

From: Lovekamp, Rick

Sent: Thursday, September 26, 2013 8:35 AM

To: PSC - Reports

Subject: LG&E and KU Financial Statement Audit Reports - 807 KAR 5:006, Section 4(3)

Louisville Gas and Electric Company and Kentucky Utilities Company submit the audit reports from the 2012 Annual Report and FERC Form 1 reports in accordance with the requirements of 807 KAR 5:006, Section 4(3).

Please contact me with any questions.

Louisville Gas and Electric Company Audit Reports

Kentucky Utilities Company Audit Reports

Sincerely,

Rick E. Lovekamp

LG&E and KU Energy LLC

Manager Regulatory Affairs

Office: 502-627-3780

Report of Independent Registered Public
Accounting Firm for SEC Form 10-K
Kentucky Utilities Company

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholder of Kentucky Utilities Company

We have audited the accompanying balance sheets of Kentucky Utilities Company as of December 31, 2012 and 2011, and the related statements of income and comprehensive income, cash flows, and equity for each of the two years in the period ended December 31, 2012. 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kentucky Utilities Company at December 31, 2012 and 2011, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

Louisville, Kentucky
February 28, 2013

Report of Independent Auditors

FERC Form 1

Kentucky Utilities Company

Report of Independent Auditors

To the Board of Directors and Stockholder of Kentucky Utilities Company:

We have audited the accompanying regulatory-basis balance sheets of Kentucky Utilities Company as of December 31, 2012 and 2011, and the related regulatory-basis statements of income, retained earnings and cash flows for the years then ended and the related notes to the regulatory financial statements, included on pages 110 through 123.57 in the Federal Energy Regulatory Commission ("FERC") Form No. 1.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and proprietary capital of Kentucky Utilities Company as of December 31, 2012 and 2011, and its income and expenses and its cash flows for the years then ended, in accordance with the Uniform System of Accounts prescribed by the FERC described in Note 1.

Regulatory Basis of Accounting

As described in Note 1 to the financial statements, the financial statements have been prepared by Kentucky Utilities Company in accordance with the Uniform System of Accounts prescribed by the FERC, which is a basis of accounting other than U.S. generally accepted accounting principles to meet the requirements of the FERC. Our opinion is not modified with respect to this matter.

Restriction on Use

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

Louisville, Kentucky
March 22, 2013

Ernst & Young LLP