also provides that, with respect to taxpayers other than such financial institutions, such taxpayers will be unable to deduct any portion of the interest expenses incurred or continued to purchase or carry the Bonds. The Code also provides, with respect to individuals, that interest on tax-exempt obligations, including the Bonds, is included in modified adjusted gross income for purposes of determining the taxability of social security and railroad retirement benefits. Furthermore, the earned income credit is not allowed for individuals with an aggregate amount of disqualified income within the meaning of section 32 of the Code, which exceeds $2,200. Interest on the Bonds will be taken into account in the calculation of disqualified income.

We have received opinions of John R. McCall, Esq., General Counsel of the Company and Jones Day, Chicago, Illinois, counsel to the Company, of even date herewith. In rendering this opinion, we have relied upon said opinions with respect to the matters therein. We have also received an opinion of even date herewith of Hon. Irv Maze, County Attorney of Jefferson County, Kentucky and the chief legal officer of the Issuer, and relied upon said opinion with respect to the matters therein. Said opinions are in forms satisfactory to us as to both scope and content.

We express no opinion as to the title to, the description of, or the existence or priority of any liens, charges or encumbrances on, the Project.

In rendering the foregoing opinions, we are passing upon only those matters specifically set forth in such opinions and are not passing upon the investment quality of the Bonds or the accuracy or completeness of any statements made in connection with any offer or sale thereof. The opinions herein are expressed as of the date hereof and we assume no obligation to supplement or update such opinions to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

We are members of the Bar of the Commonwealth of Kentucky and do not purport to be experts on the laws of any jurisdiction other than the Commonwealth of Kentucky and the United States of America, and we express no opinion as to the laws of any jurisdiction other than those specified.

STOLL KEENON OGDEN PLLC

Appendix C-2

(Form of Opinion of Bond Counsel)

April __, 2007

Re: $35,200,000 "Louisville/Jefferson County Metro Government, Kentucky, Environmental Facilities Revenue Refunding Bonds, 2007 Series B (Louisville Gas and Electric Company Project)"

We hereby certify that we have examined certified copies of the proceedings of record of the Louisville/Jefferson County Metro Government, Kentucky (the "Issuer"), being the governmental successor by operation of law to the County of Jefferson, Kentucky (the "Predecessor County"), acting by and through its Metro Council as its duly authorized governing body, preliminary to and in connection with the issuance by the Issuer of its Environmental Facilities Revenue Refunding Bonds, 2007 Series B(Louisville Gas and Electric Company Project), dated their date of issuance, in the aggregate principal amount of $35,200,000 (the "Bonds"). The Bonds are issued under the provisions of Chapter 67C and Sections 103.200 to 103.285, inclusive, of the Kentucky Revised Statutes (the "Act"), for the purpose of providing funds which will be used, with other funds provided by Louisville Gas and Electric Company (the "Company") for the current refunding of $35,200,000 aggregate principal amount of the Predecessor County's Pollution Control Revenue Bonds, 1993 Series A (Louisville Gas and Electric Company Project), dated August 31, 1993 (the "Prior Bonds"), which were issued for the purpose of currently refunding a portion of the capital costs of facilities for the control, containment, reduction and abatement of atmospheric and liquid pollutants and contaminants and for the disposal of solid wastes serving the Mill Creek and Cane Run Generating Stations of the Company in Jefferson County, Kentucky (the "Project"), as provided by the Act.

The Bonds mature on June 1, 2033 and bear interest initially at the Auction Rate, as defined in the Indenture, hereinafter described, subject to change as provided in such Indenture. The Bonds will be subject to optional and mandatory redemption prior to maturity at the times, in the manner and upon the terms set forth in the Bonds. From such examination of the proceedings of the Metro Council of the Issuer referred to above and from an examination of the Act, we are of the opinion that the Issuer is duly authorized and empowered to issue the Bonds under the laws of the Commonwealth of Kentucky now in force.

We have examined an executed counterpart of a certain Loan Agreement, dated as of March 1, 2007 (the "Loan Agreement"), between the Issuer and the Company and a certified copy of the proceedings of record of the Metro Council of the Issuer preliminary to and in connection with the execution and delivery of the Loan Agreement, pursuant to which the Issuer has agreed to issue the Bonds and to lend the proceeds thereof to the Company to provide funds to pay and discharge, with other funds provided by the Company, the Prior Bonds. The Company has agreed to make Loan payments to the Trustee at times and in amounts fully adequate to pay maturing principal of, interest on and redemption premium, if any, on the Bonds as same become due and payable. From such examination, we are of the opinion that such proceedings of the

Metro Council of the Issuer show lawful authority for the execution and delivery of the Loan Agreement; that the Loan Agreement has been duly authorized, executed and delivered by the Issuer; and that the Loan Agreement is a legal, valid and binding obligation of the Issuer, enforceable in accordance with its terms, subject to the qualification that the enforcement thereof may be limited by laws relating to bankruptcy, insolvency or other similar laws affecting creditors' rights generally, including equitable provisions where equitable remedies are sought.

We have also examined an executed counterpart of a certain Indenture of Trust, dated as of March 1, 2007 (the "Indenture"), by and between the Issuer and Deutsche Bank Trust Company Americas, as trustee (the "Trustee"), securing the Bonds and setting forth the covenants and undertakings of the Issuer in connection with the Bonds and a certified copy of the proceedings of record of the Metro Council of the Issuer preliminary to and in connection with the execution and delivery of the Indenture. Pursuant to the Indenture, certain of the Issuer's rights under the Loan Agreement, including the right to receive payments thereunder, and all moneys and securities held by the Trustee in accordance with the Indenture (except moneys and securities in the Rebate Fund created thereby) have been assigned to the Trustee, as security for the holders of the Bonds. From such examination, we are of the opinion that such proceedings of the Metro Council of the Issuer show lawful authority for the execution and delivery of the Indenture; that the Indenture has been duly authorized, executed and delivered by the Issuer; and that the Indenture is a legal, valid and binding obligation upon the parties thereto according to its terms, subject to the qualification that the enforcement thereof may be limited by laws relating to bankruptcy, insolvency or other similar laws affecting creditors' rights generally, including equitable provisions where equitable remedies are sought.

In our opinion the Bonds have been validly authorized, executed and issued in accordance with the laws of the Commonwealth of Kentucky now in full force and effect, and constitute legal, valid and binding special obligations of the Issuer entitled to the benefit of the security provided by the Indenture and enforceable in accordance with their terms, subject to the qualification that the enforcement thereof may be limited by laws relating to bankruptcy, insolvency or other similar laws affecting creditors' rights generally, including equitable provisions where equitable remedies are sought. The Bonds are payable by the Issuer solely and only from payments and other amounts derived from the Loan Agreement and as provided in the Indenture.

In our opinion, under existing laws, including current statutes, regulations, administrative rulings and official interpretations by the Internal Revenue Service, subject to the exceptions and qualifications contained in the succeeding paragraphs, (i) interest on the Bonds is excluded from the gross income of the recipients thereof for federal income tax purposes, except that no opinion is expressed regarding such exclusion from gross income with respect to any Bond during any period in which it is held by a "substantial user" of the Project or a "related person," as such terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) interest on the Bonds is not a separate item of tax preference in determining alternative minimum taxable income for individuals and corporations under the Code. In arriving at this opinion, we have relied upon representations, factual statements and certifications of the Company with respect to certain material facts which are solely within the Company's knowledge in reaching our conclusion, inter alia, that not less than substantially all of the proceeds of the Prior Bonds were used to refinance air and water pollution control facilities and solid waste disposal facilities qualified for financing under Section 103(b)(4)(E) and (F) of the Internal Revenue Code of 1954, as amended. Further, in arriving at the opinion set forth in this paragraph as to the exclusion from gross income of interest on the Bonds, we have assumed and this opinion is conditioned on, the accuracy of and continuing compliance by the Company and the Issuer with representations and covenants set forth in the Loan Agreement and the Indenture which are intended to assure compliance with certain tax-exempt interest provisions of the Code. Such representations and covenants must be accurate and must be complied with subsequent to the issuance of the Bonds in order that interest on the Bonds be excluded from gross income for federal income tax purposes. Failure to comply with certain of such representations and covenants in respect of the Bonds subsequent to the issuance of the Bonds could cause the interest thereon to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. We express no opinion (i) regarding the exclusion of interest on any Bond from gross income for federal income tax purposes on or after the date on which any change, including any interest rate conversion, permitted by the documents (other than with approval of this firm) is taken which adversely affects the tax treatment of the Bonds or (ii) as to the treatment for purposes of federal income taxation of interest on the Bonds upon a Determination of Taxability. We are further of the opinion that interest on the Bonds is excluded from gross income of the recipients thereof for Kentucky income tax purposes and that the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and all political subdivisions thereof.

Our opinion as to the exclusion of interest on the Bonds from gross income for federal income tax purposes and federal tax treatment of interest on the Bonds is further subject to the following exceptions and qualifications:

(a) Provisions of the Code applicable to corporations (as defined for federal income tax purposes) which impose an alternative minimum tax on a portion of the excess of adjusted current earnings over other alternative minimum taxable income may subject a portion of the interest on the Bonds earned by certain corporations to such corporate alternative minimum tax. Such corporate alternative minimum tax does not apply to any S corporation, regulated investment company, real estate investment trust or REMIC.

(b) The Code provides for a "branch profits tax" which subjects to tax, at a rate of 30%, the effectively connected earnings and profits of a foreign corporation which engages in a United States trade or business. Interest on the Bonds would be includable in the amount of effectively connected earnings and profits and thus would increase the branch profits tax liability.

(c) The Code also provides that passive investment income, including interest on the Bonds, may be subject to taxation for any S corporation with Subchapter C earnings and profits at the close of its taxable year if greater than 25% of its gross receipts is passive investment income.

Except as stated above, we express no opinion as to any federal or Kentucky tax consequences resulting from the receipt of interest on the Bonds.

Holders of the Bonds should be aware that the ownership of the Bonds may result in collateral federal income tax consequences. For instance, the Code provides that, for taxable years beginning after December 31, 1986, property and casualty insurance companies will be required to reduce their loss reserve deductions by 15% of the tax-exempt interest received on certain obligations, such as the Bonds, acquired after August 7, 1986. (For purposes of the immediately preceding sentence, a portion of dividends paid to an affiliated insurance company may be treated as tax-exempt interest.) The Code further provides for the disallowance of any deduction for interest expenses incurred by banks and certain other financial institutions allocable to carrying certain tax-exempt obligations, such as the Bonds, acquired after August 7, 1986. The Code also provides that, with respect to taxpayers other than such financial institutions, such taxpayers will be unable to deduct any portion of the interest expenses incurred or continued to purchase or carry the Bonds. The Code also provides, with respect to individuals, that interest on tax-exempt obligations, including the Bonds, is included in modified adjusted gross income for purposes of determining the taxability of social security and railroad retirement benefits. Furthermore, the earned income credit is not allowed for individuals with an aggregate amount of disqualified income within the meaning of section 32 of the Code, which exceeds $2,200. Interest on the Bonds will be taken into account in the calculation of disqualified income.

We have received opinions of John R. McCall, Esq., General Counsel of the Company and Jones Day, Chicago, Illinois, counsel to the Company, of even date herewith. In rendering this opinion, we have relied upon said opinions with respect to the matters therein. We have also received an opinion of even date herewith of Hon. Irv Maze, County Attorney of Jefferson County, Kentucky and the chief legal officer of the Issuer, and relied upon said opinion with respect to the matters therein. Said opinions are in forms satisfactory to us as to both scope and content.

We express no opinion as to the title to, the description of, or the existence or priority of any liens, charges or encumbrances on, the Project.

In rendering the foregoing opinions, we are passing upon only those matters specifically set forth in such opinions and are not passing upon the investment quality of the Bonds or the accuracy or completeness of any statements made in connection with any offer or sale thereof. The opinions herein are expressed as of the date hereof and we assume no obligation to supplement or update such opinions to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

We are members of the Bar of the Commonwealth of Kentucky and do not purport to be experts on the laws of any jurisdiction other than the Commonwealth of Kentucky and the United States of America, and we express no opinion as to the laws of any jurisdiction other than those specified.

STOLL KEENON OGDEN PLLC

Appendix D

Form of Bond Insurance Policy

Ambac

Financial Guaranty Insurance Policy

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Obligor:

Policy Number:

Obligations:

Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

President

AMBAC ASSURANCE CORPORATION
CORPORATE
SEAL
WISCONSIN

Anne G. Gill
Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Authorized Officer of Insurance Trustee

Form No.: 2B-0012 (1/01)

Ambac

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Endorsement

Policy for:

Attached to and forming part of Policy No.:

Effective Date of Endorsement:

Notwithstanding the terms and conditions in the Policy, it is further understood that in the event all or a portion of the Obligations become subject to mandatory redemption pursuant to Section 4.01(a)(i) of the Indenture in connection with the requirement that the Company prepay the Loan in whole or in part pursuant to Section 10.3 of the Agreement following the occurrence of a Determination of Taxability, the principal of and interest on such Obligations due upon any such redemption shall be deemed Due for Payment within the meaning of the Policy. As used in this Endorsement, the term "Indenture" means the Indenture of Trust dated as of March 1, 2007 between the Obligor and Deutsche Bank Trust Company Americas, as Trustee, the term "Company" means Louisville Gas and Electric Company, a Kentucky corporation, the term "Agreement" means the Loan Agreement dated as of March 1, 2007, between the Obligor and the Company; the term "Loan" has the meaning ascribed thereto in the Indenture; and the term "Determination of Taxability" has the meaning ascribed thereto in the Agreement.

Nothing herein contained shall be held to vary, alter, waive or extend any of the terms, conditions, provisions, agreements or limitations of the above mentioned Policy other than as above stated.

In Witness Whereof, Ambac has caused this Endorsement to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

Ambac Assurance Corporation

AMBAC ASSURANCE CORPORATION CORPORATE SEAL WISCONSIN

President

Secretary

Authorized Representative

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Appendix E

Summary of Certain Provisions of the Bonds while Bearing Interest at a Flexible Rate, a Variable Rate or a Long Term Rate

The following table summarizes, for each of the permitted Interest Rate Modes (except the Auction Rate): the dates on which interest will be paid (*Interest Payment Dates*); the dates on which each interest rate will be determined (*Interest Rate Determination Dates*); the period of time (*Interest Rate Periods*) each interest rate will be in effect (provided that the initial Interest Rate Period for each Interest Rate Mode may begin on a different date from that specified, which date will be the Conversion Date or the date of a change in the Long Term Rate, as applicable); the dates on which registered owners may tender their Bonds for purchase to the Tender Agent and the notice requirements therefor (provided that while the Bonds are held in book-entry-only form, all notices of tender for purchase will be given by Beneficial Owners in the manner described below under "Purchases of Bonds on Demand of Owner — *Notice Required for Purchases*") (*Purchase on Demand of Owner; Required Notice*); the dates on which Bonds are subject to mandatory tender for purchase (*Mandatory Purchase Dates*); the redemption provisions applicable to the Bonds (*Redemption*); the notice requirements for redemption and mandatory tender for purchase (*Notices of Redemption and Mandatory Purchases*); and the manner by which registered owners will receive payments of principal, interest, redemption price and purchase price (*Manner of Payment*). All times stated are New York City time.

	FLEXIBLE RATE	DAILY RATE	WEEKLY RATE
Interest Payment Dates	With respect to any Bond, the last day of each Flexible Rate Period (or if such day is not a Business Day, the next succeeding Business Day).	The first Business Day of each calendar month.	The first Business Day of each calendar month.
Interest Rate Determination Dates	For each Bond, not later than 12:00 noon on the first day of each Flexible Rate Period for such Bond.	Not later than 9:30 a.m. on each Business Day.	Not later than 4:00 p.m. on the day preceding each Weekly Rate Period or, if not a Business Day, on the next preceding Business Day
Interest Rate Periods	For each Bond, each Flexible Rate Period will be of a duration designated by the Remarketing Agents of one day to 270 days (or lower maximum number as specified in the Indenture); must end on a day immediately prior to a Business Day.	From and including each Business Day to but not including the next Business Day.	From and including each Friday to and including the following Thursday.
Purchase on Demand of Owner; Required Notice*	No purchase on demand of the owner	Any Business Day; by written or telephonic notice, promptly confirmed in writing, to the Tender Agent by 10:00 a.m. on such Business Day.	Any Business Day; by written notice to the Tender Agent not later than 5:00 p.m. on a Business Day at least seven days prior to the Purchase Date.
Mandatory Purchase Dates	Any Conversion Date; and with respect to each Bond, on each Interest Payment Date for such Bond.	Any Conversion Date	Any Conversion Date.
Redemption	Optional at par on any Interest Payment Date; Extraordinary Optional and Mandatory at par, on any Business Day (other than extraordinary optional redemption as a result of damage, destruction or condemnation which will be on an Interest Payment Date).	Optional, Extraordinary Optional and Mandatory at par on any Business Day	Optional, Extraordinary Optional and Mandatory at par on any Business Day.
Notices of Redemption and Mandatory Purchases*	No notice of mandatory purchase following the end of each Flexible Rate Period; otherwise not fewer than 15 days (not fewer than 30 days notice of mandatory purchase on a Conversion Date if Conversion to the Semi-Annual, Annual or Long Term Rate) or greater than 45 days	Not fewer than 15 days (30 days notice of mandatory purchase if Conversion to the Semi-Annual, Annual or Long Term Rate) or greater than 45 days.	Not fewer than 15 days (30 days notice of mandatory purchase if Conversion to the Semi-Annual, Annual or Long Term Rate) or greater than 45 days.
Manner of Payment*	Principal or redemption price upon surrender of the Bond to the Paying Agent; purchase price upon surrender of the Bond to the Tender Agent.	Principal or redemption price upon surrender of the Bond to the Paying Agent; purchase price upon surrender of the Bond to the Tender Agent.	Principal or redemption price upon surrender of the Bond to the Paying Agent; purchase price upon surrender of the Bond to the Tender Agent.

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* So long as DTC or its nominee is the registered owner of the Bonds, notices of redemption and mandatory purchases shall be sent to Cede & Co., and payments of principal, redemption and purchase price of and interest on the Bonds will be paid through the facilities of DTC. See "Summary of the Bonds — Book-Entry-Only System" in the forepart to this Official Statement.

	SEMI-ANNUAL	ANNUAL	LONG TERM
Interest Payment Date	Each June 1 and December 1.	Each June 1 and December 1	Each June 1 and December 1; any Conversion Date; and the effective date of any change to a new Long Term Rate Period.
Interest Rate Determination Dates	Not later than 2:00 p.m. on the Business Day preceding the first day of the Semi-Annual Rate Period.	Not later than 12:00 noon on the Business Day preceding the first day of the Annual Rate Period.	Not later than 12:00 noon on the Business Day preceding the first day of the Long Term Rate Period.
Interest Rate Periods	Each six-month period from and including each June 1 and December 1 to and including the day preceding the next Interest Payment Date.	Each period from and including the Conversion Date to the Annual Rate to and including the day immediately preceding the second Interest Payment Date thereafter and each successive twelve month period thereafter.	Each period designated by the Company of more than one year in duration and which is an integral multiple of six months, from and including the first day of such period (June 1 and December 1) to and including the day immediately preceding the last Interest Payment Date for that period
Purchase on Demand of Owner; Required Notice*	On any Interest Payment Date; by written notice to the Tender Agent on any Business Day not later than the fifteenth day prior to the Purchase Date.	On the final Interest Payment Date for the Annual Rate Period; by written notice to the Tender Agent on any Business Day not later than the fifteenth day prior to the Purchase Date.	On the final Interest Payment Date for the Long Term Rate Period; by written notice to the Tender Agent on a Business Day not later than the fifteenth day prior to the Purchase Date.
Mandatory Purchase Dates	Any Conversion Date; the first Business Day after the end of each Semi-Annual Rate Period	Any Conversion Date; the first Business Day after the end of each Annual Rate Period	Any Conversion Date; the first Business Day after the end of each Long Term Rate Period; the effective date of a change of Long Term Rate Period.
Redemption	Optional at par on any Interest Payment Date; Extraordinary Optional and Mandatory at par, on any Business Day (other than extraordinary optional redemption as a result of damage, destruction or condemnation which will be on an Interest Payment Date).	Optional at par on the final Interest Payment Date; Extraordinary Optional and Mandatory at par, on any Business Day.	Optional at times and prices dependent on the length of the Long Term Rate Period; Extraordinary Optional and Mandatory at par, on any Business Day.
Notices of Redemption and Mandatory Purchases*	Not fewer than 30 days or greater than 45 days.	Not fewer than 30 days or greater than 45 days.	Not fewer than 30 days or greater than 45 days.
Manner of Payment*	Principal or redemption price upon surrender of the Bond to the Paying Agent; interest by check mailed to the registered owners or, upon request of registered owner, of $1,000,000 or more of an individual issue of Bonds, in immediately available funds; purchase price upon surrender of the Bond to the Tender Agent.	Principal or redemption price upon surrender of the Bond to the Paying Agent; interest by check mailed to the registered owners or, upon request of registered owner, of $1,000,000 or more of an individual issue of Bonds, in immediately available funds; purchase price upon surrender of the Bond to the Tender Agent	Principal or redemption price upon surrender of the Bond to the Paying Agent; interest by check mailed to the registered owners or, upon request of registered owner, of $1,000,000 or more of an individual issue of Bonds, in immediately available funds; purchase price upon surrender of the Bond to the Tender Agent.

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* So long as DTC or its nominee is the registered owner of the Bonds, notices of redemption and mandatory purchases shall be sent to Cede & Co., and payments of principal, redemption and purchase price of and interest on the Bonds will be paid through the facilities of DTC. See "Summary of the Bonds — Book-Entry-Only System" in the forepart to this Official Statement.

Determination of Interest Rates for Interest Rate Modes

Daily Rate. If the Interest Rate Mode for the Bonds is the Daily Rate, the interest rate on the Bonds for any Business Day will be the rate established by the Remarketing Agents no later than 9:30 a.m. (New York City time) on such Business Day as the minimum rate of interest necessary, in the judgment of the Remarketing Agents taking into account then Prevailing Market Conditions, to enable the Remarketing Agents to sell the Bonds on such Business Day at a price equal to the principal amount thereof, plus accrued interest, if any, thereon. For any day which is not a Business Day or if the Remarketing Agents do not give notice of a change in the interest rate, the interest rate on the Bonds will be the interest rate in effect for the immediately preceding Business Day.

Weekly Rate. If the Interest Rate Mode for the Bonds is the Weekly Rate, the interest rate on the Bonds for a particular Weekly Rate Period will be the rate established by the Remarketing Agents no later than 4:00 p.m. (New York City time) on the day preceding such Weekly Rate Period or, if such day is not a Business Day, on the next preceding Business Day, as the minimum rate of interest necessary, in the judgment of the Remarketing Agents taking into account then Prevailing Market Conditions, to enable the Remarketing Agents to sell the Bonds on such first day at a price equal to the principal amount thereof, plus accrued interest, if any, thereon.

Flexible Rates and Flexible Rate Periods. If the Interest Rate Mode for the Bonds is the Flexible Rate, the interest rate on a Bond for a specific Flexible Rate Period will be the rate established by the Remarketing Agents no later than 12:00 noon (New York City time) on the first day of that Flexible Rate Period as the minimum rate of interest necessary, in the judgment of the Remarketing Agents taking into account then Prevailing Market Conditions, to enable the Remarketing Agents to sell such Bond on that day at a price equal to the principal amount thereof. Each Flexible Rate Period applicable for a Bond will be determined separately by the Remarketing Agents on or prior to the first day of such Flexible Rate Period as being the Flexible Rate Period permitted under the Indenture which, in the judgment of the Remarketing Agents, taking into account then Prevailing Market Conditions, will, with respect to such Bond, ultimately produce the lowest overall interest cost on the Bonds while the Interest Rate Mode for the Bonds is the Flexible Rate. Each Flexible Rate Period will be from one day to 270 days in length and will end on a day preceding a Business Day. If the Remarketing Agents fail to set the length of a Flexible Rate Period for any Bond, a new Flexible Rate Period lasting to, but not including, the next Business Day (or until the earlier Conversion or maturity of the Bonds) will be established automatically in accordance with the Indenture.

Semi-Annual Rate. If the Interest Rate Mode for the Bonds is the Semi-Annual Rate, the interest rate on the Bonds for a particular Semi-Annual Rate Period will be the rate established by the Remarketing Agents no later than 2:00 p.m. (New York City time) on the Business Day immediately preceding the first day of such Semi-Annual Rate Period as the minimum rate of interest necessary, in the judgment of the Remarketing Agents taking into account then Prevailing Market Conditions, to enable the Remarketing Agents to sell the Bonds on such first day at a price equal to the principal amount thereof.

Annual Rate. If the Interest Rate Mode for the Bonds is the Annual Rate, the interest rate on the Bonds for a particular Annual Rate Period will be the rate of interest established by the Remarketing Agents no later than 12:00 noon (New York City time) on the Business Day preceding the first day of such Annual Rate Period as the minimum rate of interest necessary, in the judgment of the Remarketing Agents taking into account then Prevailing Market Conditions, to enable the Remarketing Agents to sell the Bonds on such first day at a price equal to the principal amount thereof.

Long Term Rates and Long Term Rate Periods. If the Interest Rate Mode for the Bonds is the Long Term Rate, the interest rate on the Bonds for a particular Long Term Rate Period will be the rate established by the Remarketing Agents no later than 12:00 noon (New York City time) on the Business Day preceding the first day of such Long Term Rate Period as the minimum rate of interest necessary, in the judgment of the Remarketing Agents taking into account then Prevailing Market Conditions, to enable the Remarketing Agents to sell the Bonds on such first day at a price equal to the principal amount thereof. The Company will establish the duration of the Long Term Rate Period at the time that it directs the Conversion of the Interest Rate Mode to the Long Term Rate, and thereafter each successive Long Term Rate Period will be the same as the Long Term Rate Period so established by the Company until a different Long Term Rate Period is specified by the Company in accordance with the Indenture (in which case the duration of that Long Term Rate Period will control succeeding Long Term Rate Periods), subject in all cases to the occurrence of a Conversion Date or the maturity of the Bonds. Each Long Term Rate Period will be more than one year in duration, will be for a period which is an integral multiple of six months and will end on the day next preceding an Interest Payment Date; provided that if a Long Term Rate Period commences on a date other than a June 1 or December 1, such Long Term Rate Period may be for a period which is not an integral multiple of six months but will be of a duration as close as possible to (but not in excess of) such Long Term Rate Period established by the Company and will terminate on a day preceding an Interest Payment Date, and each successive Long Term Rate Period thereafter will be for the full period established by the Company until a different Long Term Rate Period is specified by the Company in accordance with the Indenture or until the occurrence of a Conversion Date or the maturity of the Bonds; provided further that no Long Term Rate Period will extend beyond the final maturity date of the Bonds.

Change of Long Term Rate Period. The Company may change from one Long Term Rate Period to another Long Term Rate Period on any Business Day on which the Bonds are subject to optional redemption as described under "Summary of the Bonds — Redemptions — *Optional Redemption*" in the forepart of this Official Statement upon notice from the Bond Registrar to the owners of Bonds as described below. With any notice of such change, the Company must also deliver an opinion of Bond Counsel stating that such change is authorized or permitted by the Act and is authorized by the Indenture and will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. Notwithstanding the foregoing, the Long Term Rate Period will not be changed to a new Long Term Rate Period if (A) the Remarketing Agents have not determined the interest rate for the new Long Term Rate Period in accordance with the terms of the Indenture or (B) the Bond Registrar receives written notice from Bond Counsel prior to the effective date of the change to the effect that the opinion of such Bond Counsel required under the Indenture has been rescinded. Upon the occurrence of any of the events described in the preceding sentence, the

Bonds will bear interest at the Weekly Rate commencing on the date which would have been the effective date of the proposed change of Long Term Rate Period, subject to the provisions described above under "Summary of the Bonds — Conversion of Interest Rate Modes — *Cancellation of Conversion of Interest Rate Mode*" in the forepart of this Official Statement.

Notice to Owners of Change of Long Term Rate Period. The Bond Registrar will notify each registered owner of the change of Long Term Rate Period by first class mail at least 30 days in the case of a change in the Long Term Rate Period but not more than 45 days before each effective date of a change in the Long Term Rate Period. The notice will state those matters required to be set forth therein under the Indenture.

Failure to Determine Rate. If for any reason the interest rate for a Bond is not determined by the Remarketing Agents, except as described above under "*Change of Long Term Rate Period*" and above under "Summary of the Bonds — Conversion of Interest Rate Modes — *Cancellation of Conversion of Interest Rate Mode*" in the forepart of this Official Statement, the interest rate for such Bond for the next succeeding interest rate period will be the interest rate in effect for such Bond for the preceding interest rate period and, pursuant to the terms of the Indenture, there will be no change in the then applicable Long Term Rate Period or any Conversion from the then applicable Interest Rate Mode. Notwithstanding the foregoing, if for any reason the interest rate for a Bond bearing interest at a Flexible Rate is not determined by the Remarketing Agents, the interest rate for such Bond for the next succeeding Interest Period will be equal to The Bond Market Association Municipal Swap Index™ (the "Municipal Index") as defined in the Indenture and the Interest Period for such Bond will extend through the day preceding the next Business Day, until the Trustee is notified of a new Flexible Rate and Flexible Rate Period determined for such Bond by the Remarketing Agents.

Purchases of Bonds on Demand of Owner

If the Bonds are in the book-entry-only system, demands for purchase may be made by Beneficial Owners only through such Beneficial Owner's Direct Participant (as defined under the caption "Summary of the Bonds – Book-Entry-Only System" in the forepart of this Official Statement). If the Bonds are in certificated form, demands for purchase may be made only by registered owners.

Daily Rate. If the Interest Rate Mode for the Bonds is the Daily Rate, any Bond will be purchased on the demand of the registered owner thereof on any Business Day during a Daily Rate Period at a purchase price equal to the principal amount thereof plus accrued interest, if any, to the Purchase Date upon written notice or telephonic notice (to be immediately confirmed in writing) to the Tender Agent at its principal office not later than 10:00 a.m. (New York City time) on such Business Day.

Weekly Rate. If the Interest Rate Mode for the Bonds is the Weekly Rate, any Bond will be purchased on the demand of the registered owner thereof on any Business Day during a Weekly Rate Period at a purchase price equal to the principal amount thereof plus accrued interest, if any, to the Purchase Date upon written notice to the Tender Agent at its principal office at or before 5:00 p.m. (New York City time) on a Business Day not later than the seventh day prior to the Purchase Date.

Semi-Annual Rate. If the Interest Rate Mode for the Bonds is the Semi-Annual Rate, any Bond will be purchased on the demand of the registered owner thereof on any Interest Payment Date for a Semi-Annual Rate Period at a purchase price equal to the principal amount thereof upon written notice to the Tender Agent at its principal office on a Business Day not later than the fifteenth day prior to such Purchase Date.

Annual Rate. If the Interest Rate Mode for the Bonds is the Annual Rate, any Bond will be purchased on the demand of the registered owner thereof on the final Interest Payment Date for such Annual Rate Period at a purchase price equal to the principal amount thereof upon written notice to the Tender Agent at its principal office on a Business Day not later than the fifteenth day prior to such Purchase Date.

Long Term Rate. If the Interest Rate Mode for the Bonds is the Long Term Rate, any Bond will be purchased on the demand of the registered owner thereof on the final Interest Payment Date for such Long Term Rate Period (unless such date is the final maturity date) at a purchase price equal to the principal amount thereof upon written notice to the Tender Agent at its principal office on a Business Day not later than the fifteenth day prior to such Purchase Date.

Limitations on Purchases on Demand of Owner. Notwithstanding the foregoing, there will be no purchase of (a) a portion of any Bond unless the portion to be purchased and the portion to be retained each will be in an authorized denomination or (b) any Bond upon the demand of the registered owner if an Event of Default under the Indenture with respect to the payment of principal of, interest on, or purchase price of, the Bonds has occurred and is continuing. Also, if the Interest Rate Mode for the Bonds is the Flexible Rate, the Bonds will not be subject to purchase on the demand of the registered owners thereof, but each Bond will be subject to mandatory purchase on each Conversion Date and on the Interest Payment Date with respect to such Bond, as described below under the caption "Mandatory Purchases of Bonds."

Notice Required for Purchases. Any written notice delivered to the Tender Agent by an owner demanding the purchase of Bonds must (A) be delivered by the time and dates specified above, (B) state the number and principal amount (or portion thereof) of such Bond to be purchased, (C) state the Purchase Date on which such Bond is to be purchased, (D) irrevocably request such purchase and state that the owner agrees to deliver such Bond, duly endorsed in blank for transfer, with all signatures guaranteed, to the Tender Agent at or prior to 11:00 a.m. (1:00 p.m. if a tender during a Daily Rate Period and 12:00 noon if a tender during a Weekly Rate Period) (New York City time) on such Purchase Date.

Mandatory Purchases of Bonds

Mandatory Purchase on Conversion Dates or Change by the Company in Long Term Rate Period. The Bonds will be subject to mandatory purchase at a purchase price equal to the principal amount thereof, plus, if the Interest Rate Mode is the Long Term Rate, the redemption premium, if any, which would be payable as described under "Summary of the Bonds — Redemptions — *Optional Redemption*" in the forepart of this Official Statement, if the Bonds were redeemed on the Purchase Date (A) on each Conversion Date and (B) on the effective date of any change by the Company of the Long Term Rate Period. Such tender and purchase will be required even if the change in Long Term Rate Period or the Conversion is canceled pursuant to the Indenture.

Mandatory Purchase on Each Interest Payment Date for Flexible Rate Period. Whenever the Interest Rate Mode for the Bonds is the Flexible Rate, each Bond will be subject to mandatory purchase at a purchase price equal to the principal amount thereof, without premium, on each Interest Payment Date that interest on such Bond is payable at an interest rate determined for the Flexible Rate. Owners of Bonds will receive no notice of such mandatory purchase.

Mandatory Purchase on Day after End of the Semi-Annual Rate Period, the Annual Rate Period or the Long Term Rate Period. Whenever the Interest Rate Mode for the Bonds is the Semi-Annual Rate, the Annual Rate or the Long Term Rate, such Bonds will be subject to mandatory purchase on the Business Day following the end of each Semi-Annual Rate Period, Annual Rate Period or Long Term Rate Period, as the case may be, for such Bond at a purchase price equal to the principal amount thereof plus accrued interest, if any, to such date.

Notice to Owners of Mandatory Purchases. Notice to owners of a mandatory purchase of Bonds on a Conversion Date or upon a change in Long Term Rate Period will be given by the Bond Registrar, together with the notice of such Conversion or change of Long Term Rate Period, as applicable, by first class mail at least 15 days (30 days in the case of Conversion from or to the Auction Rate, the Semi-Annual Rate, the Annual Rate or the Long Term Rate or in the case of a change in the Long Term Rate Period) but not more than 45 days before each Conversion Date or each effective date of a change in the Long Term Rate Period. Notice to owners of a mandatory purchase of Bonds after the end of each Semi-Annual Rate Period, Annual Rate Period and Long Term Rate Period will be given by the Bond Registrar by first class mail at least 30 days prior to the end of such period. The notice of mandatory purchase will state those matters required to be set forth therein under the Indenture. No notice of mandatory purchase will be given in connection with a mandatory purchase on an Interest Payment Date for a Flexible Rate Period.

Louisville Gas and Electric Company
Case No. 2008-00252
Historical Test Period Filing Requirements

Filing Requirement
807 KAR 5:001 Section 10(6)(n)
Sponsoring Witness: Shannon L. Charnas / John J. Spanos

Description of Filing Requirement:

A summary of the utility's latest depreciation study with schedules by major plant accounts, except that telecommunications utilities that have adopted the commission's average depreciation rates shall provide a schedule that identifies the current and test period depreciation rates used by major plant accounts. If the required information has been filed in another commission case a reference to that case's number and style will be sufficient.

Response:

On May 16, 2001, the Company filed with the Commission the depreciation study (with schedules by major plant accounts) supporting the Company's current depreciation rates in Case No. 2001-00141, *In the Matter of: Application of Louisville Gas and Electric Company for an Order Approving Revised Depreciation Rates*. By reference, the Company incorporates that study herein.

On December 28, 2007, the Company filed with the Commission an application filing a new depreciation study (with schedules by major plant accounts) and accompanying testimony in Case No. 2007-00564, *In the Matter of: Application of Louisville Gas and Electric Company to File Depreciation Study*. The Commission has not yet approved the new study, and the Company has moved the Commission to consolidate Case No. 2007-00564 with this proceeding, upon which motion the Commission has not yet ruled. By reference, the Company incorporates that depreciation study herein as well.

Louisville Gas and Electric Company
Case No. 2008-00252
Historical Test Period Filing Requirements

Filing Requirement
807 KAR 5:001 Section 10(6)(o)
Sponsoring Witness: Valerie L. Scott

Description of Filing Requirement:

A list of all commercially available or in-house developed computer software, programs, and models used in the development of the schedules and work papers associated with the filing of the utility's application. This list shall include each software, program, or model; what the software, program, or model was used for; identify the supplier of each software, program, or model; a brief description of the software, program, or model; the specifications for the computer hardware and the operating system required to run the program.

Response:

See attached.

Computer Software, Programs, and Models

List of Software, Programs and Models Used

- Microsoft Word 2003. This Application was used to prepare the majority of this filing.
  - Personal or multimedia computer with a Pentium 233MHz processor or greater
  - Microsoft Office XP, Microsoft Windows XP or higher operating system

- Microsoft Excel 2003. This Application was used to prepare the spreadsheet documents utilized in this filing.
  - Personal or multimedia computer with a Pentium 233MHz processor or greater
  - Microsoft Office XP, Microsoft Windows XP or higher operating system

- Microsoft PowerPoint 2003. This application is the presentation application used to prepare some of the graphs in the testimony.
  - Personal or multimedia computer with a Pentium 233MHz processor or greater
  - Microsoft Office XP, Microsoft Windows XP or higher operating system

- Adobe Version 7.0. This application was used to preserve and secure the layout of documents created in other applications.
  - Personal or multimedia computer with Intel Pentium or equivalent processor
  - Microsoft Windows NT with Service Pack 6 or 6a or higher operating system

- Proprietary Model prepared by The Prime Group, LLC. This model was used to prepare the cost of service study.
  - Personal or multimedia computer with a 486 or higher processor
  - Microsoft Windows 95 or higher operating system

Louisville Gas and Electric Company
Case No. 2008-00252
Historical Test Period Filing Requirements

Filing Requirement
807 KAR 5:001 Section 10(6)(p)
Sponsoring Witness: S. Bradford Rives

Description of Filing Requirement:

Prospectuses of the most recent stock or bond offerings.

Response:

See attached.

LG&E Prospectus – Environmental Facilities Revenue Refunding Bonds
Prospectus Dated: April 19, 2007

Louisville Gas and Electric Company
Case No. 2008-00252
Historical Test Period Filing Requirements

Filing Requirement
807 KAR 5:001 Section 10(6)(q)
Sponsoring Witness: S. Bradford Rives

Description of Filing Requirement:

Annual report to shareholders, or members, and statistical supplements covering the two (2) most recent years from the utility's application filing date.

Response:

There are no annual reports to shareholders or members during the period referenced. LG&E does not publish a statistical supplement.

Federal securities rules generally require the delivery of annual reports to public shareholders when requesting their vote via certain proxy solicitations. During the period in question, the common stock of LG&E has been wholly-owned by E.ON U.S. LLC and no proxy solicitations occurred with respect to LG&E's former preferred stock (which preferred stock was ultimately redeemed in April 2007.)

(Copies of the audited annual financial statements and other financial information of LG&E relating to the period described are provided in Filing Requirement 807 KAR 5:001 Section 10(6)(s) [Tab No. 38].)