COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:	)	
	)	
AN ADJUSTMENT OF THE GAS	)	CASE NO: 2003-00433
AND ELECTRIC RATES, TERMS	)	
AND CONDITIONS OF LOUISVILLE	)	
GAS AND ELECTRIC COMPANY	)	

VOLUME 2 OF 7

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

Filed: December 29, 2003

Louisville Gas and Electric Company
Case No. 2003-00433
Historical Test Year Filing Requirements
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807 KAR 5:001 Sec 10(6)(l)

Louisville Gas and Electric Company
Case No. 2003-00433
Historical Test Period Filing Requirements

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 – August 8, 1995

FEDERAL ENERGY REGULATORY COMMISSION

WASHINGTON, D.C. 20426

In Reply Refer To:
OCA-DOA
Docket No. FA94-47-000

AUG 08 1995

Louisville Gas and Electric Company
Attention: Mr. M. Lee Fowler
Vice President and Controller
220 West Main Street
Louisville, KY 40232

Ladies and Gentlemen:

The Division of Audits of the Office of Chief Accountant has examined the books and records of Louisville Gas and Electric Company for the period January 1, 1991 through December 31, 1993. The purpose of the examination was to evaluate your Company's compliance with Commission accounting and reporting regulations contained in the Uniform System of Accounts, Annual Report FERC Form No. 1, and the related regulations. The examination included selective tests of the accounting records, review of the internal control structure, and other tests and procedures considered necessary under the circumstances.

The Division of Audits recommended corrective actions on certain findings of noncompliance with the Commission's accounting, financial reporting, and/or related regulations. The enclosed audit report describe the findings, recommendations, and correcting entries. By letter dated August 3, 1995, your Company agreed to adopt the recommended corrective actions on the noted matters. I hereby approve and direct the recommended corrective actions.

The Kentucky Public Service Commission did not respond with any objections to the foregoing matters.

The Commission delegated authority to act in this matter to the Director, Division of Audits under 18 C.F.R. § 375.303. This letter order constitutes final agency action on the corrective actions approved and directed in this report. Within 30 days of the date of this order, your Company may file a request for rehearing by the Commission under 18 C.F.R. § 385.713.

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.

Sincerely,

Joseph A. Frangipane
Director, Division of Audits

Enclosure

Results of the Examination

of the

Books and Records

of

LOUISVILLE GAS AND ELECTRIC COMPANY
Docket No. FA94-47-000

For the Period

1/1/91 through 12/31/93

Conducted by

Division of Audits
Office of Chief Accountant
Federal Energy Regulatory Commission

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I. COMPLIANCE EXCEPTIONS

The Company agreed to adopt the recommended corrective actions on the following compliance matters:

1. Accounting Classification for Utility Transactions

The Company's accounting for a portion of its investment and for operating revenues and expenses related to the Trimble County Unit No. 1 (Trimble County) was deficient as follows:

- It incorrectly classified 25 percent of its investment in Trimble County that was devoted to wholesale service as nonutility property.
- It used the wrong accounts to classify the revenues and expenses related to wholesale sales from Trimble County.
- It failed to: (a) use Account 102, Electric Plant Purchased or Sold, to record the sales of its investment in Trimble County, and (b) submit related journal entries to the FERC for approval.

Background of Issues

In 1979 the Company began constructing Trimble County, a 495-megawatt, coal-fired electric generating unit.

Trimble County was the subject of numerous reviews by the Kentucky Public Service Commission (KPSC). 1/ On July 1, 1988, the KPSC issued an order in Case No. 9934, which was an investigation into the construction of and need for Trimble County. The KPSC found that the Company had excess capacity and disallowed 25 percent of Trimble County from the Company's rates. One the same date, the Commission issued an order in Case No. 10064, the Company's general rate case. The KPSC made $11,400,000 in annual revenues subject to refund, pending a final decision in another case.

In June 1990, the Company filed a general rate case with the KPSC. In this filing, the Company sought recovery of only 75 percent of expenses related to Trimble County and included only 75 percent of the cost of the asset in rate base. On

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1/ The KPSC has a policy of allowing construction work in progress in the Company's rate base.

December 20, 1990, the KPSC issued an order allowing the Company to recover 75 percent of its investment incurred through the end of the test period, April 30, 1990.

On December 23, 1990, the Company placed Trimble County in commercial operation. Subsequently, the Company sold the electricity generated from the remaining 25 percent of Trimble County to wholesale customers under existing interchange contracts subject to the jurisdiction of the FERC. On December 30, 1991, the Company filed new interchange contracts with FERC that specifically addressed Trimble County. Also, on that date the Company entered into a Unit Power Purchaser Agreement with Indiana Municipal Power Agency (IMPA). IMPA agreed to purchase Unit Capacity and Unit Energy from the Company's share of Trimble County.

In February 1991 the Company sold a 12.12 percent undivided interest in Trimble County to the Illinois Municipal Electric Agency (IMEA). In February 1993 it sold another 12.88 percent undivided interest in Trimble County to IMPA.

Company Accounting

The Company used the accounting indicated below for a 25 percent interest in Trimble County that was subject to FERC rate jurisdiction:

1. When it placed Trimble County in commercial operation, the Company transferred 75 percent of the construction costs from Account 107, Construction Work in Progress - Electric, to Account 101, Electric Plant in Service. It classified the remaining 25 percent of its investment in Account 121, Nonutility Property. 2/

2. During 1991 the Company initially classified the operating revenues associated with the sale of power under FERC rate schedules to Account 447, Sales for Resale. Then it reclassified the operating revenues, amounting to $6,258,651, from Account 447 to Account 417, Revenues from Nonutility Operations. In 1992, it reclassified $4,398,129 of revenues from Account 447 to Account 417. However, the Company reported the kilowatt-hour sales with certain Account 447 information in the FERC Form No. 1.

2/ The Kentucky Public Service Commission apparently considers the 25 percent disallowed as no longer subject to its jurisdiction and has not objected to the Company's accounting classifying 25 percent of the plant to Account 121.

The Company recorded the 25 percent of operating expenses associated with the sale of power to wholesale customers in Account 417.1, Expenses of Nonutility Operations. It recorded $8,014,022 and $7,951,899 of operating expenses in Account 417.1 for years 1991 and 1992, respectively.

3. In February 1991 the Company recorded the sale of a portion of its interest in Trimble County to IMEA by directly removing amounts from Accounts 121 and 122, Accumulated Provision for Depreciation and Amortization of Nonutility Property. It recorded a gain on the sale of $7,907,642 in Account 421.1, Gain on Disposition of Property.

In February 1993, the Company recorded the sale of a portion of its interest in Trimble County to IMPA. Again it directly removed amounts from Accounts 121 and 122. It recorded a $3,868,585 gain in Account 421.1.

The Company did not record either of the sale transactions in Account 102, nor did it file any proposed journal entries to clear Account 102 with the FERC.

Discussion of Accounting Requirements

The Company's accounting for the investment, revenues, and expenses related to Trimble County was not consistent with the following requirements of the Uniform System of Accounts:

1. The instructions to Account 121 state in part:

> A. This account shall include the book cost of land, structures, equipment, or other tangible or intangible property owned by the utility, but not used in utility service and not properly includable in account 105, Electric Plant Held for Future Use. . . .

Trimble County produced electricity that the Company sold in utility service, including sales under FERC rate schedules. The Company used the 25 percent of Trimble County in utility service for sales to wholesale customers for the period when the unit was placed in service until it sold its interest to IMEA and IMPA. Therefore, the Company incorrectly classified 25 percent of its investment in Trimble County as nonutility property in Account 121.

The instructions to Account 101, Electric Plant in Service, state in part:

> A. This account shall include the original cost of electric plant, included in accounts 301 to 399, prescribed

herein, owned and used by the utility in its electric utility operations. . . .

The Company should have classified its entire investment in Trimble County in Account 101, instead of classifying a portion of the investment in Account 121.

2. The instructions to Account 447, Sales for Resale, state, in part:

A. This account shall include the net billing for electricity supplied to other electric utilities or to public authorities for resale purposes.

Under Instruction 2A, the Company should not have reclassified the revenues associated with the sale of power to wholesale customers under FERC rate schedules from Account 447 to Account 417. For Form 1 purposes, the Company correctly included the related kilowatt hours with Account 447 sales for resale information on page 310. It also should have reported the related revenue in Account 447.

With respect to operating expenses, the Company should have classified all the expenses related to operating Trimble County in the appropriate operating expense accounts under the Uniform System of Accounts. (For example, it should have recorded depreciation expense in Account 403, Depreciation Expense.) It was improper to classify \$8,014,022 and \$7,951,899, respectively, of operating expenses in Account 417.1 for years 1991 and 1992.

4. The instructions for Account 102 state in part:

A. This account shall be charged with the cost of electric plant acquired as an operating unit or system by purchase, merger, . . . or otherwise, and shall be credited with the selling price of like property transferred to others pending the distribution to appropriate accounts in accordance with electric plant instruction 5.

B. Within six months from the date of acquisition or sale of property recorded herein, the utility shall file with the Commission the proposed journal entries to clear from this account the amounts recorded herein.

The FERC has previously ruled that generating facilities constitute an operating unit or system. Therefore, the Company should have followed the instructions for Account 102 in recording the sales of Trimble County in 1991 and 1993. It should have recorded the portion of its investment and related accumulated depreciation and amortization related to Trimble County directly to Account 102. Finally, the Company should have submitted the proposed journal entries to clear the amounts from Account 102 to the FERC for approval.

Recommendations

We recommend the Company revise procedures to ensure that it:

1. classifies property used in utility service in Account 101;
2. classifies revenues and expenses from the sales of electricity in the operating revenue and expense accounts specified in the Uniform System of Accounts;
3. records any sale of electric plant constituting an operating unit or system using Account 102; and
4. files proposed clearing journal entries for the sales of utility plant, as required under the instructions for Account 102.

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2. Accounting for Spare Parts

The Company used the wrong account to classify the cost of spare switchgears.

Background of Issue

The Company capitalized the cost of several spare metal clad switchgears in Account 101, Electric Plant in Service. The switchgears were part of substation equipment purchased in 1989. The switchgears were subject to normal periodic replacement.

At December 31, 1993, the Company had spare switchgears costing $60,029 recorded in Account 101.

Discussion of Accounting Requirements

The Company's accounting for spare switchgears was not consistent with the following requirements of the Uniform System of Accounts. Under the general requirements of the Uniform System of Accounts a Company should classify the cost of the entire inventory of materials and supplies, including spare equipment, in Account 154, Plant Materials and Operating Supplies. The instructions to Account 154 state in part:

A. This account shall include the cost of materials purchased primarily for use in the utility business for construction, operation and maintenance purposes. . . .

In the past the FERC has recognized certain exceptions to the general requirements of the Uniform System of Accounts for materials and supplies. One of the exceptions relates to "emergency" spare parts.

A company may charge to utility plant accounts the cost of "emergency" spare parts in accordance with Accounting Interpretation No. 50 issued by the National Association of Regulatory Utility Commissioners (NARUC). 3/

The switchgears did not meet the criteria for capitalizing as emergency spare parts because they were subject to periodic replacement. Therefore, the Company should have classified the cost of the switchgears to Account 154.

Subsequent Events

The Company notified the Division of Audits that the switchgears are no longer needed and were retired in 1995.

Recommendation

We recommend the Company revise procedures to ensure that it classifies the costs of all spare parts and equipment in Account 154, unless such parts qualify as "emergency" spare parts.

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3. Accounting for Maintenance Expenses

The Company improperly capitalized maintenance costs associated with certain construction projects.

3/ Interpretation No. 50 defines criteria for emergency spare parts as those parts that:

> . . . are essential for emergency needs, are associated with specific plant in service, and are not subject to normal periodic replacements. . . .

Background of Issue

The Company performed certain work to the Waterside Substation. The work included demolishing the coal hopper at the North side of the building along with the penthouse. Also, the Company constructed brick veneer walls. Finally, the Company cleaned the exterior of the building and repainted certain areas. The work began in March 1991 and was completed in September 1991.

The Company classified $67,200 of costs related to painting existing facilities and cleaning existing brick structures in Account 101, Electric Plant in Service.

Discussion of Accounting Requirements

Electric Plant Instruction (EPI) 10(c) states in part:

> (1) When a minor item of property which did not previously exist is added to plant, the cost thereof shall be accounted for in the same manner as for the addition of a retirement unit, as set forth in paragraph B(1), above, if a substantial addition results, otherwise the charge shall be to the appropriate maintenance expense account. . . .

Also, Operating Expense Instruction No. 2 lists under ITEMS typical maintenance activities, including the following:

3. Work performed specifically for the purpose of preventing failure, restoring serviceability or maintaining the life of plant. . .

8. Replacing or adding minor items of plant which do not constitute a retirement unit. . . .

The costs related to painting existing facilities and cleaning existing brick structures did not qualify as additions to utility plant under the previously mentioned requirements. Instead, the Company should have charged the $67,200 related to such work to maintenance expense.

Recommendations

We recommend the Company:

(1) revise procedures to ensure that it accounts for project expenditures in accordance with EPI No. 10(c) and the Operating Expense Instructions of the Uniform System of Accounts; and

(2) record the following journal entry to correct the accounting for costs improperly capitalized.

Account Number	Title	Debit	Credit
591	Maintenance of Structures	$67,200	
101	Electric Plant in Service		$67,200

4. Accounting for Cancelled Project Costs

The Company used the wrong account to classify the cost of a cancelled construction project.

Background of Issue

In 1988 the Company began a project to construct a service center and storage area in the southwest part of Louisville. In 1990 it canceled the project.

The Company accumulated costs of $4,427,680 associated with the project prior to cancellation. This amount consisted of $700,707 for land costs and $3,726,973 related to construction plans. 4/

At December 31, 1991, the Company transferred the $4,427,680 from Account 107, Construction Work in Progress - Electric, to Account 183, Preliminary Survey and Engineering.

The Company attempted to sell the property during 1992 and 1993. In 1993 it wrote down the property to a fair market value of $2,299,680. The Company based the write down on an appraisal performed by a local real estate firm.

4/ The $3,726,973 represented payments to Luckett & Farley, Architects and Engineers. The payments were for professional services for construction management, architectural and interior design, and site modifications which included a bridge and foundation.

Discussion of Accounting Requirements

The Company's accounting for the cancelled project was not in accordance with the following requirements of the Uniform System of Accounts.

1. The instructions to Account 107 state in part:

A. This account shall include the total of the balances of work orders for electric plant in process of construction.

The Company canceled the project during 1990. Therefore, the Company should have reclassified the $4,427,680 incurred for the project from Account 107 at the date of cancellation.

2. Upon cancellation of the project, the Company should not have transferred the $4,427,680 to Account 183, Preliminary Survey and Investigation Charges. The instructions to Account 183 state in part:

A. This account shall be charged with all expenditures for preliminary surveys, plans, investigations, etc., made for the purpose of determining the feasibility of utility projects under contemplation. If construction results, this account shall be credited and the appropriate utility plant account charged. If the work is abandoned, the charge shall be made to account 426.5, Other Deductions, or to the appropriate operating expense account. . . .

The costs accumulated for the project did not represent preliminary costs related to a future project.

3. The Company should have followed the requirements of the Uniform System of Accounts in 1990 and recorded the costs as follows:

- It should have expensed any portion of the $3,726,973 of engineering costs that either had no future benefit to utility service or that exceeded the fair market value of the property.

- It should have reclassified the remaining original cost from Account 107 to Account 105, Electric Plant Held for Future Use, pending a further decision on disposition or use of the land.

Subsequent Events

On March 6, 1995, the Company sold the property for about $2,497,334. The sale price exceeded the $2,299,680 book cost of the property by $197,654. The Company recorded the $197,654 gain in Account 421.1, Gain on Disposition of Property.

Recommendation

We recommend the Company revise procedures to ensure that it classifies costs related to canceled project consistent with the requirements of the Uniform System of Accounts.

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5. Factors in Determining Depreciation Rate Estimates

The Company's depreciation rate was based on outdated estimates of cost of removal.

Background of Issue

The Company's depreciation rates reflect estimates from a depreciation study conducted in 1989 that relied on balances at December 31, 1988. The Company's study included a small amount of negative salvage associated with the asbestos removal costs.

The Company's asbestos abatement program primarily consists of removing all of the asbestos insulation at its Mill Creek and Cane Run generating stations. This abatement program is an ongoing process that will continue until at least 1998. The latest estimated cost of the program is about $8,000,000.

Discussion of Accounting Requirements

In view of the continuing technological advances in the electric industry, and other significant factors affecting economic obsolescence of electric plant, there is a need for depreciation studies to be made at periodic intervals to ensure the adequacy of depreciation rates and provisions.

Because of the significant change in estimates since the last study covering asbestos removal and the addition of new generating sources, the Company should make an updated study.

The Company shall submit any proposed changes to its depreciation rates to the FERC for approval, consistent with the requirements under Section 302(a) of the Federal Power Act.

Recommendations

We recommend the Company:

(1) undertake a new depreciation study that includes the latest estimates for cost of removal and other factors affecting net salvage; and

(2) if the new depreciation study indicates a need to revise depreciation rates, submit a formal request to the FERC seeking approval for the proposed changes. 5/

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6. Accounting for Settlement Costs

The Company used the wrong account to classify expenditures related to settlement of employee actions.

Background of Issue

The Company was a defendant in various actions for alleged violations of Federal statutes on the basis of discriminatory employment practices. The Company recorded three settlement payments related to a discriminatory lawsuits in Account 925, Injuries and Damages. The settlement payments for all three cases totaled $58,000.

Discussion of Accounting Requirements

The Company's accounting did not comply with Accounting Release Number AR-12 issued in 1980 by the FERC's Chief Accountant.

AR-12 requires companies to charge expenditures resulting from compromise settlements or consent decrees to Account 426.5, Other Deductions. AR-12 accords with an opinion of the FERC's General Counsel, issued on May 20, 1976 and published in the Federal Register on July 26, 1976.

5/ On April 19, 1994, the FERC issued an order to Midwest Power Systems Inc. in Docket No. AC94-17-001, clarifying its requirements with respect to changes in depreciation rates. (67 FERC ¶ 61,076)

Recommendations

We recommend the Company:

(1) revise procedures to ensure that it records any future discriminatory claim settlement payments to nonoperating expense accounts, consistent with the requirements of the Uniform System of Accounts; and

(2) record a correcting entry to reclassify the above mentioned costs from Account 925 to Account 426.5.

II. OTHER MATTERS

1. Accounting for Life Extension Project

The Company conducted a study to determine the life assessment of its Cane Run Generating Plant (Cane Run).

The Company set out to determine the economic feasibility of various construction projects associated with extending the life of Cane Run. The Company began the life extension study in 1991. The 10-month study concluded with the submission of 152 recommendations.

The Company undertook certain construction projects of Cane Run prior to 1995. Other construction projects are planned for 1995 and 1996. The Company estimated the costs of completing all recommended projects at $104,500,000.

Discussion of Accounting Requirements

In general, life extension programs involve major overhaul and component replacement of generating facilities, which are designed to extend the average service lives of such facilities. The life extension program usually involves the addition and replacement of units of property, along with the addition and replacement of minor items of property.

The Electric Plant Instructions of the Uniform System of Accounts provide the necessary guidance for the costs of any additions, retirements, and maintenance work related to repair/replacement projects. The FERC has approved modified accounting in certain circumstances, upon an appropriate showing that the program entails a complete life extension of the unit. However, the Company must make a separate request with the Office of Chief Accountant for approval to modify the accounting requirements contained in the Uniform System of Accounts.

The Division of Audits did not review the details of the Company's life extension project. Nothing contained herein shall be construed as approving the Company's accounting for any costs related to the project.

Louisville Gas and Electric Company
Case No. 2003-00433
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:

LG&E's most recent FERC Form 1 and Form 2 for the year ended December 31, 2002, are attached.

LG&E FERC Form 1 - December 31, 2002

THIS FILING IS (CHECK ONE BOX FOR EACH ITEM)		
Item 1: [X] An Initial (Original) Submission	OR [ ]	Resubmission No. ____
Item 2: [ ] An Original Signed Form	OR [ ]	Conformed Copy

Form Approved
OMB No. 1902-0021
(Expires 3/31/2005)

FERC Form No. 1:
ANNUAL REPORT OF MAJOR ELECTRIC UTILITIES, LICENSEES AND OTHERS

This report is mandatory under the Federal Power Act, Sections 3, 4(a), 304 and 309, and 18 CFR 141.1. 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 this report to be of a confidential nature.

Exact Legal Name of Respondent (Company)	Year of Report
Louisville Gas and Electric Company	Dec. 31, 2002

PRICEWATERHOUSECOOPERS

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

Report of Independent Accountants

To the Shareholders of Louisville Gas and Electric Company:

We have audited the accompanying balance sheets of Louisville Gas and Electric Company as of December 31, 2002 and 2001 and the related statements of income, of retained earnings and of cash flows for the years then ended, included on pages 110 through 123.23 of the accompanying Federal Energy Regulatory Commission (FERC) Form No. 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 audit.

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 audits 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 FERC as set forth in its applicable Uniform System of Accounts and published accounting releases, which is a comprehensive basis of accounting other than accounting principles generally accepted 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, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with the accounting requirements of the FERC 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 shareholders and management of Louisville Gas and Electric Company and for filing with the FERC and should not be used for any other purpose.

PricewaterhouseCoopers LLP

January 21, 2003

INSTRUCTIONS FOR FILING THE FERC FORM NO. 1

GENERAL INFORMATION

I. Purpose

This form is a regulatory support requirement (18 CFR 141.1). It is designed to collect financial and operational information from major electric utilities, Licensees and others subject to the jurisdiction of the Federal Energy Regulatory Commission. This report is also secondarily considered to be a nonconfidential public use form supporting a statistical publication (Financial Statistics of Selected Electric Utilities), published by the Energy Information Administration.

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 CFR 101), must submit this form.

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 this form electronically through the Form 1 Submission Software and an original and six (6) conformed paper copies, properly filed in and attested, to:

Office of the Secretary
Federal Energy Regulatory Commission
888 First Street, NE.
Room 1A
Washington, DC 20426

Retain one copy of this report for your files.

Include with the original and each conformed paper copy of this form the subscription statement required by 18 C.F.R. 385.2011(c)(5). Paragraph (c)(5) of 18 C.F.R. 385.2011 requires each respondent submitting data electronically to file a subscription stating that the paper copies contain the same information as the electronic filing, that the signer knows the contents of the paper copies and electronic filing, and that the contents as stated in the copies and electronic filing are true to the best knowledge and belief of the signer.

(b) Submit, immediately upon publication, four (4) copies of 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 Page 4, List of Schedules, if the reports to stockholders will be submitted or if no annual report to stockholders is prepared.) Mail these reports to:

Chief Accountant
Federal Energy Regulatory Commission
888 First Street, NE.
Washington, DC 20426

(c) For the CPA certification, submit with the original submission, or within 30 days after the filing date for this form, a Letter or report (not applicable to respondents classified as Class C or Class D prior to January 1, 1984):

(i) Attesting to the conformity, in all material aspects, of the below listed (schedules and) pages with the Commission's applicable Uniform Systems of Accounts (including applicable notes relating thereto and the Chief Accountant's published accounting releases), and

(ii) 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 CFR 41.10-41.12 for specific qualifications.)

III. What and Where to Submit (Continued)

(c) Continued

Schedules	Reference 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

When accompanying this form, insert the Letter or report immediately following the cover sheet. When submitting after the filing date for this form, send the letter or report to the office of the Secretary at the address indicated at III (a).

Use the following format for the Letter or report 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.

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

(d) Federal, State and Local Governments and other authorized users may obtain additional blank copies to meet their requirements free of charge from:

Public Reference and Files Maintenance Branch
Federal Energy Regulatory Commission
888 First Street, NE. Room 2A ES-1
Washington, DC 20426
(202) 208-2474

IV. When to Submit

Submit this report form on or before April 30th of the year following the year covered by this report.

V. Where to Send Comments on Public Reporting Burden

The public reporting burden for this collection of information is estimated to average 1,217 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. Send comments regarding this burden estimate or any aspect of this collection of information, including suggestions for reducing this burden, to the Federal Energy Regulatory Commission, 888 First Street N.E., Washington, DC 20426 (Attention: Mr. Michael Miller, CI-1); 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 this 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 101) (U.S. of A.). Interpret all accounting words and phrases in accordance with the U. S. of A.

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 year, and use for statement of income accounts the current year's amounts.

III. Complete each question fully and accurately, even if it has been answered in a previous annual 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, 3, and 4.

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). The date of the resubmission must be reported in the header for all form pages, whether or not they are changed from the previous filing.

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 1 Submission Software and an original and six (6) conformed paper copies of the entire form, as well as the appropriate number of copies of the subscription statement indicated at instruction III (a). Resubmissions must be numbered sequentially on the cover page of the paper copies of the form. In addition, the cover page of each paper copy must indicate that the filing is a resubmission. Send the resubmissions to the address indicated at instruction III (a).

VIII. Do not make references to reports of previous years or to other reports in lieu of required entries, except as specifically authorized.

IX. Wherever (schedule) pages refer to figures from a previous year, the figures reported must be based upon those shown by the annual report of the previous year, or an appropriate explanation given as to why the different figures were used.

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 wit: ...(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 shalt 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 an 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 forebay reservoirs directly connected therewith, the primary line or Lines transmitting power therefrom 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 my prescribe the manner and form in which such reports shalt 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."

"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 form or forms of all statements, declarations, applications, and reports to be filed with the Commission, the information which they shall contain, and the time within which they shall be filed..."

General Penalties

"Sec. 315. (a) Any licensee or public utility which willfully fails, within the time prescribed by the Commission, to comply with any order of the Commission, to file any report required under this Act or any rule or regulation of the Commission thereunder, to submit any information of document required by the Commission in the course of an investigation conducted under this Act ... shall forfeit to the United States an amount not exceeding $1,000 to be fixed by the Commission after notice and opportunity for hearing..."

FERC FORM NO. 1:
ANNUAL REPORT OF MAJOR ELECTRIC UTILITIES, LICENSEES AND OTHER

IDENTIFICATION

01 Exact Legal Name of Respondent Louisville Gas and Electric Company	02 Year of Report Dec. 31, 2002
03 Previous Name and Date of Change *(if name changed during year)* / /	
04 Address of Principal Office at End of Year *(Street, City, State, Zip Code)* 220 W. Main Street, P.O. Box 32010, Louisville, KY 40232	
05 Name of Contact Person J. Scott Williams	06 Title of Contact Person Mgr-Fin. Reporting & Control
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) 627-2530	(1) [X] An Original (2) [ ] A Resubmission	03/28/2003

ATTESTATION

The undersigned officer certifies that he/she has examined the accompanying report: that to the best of his/her knowledge, information, and belief, all statements of fact contained in the accompanying report are true and the accompanying report is a correct statement of the business and affairs of the above named respondent in respect to each and every matter set forth therein during the period from and including January 1 to and including December 31 of the year of the report.

01 Name	03 Signature	04 Date Signed *(Mo, Da, Yr)*
S. Bradford Rives	S. B. Rives /s/	03/28/2003
02 Title Sr VP - Finance and Controller		

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 of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	03/28/2003	Dec. 31, 2002

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".

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	03/28/2003	Dec. 31, 2002

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-Other Property	274-275	
38	Accumulated Deferred Income Taxes-Other	276-277	
39	Other Regulatory Liabilities	278	
40	Electric Operating Revenues	300-301	
41	Sales of Electricity by Rate Schedules	304	
42	Sales for Resale	310-311	
43	Electric Operation and Maintenance Expenses	320-323	
44	Purchased Power	326-327	
45	Transmission of Electricity for Others	328-330	
46	Transmission of Electricity by Others	332	
47	Miscellaneous General Expenses-Electric	335	
48	Depreciation and Amortization of Electric Plant	336-337	
49	Regulatory Commission Expenses	350-351	
50	Research, Development and Demonstration Activities	352-353	None
51	Distribution of Salaries and Wages	354-355	
52	Common Utility Plant and Expenses	356	
53	Electric Energy Account	401	
54	Monthly Peaks and Output	401	
55	Steam Electric Generating Plant Statistics (Large Plants)	402-403	
56	Hydroelectric Generating Plant Statistics (Large Plants)	406-407	
57	Pumped Storage Generating Plant Statistics (Large Plants)	408-409	None
58	Generating Plant Statistics (Small Plants)	410-411	None
59	Transmission Line Statistics	422-423	
60	Transmission Lines Added During Year	424-425	
61	Substations	426-427	
62	Footnote Data	450	

Stockholders' Reports Check appropriate box:

- [ ] Four copies will be submitted
- [X] No annual report to stockholders is prepared

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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	03/28/2003	Dec. 31, 2002

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 of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	03/28/2003	Dec. 31, 2002

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.

On April 9, 2001, a German company, E.ON AG ("E.ON"), announced a pre-conditional cash offer of 5.1 billion pounds sterling ($7.3 billion) to acquire Powergen. The final regulatory approval needed was received on June 14, 2002 from the SEC. Effective July 1, 2002, the acquisition of Powergen was completed by E.ON. Following this acquisition, LG&E became an indirect subsidiary of E.ON and E.ON became a registered holding company under PUHCA, and subject to regulation thereunder. No costs associated with the E.ON acquisition nor any of the effects of purchase accounting have been reflected in the financial statements of LG&E.

LG&E is a wholly owned subsidiary of LG&E Energy Corp. On December 11, 2000, LG&E Energy Corp. and Powergen Limited successfully completed a merger transaction involving the two companies. Pursuant to the acquisition agreement, LG&E Energy became a wholly owned subsidiary of Powergen and, as a result LG&E became an indirect subsidiary of Powergen.

LG&E Energy and KU Energy merged on May 4, 1998, with LG&E Energy as the surviving corporation.

On August 17, 1990, LG&E Energy Corp. and LG&E implemented a corporate reorganization pursuant to a mandatory share exchange whereby each share of outstanding common stock of LG&E was exchanged on a share-for-share basis for the common stock of LG&E Energy Corp. LG&E preferred stock and first mortgage bonds were not exchanged and remain securities of LG&E.

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	03/28/2003	Dec. 31, 2002

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	LG&E Receivables LLC	Limited Liability Company	100%	See Note 1 Page 123
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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	03/28/2003	Dec. 31, 2002

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, 2002:		
2			
3	Chairman of the Board, President and	Victor A. Staffieri	
4	Chief Executive Officer		
5			
6	Chief Financial Officer	Richard Aitken-Davies	
7			
8	Executive Vice President, General Counsel	John R. McCall	
9	and Corporate Secretary		
10			
11	Senior Vice President - Finance and Controller	S. Bradford Rives	
12			
13	Senior Vice President - Energy Services	Paul W. Thompson	
14			
15	Senior Vice President - Distribution Operations	Chris Hermann	
16			
17	Senior Vice President - Information Technology	Wendy C. Welsh	
18			
19	Senior Vice President - Energy Marketing	Martyn Gallus	
20			
21	Senior Vice President - Project Engineering	A. Roger Smith	
22			
23	Vice President - Retail Services	David A. Vogel	
24			
25	Treasurer	Daniel K. Arbough	
26			
27	Vice President - Independent Power Operations	Bruce D. Hamilton	
28			
29	Vice President - Regulated Generation	Robert E. Henriques	
30			
31	Vice President - Rates and Regulatory	Michael S. Beer	
32			
33	Vice President - External Affairs	George R. Siemens	
34			
35	Vice President - Human Resources	Paula H. Pottinger	
36			
37	Vice President - Power Operations WKE	D. Ralph Bowling	
38			
39	Vice President - Communications	R. W. Chip Keeling	
40			
41			
42			
43			
44			

Schedule Page: 104 Line No.: 2 Column: c

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

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	03/28/2003	Dec. 31, 2002

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, 2002:	
2		
3	Victor A. Staffieri, Chairman and CEO	Louisville, KY 40202
4	Michael Soehlke	Coventry, U. K.
5	Edmund Wallis	Coventry, U. K.
6		
7		
8	Board Directors Resigning during the Year 2002:	
9		
10	Sidney Gillibrand	Coventry, U. K.
11	Sir Frederick Crawford	Coventry, U. K.
12	Dr. David K-P Li	Coventry, U. K.
13	David Jackson	Coventry, U. K.
14	Nick Baldwin	Coventry, U. K.
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Schedule Page: 105 Line No.: 4 Column: a

Michael Soehlke's addition to the Board was effective June 28, 2002.

Schedule Page: 105 Line No.: 10 Column: a

Sidney Gillbrand's resignation from the Board was effective June 28, 2002.

Schedule Page: 105 Line No.: 11 Column: a

Sir Frederick Crawford's resignation from the Board was effective June 28, 2002.

Schedule Page: 105 Line No.: 12 Column: a

Dr. David K-P Li's resignation from the Board was effective June 28, 2002.

Schedule Page: 105 Line No.: 13 Column: a

David Jackson's resignation from the Board was effective June 28, 2002.

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

Nick Baldwin's resignation from the Board was effective June 28, 2002.

Name of Respondent	This Report Is:	Date of Report	Year of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	03/28/2003	Dec. 31, 2002

IMPORTANT CHANGES DURING THE 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.

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

IMPORTANT CHANGES DURING THE YEAR (Continued)

1. None.

2. None.

3. None.

4. None.

5. None.

6. The Company is authorized by FERC Docket ES03-1-000 to issue short-term debt not to exceed $400 million at any one time on or before November 30, 2004 with final maturity no later than November 30, 2005.

7. None.

8. None of a material nature.

9. None.

10. None.

12. None.

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	03/28/2003	Dec. 31, 2002

COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)

Line No.	Title of Account (a)	Ref. Page No. (b)	Balance at Beginning of Year (c)	Balance at End of Year (d)
1	**UTILITY PLANT**			
2	Utility Plant (101-106, 114)	200-201	3,165,823,064	3,319,858,912
3	Construction Work in Progress (107)	200-201	255,073,676	300,986,392
4	TOTAL Utility Plant (Enter Total of lines 2 and 3)		3,420,896,740	3,620,845,304
5	(Less) Accum. Prov. for Depr. Amort. Depl. (108, 111, 115)	200-201	1,381,873,772	1,463,673,942
6	Net Utility Plant (Enter Total of line 4 less 5)		2,039,022,968	2,157,171,362
7	Nuclear Fuel (120.1-120.4, 120.6)	202-203	0	0
8	(Less) Accum. Prov. for Amort. of Nucl. Fuel Assemblies (120.5)	202-203	0	0
9	Net Nuclear Fuel (Enter Total of line 7 less 8)		0	0
10	Net Utility Plant (Enter Total of lines 6 and 9)		2,039,022,968	2,157,171,362
11	Utility Plant Adjustments (116)	122	0	0
12	Gas Stored Underground - Noncurrent (117)		2,139,990	2,139,990
13	**OTHER PROPERTY AND INVESTMENTS**			
14	Nonutility Property (121)	221	749,258	337,405
15	(Less) Accum. Prov. for Depr. and Amort. (122)		63,361	63,361
16	Investments in Associated Companies (123)		0	0
17	Investment in Subsidiary Companies (123.1)	224-225	5,000,000	5,000,000
18	(For Cost of Account 123.1, See Footnote Page 224, line 42)			
19	Noncurrent Portion of Allowances	228-229	0	0
20	Other Investments (124)		490,000	490,000
21	Special Funds (125-128)		0	7,525,957
22	TOTAL Other Property and Investments (Total of lines 14-17,19-21)		6,175,897	13,290,001
23	**CURRENT AND ACCRUED ASSETS**			
24	Cash (131)		1,399,685	9,461,071
25	Special Deposits (132-134)		712,296	28,045
26	Working Fund (135)		68,065	66,065
27	Temporary Cash Investments (136)		0	0
28	Notes Receivable (141)		0	0
29	Customer Accounts Receivable (142)		-4,091,845	-8,476,391
30	Other Accounts Receivable (143)		21,186,534	8,452,278
31	(Less) Accum. Prov. for Uncollectible Acct.-Credit (144)		300,000	249,999
32	Notes Receivable from Associated Companies (145)		26,296,208	22,766,637
33	Accounts Receivable from Assoc. Companies (146)		0	0
34	Fuel Stock (151)	227	22,024,120	36,600,574
35	Fuel Stock Expenses Undistributed (152)	227	0	0
36	Residuals (Elec) and Extracted Products (153)	227	0	0
37	Plant Materials and Operating Supplies (154)	227	26,046,410	21,938,383
38	Merchandise (155)	227	0	0
39	Other Materials and Supplies (156)	227	0	0
40	Nuclear Materials Held for Sale (157)	202-203/227	0	0
41	Allowances (158.1 and 158.2)	228-229	48,614	43,565
42	(Less) Noncurrent Portion of Allowances		0	0
43	Stores Expense Undistributed (163)	227	3,003,518	3,712,279
44	Gas Stored Underground - Current (164.1)		46,394,603	50,266,008
45	Liquefied Natural Gas Stored and Held for Processing (164.2-164.3)		0	0
46	Prepayments (165)		4,558,908	5,169,064
47	Advances for Gas (166-167)		0	0
48	Interest and Dividends Receivable (171)		49,000	44,100
49	Rents Receivable (172)		176,746	159,641
50	Accrued Utility Revenues (173)		37,253,000	40,652,000
51	Miscellaneous Current and Accrued Assets (174)		80,809	0
52	Derivative Instrument Assets (175)		0	85,530

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	03/28/2003	Dec. 31, 2002

COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)(Continued)

Line No.	Title of Account (a)	Ref. Page No. (b)	Balance at Beginning of Year (c)	Balance at End of Year (d)
53	Derivative Instrument Assets - Hedges (176)		0	0
54	TOTAL Current and Accrued Assets (Enter Total of lines 24 thru 53)		184,906,671	190,718,850
55	**DEFERRED DEBITS**			
56	Unamortized Debt Expenses (181)		5,921,200	6,531,855
57	Extraordinary Property Losses (182.1)	230	0	0
58	Unrecovered Plant and Regulatory Study Costs (182.2)	230	0	0
59	Other Regulatory Assets (182.3)	232	134,770,774	101,655,765
60	Prelim. Survey and Investigation Charges (Electric) (183)		0	345,300
61	Prelim. Sur. and Invest. Charges (Gas) (183.1, 183.2)		0	0
62	Clearing Accounts (184)		1,001,319	4,610,825
63	Temporary Facilities (185)		0	0
64	Miscellaneous Deferred Debits (186)	233	58,281,763	67,543,813
65	Def. Losses from Disposition of Utility Plt. (187)		0	0
66	Research, Devel. and Demonstration Expend. (188)	352-353	0	0
67	Unamortized Loss on Reaquired Debt (189)		17,901,766	18,842,728
68	Accumulated Deferred Income Taxes (190)	234	146,328,500	129,440,086
69	Unrecovered Purchased Gas Costs (191)		0	0
70	TOTAL Deferred Debits (Enter Total of lines 56 thru 69)		364,205,322	328,970,372
71	TOTAL Assets and Other Debits (Enter Total of lines 10,11,12,22,54,70)		2,596,450,848	2,692,290,575

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FOOTNOTE DATA

Schedule Page: 110 Line No.: 29 Column: c

Negative balance reflects sale of accounts receivable from accounts 142 and 173 to LG&E Receivables LLC , an afflicated company. (See Note 1 of Notes to Financial Statements)

Schedule Page: 110 Line No.: 29 Column: d

Negative balance reflects sale of accounts receivable from accounts 142 and 173 to LG&E Receivables LLC , an afflicated company. (See Note 1 of Notes to Financial Statements)

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	03/28/2003	Dec. 31, 2002

COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)

Line No.	Title of Account (a)	Ref. Page No. (b)	Balance at Beginning of Year (c)	Balance at End of Year (d)
1	**PROPRIETARY CAPITAL**			
2	Common Stock Issued (201)	250-251	425,170,424	425,170,424
3	Preferred Stock Issued (204)	250-251	96,519,300	96,519,300
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	2,208,416	2,208,416
11	Retained Earnings (215, 215.1, 216)	118-119	393,618,345	409,303,886
12	Unappropriated Undistributed Subsidiary Earnings (216.1)	118-119	0	0
13	(Less) Reaquired Capital Stock (217)	250-251	12,125	12,125
14	Accumulated Other Comprehensive Income (219)	122(a)(b)	-19,899,973	-40,512,168
15	TOTAL Proprietary Capital (Enter Total of lines 2 thru 13)		933,193,254	928,266,600
16	**LONG-TERM DEBT**			
17	Bonds (221)	256-257	616,904,000	616,904,000
18	(Less) Reaquired Bonds (222)	256-257	0	0
19	Advances from Associated Companies (223)	256-257	0	0
20	Other Long-Term Debt (224)	256-257	0	0
21	Unamortized Premium on Long-Term Debt (225)		0	0
22	(Less) Unamortized Discount on Long-Term Debt-Debit (226)		0	0
23	TOTAL Long-Term Debt (Enter Total of lines 16 thru 21)		616,904,000	616,904,000
24	**OTHER NONCURRENT LIABILITIES**			
25	Obligations Under Capital Leases - Noncurrent (227)		0	0
26	Accumulated Provision for Property Insurance (228.1)		0	0
27	Accumulated Provision for Injuries and Damages (228.2)		0	0
28	Accumulated Provision for Pensions and Benefits (228.3)		60,317,391	62,092,102
29	Accumulated Miscellaneous Operating Provisions (228.4)		0	0
30	Accumulated Provision for Rate Refunds (229)		0	0
31	TOTAL OTHER Noncurrent Liabilities (Enter Total of lines 24 thru 29)		60,317,391	62,092,102
32	**CURRENT AND ACCRUED LIABILITIES**			
33	Notes Payable (231)		29,943,750	0
34	Accounts Payable (232)		217,240,887	264,659,046
35	Notes Payable to Associated Companies (233)		64,252,943	193,052,943
36	Accounts Payable to Associated Companies (234)		46,373,837	26,360,782
37	Customer Deposits (235)		8,528,115	9,735,472
38	Taxes Accrued (236)	262-263	20,244,997	1,439,302
39	Interest Accrued (237)		5,817,921	4,939,641
40	Dividends Declared (238)		1,111,029	1,057,279
41	Matured Long-Term Debt (239)		0	0
42	Matured Interest (240)		0	0
43	Tax Collections Payable (241)		440,912	972,332
44	Miscellaneous Current and Accrued Liabilities (242)		3,201,190	3,561,664
45	Obligations Under Capital Leases-Current (243)		0	0

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	03/28/2003	Dec. 31, 2002

COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)(Continued)

Line No.	Title of Account (a)	Ref. Page No. (b)	Balance at Beginning of Year (c)	Balance at End of Year (d)
46	Derivative Instrument Liabilities (244)		0	241,104
47	Derivative Instrument Liabilities - Hedges (245)		0	0
48	TOTAL Current & Accrued Liabilities (Enter Total of lines 32 thru 44)		397,155,581	506,019,565
49	**DEFERRED CREDITS**			
50	Customer Advances for Construction (252)		9,744,990	10,267,270
51	Accumulated Deferred Investment Tax Credits (255)	266-267	58,688,623	54,536,445
52	Deferred Gains from Disposition of Utility Plant (256)		0	0
53	Other Deferred Credits (253)	269	25,475,114	24,205,918
54	Other Regulatory Liabilities (254)	278	50,500,606	47,333,336
55	Unamortized Gain on Reaquired Debt (257)		0	0
56	Accumulated Deferred Income Taxes (281-283)	272-277	444,471,289	442,665,339
57	TOTAL Deferred Credits (Enter Total of lines 47 thru 53)		588,880,622	579,008,308
58			0	0
59			0	0
60			0	0
61			0	0
62			0	0
63			0	0
64			0	0
65			0	0
66			0	0
67			0	0
68			0	0
69			0	0
70			0	0
71	TOTAL Liab and Other Credits (Enter Total of lines 14,22,30,45,54)		2,596,450,848	2,692,290,575

STATEMENT OF INCOME FOR THE YEAR

1. Report amounts for accounts 412 and 413, Revenue and Expenses from Utility Plant Leased to Others, in another Utility column (i, k, m, o) in a similar manner to a utility department. Spread the amount(s) over Lines 02 thru 24 as appropriate. Include these amounts in columns (c) and (d) totals.
2. Report amounts in account 414, Other Utility Operating income, in the same manner as accounts 412 and 413 above.
3. Report data for lines 7,9, and 10 for Natural Gas companies using accounts 404.1, 404.2, 404.3, 407.1 and 407.2.
4. Use pages 122-123 for important notes regarding the statement of income or any account thereof.
5. 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 a material refund to the utility with respect to power or gas purchases. State for each year affected 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 and gas purchases.
6. Give concise explanations concerning significant amounts of any refunds made or received during the year

Line No.	Account (a)	(Ref.) Page No. (b)	TOTAL Current Year (c)	Previous Year (d)
1	UTILITY OPERATING INCOME			
2	Operating Revenues (400)	300-301	1,026,183,706	996,699,570
3	Operating Expenses			
4	Operation Expenses (401)	320-323	673,305,661	614,935,371
5	Maintenance Expenses (402)	320-323	56,782,185	58,687,684
6	Depreciation Expense (403)	336-337	101,054,754	94,473,770
7	Amort. & Depl. of Utility Plant (404-405)	336-337	4,851,091	5,882,622
8	Amort. of Utility Plant Acq. Adj. (406)	336-337		
9	Amort. Property Losses, Unrecov Plant and Regulatory Study Costs (407)			
10	Amort. of Conversion Expenses (407)			
11	Regulatory Debits (407.3)			
12	(Less) Regulatory Credits (407.4)			
13	Taxes Other Than Income Taxes (408.1)	262-263	17,458,357	17,743,299
14	Income Taxes - Federal (409.1)	262-263	26,232,676	42,987,716
15	- Other (409.1)	262-263	8,082,759	8,665,054
16	Provision for Deferred Income Taxes (410.1)	234, 272-277	112,979,496	92,299,601
17	(Less) Provision for Deferred Income Taxes-Cr. (411.1)	234, 272-277	88,106,603	76,222,026
18	Investment Tax Credit Adj. - Net (411.4)	266	-4,152,179	-4,289,898
19	(Less) Gains from Disp. of Utility Plant (411.6)			
20	Losses from Disp. of Utility Plant (411.7)			
21	(Less) Gains from Disposition of Allowances (411.8)		216,947	248,033
22	Losses from Disposition of Allowances (411.9)			
23	TOTAL Utility Operating Expenses (Enter Total of lines 4 thru 22)		908,271,250	854,915,160
24	Net Util Oper Inc (Enter Tot line 2 less 23) Carry fwd to P117,line 25		117,912,456	141,784,410

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	03/28/2003	Dec. 31, 2002

STATEMENT OF INCOME FOR THE YEAR (Continued)

resulting from settlement of any rate proceeding affecting revenues received or costs incurred for power or gas purchases, and a summary of the adjustments made to balance sheet, income, and expense accounts.

7. If any notes appearing in the report to stockholders are applicable to this Statement of Income, such notes may be included on pages 122-123.

B. Enter on pages 122-123 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 approximate dollar effect of such changes.

9. Explain in a footnote if the previous year's figures are different from that reported in prior reports.

10. If the columns are insufficient for reporting additional utility departments, supply the appropriate account titles, lines 2 to 23, and report the information in the blank space on pages.122-123 or in a footnote.

ELECTRIC UTILITY		GAS UTILITY		OTHER UTILITY		Line No.
Current Year (e)	Previous Year (f)	Current Year (g)	Previous Year (h)	Current Year (i)	Previous Year (j)	
						1
758,490,551	705,924,207	267,693,155	290,775,363			2
						3
453,904,582	375,268,796	219,401,079	239,666,575			4
49,295,871	52,347,363	7,486,314	6,340,321			5
86,609,688	81,163,607	14,445,066	13,310,163			6
3,638,318	4,408,224	1,212,773	1,474,398			7
						8
						9
						10
						11
						12
13,397,262	13,670,536	4,061,095	4,072,763			13
20,859,460	43,388,771	5,373,216	-401,055			14
6,498,002	9,014,014	1,584,757	-348,960			15
94,216,796	70,062,141	18,762,700	22,237,460			16
68,610,940	62,867,356	19,495,663	13,354,670			17
-3,952,359	-4,082,632	-199,820	-207,266			18
						19
						20
216,947	248,033					21
						22
655,639,733	582,125,431	252,631,517	272,789,729			23
102,850,818	123,798,776	15,061,638	17,985,634			24

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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	03/28/2003	Dec. 31, 2002

STATEMENT OF INCOME FOR THE YEAR (Continued)

Line No.	Account (a)	(Ref.) Page No. (b)	TOTAL Current Year (c)	TOTAL Previous Year (d)
25	Net Utility Operating Income (Carried forward from page 114)		117,912,456	141,784,410
26	Other Income and Deductions			
27	Other Income			
28	Nonutilty Operating Income			
29	Revenues From Merchandising, Jobbing and Contract Work (415)		659,567	1,943,608
30	(Less) Costs and Exp. of Merchandising, Job. & Contract Work (416)		1,686,452	1,662,830
31	Revenues From Nonutility Operations (417)		858,871	795,233
32	(Less) Expenses of Nonutility Operations (417.1)			
33	Nonoperating Rental Income (418)			
34	Equity in Earnings of Subsidiary Companies (418.1)	119		
35	Interest and Dividend Income (419)		559,582	855,896
36	Allowance for Other Funds Used During Construction (419.1)			
37	Miscellaneous Nonoperating Income (421)		153,354	-52,480
38	Gain on Disposition of Property (421.1)		420,547	1,217,295
39	TOTAL Other Income (Enter Total of lines 29 thru 38)		965,469	3,096,722
40	Other Income Deductions			
41	Loss on Disposition of Property (421.2)			
42	Miscellaneous Amortization (425)	340		
43	Miscellaneous Income Deductions (426.1-426.5)	340	2,450,724	2,111,215
44	TOTAL Other Income Deductions (Total of lines 41 thru 43)		2,450,724	2,111,215
45	Taxes Applic. to Other Income and Deductions			
46	Taxes Other Than Income Taxes (408.2)	262-263	50,412	50,412
47	Income Taxes-Federal (409.2)	262-263	-1,666,834	-1,870,206
48	Income Taxes-Other (409.2)	262-263	-430,076	-483,066
49	Provision for Deferred Inc. Taxes (410.2)	234, 272-277	461,496	535,380
50	(Less) Provision for Deferred Income Taxes-Cr. (411.2)	234, 272-277	720,550	177,121
51	Investment Tax Credit Adj.-Net (411.5)			
52	(Less) Investment Tax Credits (420)			
53	TOTAL Taxes on Other Income and Deduct. (Total of 46 thru 52)		-2,305,552	-1,944,601
54	Net Other Income and Deductions (Enter Total lines 39, 44, 53)		820,297	2,930,108
55	Interest Charges			
56	Interest on Long-Term Debt (427)		24,540,537	30,507,423
57	Amort. of Debt Disc. and Expense (428)		418,580	304,853
58	Amortization of Loss on Reaquired Debt (428.1)		1,138,550	1,134,278
59	(Less) Amort. of Premium on Debt-Credit (429)			
60	(Less) Amortization of Gain on Reaquired Debt-Credit (429.1)			
61	Interest on Debt to Assoc. Companies (430)	340	2,175,713	3,015,330
62	Other Interest Expense (431)	340	1,527,841	2,988,999
63	(Less) Allowance for Borrowed Funds Used During Construction-Cr. (432)			
64	Net Interest Charges (Enter Total of lines 56 thru 63)		29,801,221	37,950,883
65	Income Before Extraordinary Items (Total of lines 25, 54 and 64)		88,931,532	106,763,635
66	Extraordinary Items			
67	Extraordinary Income (434)			
68	(Less) Extraordinary Deductions (435)			
69	Net Extraordinary Items (Enter Total of line 67 less line 68)			
70	Income Taxes-Federal and Other (409.3)	262-263		
71	Extraordinary Items After Taxes (Enter Total of line 69 less line 70)			
72	Net Income (Enter Total of lines 65 and 71)		88,931,532	106,763,635

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	03/28/2003	Dec. 31, 2002

STATEMENT OF RETAINED EARNINGS FOR THE YEAR

1. Report all changes in appropriated retained earnings, unappropriated retained earnings, and unappropriated undistributed subsidiary earnings for the year.
2. 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)
3. State the purpose and amount of each reservation or appropriation of retained earnings.
4. 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.
5. Show dividends for each class and series of capital stock.
6. Show separately the State and Federal income tax effect of items shown in account 439, Adjustments to Retained Earnings.
7. 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.
8. 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)	Amount (c)
	UNAPPROPRIATED RETAINED EARNINGS (Account 216)		
1	Balance-Beginning of Year		393,618,345
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)		88,931,532
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		-1,075,366
25	WITHOUT PAR VALUE CUMULATIVE - $5.875 PER SHARE		-1,468,750
26	WITHOUT PAR VALUE AUCTION RATE CUMULATIVE		-1,701,875
27			
28			
29	TOTAL Dividends Declared-Preferred Stock (Acct. 437)		-4,245,991
30	Dividends Declared-Common Stock (Account 438)		
31	WITHOUT PAR VALUE		-69,000,000
32			
33			
34			
35			
36	TOTAL Dividends Declared-Common Stock (Acct. 438)		-69,000,000
37	Transfers from Acct 216.1, Unapprop. Undistrib. Subsidiary Earnings		
38	Balance - End of Year (Total 1,9,15,16,22,29,36,37)		409,303,886
	APPROPRIATED RETAINED EARNINGS (Account 215)		

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
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STATEMENT OF RETAINED EARNINGS FOR THE YEAR

1. Report all changes in appropriated retained earnings, unappropriated retained earnings, and unappropriated undistributed subsidiary earnings for the year.
2. 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)
3. State the purpose and amount of each reservation or appropriation of retained earnings.
4. 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.
5. Show dividends for each class and series of capital stock.
6. Show separately the State and Federal income tax effect of items shown in account 439, Adjustments to Retained Earnings.
7. 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.
8. 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)	Amount (c)
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 (Account 215, 215.1, 216) (Total 38, 47)		409,303,886
	UNAPPROPRIATED UNDISTRIBUTED SUBSIDIARY EARNINGS (Account 216.1)		
49	Balance-Beginning of Year (Debit or Credit)		
50	Equity in Earnings for Year (Credit) (Account 418.1)		
51	(Less) Dividends Received (Debit)		
52			
53	Balance-End of Year (Total lines 49 thru 52)		

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Schedule Page: 118 Line No.: 1 Column: c

STATEMENT OF RETAINED EARNINGS FOR PREVIOUS YEAR

BALANCE - BEGINNING OF YEAR	$ 314,593,826
BALANCE TRANSFERRED FROM INCOME	106,763,635
DIVIDENDS DECLARED - PREFERRED STOCK (ACCT 437)	
$25 PAR VALUE 5% CUMULATIVE - $1.25 PER SHARE	(1,075,366)
WITHOUT PAR VALUE CUMULATIVE - $5.875 PER SHARE	(1,468,750)
WITHOUT PAR VALUE AUCTION RATE CUMMULATIVE	(2,195,000)
TOTAL DIVIDENDS DECLARED - PREFERRED STOCK	(4,739,116)
DIVIDENDS DECLARED - COMMON STOCK	
WITHOUT PAR VALUE	(23,000,000)
TOTAL DIVIDENDS DECLARED - COMMON STOCK	(23,000,000)
BALANCE - END OF YEAR	$ 393,618,345

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
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STATEMENT OF CASH FLOWS

1. If the notes to the cash flow statement in the respondents annual stockholders report are applicable to this statement, such notes should be included in page 122-123. Information about non-cash investing and financing activities should be provided on Page 122-123. Provide also on pages 122-123 a reconciliation between "Cash and Cash Equivalents at End of Year" with related amounts on the balance sheet.
2. Under "Other" specify significant amounts and group others.
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 on Page 122-123 the amount of interest paid (net of amounts capitalized) and income taxes paid.

Line No.	Description (See Instruction No. 5 for Explanation of Codes) (a)	Amounts (b)
1	Net Cash Flow from Operating Activities:	
2	Net Income	88,931,532
3	Noncash Charges (Credits) to Income:	
4	Depreciation and Depletion	101,054,754
5	Amortization of	
6	Underground Storage Land Rights and Intangible Plant	4,851,091
7		
8	Deferred Income Taxes (Net)	15,082,464
9	Investment Tax Credit Adjustment (Net)	-4,152,179
10	Net (Increase) Decrease in Receivables	17,223,377
11	Net (Increase) Decrease in Inventory	-15,048,593
12	Net (Increase) Decrease in Allowances Inventory	5,049
13	Net Increase (Decrease) in Payables and Accrued Expenses	10,061,484
14	Net (Increase) Decrease in Other Regulatory Assets	33,115,009
15	Net Increase (Decrease) in Other Regulatory Liabilities	-3,167,270
16	(Less) Allowance for Other Funds Used During Construction	
17	(Less) Undistributed Earnings from Subsidiary Companies	
18	Other (provide details in footnote): Deprec. Chrgd. to Clearing Accts	1,618,770
19	(Increase) Decrease in Other Deferred Debits	-13,216,856
20	Increase (Decrease) in Other Deferred Credits	-1,269,196
21	Other	-25,739,227
22	Net Cash Provided by (Used in) Operating Activities (Total 2 thru 21)	209,350,209
23		
24	Cash Flows from Investment Activities:	
25	Construction and Acquisition of Plant (including land):	
26	Gross Additions to Utility Plant (less nuclear fuel)	-207,278,840
27	Gross Additions to Nuclear Fuel	
28	Gross Additions to Common Utility Plant	-13,136,639
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)	-220,415,479
35		
36	Acquisition of Other Noncurrent Assets (d)	
37	Proceeds from Disposal of Noncurrent Assets (d)	411,853
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)	

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STATEMENT OF CASH FLOWS

4. Investing Activities include at Other (line 31) net cash outflow to acquire other companies. Provide a reconciliation of assets acquired with liabilities assumed on pages 122-123. Do not include on this statement the dollar amount of Leases capitalized per US of A General Instruction 20; instead provide a reconciliation of the dollar amount of Leases capitalized with the plant cost on pages 122-123.

5. Codes used:

(a) Net proceeds or payments.

(b) Bonds, debentures and other long-term debt.

(c) Include commercial paper.

(d) Identify separately such items as investments, fixed assets, intangibles, etc.

6. Enter on pages 122-123 clarifications and explanations.

Line No.	Description (See Instruction No. 5 for Explanation of Codes) (a)	Amounts (b)
46	Loans Made or Purchased	
47	Collections on Loans	
48		
49	Net (Increase) Decrease in Receivables	
50	Net (Increase) Decrease in Inventory	
51	Net (Increase) Decrease in Allowances Held for Speculation	
52	Net Increase (Decrease) in Payables and Accrued Expenses	
53	Other (provide details in footnote):	
54		
55		
56	Net Cash Provided by (Used in) Investing Activities	
57	Total of lines 34 thru 55)	-220,003,626
58		
59	Cash Flows from Financing Activities:	
60	Proceeds from Issuance of:	
61	Long-Term Debt (b)	161,665,000
62	Preferred Stock	
63	Common Stock	
64	Other (provide details in footnote):	
65		
66	Net Increase in Short-Term Debt (c)	98,856,250
67	Other (provide details in footnote):	
68		
69		
70	Cash Provided by Outside Sources (Total 61 thru 69)	260,521,250
71		
72	Payments for Retirement of:	
73	Long-term Debt (b)	-161,665,000
74	Preferred Stock	
75	Common Stock	
76	Other (provide details in footnote):	
77		
78	Net Decrease in Short-Term Debt (c)	
79		
80	Dividends on Preferred Stock	-4,299,741
81	Dividends on Common Stock	-69,000,000
82	Net Cash Provided by (Used in) Financing Activities	
83	(Total of lines 70 thru 81)	25,556,509
84		
85	Net Increase (Decrease) in Cash and Cash Equivalents	
86	(Total of lines 22,57 and 83)	14,903,092
87		
88	Cash and Cash Equivalents at Beginning of Year	2,111,981
89		
90	Cash and Cash Equivalents at End of Year	17,015,073

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Schedule Page: 120 Line No.: 2 Column: b

STATEMENT OF CASH FLOWS-PREVIOUS YEAR (2001)

2. Net Income	$106,763,635
4. Depreciation and Depletion	94,478,760
6. Underground Storage Land Rights and Intangible Plant	5,877,632
8. Deferred Income Taxes (Net)	8,910,514
9. Investment Tax Credit Adjustment (Net)	(4,289,899)
10. Net (Increase) Decrease in Receivables	90,213,878
11. Net (Increase) Decrease in Inventory	(2,017,067)
12. Net (Increase) Decrease in Allowances Inventory	(48,614)
13. Net Increase (Decrease)in Payables and Accrued Expenses	118,915,000
14. Net (Increase) Decrease in Other Regulatory Assets	(123,899,937)
15. Net Increase (Decrease) in Other Regulatory Liabilities	(5,890,633)
18. Other: Depreciation Charged to Clearing Accounts	1,826,064
19. (Increase) Decrease in Other Deferred Debits	(32,079,864)
20. Increase (Decrease)in Other Deferred Credits	18,808,144
21. Other	14,569,928
22. Net Cash Provided by (Used in) Operating Activities	292,137,541
26. Gross Additions to Utility Plant (less nuclear fuel)	(243,213,593)
28. Gross Additions to Common Utility Plant	(9,743,898)
34. Cash Outflows for Plant	(252,957,491)
37. Proceeds from Disposal of Noncurrent Assets	106,605
39. Investments in and Advances to Assoc. and Subsidiary Cos.	(5,000,000)
45. Proceeds from Sales of Investment Securities	4,055,525
57. Net Cash Provided by (Used in) Investing Activities	(253,795,361)
65. Issuance of Long-Term Debt	9,661,855
78. Net Decrease in Short-Term Debt	(20,391,999)
80. Dividends on Preferred Stock	(4,995,367)
81. Dividends on Common Stock	(23,000,000)
83. Net Cash Provided by (Used in) Financing Activities	(38,725,511)
86. Net Increase (Decrease) in Cash and Cash Equivalents	(383,331)
88. Cash and Cash Equivalents at Beginning of Year	2,495,312
90. Cash and Cash Equivalents at End of Year	$ 2,111,981

Name of Respondent	This Report Is:	Date of Report	Year of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	03/28/2003	Dec. 31, 2002

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.

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

INDEX OF ABBREVIATIONS

Capital Corp.	LG&E Capital Corp.
Clean Air Act	The Clean Air Act, as amended in 1990
CCN	Certificate of Public Convenience and Necessity
CT	Combustion Turbines
DSM	Demand Side Management
ECR	Environmental Cost Recovery
EEI	Electric Energy, Inc.
EITF	Emerging Issues Task Force Issue
E.ON	E.ON AG
EPA	U.S. Environmental Protection Agency
ESM	Earnings Sharing Mechanism
F	Fahrenheit
FAC	Fuel Adjustment Clause
FERC	Federal Energy Regulatory Commission
FPA	Federal Power Act
FT and FT-A	Firm Transportation
GSC	Gas Supply Clause
IBEW	International Brotherhood of Electrical Workers
IMEA	Illinois Municipal Electric Agency
IMPA	Indiana Municipal Power Agency
Kentucky Commission	Kentucky Public Service Commission
KIUC	Kentucky Industrial Utility Consumers, Inc.
KU	Kentucky Utilities Company
KU Energy	KU Energy Corporation
KU R	KU Receivables LLC
kV	Kilovolts
Kva	Kilovolt-ampere
KW	Kilowatts
Kwh	Kilowatt hours
LEM	LG&E Energy Marketing Inc.
LG&E	Louisville Gas and Electric Company
LG&E Energy	LG&E Energy Corp.
LG&E R	LG&E Receivables LLC
LG&E Services	LG&E Energy Services Inc.
Mcf	Thousand Cubic Feet
MGP	Manufactured Gas Plant
MISO	Midwest Independent System Operator
Mmbtu	Million British thermal units
Moody's	Moody's Investor Services, Inc.
Mw	Megawatts
Mwh	Megawatt hours
NNS	No-Notice Service
NOPR	Notice of Proposed Rulemaking
NOx	Nitrogen Oxide
OATT	Open Access Transmission Tariff
OMU	Owensboro Municipal Utilities
OVEC	Ohio Valley Electric Corporation

PBR	Performance-Based Ratemaking
PJM	Pennsylvania, New Jersey, Maryland Interconnection
Powergen	Powergen Limited (formerly Powergen plc)
PUHCA	Public Utility Holding Company Act of 1935
ROE	Return on Equity
RTO	Regional Transmission Organization
S&P	Standard & Poor's Rating Services
SCR	Selective Catalytic Reduction
SEC	Securities and Exchange Commission
SERP	Supplemental Employee Retirement Plan
SFAS	Statement of Financial Accounting Standards
SIP	State Implementation Plan
SMD	Standard Market Design
SO_2	Sulfur Dioxide
Tennessee Gas	Tennessee Gas Pipeline Company
Texas Gas	Texas Gas Transmission Corporation
TRA	Tennessee Regulatory Authority
Trimble County	LG&E's Trimble County Unit 1
USWA	United Steelworkers of America
Utility Operations	Operations of LG&E and KU
VDT	Value Delivery Team Process
Virginia Commission	Virginia State Corporation Commission
Virginia Staff	Virginia State Corporation Commission Staff

Note 1 - Summary of Significant Accounting Policies

LG&E, a subsidiary of LG&E Energy and an indirect subsidiary of Powergen and E.ON, 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 in Louisville and adjacent areas in Kentucky. LG&E Energy is an exempt public utility holding company with wholly owned subsidiaries including LG&E, KU, Capital Corp., LEM, and LG&E Services. All of the LG&E's Common Stock is held by LG&E Energy. LG&E has one wholly owned consolidated subsidiary, LG&E R.

On December 11, 2000, LG&E Energy was acquired by Powergen. On July 1, 2002, E.ON, a German company, completed its acquisition of Powergen plc (now Powergen Limited). E.ON had announced its pre-conditional cash offer of £5.1 billion ($7.3 billion) for Powergen on April 9, 2001. E.ON and Powergen are registered public utility holding companies under PUHCA. No costs associated with these acquisitions nor any of the effects of purchase accounting have been reflected in the financial statements of LG&E.

Certain reclassification entries have been made to the previous year's financial statements to conform to the 2002 presentation with no impact on the balance sheet totals or previously reported income.

Prensentation. The accompanying financial statements are prepared on the regulatory basis of accounting in accordance with the requirements of FERC, which is a comprehensive basis of accounting other than generally accepted accounting principles. This basis of accounting reflects the accounting and ratemaking treatment authorized by FERC and the Kentucky Commission in LG&E's historical rate proceedings.

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.

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. Pursuant to a final order of the Kentucky Commission dated December 3, 2001, LG&E implemented new depreciation rates effective January 1, 2001. The amounts provided were approximately 3.1% in 2002 (2.9% electric, 2.8% gas and 6.6% common); 3.0% for 2001 (2.9% electric, 2.9% gas and 5.7% common); and 3.6% for 2000 (3.3% electric, 3.8% gas and 7.3% common), of average depreciable plant. Of the amount provided for depreciation, at December 31, 2002, 2001 and 2000, respectively, approximately 0.4 % electric, 0.9 % gas and 0.04% common were related to the retirement, removal and disposal costs of long lived assets.

Fuel Inventory. Fuel inventories of $36.6 million and $22.0 million at December 31, 2002, and 2001, respectively, are included in Fuel in the balance sheet. The inventory is accounted for using the average-cost method.

Gas Stored Underground. Gas inventories of $50.3 million and $46.4 million at December 31, 2002, and 2001, respectively, are included in gas stored underground in the balance sheet. The inventory is accounted for using the average-cost method.

Financial Instruments. LG&E uses over-the-counter interest-rate swap agreements to hedge its exposure to fluctuations in the interest rates it pays on variable-rate debt. Gains and losses on interest-rate swaps used to hedge interest rate risk are reflected in other comprehensive income. In 2000, LG&E used exchange traded U.S. Treasury note and bond futures to hedge its exposure to fluctuations in the value of its investments in the preferred stocks of other companies. Gains and losses on U.S. Treasury note and bond futures were charged or credited to other income-net. See Note 4 - Financial Instruments.

Unamortized Debt Expense. Debt expense is capitalized in deferred debits and amortized over the lives of the related bond issues, consistent with regulatory practices.

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 basis of assets and liabilities.

Investment Tax Credits. Investment tax credits resulted from provisions of the tax law that permitted a reduction of LG&E's tax liability based on credits for certain 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. The unbilled revenue estimates included in accounts receivable were approximately $40.7 million and $37.3 million, at December 31, 2002 and 2001, respectively. See Note 3, Rates and Regulatory Matters. LG&E recorded electric revenues that resulted from sales to a related party, KU, of $46.5 million, $28.5 million and $20.9 million for years ended December 31, 2002, 2001 and 2000, respectively.

Fuel and Gas Costs. The cost of fuel for electric generation is charged to expense as used, and the cost of 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 gas procurement and off-system gas sales activity. See Note 3, 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. Actual results could differ from those estimates. See Note 11, Commitments and Contingencies, for a further discussion.

Accounts Receivable Securitization. SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, revises the standards for accounting for securitizations and other transfers of financial assets and collateral and requires certain disclosures, and provides accounting and reporting standards for transfers and servicing of financial assets and extinguishments of liabilities. SFAS No. 140 was adopted in the first quarter of 2001, when LG&E entered into an accounts receivable securitization transaction.

On February 6, 2001, LG&E implemented an accounts receivable securitization program. The purpose of this program is to enable LG&E to accelerate the receipt of cash from the collection of retail accounts receivable, thereby reducing dependence upon more costly sources of working capital. The securitization program allows for a percentage of eligible receivables to be sold. Eligible receivables are generally all receivables associated with retail sales that have standard terms and are not past due. LG&E is able to terminate this program at any time without penalty. If there is a significant deterioration in the payment record of the receivables by the retail customers or if LG&E fails to meet certain covenants regarding the program, the program may terminate at the election of the financial institutions. In this case, payments from retail customers would first be used to repay the financial institutions participating in the program, and would then be available for use by LG&E.

As part of the program, LG&E sold retail accounts receivables to a wholly owned subsidiary, LG&E R. Simultaneously, LG&E R entered into two separate three-year accounts receivable securitization facilities with two financial institutions and their affiliates whereby LG&E R can sell, on a revolving basis, an undivided interest in certain of its receivables and receive up to $75 million from an unrelated third party purchaser. The effective cost of the receivables programs is comparable to LG&E's lowest cost source of capital, and is based on prime rated commercial paper. LG&E retains servicing rights of the sold receivables through two separate servicing agreements with the third party purchaser. LG&E has obtained an opinion from independent legal counsel indicating these transactions qualify as true sale of receivables. As of December 31, 2002, the outstanding program balance was $63.2 million. LG&E is considering unwinding its accounts receivable securitization arrangements involving LG&E R during 2003.

The allowance for doubtful accounts associated with the eligible securitized receivables was $2.125 million at December 31, 2002. This allowance is based on historical experience of LG&E. Each securitization facility contains a fully funded reserve for uncollectible receivables.

New Accounting Pronouncements. The following accounting pronouncements were issued that affected LG&E in 2002:

SFAS No. 143, *Accounting for Asset Retirement Obligations* was issued in 2001. SFAS No. 143 establishes accounting and reporting standards for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs.

The effective implementation date for SFAS No. 143 is January 1, 2003. Management has calculated the impact of SFAS No. 143 and the recently released FERC NOPR No. RM02-7, *Accounting, Financial Reporting, and Rate Filing Requirements for Asset Retirement Obligations*. As of January 1, 2003, LG&E recorded asset retirement obligation (ARO) assets in the amount of $4.6 million and liabilities in the amount of $9.3 million. LG&E also recorded a cumulative effect adjustment in the amount of $5.3 million to reflect the accumulated depreciation and accretion of ARO assets at the transition date less amounts previously accrued under regulatory depreciation. LG&E recorded offsetting regulatory assets of $5.3 million, pursuant to regulatory treatment prescribed under SFAS No. 71, *Accounting for the Effects of Certain Types of Regulation*. Also pursuant to SFAS No. 71, LG&E recorded regulatory liabilities in the amount of $60,000 offsetting removal costs previously accrued under regulatory accounting in excess of amounts allowed under SFAS No. 143.

LG&E also expects to record ARO accretion expense of approximately $617,000, ARO depreciation expense of approximately $117,000 and an offsetting regulatory credit in the income statement of approximately $734,000 in 2003, pursuant to regulatory treatment prescribed under SFAS No. 71, *Accounting for the Effects of Certain Types of Regulation*. The accretion, depreciation and regulatory credit will be annual adjustments. SFAS No. 143 will have no impact on the results of the operation of LG&E.

LG&E asset retirement obligations are primarily related to the final retirement of generating units. 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 will be recorded for transmission and distribution assets.

LG&E adopted EITF No. 98-10, *Accounting for Energy Trading and Risk Management Activities*, effective January 1, 1999. This pronouncement required that energy trading contracts be marked to market on the balance sheet, with the gains and losses shown net in the income statement. In October 2002, the Emerging Issues Task Force reached a consensus to rescind EITF 98-10. The effective date for the full rescission is for fiscal periods beginning after December 15, 2002. With the recession of EITF No. 98-10, energy trading contracts that do not also meet the definition of a derivative under SFAS No. 133 must be accounted for as executory contracts. Contracts previously recorded at fair value under EITF No. 98-10 that are not also derivatives under SFAS No. 133 must be restated to historical cost through a cumulative effect adjustment. LG&E does not expect the rescission of this standard to have a material impact on financial position or results of operations.

In January 2003, the Financial Accounting Standards Board issued Financial Accounting Standards Board Interpretation No. 46, *Consolidation of Variable Interest Entities*, an Interpretation of ARB No. 51 (FIN 46). FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 is effective immediately for all new variable interest entities created or acquired after January 31, 2003. For variable interest entities created or acquired prior to February 1, 2003, the provisions of FIN 46 must be applied for the first interim or annual period beginning after June 15, 2003. LG&E does not expect the adoption of this standard to have any impact on the financial position or results of operations.

Note 2 – Mergers and Acquisitions

On July 1, 2002, E.ON completed its acquisition of Powergen, including LG&E Energy, for approximately £5.1 billion ($7.3 billion). As a result of the acquisition, LG&E Energy became a wholly owned subsidiary (through Powergen) of E.ON and, as a result, LG&E also became an indirect subsidiary of E.ON. LG&E has continued its separate identity and serves customers in Kentucky under its existing name. The preferred stock and debt securities of LG&E were not affected by this transaction and the utilities continue to file SEC reports. Following the acquisition, E.ON became, and Powergen remained, a registered holding company under PUHCA. LG&E, as a subsidiary of a registered holding company, is subject to additional regulations under PUHCA. As contemplated in their regulatory filings in connection with the E.ON acquisition, E.ON, Powergen and LG&E Energy completed an administrative reorganization to move the LG&E Energy group from an indirect Powergen subsidiary to an indirect E.ON subsidiary. This reorganization was effective in March 2003.

LG&E Energy and KU Energy merged on May 4, 1998, with LG&E Energy as the surviving corporation. Management accounted for the merger as a pooling of interests and as a tax-free reorganization under the Internal Revenue Code. Following the acquisition, LG&E has continued to maintain its separate corporate identity and serve customers in Kentucky under its present name.

Note 3 - Rates and Regulatory Matters

Accounting for the regulated utility business conforms with generally accepted accounting principles as applied to regulated public utilities and as prescribed by FERC and the Kentucky Commission. LG&E is subject to SFAS No. 71, *Accounting for the Effects of Certain Types of Regulation*, under which certain costs that would otherwise be charged to expense are deferred as regulatory assets based on expected recovery from customers in future rates. Likewise, certain 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 generally based on specific ratemaking decisions or precedent for each item. The following regulatory assets and liabilities were included in LG&E's balance sheets as of December 31 (in thousands of $):

	2002	2001
VDT Costs	$ 98,044	$127,529
Gas supply adjustments due from customers	13,714	30,135
Unamortized loss on bonds	18,843	17,902
ESM provision	12,500	-
LGE/KU merger costs	1,815	5,444
Manufactured gas sites	1,757	2,062
One utility costs	954	3,643
Other	5,819	10,427
Total regulatory assets	153,446	197,142
Deferred income taxes - net	(45,536)	(48,703)
Gas supply adjustments due to customers	(3,154)	(15,702)
Other	(3,734)	(944)
Total regulatory liabilities	(52,424)	(65,349)
Regulatory assets – net	$101,022	$131,793

Kentucky Commission Settlement - VDT Costs. During the first quarter 2001, LG&E recorded a $144 million charge for a workforce reduction program. Primary components of the charge were separation benefits, enhanced early retirement benefits, and health care benefits. The result of this workforce reduction was the elimination of approximately 700 positions, accomplished primarily through a voluntary enhanced severance program.

On June 1, 2001, LG&E filed an application (VDT case) with the Kentucky Commission to create a regulatory asset relating to these first quarter 2001 charges. The application requested permission to amortize these costs over a four-year period. The Kentucky Commission also opened a case to review a new depreciation study and resulting depreciation rates implemented in 2001.

LG&E reached a settlement in the VDT case as well as the other cases involving depreciation rates and ESM with all intervening parties. The settlement agreement was approved by the Kentucky Commission on December 3, 2001. The order allowed LG&E to set up a regulatory asset of $141 million for the workforce reduction costs and begin amortizing these costs over a five year period starting in April 2001. The first quarter 2001 charge of $144 million represented all employees who had accepted a voluntary enhanced severance program. Some employees rescinded their participation in the voluntary enhanced severance program, thereby decreasing the original charge from $144 million to $141 million. The settlement will also reduce revenues approximately $26 million through a surcredit on future bills to customers over the same five year period. The surcredit represents net savings stipulated by LG&E. The agreement also established LG&E's new depreciation rates in effect December 2001, retroactive to January 1, 2001. The new depreciation rates decreased depreciation expense by $5.6 million in 2001.

PUHCA. LG&E Energy was purchased by Powergen on December 11, 2000. Effective July 1, 2002, Powergen was acquired by E.ON, which became a registered holding company under PUHCA. As a result, E.ON, its utility subsidiaries, including LG&E, and certain of its non-utility subsidiaries are subject to extensive regulation by the SEC under PUHCA with respect to issuances and sales of securities, acquisitions and sales of certain utility properties, and intra-system sales of certain goods and services. In addition, PUHCA generally limits the ability of registered holding companies to acquire additional public utility systems and to acquire and retain businesses unrelated to the utility operations of the holding company. LG&E believes that it has adequate authority (including financing authority) under existing SEC orders and regulations to conduct its business. LG&E will seek additional authorization when necessary.

Environmental Cost Recovery. In June 2000, the Kentucky Commission approved LG&E's application for a CCN to construct up to three SCR NOx reduction facilities. The construction and subsequent operation of the SCRs is intended to reduce NOx emission levels to meet the EPA's mandated NOx emission level of 0.15 lbs./ Mmbtu by May 2004. In its order, the Kentucky Commission ruled that LG&E's proposed plan for construction was "reasonable, cost-effective and will not result in the wasteful duplication of facilities." In October 2000, LG&E filed an application with the Kentucky Commission to amend its Environmental Compliance Plan to reflect the addition of the proposed NOx reduction technology projects and to amend its ECR Tariff to include an overall rate of return on capital investments. Approval of LG&E's application in April 2001 allowed LG&E to begin to recover the costs associated with these new projects, subject to Kentucky Commission oversight during normal six-month and two-year reviews.

In August 2002, LG&E filed an application with the Kentucky Commission to amend its compliance plan to allow recovery of the cost of new and additional environmental compliance facilities. The estimated capital cost of the additional facilities is $71.1 million. The Kentucky Commission conducted a public hearing on the case on December 20, 2002, final briefs were filed on January 15, 2003, and a final order was issued February 11, 2003. The final order approved recovery of four new environmental compliance facilities totaling $43.1 million. A fifth project, expansion of the land fill facility at the Mill Creek Station, was denied without prejudice with an invitation to reapply for recovery when required construction permits are approved. Cost recovery through the environmental surcharge of the four approved projects will begin with the bills rendered in April 2003.

ESM. LG&E's electric rates are subject to an ESM. The ESM, initially in place for three years beginning in 2000, sets an upper and lower point for rate of return on equity, whereby if LG&E's rate of return for the calendar year falls within the range of 10.5% to 12.5%, no action is necessary. If earnings are above the upper limit, the excess earnings are shared 40% with ratepayers and 60% with shareholders; if earnings are below the lower limit, the earnings deficiency is recovered 40% from ratepayers and 60% from shareholders. By order of the Kentucky Commission, rate changes prompted by the ESM filing go into effect in April of each year subject to a balancing adjustment in successive periods. LG&E made its second ESM filing on March 1, 2002 for the calendar year 2001 reporting period. LG&E is in the process of refunding $441,000 to customers for the 2001 reporting period. LG&E estimated that the rate of return will fall below the lower limit, subject to Kentucky Commission approval, for the year ended December 31, 2002. The 2002 financial statements include an accrual to reflect the earnings deficiency of $12.5 million to be recovered from customers commencing in April 2003.

On November 27, 2002, LG&E filed a revised ESM tariff which proposed continuance of the existing ESM through December 2005. The Kentucky Commission issued an Order suspending the ESM tariff one day making the effective date January 2, 2003. In addition, the Kentucky Commission is conducting a management audit to review the ESM plan and reassess its reasonableness in 2003. LG&E and interested parties will have the opportunity to provide recommendations for modification and continuance of the ESM or other forms of alternative or incentive regulation.

DSM. LG&E's rates contain a DSM provision. The provision includes a rate mechanism that provides concurrent recovery of DSM costs and provides an incentive for implementing DSM programs. This program had allowed LG&E to recover revenues from lost sales associated with the DSM program. In May 2001, the Kentucky Commission approved LG&E's plan to continue DSM programs. This filing called for the expansion of the DSM programs into the service territory served by KU and proposed a mechanism to recover revenues from lost sales associated with DSM programs based on program planning engineering estimates and post-implementation evaluation.

Gas PBR. Since November 1, 1997, LG&E has operated under an experimental PBR mechanism related to its gas procurement activities. For each of the last five years, LG&E's rates have been adjusted to recover its portion of the savings (or expenses) incurred during each of the five 12-month periods beginning November 1 and ending October 31. Since its implementation on November 1, 1997, through October 31, 2001, LG&E has achieved $38.1 million in savings. Of the total savings, LG&E has retained $16.5 million, and the remaining portion of $21.6 million has been distributed to customers. In December 2000, LG&E filed an application reporting on the operation of the experimental PBR and requested the Kentucky Commission to extend the PBR as a result of the benefits provided to both LG&E and its customers during the experimental period. Following the discovery and hearing process, the Kentucky Commission issued an order effective November 1, 2001, extending the experimental PBR program for an additional four years, and making other modifications, including changes to the sharing levels applicable to savings or expenses incurred under the PBR. Specifically, the Kentucky Commission modified the savings mechanism to a 25%/75% Company/Customer sharing for all savings (and expenses) up to 4.5% of the benchmarked gas costs. Savings (and expenses) in excess of 4.5% of the benchmarked gas costs are shared at a 50%/50% level.

FAC. Prior to implementation of the electric PBR in July 1999, and following its termination in March 2000, LG&E employed an FAC mechanism, which under Kentucky law allowed LG&E to recover from customers the actual fuel costs associated with retail electric sales. In February 1999, LG&E received orders from the Kentucky Commission requiring a refund to retail electric customers of approximately $3.9 million resulting from reviews of the FAC from November 1994, through April 1998. While legal challenges to the Kentucky Commission order were pending, a comprehensive settlement was reached by all parties and approved by the Kentucky Commission on May 17, 2002. Thereunder, LG&E agreed to credit its fuel clause in the amount of $720,000 (such credit provided over the course of June and July 2002), and the parties agreed on a prospective interpretation of the state's FAC regulation to ensure consistent and mutually acceptable application on a going-forward basis.

In December 2002, the Kentucky Commission initiated a two year review of the operation of LG&E's FAC for the period November 2000 through October 2002. Testimony in the review case was filed on January 20, 2003 and a public hearing was held February 18, 2003. Issues addressed at that time included the establishment of the current base fuel factor to be included in LG&E's base rates, verification of proper treatment of purchased power costs during unit outages, and compliance with fuel procurement policies and practices.

Gas Rate Case. In March 2000, LG&E filed an application with the Kentucky Commission requesting an adjustment in LG&E's gas rates. In September 2000, the Kentucky Commission granted LG&E an annual increase in its base gas revenues of $20.2 million effective September 28, 2000. The Kentucky Commission authorized a return on equity of 11.25%. The Kentucky Commission approved LG&E's proposal for a weather normalization billing adjustment mechanism that will normalize the effect of weather on base gas revenues from gas sales.

Wholesale Natural Gas Prices. On September 12, 2000, the Kentucky Commission issued an order establishing Administrative Case No. 384 – "An Investigation of Increasing Wholesale Natural Gas Prices and the Impacts of such Increase on the Retail Customers Served by Kentucky's Jurisdictional Natural Gas Distribution Companies". The impetus for this administrative proceeding was the escalation of wholesale natural gas prices during the summer of 2000.

The Kentucky Commission directed Kentucky's natural gas distribution companies, including LG&E, to file selected information regarding the individual companies' natural gas purchasing practices, expectations for the then-approaching winter heating season of 2000-2001, and potential actions which these companies might take to mitigate price volatility. On July 17, 2001, the Kentucky Commission issued an order encouraging the natural gas distribution companies in Kentucky to take various actions, among them to propose a natural gas hedge plan, consider performance-based ratemaking mechanisms, and to increase the use of storage.

In April 2002, in Case No. 2002-00136, LG&E proposed a hedging plan for the 2002/2003 winter heating season with three alternatives, the first two using a combination of storage and financial hedge instruments and the third relying upon storage alone. LG&E and the Attorney General, who represents Kentucky consumers, entered into a settlement which selected the third option. In August 2002, the Kentucky Commission approved the plan contemplated in the settlement. The Kentucky Commission validated the effectiveness of storage to mitigate potentially high winter gas prices by approving this natural gas hedging plan.

The Kentucky Commission also decided in Administrative Case No. 384 to engage a consultant to conduct a forward-looking audit of the gas procurement and supply procedures of Kentucky's largest natural gas distribution companies. The Kentucky Commission completed its audit in late 2002. The audit recognized LG&E as "efficient and effective [in the] procurement and management of significant quantities of natural gas supplies." The auditors also recognized that "the Company's residential gas prices have long been below averages for the U. S. and for the Commonwealth of Kentucky" which "demonstrates [LG&E's] effectiveness in [the] procurement and management of natural gas supplies." The audit also stated that the "Company's very impressive record in keeping its rates down provides sound evidence on the excellent job done in the area of gas supply procurement and management."

Kentucky Commission Administrative Case for Affiliate Transactions. In December 1997, the Kentucky Commission opened Administrative Case No. 369 to consider Kentucky Commission policy regarding cost allocations, affiliate transactions and codes of conduct governing the relationship between utilities and their non-utility operations and affiliates. The Kentucky Commission intended to address two major areas in the proceedings: the tools and conditions needed to prevent cost shifting and cross-subsidization between regulated and non-utility operations; and whether a code of conduct should be established to assure that non-utility segments of the holding company are not engaged in practices that could result in unfair competition caused by cost shifting from the non-utility affiliate to the utility. During the period September 1998 to February 2000, the Kentucky Commission issued draft codes of conduct and cost allocation guidelines. In early 2000, the Kentucky General Assembly enacted legislation, House Bill 897, which authorized the Kentucky Commission to require utilities that provide nonregulated activities to keep separate accounts and allocate costs in accordance with procedures established by the Kentucky Commission. In the same bill, the General Assembly set forth provisions to govern a utility's activities related to the sharing of information, databases, and resources between its employees or an affiliate involved in the marketing or the provision of nonregulated activities and its employees or an affiliate involved in the provision of regulated services. The legislation became law in July 2000 and LG&E has been operating pursuant thereto since that time. On February 14, 2001, the Kentucky Commission published notice of its intent to promulgate new administrative regulations under the auspices of this new law. This effort is still on going.

Kentucky Commission Administrative Case for System Adequacy. On June 19, 2001, Kentucky Governor Paul E. Patton issued Executive Order 2001-771, which directed the Kentucky Commission to review and study issues relating to the need for and development of new electric generating capacity in Kentucky. The issues to be considered included the impact of new power plants on the electric supply grid, facility citing issues, and economic development matters, with the goal of ensuring a continued, reliable source of supply of electricity for the citizens of Kentucky and the continued environmental and economic vitality of Kentucky and its communities. In response to that Executive Order, in July 2001 the Kentucky Commission opened Administrative Case No. 387 to review the adequacy of Kentucky's generation capacity and transmission system. Specifically, the items reviewed were the appropriate level of reliance on purchased power, the appropriate reserve margins to meet existing and future electric demand, the impact of spikes in natural gas prices on electric utility planning strategies, and the adequacy of Kentucky's electric transmission facilities. LG&E, as a party to this proceeding, filed written testimony and responded to two requests for information. Public hearings were held and in October 2001, LG&E filed a final brief in the case. In December 2001, the Kentucky Commission issued an order in which it noted that LG&E is responsibly addressing the long-term supply needs of native load customers and that current reserve margins are appropriate. However, due to the rapid pace of change in the industry, the order also requires LG&E to provide an annual assessment of supply resources, future demand, reserve margin, and the need for new resources.

Regarding the transmission system, the Kentucky Commission concluded that the transmission system within Kentucky can reliably serve native load and a significant portion of the proposed new unregulated power plants. However, it will not be able to handle the volume of transactions envisioned by FERC without future upgrades, the costs of which should be borne by those for whom the upgrades are required.

The Kentucky Commission pledged to continue to monitor all relevant issues and advocate Kentucky's interests at all opportunities.

FERC SMD NOPR. On July 31, 2002, FERC issued a NOPR in Docket No. RM01-12-000 which would substantially alter the regulations governing the nation's wholesale electricity markets by establishing a common set of rules -- SMD. The SMD NOPR would require each public utility that owns, operates, or controls interstate transmission facilities to become an Independent Transmission Provider (ITP), belong to an RTO that is an ITP, or contract with an ITP for operation of its transmission assets. It would also establish a standardized congestion management system, real-time and day-ahead energy markets, and a single transmission service for network and point-to-point transmission customers. Review of the proposed rulemaking is underway and a final rule is expected during 2003. While it is expected that the SMD final rule will affect LG&E revenues and expenses, the specific impact of the rulemaking is not known at this time.

MISO. LG&E is a member of the MISO, which began commercial operations on February 1, 2002. MISO now has operational control over LG&E's high-voltage transmission facilities (100 kV and greater), while LG&E continues to control and operate the lower voltage transmission subject to the terms and conditions of the MISO OATT. As a transmission-owning member of MISO, LG&E also incurs administrative costs of MISO pursuant to Schedule 10 of the MISO OATT.

MISO also proposed to implement a congestion management system. FERC directed the MISO to coordinate its efforts with FERC's Rulemaking on SMD. On September 24, 2002, the MISO filed new rate schedules designated as Schedules 16 and 17, which provide for the collection of costs incurred by the MISO to establish day-ahead and real-time energy markets. The MISO proposed to recover these costs under Schedules 16 and 17 once service commences. If approved by FERC, these schedules will cause LG&E to incur additional costs. LG&E opposes the establishment of Schedules 16 and 17. This effort is still on-going and the ultimate impact of the two schedules, if approved, is not known at this time.

ARO. In 2003, LG&E expects to record approximately $6.0 million in regulatory assets and approximately $60,000 in regulatory liabilities related to SFAS No. 143, *Accounting for Asset Retirement Obligations*.

Merger Surcredit. As part of the LG&E Energy merger with KU Energy in 1998, LG&E Energy estimated non-fuel savings over a ten–year period following the merger. Costs to achieve these savings for LG&E of $50.2 million were recorded in the second quarter of 1998, $18.1 million of which was deferred and amortized over a five-year period pursuant to regulatory orders. Primary components of the merger costs were separation benefits, relocation costs, and transaction fees, the majority of which were paid by December 31, 1998. LG&E expensed the remaining costs associated with the merger ($32.1 million) in the second quarter of 1998.

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 the Companies, over a five-year period. The surcredit was allocated 53% to KU and 47% to LG&E. In that same order, the Commission required LG&E and KU, after the end of the five-year period, to present a plan for sharing with customers the then-projected non-fuel savings associated with the merger. The Companies submitted this filing on January 13, 2003, proposing to continue to share with customers, on a 50%/50% basis, the estimated fifth-year gross level of non-fuel savings associated with the merger. The filing is currently under review.

Any fuel cost savings are passed to Kentucky customers through the fuel adjustment clause. See FAC above.

Note 4 - Financial Instruments

The cost and estimated fair values of LG&E's non-trading financial instruments as of December 31, 2002, and 2001 follow (in thousands of $):

	2002		2001	
	Cost	Fair Value	Cost	Fair Value
Preferred stock subject to mandatory redemption	$ 25,000	$ 25,188	$ 25,000	$ 25,125
Long-term debt (including current portion)	616,904	623,325	616,904	620,504
Interest-rate swaps	-	(17,115)	-	(8,604)

All of the above valuations reflect prices quoted by exchanges except for the swaps. The fair values of the swaps reflect price quotes from dealers or amounts calculated using accepted pricing models.

Interest Rate Swaps. LG&E uses interest rate swaps to hedge exposure to market fluctuations in certain of its debt instruments. Pursuant to policy, use of these financial instruments is intended to mitigate risk and earnings 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. To the extent a financial instrument or the underlying item being hedged is prematurely terminated or the hedge becomes ineffective, the resulting gains or losses are reclassified from other comprehensive income to net income. Financial instruments designated as fair value hedges are periodically marked to market with the resulting gains and losses recorded directly into net income to correspond with income or expense recognized from changes in market value of the items being hedged.

As of December 31, 2002 and 2001, LG&E was party to various interest rate swap agreements with aggregate notional amounts of $117.3 million. Under these swap agreements, LG&E paid fixed rates averaging 5.13% and received variable rates based on the Bond Market Association's municipal swap index averaging 1.52% and 1.61% at December 31, 2002 and 2001, respectively. The swap agreements in effect at December 31, 2002 have been designated as cash flow hedges and mature on dates ranging from 2003 to 2020.

The hedges have been deemed to be fully effective resulting in a pretax loss of $8.5 million for 2002, recorded in other comprehensive income. Upon expiration of these hedges, the amount recorded in other comprehensive income will be reclassified into earnings. The amounts expected to be reclassified from other comprehensive income to earnings in the next twelve months is immaterial.

Energy Trading & Risk Management Activities. LG&E conducts energy trading and risk management activities to maximize the value of power sales from physical assets it owns, in addition to the wholesale sale of excess asset capacity. Certain energy trading activities are accounted for on a mark-to-market basis in accordance with EITF 98-10, *Accounting for Contracts Involved in Energy Trading and Risk Management Activities*, SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, and SFAS No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities*. Wholesale sales of excess asset capacity and wholesale purchases are treated as normal sales and purchases under SFAS No. 133 and SFAS No. 138 and are not marked-to-market.

The rescission of EITF 98-10, effective for fiscal years after December 15, 2002, will have no impact on LG&E's energy trading and risk management reporting as all contracts marked to market under EITF 98-10 are also within the scope of SFAS No. 133.

The table below summarizes LG&E's energy trading and risk management activities for 2002 and 2001 (in thousands of $).

	2002	2001
Fair value of contracts at beginning of period, net liability	$ (186)	$ (17)
Fair value of contracts when entered into during the period	(65)	3,441
Contracts realized or otherwise settled during the period	448	(2,894)
Changes in fair values due to changes in assumptions	(353)	(716)
Fair value of contracts at end of period, net liability	$ (156)	$ (186)

No changes to valuation techniques for energy trading and risk management activities occurred during 2002. Changes in market pricing, interest rate and volatility assumptions were made during both years. All contracts outstanding at December 31, 2002, 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, 2002, 86% of the trading and risk management commitments were with counterparties rated BBB-equivalent or better.

Note 5 - 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 gas and electric revenues arise from deliveries of natural gas to approximately 310,000 customers and electricity to approximately 382,000 customers in Louisville and adjacent areas in Kentucky. For the year ended December 31, 2002, 74% of total revenue was derived from electric operations and 26% from gas operations.

In November 2001, LG&E and IBEW Local 2100 employees, which represent approximately 70% of LG&E's workforce, entered into a four-year collective bargaining agreement.

Note 6 - Pension Plans and Retirement Benefits

LG&E sponsors several qualified and non-qualified pension plans and other postretirement benefit plans for its employees. 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, 2002, and a statement of the funded status as of December 31 for each of the last three years (in thousands of $):

	2002	2001	2000
Pension Plans:			
Change in benefit obligation			
Benefit obligation at beginning of year	$ 356,293	$ 310,822	$ 283,267
Service cost	1,484	1,311	3,408
Interest cost	24,512	25,361	22,698
Plan amendments	576	1,550	17,042
Curtailment loss	-	24,563	-
Special termination benefits	-	53,610	-
Benefits paid	(34,823)	(53,292)	(16,656)
Actuarial (gain) or loss and other	16,752	(7,632)	1,063
Benefit obligation at end of year	$ 364,794	$ 356,293	$ 310,822
Change in plan assets			
Fair value of plan assets at beginning of year	$ 233,944	$ 333,378	$ 360,095
Actual return on plan assets	(15,648)	(27,589)	(6,150)
Employer contributions and plan transfers	14,150	(17,134)	(1,804)
Benefits paid	(34,824)	(53,292)	(16,656)
Administrative expenses	(1,308)	(1,419)	(2,107)
Fair value of plan assets at end of year	$ 196,314	$ 233,944	$ 333,378
Reconciliation of funded status			
Funded status	$(168,480)	$(122,349)	$ 22,556
Unrecognized actuarial (gain) or loss	60,313	18,800	(74,086)
Unrecognized transition (asset) or obligation	(3,199)	(4,215)	(5,853)
Unrecognized prior service cost	32,265	35,435	47,984
Net amount recognized at end of year	$ (79,101)	$ (72,329)	$ (9,399)
Other Benefits:			
Change in benefit obligation			
Benefit obligation at beginning of year	$ 89,946	$ 56,981	$ 44,997
Service cost	444	358	822
Interest cost	5,956	5,865	4,225
Plan amendments	-	1,487	5,826
Curtailment loss	-	8,645	-
Special termination benefits	-	18,089	-
Benefits paid	(4,988)	(4,877)	(4,889)
Actuarial (gain) or loss	1,875	3,398	6,000
Benefit obligation at end of year	$ 93,233	$ 89,946	$ 56,981

Change in plan assets			
Fair value of plan assets at beginning of year	$ 2,802	$ 7,166	$ 10,526
Actual return on plan assets	(533)	(765)	(92)
Employer contributions and plan transfers	4,213	1,282	1,621
Benefits paid	(5,004)	(4,881)	(4,889)
Fair value of plan assets at end of year	$ 1,478	$ 2,802	$ 7,166
Reconciliation of funded status			
Funded status	$(91,755)	$(87,144)	$(49,815)
Unrecognized actuarial (gain) or loss	16,971	15,947	5,623
Unrecognized transition (asset) or obligation	6,697	7,346	13,374
Unrecognized prior service cost	5,995	5,302	8,960
Net amount recognized at end of year	$(62,092)	$(58,549)	$(21,858)

There are no plan assets in the nonqualified plans due to the nature of the plans.

LG&E made a contribution to the pension plan of $83.1 million in January 2003.

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, 2002, 2001 and 2000 (in thousands of $):

	2002	2001	2000
Pension Plans:			
Amounts recognized in the balance sheet consisted of:			
Prepaid benefits cost	$ -	$ -	$ 18,880
Accrued benefit liability	(162,611)	(108,977)	(28,279)
Intangible asset	32,799	11,936	-
Accumulated other comprehensive income	50,711	24,712	-
Net amount recognized at year-end	$ (79,101)	$ (72,329)	$ (9,399)
Additional year-end information for plans with accumulated benefit obligations in excess of plan assets (1):			
Projected benefit obligation	$ 364,794	$ 356,293	$ 4,088
Accumulated benefit obligation	358,956	352,477	3,501
Fair value of plan assets	196,314	233,944	-

(1) 2002 and 2001 includes all plans. 2000 includes SERPs only.

	2002	2001	2000
Other Benefits:			
Amounts recognized in the balance sheet consisted of:			
Accrued benefit liability	$ (62,092)	$ (58,549)	$ (21,858)

Additional year-end information for plans with benefit obligations in excess of plan assets:			
Projected benefit obligation	$ 93,233	$ 89,946	$ 56,981
Fair value of plan assets	1,478	2,802	7,166

The following table provides the components of net periodic benefit cost for the plans for 2002, 2001 and 2000 (in thousands of $):

	2002	2001	2000
Pension Plans:			
Components of net periodic benefit cost			
Service cost	$ 1,484	$ 1,311	$ 3,408
Interest cost	24,512	25,361	22,698
Expected return on plan assets	(21,639)	(26,360)	(33,025)
Amortization of prior service cost	3,777	3,861	4,646
Amortization of transition (asset) or obligation	(1,016)	(1,000)	(1,112)
Recognized actuarial (gain) or loss	21	(777)	(6,856)
Net periodic benefit cost	$ 7,139	$ 2,396	$(10,241)
Special charges			
Prior service cost recognized	$ -	$ 10,237	$ -
Special termination benefits	-	53,610	-
Settlement loss	-	(2,244)	-
Total charges	$ -	$ 61,603	$ -
Other Benefits:			
Components of net periodic benefit cost			
Service cost	$ 444	$ 358	$ 822
Interest cost	5,956	5,865	4,225
Expected return on plan assets	(204)	(420)	(683)
Amortization of prior service cost	920	951	1,158
Amortization of transition (asset) or obligation	650	719	1,114
Recognized actuarial (gain) or loss	116	(32)	(485)
Net periodic benefit cost	$ 7,882	$ 7,441	$ 6,151
Special charges			
Curtailment loss	$ -	$ 6,671	$ -
Prior service cost recognized	-	2,391	-
Transition obligation recognized	-	4,743	-
Special termination benefits	-	18,089	-
Total charges	$ -	$ 31,894	$ -

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

	2002	2001	2000
Weighted-average assumptions as of December 31:			
Discount rate	6.75%	7.25%	7.75%
Expected long-term rate of return on plan assets	9.00%	9.50%	9.50%
Rate of compensation increase	3.75%	4.25%	4.75%

For measurement purposes, a 12.00% annual increase in the per capita cost of covered health care benefits was assumed for 2003. The rate was assumed to decrease gradually to 5.00% for 2014 and remain at that level thereafter.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A 1% change in assumed health care cost trend rates would have the following effects (in thousands of $):

	1% Decrease	1% Increase
Effect on total of service and interest cost components for 2002	(201)	227
Effect on year-end 2002 postretirement benefit obligations	(3,001)	3,347

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 approximately $1.7 million for 2002, $1.2 million for 2001 and $2.7 million for 2000.

Note 7 - Income Taxes

Components of income tax expense are shown in the table below (in thousands of $):

		2002	2001	2000
Included in operating expenses:				
Current	- federal	$26,231	$42,997	$32,612
	- state	8,083	8,668	5,018
Deferred	- federal – net	20,464	12,310	24,272
	- state – net	4,410	3,767	6,797
Amortization of investment tax credit		(4,153)	(4,290)	(4,274)
Total		55,035	63,452	64,425
Included in other income - net:				
Current	- federal	(1,667)	(1,870)	(2,187)
	- state	(430)	(483)	(568)
Deferred	- federal - net	(206)	285	(39)
	- state – net	(53)	73	(10)
Total		(2,356)	(1,995)	(2,804)
Total income tax expense		$52,679	$61,457	$61,621

Components of net deferred tax liabilities included in the balance sheet are shown below (in thousands of $):

	2002	2001
Deferred tax liabilities:		
Depreciation and other plant-related items	$346,737	$334,914
Other liabilities	64,734	77,611
	411,471	412,525
Deferred tax assets:		
Investment tax credit	22,012	23,713
Income taxes due to customers	18,431	19,709
Pensions	21,056	6,621
Accrued liabilities not currently deductible and other	36,747	64,339
	98,246	114,382
Net deferred income tax liability	$313,225	$298,143

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

	2002	2001	2000
Statutory federal income tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal benefit	5.6	4.7	4.3
Amortization of investment tax credit	(2.9)	(2.6)	(2.6)
Other differences – net	(0.5)	(0.6)	(0.9)
Effective income tax rate	37.2%	36.5%	35.8%

Note 8 - Other Income - net

Other income – net consisted of the following at December 31 (in thousands of $):

	2002	2001	2000
Interest and dividend income	$457	$ 748	$3,103
Gains on fixed asset disposals	421	1,217	1,014
Income taxes and other	(58)	965	804
Other income – net	$820	$2,930	$4,921

Note 9 - First Mortgage Bonds and Pollution Control Bonds

Long-term debt and the current portion of long-term debt, summarized below (in thousands of $), consists primarily of first mortgage bonds and pollution control bonds. Interest rates and maturities in the table below are for the amounts outstanding at December 31, 2002.

	Stated Interest Rates	Weighted Average Interest Rate	Maturities	Principal Amounts
Noncurrent portion	Variable - 5.90%	3.53%	2019-2032	$ 328,104
Current portion	Variable - 6.00%	2.08%	2003-2027	288,800

Under the provisions for some 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 consolidated balance sheets. The average annualized interest rate for these bonds during 2002 was 1.61%.

LG&E's First Mortgage Bond, 6% Series of $42.6 million is scheduled to mature in 2003. There are no other scheduled maturities of pollution control bonds for the five years subsequent to December 31,2002.

In October 2002, LG&E issued $41.7 million variable rate pollution bonds due October 1, 2032, and exercised its call option on $41.7 million, 6.55% pollution control bonds due November 1, 2020.

In March 2002, LG&E refinanced four unsecured pollution control bonds with an aggregate principal balance of $120 million and replaced them with secured pollution control bonds. The new bonds and the previous bonds were all variable rate bonds, and the maturity dates remained unchanged.

In September 2001, LG&E issued $10.1 million variable rate tax-exempt environmental facility revenue bonds due September 1, 2027.

In January 2000, LG&E exercised its call option on its $20 million 7.50% First Mortgage Bonds due July 1, 2002. The bonds were redeemed utilizing proceeds from issuance of commercial paper.

In May 2000, LG&E issued $25 million variable rate pollution control bonds due May 1, 2027 and exercised its call option on $25 million, 7.45%, pollution control bonds due June 15, 2015. In August 2000, LG&E issued $83 million in variable rate pollution control bonds due August 1, 2030 and exercised its call option on its $83 million, 7.625%, pollution control bonds due November 1, 2020.

Annual requirements for the sinking funds of LG&E's First Mortgage Bonds (other than the First Mortgage Bonds issued in connection with certain 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.

Substantially all of LG&E's utility plants are pledged as security for its first mortgage bonds. LG&E's 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 is restricted by this provision as of December 31, 2002.

Note 10 - Notes Payable

LG&E participates in an intercompany money pool agreement wherein LG&E Energy can make funds available to LG&E at market based rates up to $400 million. The balance of the money pool loan from LG&E Energy was $193.1 million at a rate of 1.61% and $64.2 million at an average rate of 2.37%, at December 31, 2002 and 2001, respectively. LG&E also had outstanding commercial paper of $30 million at an average rate of 2.54% at December 31, 2001. The remaining money pool availability at December 31, 2002, was $206.9 million. LG&E Energy maintains facilities of $450 million with affiliates to ensure funding availability for the money pool. The outstanding balance under these facilities as of December 31, 2002 was $230 million, and availability of $220 million remained.

Note 11 - Commitments and Contingencies

Construction Program. LG&E had approximately $15.1 million of commitments in connection with its construction program at December 31, 2002. Construction expenditures for the years 2003 and 2004 are estimated to total approximately $340.0 million, although all of this amount is not currently committed, including the purchase of four jointly owned CTs, $89.0 million, and construction of NOx equipment, $34.0 million.

Operating Lease. LG&E leases office space and accounts for its office space lease as an operating lease. Total lease expense for 2002, 2001, and 2000, less amounts contributed by the parent company, was $1.6 million, $1.1 million, and $0.9 million, respectively. The future minimum annual lease payments under this lease agreement for years subsequent to December 31, 2002, are as follows (in thousands of $):

2003	$ 3,371
2004	3,399
2005	3,467
2006	3,536
2007	3,607
Thereafter	29,794
Total	$47,174

In December 1999, LG&E and KU entered into an 18-year cross-border lease of its two jointly owned combustion turbines recently installed at KU's Brown facility (Units 6 and 7). LG&E's obligation was defeased upon consummation of the cross-border lease. The transaction produced a pre-tax gain of approximately $1.2 million which was recorded in other income on the income statement in 2000, pursuant to a Kentucky Commission order.

Environmental. The Clean Air Act imposed stringent new SO_2 and NOx emission limits on electric generating units. LG&E previously had installed scrubbers on all of its generating units. LG&E's strategy for Phase II SO_2 reductions, which commenced January 1, 2000, is to increase scrubber removal efficiency to delay additional capital expenditures and may also include fuel switching or upgrading scrubbers. LG&E met the NOx emission requirements of the Act through installation of low-NOx burner systems. LG&E's compliance plans are subject to many factors including developments in the emission allowance and fuel markets, future regulatory and legislative initiatives, and advances in clean air control 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.

In September 1998, the EPA announced its final "NOx SIP Call" rule requiring states to impose significant additional reductions in NOx emissions by May 2003, in order to mitigate alleged ozone transport impacts on the Northeast region. The Commonwealth of Kentucky is currently in the process of revising its SIP to require reductions in NOx emissions from coal-fired generating units to the 0.15 lb./Mmbtu level on a system-wide basis. In related proceedings in response to petitions filed by various Northeast states, in December 1999, EPA issued a final rule pursuant to Section 126 of the Clean Air Act directing similar NOx reductions from a number of specifically targeted generating units including all LG&E units. As a result of appeals to both rules, the compliance date was extended to May 2004. All LG&E generating units are subject to the May 2004 compliance date under these NOx emissions reduction rules.

LG&E is currently implementing a plan for adding significant additional NOx controls to its generating units. Installation of additional NOx controls will proceed on a phased basis, with installation of controls commencing in late 2000 and continuing through the final compliance date. In addition, LG&E will incur additional operation and maintenance costs in operating new NOx controls. LG&E believes its costs in this regard to be comparable to those of similarly situated utilities with like generation assets. LG&E had anticipated that such capital and operating costs are the type of costs that are eligible for recovery from customers under its environmental surcharge mechanism and believed that a significant portion of such costs could be recovered. In April 2001, the Kentucky Commission granted recovery of these costs for LG&E.

LG&E is also monitoring several other air quality issues which may potentially impact coal-fired power plants, including the appeal of the D.C. Circuit's remand of the EPA's revised air quality standards for ozone and particulate matter, measures to implement EPA's regional haze rule, and EPA's December 2000 determination to regulate mercury emissions from power plants. In addition, LG&E is currently working with local regulatory authorities to review the effectiveness of remedial measures aimed at controlling particulate matter emissions from its Mill Creek Station. LG&E previously settled a number of property damage claims from adjacent residents and completed significant remedial measures as part of its ongoing capital construction program. LG&E is in the process of converting the Mill Creek Station to wet stack operation in an effort to resolve all outstanding issues related to particulate matter emissions.

LG&E owns or formerly owned three properties which are the location of past MGP operations. Various contaminants are typically found at such former MGP sites and environmental remediation measures are frequently required. With respect to the sites, LG&E has completed cleanups, obtained regulatory approval of site management plans, or reached agreements for other parties to assume responsibility for cleanup. Based on currently available information, management estimates that it will incur additional costs of $400,000. Accordingly, an accrual of $400,000 has been recorded in the accompanying financial statements at December 31, 2002 and 2001.

Purchased Power. LG&E has a contract for purchased power with OVEC for various Mw capacities. The estimated future minimum annual payments under purchased power agreements for the years subsequent to December 31, 2002, are as follows (in thousands of $):

2003	$10,773
2004	10,116
2005	10,152
2006	10,816
2007	10,816
Thereafter	184,544
Total	$237,217

Note 12 - 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		
	LG&E	IMPA	IMEA	Total
Ownership interest	75%	12.88%	12.12%	100%
Mw capacity	386.2	66.4	62.4	515.0

LG&E's 75% ownership (in thousands of $):	
Cost	$595,747
Accumulated depreciation	182,711
Net book value	$413,036
Construction work in progress (included above)	$12,867

LG&E and KU jointly own the following combustion turbines (in thousands of $):

		LG&E	KU	Total
Paddy's Run 13	Ownership %	53%	47%	100%
	Mw capacity	84	74	158
	Cost	$33,919	$29,973	$63,892
	Depreciation	1,711	1,499	3,210
	Net book value	$32,208	$28,474	$60,682
E.W. Brown 5	Ownership %	53%	47%	100%
	Mw capacity	71	63	134
	Cost	$23,973	$21,106	$45,079
	Depreciation	1,206	1,052	2,258
	Net book value	$22,767	$20,054	$42,821
E.W. Brown 6	Ownership %	38%	62%	100%
	Mw capacity	59	95	154
	Cost	$23,696	$36,957	$60,653
	Depreciation	1,770	4,201	5,971
	Net book value	$21,926	$32,756	$54,682

E.W. Brown 7	Ownership %	38%	62%	100%
	Mw capacity	59	95	154
	Cost	$23,607	$44,792	$68,399
	Depreciation	4,054	4,502	8,556
	Net book value	$19,553	$40,290	$59,843
Trimble 5	Ownership %	29%	71%	100%
	Mw capacity	45	110	155
	Cost	$15,970	$39,045	$55,015
	Depreciation	251	614	865
	Net book value	$15,719	$38,431	$54,150
Trimble 6	Ownership %	29%	71%	100%
	Mw capacity	45	110	155
	Cost	$15,961	$39,025	$54,986
	Depreciation	251	614	865
	Net book value	$15,710	$38,411	$54,121
Trimble CT Pipeline	Ownership %	29%	71%	100%
	Cost	$1,835	$4,475	$6,310
	Depreciation	39	96	135
	Net book value	$1,796	$4,379	$6,175

See also Note 11, Construction Program, for LG&E's planned purchase of four jointly owned CTs in 2004.

Note 13 - Segments of Business and Related Information

Effective December 31, 1998, LG&E adopted SFAS No. 131, *Disclosure About Segments of an Enterprise 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. Financial data for business segments, follow (in thousands of $):

	Electric	Gas	Total
2002			
Operating revenues	$758,491(a)	$267,693	$1,026,184
Depreciation and amortization	90,248	15,658	105,906
Interest income	381	76	457
Interest expense	24,837	4,968	29,805
Operating income taxes	49,010	6,025	55,035
Net income	79,246	9,683	88,929
Total assets	2,105,956	455,122	2,561,078
Construction expenditures	195,662	24,754	220,416

2001			
Operating revenues	$705,925(b)	$290,775	$996,700
Depreciation and amortization	85,572	14,784	100,356
Interest income	616	132	748
Interest expense	31,295	6,627	37,922
Operating income taxes	55,527	7,925	63,452
Net income	95,103	11,768	106,781
Total assets	1,985,252	463,102	2,448,354
Construction expenditures	227,107	25,851	252,958
Operating revenues	$710,958(c)	$272,489	$983,447
Depreciation and amortization	84,761	13,530	98,291
Interest income	2,551	552	3,103
Interest expense	35,604	7,614	43,218
Operating income taxes	57,869	6,556	64,425
Net income	100,395	10,178	110,573
Total assets	1,760,305	465,779	2,226,084
Construction expenditures	109,798	34,418	144,216

(a) Net of provision for rate collections of $12.3 million.
(b) Net of provision for rate refunds of $.7 million.
(c) Net of provision for rate refunds of $2.5 million.

Note 14 - Notes to Statement of Cash Flows

Supplemental Disclosures of Cash Flow Information	2002	2001
Cash paid during the year for:		
Income taxes	$51,539,779	$35,546,026
Interest on borrowed money	$25,672,843	$30,988,987

Note 15 - Notes to Statement of Income for the Year

See page 115, line 6 column (e). Electric Utility Depreciation Expense includes $8,356,691 applicable to Common Utility Plant apportioned to Electric Operations.

See page 115, line 6 column (g). Gas Utility Depreciation Expense includes $2,785,986 applicable to Common Utility Plant apportioned to Gas Operations.

See page 115, line 7 column (e). Electric Utility Amortization and Depletion of Utility Plant includes $3,638,318 applicable to Common Utility Plant apportioned to Electric Operations.

See page 115, line 7 column (g). Gas Utility Amortization and Depletion of Utility Plan includes $1,212,773 applicable to Common Utility Plant apportioned to Gas Operations.

Note 16 - Subsequent Events

LG&E made a contribution to the pension plan of $83.1 million in January 2003.

On March 18, 2003, the Kentucky Commission approved LG&E and KU's joint application for the acquisition of four CTs from an unregulated affiliate, LG&E Capital Corp. The total projected construction cost for the turbines, expected to be available for June 2004 in-service, is $227.4 million. The requested ownership share of the turbines is 63% for KU and 37% for LG&E.

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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	03/28/2003	Dec. 31, 2002

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

1. Report in columns (b) (c) 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 Preceeding Year				
2	Preceding yr. Reclassification from Account 219 Net Income				
3	Preceding Year Changes in Fair Value		(14,737,668)		(3,599,009)
4	Total (lines 2 and 3)		(14,737,668)		(3,599,009)
5	Balance of Account 219 at End of Preceding Yr/Beginning of Current Yr		(14,737,668)		(3,599,009)
6	Current Year Reclassification From Account 219 to Net Income				
7	Current Year Changes in Fair Value		(15,505,235)		
8	Total (lines 6 and 7)		(15,505,235)		
9	Balance of Account 219 at End of Current Year		(30,242,903)		(3,599,009)

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
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STATEMENTS OF ACCUMULATED COMPREHENSIVE INCOME, COMPREHENSIVE INCOME, AND HEDGING ACTIVITIES

Line No.	Other Cash Flow Hedges [Specify] (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 72) (i)	Total Comprehensive Income (j)
1					
2					
3	(1,563,296)		(19,899,973)		
4	(1,563,296)		(19,899,973)	106,763,635	86,863,661
5	(1,563,296)		(19,899,973)		
6					
7	(5,106,959)		(20,612,194)		
8	(5,106,959)		(20,612,194)	88,931,532	68,319,338
9	(6,670,255)		(40,512,167)		

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Schedule Page: 122(a)(b)   Line No.: 3   Column: e

Cumulative effect of change in accounting principle -- Accounting for derivative instruments and hedging activities.

Schedule Page: 122(a)(b)   Line No.: 3   Column: f

Losses on derivative instruments and hedging activities.

Schedule Page: 122(a)(b)   Line No.: 7   Column: f

Losses on derivative instruments and hedging activities.

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	03/28/2003	Dec. 31, 2002

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

Line No.	Classification (a)	Total (b)	Electric (c)
1	Utility Plant		
2	In Service		
3	Plant in Service (Classified)	3,319,162,140	2,716,490,632
4	Property Under Capital Leases		
5	Plant Purchased or Sold		
6	Completed Construction not Classified		
7	Experimental Plant Unclassified		
8	Total (3 thru 7)	3,319,162,140	2,716,490,632
9	Leased to Others		
10	Held for Future Use	696,772	696,772
11	Construction Work in Progress	300,986,392	261,760,776
12	Acquisition Adjustments		
13	Total Utility Plant (8 thru 12)	3,620,845,304	2,978,948,180
14	Accum Prov for Depr, Amort, & Depl	1,463,673,942	1,230,855,030
15	Net Utility Plant (13 less 14)	2,157,171,362	1,748,093,150
16	Detail of Accum Prov for Depr, Amort & Depl		
17	In Service:		
18	Depreciation	1,444,997,694	1,230,854,930
19	Amort & Depl of Producing Nat Gas Land/Land Right		
20	Amort of Underground Storage Land/Land Rights	573,394	
21	Amort of Other Utility Plant	18,102,854	100
22	Total In Service (18 thru 21)	1,463,673,942	1,230,855,030
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)	1,463,673,942	1,230,855,030

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) 03/28/2003	Year of Report Dec. 31, 2002

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.
[redacted]					1
					2
433,094,648				169,576,860	3
					4
					5
					6
					7
433,094,648				169,576,860	8
					9
					10
25,501,849				13,723,767	11
					12
458,596,497				183,300,627	13
159,806,708				73,012,204	14
298,789,789				110,288,423	15
[redacted]					16
					17
159,232,514				54,910,250	18
	[redacted]				19
573,394					20
800				18,101,954	21
159,806,708				73,012,204	22
[redacted]					23
					24
					25
					26
[redacted]					27
					28
					29
					30
	[redacted]				31
					32
159,806,708				73,012,204	33

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	03/28/2003	Dec. 31, 2002

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. 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 of unclassified retirements. Show in a footnote 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

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	5,053,819	
9	(311) Structures and Improvements	321,290,424	436,896
10	(312) Boiler Plant Equipment	933,402,533	48,372,705
11	(313) Engines and Engine-Driven Generators		
12	(314) Turbogenerator Units	188,831,277	487,826
13	(315) Accessory Electric Equipment	163,384,517	706,198
14	(316) Misc. Power Plant Equipment	9,150,142	381,892
15	TOTAL Steam Production Plant (Enter Total of lines 8 thru 14)	1,621,112,712	50,385,517
16	B. Nuclear Production Plant		
17	(320) Land and Land Rights		
18	(321) Structures and Improvements		
19	(322) Reactor Plant Equipment		
20	(323) Turbogenerator Units		
21	(324) Accessory Electric Equipment		
22	(325) Misc. Power Plant Equipment		
23	TOTAL Nuclear Production Plant (Enter Total of lines 17 thru 22)		
24	C. Hydraulic Production Plant		
25	(330) Land and Land Rights	13	
26	(331) Structures and Improvements	5,037,000	15,489
27	(332) Reservoirs, Dams, and Waterways	311,985	
28	(333) Water Wheels, Turbines, and Generators	2,316,032	
29	(334) Accessory Electric Equipment	1,304,908	
30	(335) Misc. Power PLant Equipment	162,922	
31	(336) Roads, Railroads, and Bridges	179,981	
32	TOTAL Hydraulic Production Plant (Enter Total of lines 25 thru 31)	9,312,841	15,489
33	D. Other Production Plant		
34	(340) Land and Land Rights	41,126	
35	(341) Structures and Improvements	3,718,815	2,922,215
36	(342) Fuel Holders, Products, and Accessories	3,797,728	2,035,789
37	(343) Prime Movers	76,328,113	24,467,091
38	(344) Generators	22,480,693	3,968,707
39	(345) Accessory Electric Equipment	7,901,882	1,379,503

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
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ELECTRIC PLANT IN SERVICE (Account 101, 102, 103 and 106) (Continued)

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.

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, 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 requirement 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 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 of such filing.

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
			5,053,819		8
111,468			321,615,852		9
5,505,871			976,269,367		10
					11
94,480			189,224,623		12
102,272			163,988,443		13
			9,532,034		14
5,814,091			1,665,684,138		15
					16
					17
					18
					19
					20
					21
					22
					23
					24
			13		25
			5,052,489		26
			311,985		27
			2,316,032		28
			1,304,908		29
3,647			159,275		30
			179,981		31
3,647			9,324,683		32
					33
			41,126		34
			6,641,030		35
			5,833,517		36
49,334			100,745,870		37
191,176			26,258,224		38
			9,281,385		39

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

Line No.	Account (a)	Balance Beginning of Year (b)	Additions (c)
40	(346) Misc. Power Plant Equipment	3,672,554	6,146
41	TOTAL Other Prod. Plant (Enter Total of lines 34 thru 40)	117,940,911	34,779,451
42	TOTAL Prod. Plant (Enter Total of lines 15, 23, 32, and 41)	1,748,366,464	85,180,457
43	3. TRANSMISSION PLANT		
44	(350) Land and Land Rights	3,481,012	
45	(352) Structures and Improvements	2,495,819	411,264
46	(353) Station Equipment	112,158,629	5,655,834
47	(354) Towers and Fixtures	23,735,065	144,643
48	(355) Poles and Fixtures	26,475,436	24,590
49	(356) Overhead Conductors and Devices	27,732,644	5,639,668
50	(357) Underground Conduit	1,868,318	
51	(358) Underground Conductors and Devices	5,312,496	
52	(359) Roads and Trails		
53	TOTAL Transmission Plant (Enter Total of lines 44 thru 52)	203,259,419	11,875,999
54	4. DISTRIBUTION PLANT		
55	(360) Land and Land Rights	1,944,027	
56	(361) Structures and Improvements	5,970,568	
57	(362) Station Equipment	76,552,829	524,697
58	(363) Storage Battery Equipment		
59	(364) Poles, Towers, and Fixtures	88,954,628	3,514,413
60	(365) Overhead Conductors and Devices	129,128,203	12,920,004
61	(366) Underground Conduit	49,422,751	3,235,666
62	(367) Underground Conductors and Devices	73,973,945	3,363,851
63	(368) Line Transformers	92,809,641	3,411,398
64	(369) Services	22,906,369	247
65	(370) Meters	32,547,125	1,597,414
66	(371) Installations on Customer Premises		
67	(372) Leased Property on Customer Premises		
68	(373) Street Lighting and Signal Systems	50,579,976	4,689,491
69	TOTAL Distribution Plant (Enter Total of lines 55 thru 68)	624,790,062	33,257,181
70	5. GENERAL PLANT		
71	(389) Land and Land Rights		
72	(390) Structures and Improvements		
73	(391) Office Furniture and Equipment		
74	(392) Transportation Equipment	14,027,742	260,782
75	(393) Stores Equipment		
76	(394) Tools, Shop and Garage Equipment	2,086,322	601,668
77	(395) Laboratory Equipment	1,552,488	
78	(396) Power Operated Equipment	2,596,955	49,786
79	(397) Communication Equipment	773,554	
80	(398) Miscellaneous Equipment		
81	SUBTOTAL (Enter Total of lines 71 thru 80)	21,037,061	912,236
82	(399) Other Tangible Property		
83	TOTAL General Plant (Enter Total of lines 81 and 82)	21,037,061	912,236
84	TOTAL (Accounts 101 and 106)	2,597,455,346	131,225,873
85	(102) Electric Plant Purchased (See Instr. 8)		
86	(Less) (102) Electric Plant Sold (See Instr. 8)		
87	(103) Experimental Plant Unclassified		
88	TOTAL Electric Plant in Service (Enter Total of lines 84 thru 87)	2,597,455,346	131,225,873

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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.
			3,678,700		40
240,510			152,479,852		41
6,058,248			1,827,488,673		42
[redacted]					43
			3,481,012		44
			2,907,083		45
1,222,628			116,591,835		46
			23,879,708		47
			26,500,026		48
			33,372,312		49
			1,868,318		50
			5,312,496		51
					52
1,222,628			213,912,790		53
[redacted]					54
			1,944,027		55
			5,970,568		56
857			77,076,669		57
					58
103,870			92,365,171		59
321,801			141,726,406		60
41,863			52,616,554		61
286,355			77,051,441		62
837,394			95,383,645		63
41,513			22,865,103		64
280,496			33,864,043		65
					66
					67
424,860			54,844,607		68
2,339,009			655,708,234		69
[redacted]					70
					71
					72
					73
1,629,220			12,659,304		74
					75
			2,687,990		76
3,691			1,548,797		77
164,237			2,482,504		78
		-773,554			79
					80
1,797,148		-773,554	19,378,595		81
					82
1,797,148		-773,554	19,378,595		83
11,417,033		-773,554	2,716,490,632		84
					85
					86
					87
11,417,033		-773,554	2,716,490,632		88

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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	03/28/2003	Dec. 31, 2002

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	Eight tracts in or near Louisville, Kentucky			
3	Columns (B) and (C) Various			685,390
4				
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21	Other Property:			
22	Site development of land in or near Louisville, Ky.	9/30/92	Various	11,382
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45				
46				
47	Total			696,772

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	03/28/2003	Dec. 31, 2002

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	LGE NOx COMPLIANCE	112,191,924
3	MILL CREEK UNIT 4 WET STACK CONVERSION	6,490,398
4	MILL CREEK UNIT 2 CONTROLS UPGRADE	6,467,810
5	CANE RUN COAL BARGE UNLOADING SYSTEM	5,196,121
6	MILL CREEK UNIT 1 WET STACK CONVERSION	4,973,589
7	MILL CREEK UNIT 3 WET STACK CONVERSION	4,815,956
8	MODIFY BOILER SURFACE -TRIMBLE COUNTY	2,398,286
9	CARBIDE LIME STORAGE FACILITY	1,844,009
10	MILL CREEK UNIT 4 REHEATER TUBING REPLACEMENT	1,729,803
11	LAST STAGE BUCKETS OF LP TURBINE	1,511,485
12	CR6 LP TURBINE BLADES	1,459,391
13	TC CT SUBSTATION	1,457,355
14	SDRS DUCT MATERIAL	1,302,228
15	MC A&B LIMESTONE TANKS	1,289,646
16	SDRS DUCT REFURBISHMENT	1,266,843
17	MC CLEARWELL MODIFICATIONS	1,197,310
18	MC DOZER REPLACEMENT	1,153,672
19	MC DOZER REPLACEMENT	1,131,486
20	CR6 GENERATOR ROTOR REWIND	1,077,503
21	MC3 INTERMED. SUPERHEATER	979,134
22	CR CONTINUOUS WATER SAMPLE	961,672
23	MC2 COOLING TOWER REBUILD	954,502
24	MC UNIT 1 DUCTWORK REPLACEMENT	640,014
25	SDRS DUCTWORK	631,747
26	LANDFILL LIFE EXTENSION	617,435
27	LIMESTONE CRUSHER	595,793
28	MC ASH POND EXPANSION STUDY	569,071
29	CR ASBESTOS ABATEMENT	565,050
30	MILL CREEK UNIT 2 REHEATER REPLACEMENT	510,250
31	CR6 GENERATOR BLOWER BLADES	505,868
32	CR6 UPPER ARCH REPLACEMENT	505,699
33	CR6 TURBINE THROTTLE VALVES	474,514
34	CLIMATE CONTROLLED PARTS STORAGE	454,476
35	MC UNIT4 FGD MIST ELIMINATOR	377,635
36	MC 1B CHILLER REPLACEMENT	347,645
37	MC 1A CHILLER REPLACEMENT	346,361
38	MC 1C CHILLER REPLACEMENT	344,846
39	GUARDIAN PACKING FOR TURBINE	317,580
40	SL CEMS FLOW MONITOR - LGE	306,422
41	TC COAL SAMPLER	301,073
42	SL COAL SAMPLER UPGRADE	298,244
43	TOTAL	261,760,776

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	03/28/2003	Dec. 31, 2002

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	OF EMERGENCY GENERATOR	292,849
2	LANDFILL CLOSURE	285,600
3	TC E-BELT REPLACEMENT	282,619
4	TC MISC ENGR. PROJECTS	275,490
5	REVISED CR RAILROAD TRACK #8 & 9 UPGRADE	272,806
6	MC 1 "A" COAL PULVERIZER UPGRADES	267,664
7	TC SITE IMPROVE/PRESERVATION	265,677
8	MC3 BOTTOM ASH PIPING	246,145
9	MC 1 "B" COAL PULVERIZER UPGRADES	241,720
10	MC 1 "C" COAL PULVERIZER UPGRADES	241,555
11	MC CH CHUTE LINERS	236,750
12	MC 1 "D" COAL PULVERIZER UPGRADE	234,504
13	MC UNIT 1 WATERWALLS - EAST	230,465
14	MC UNIT 1 WATERWALLS - WEST	228,918
15	TC SERVICE BLDG. CHILLER REPLACEMENT	227,846
16	MC3 CRITICAL PIPING	225,416
17	MC4 CRITICAL PIPING	217,656
18	MC COAL HANDLING CHUTES LINER	216,870
19	MILL CREEL 1 FGD DUCT WORK	206,760
20	MILL CREEK COAL HANDLING DOZER SHED	204,510
21	CR6 ELECTRIC ACTUATORS	197,847
22	MC1 MAIN STEAM LINK PIPE REPLACEMENT	187,030
23	REBUILD MICHIGAN 380B	184,286
24	MC1 BOTTOM ASH PIPING REPLACEMENT	182,481
25	TC UPGRADE TURBINE ATSI	180,410
26	CR COAL CONDUIT UPGRADE	179,138
27	MC STACKER/RECLAIMER TRACK	178,138
28	SERVICE WATER PIPING REPLACEMENT	171,204
29	MC2 MAIN STM LINK PIPE	170,963
30	CR5 GENERATOR STATOR REWEDGE	170,042
31	REPLACE B & C CONVEYOR BELTS	169,558
32	MC2 SDRS GRATING & HANDRAILS	168,902
33	CR6 TURBINE BELL SEALS	165,488
34	MC4 ID FAN EXPANSION JOINTS AND DUCT	165,237
35	MC4 SH PLATEN LOWER LOOP	164,001
36	CR SERVICE WATER PIPING	162,350
37	CR6 TURBINE SUPV INSTR	161,448
38	CR5 ADDITIONAL ELECTRIC DRIVES	161,426
39	TC 1ST STAGE IP BUCKETS	159,678
40	MC "A" FLYASH SILO CRANE	158,220
41	MC1 RECYCLE PUMP IMPELLER	157,355
42	MC1 WATERWALLS - NORTH	157,229
43	TOTAL	261,760,776

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	03/28/2003	Dec. 31, 2002

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	MC1 WATERWALLS - SOUTH	156,857
2	MC3 COAL CONDUITS	155,951
3	MC4 FGD OXIDATION AIR COMPRESSOR	155,460
4	MC4 WASH NOZZLES ISOL VLV	155,312
5	CR4 SDRS DEMISTERS	154,752
6	MC1 RECYCLE PUMP INLET VALVES	153,236
7	MC MULTIZONE AIR HANDLING UNIT	149,456
8	MC 1A CIRCULATING WATER PUMP	148,508
9	UPGRADE CR TURBINE ROOM HOUSE	147,271
10	TC UPGRADE SIEMENS VFDS	146,841
11	REPLACE RADIANT REHEAT BOILER TUBES	143,611
12	MC STORAGE BUILDING	142,171
13	REPLACE MIST ELIMIINATORS CANE RUN	141,375
14	ELECT RELIEF VALVE REPLACEMENT	140,689
15	MC1 CONDENSOR TUBING SLEEVES	139,592
16	CR VAC&HIGH PRES CLNING TREES	139,547
17	MC COAL HANDLING DRAINAGE	136,713
18	MC4 SPARGER MODIF	136,633
19	MC GYPSUM/VAC FILL DRUM DRY	132,126
20	TC REFURB STRUCT AND TANKS	130,059
21	CR6 HP/IP TURBINE SEALS	129,895
22	CEMS FLO MONITOR REPL-L	128,026
23	MC PULVERIZER AIR SEALS	126,559
24	CR RAILROAD TRACK UPGRADES	125,946
25	COAL CONDUIT REPLACEMENT	124,562
26	CR4 ELECTRIC DRIVES	121,882
27	MC3 FGD MIST ELIMINATOR	118,748
28	MC 1A FGC WET/DRY INTERFACE	117,451
29	MC REBUILD RAILROAD TRACKS	116,437
30	MC CAE BATTERIES REPLACEMENT	115,796
31	CR CEM UMBILICAL CORD REPLACEMENT	115,016
32	MC COAL HANDLING ASBESTOS ABATEMENT	114,042
33	MC LIMESTONE "A"	110,930
34	PRECIP ENERGY MGMT CTLS	110,781
35	CR6 WATER PLATEN	110,272
36	MC 1B FGD WET/DRY INTERFACE	109,378
37	PA/GL CONVERSION CORRECTIONS	108,141
38	MC1 INSTRUMENT AIR COMP	104,638
39	TC OPACITY MONITOR UPGRADE	103,955
40	CR6 TRAVELLING TRASH SCREEN	103,896
41	MC COAL BARGE UNLOADER DRUM	103,777
42	MC VACUUM CLEANING SYSTEM	102,641
43	TOTAL	261,760,776

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	03/28/2003	Dec. 31, 2002

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	AGITATORS FOR CR 6A REACTION TANK	102,577
2	MC OFFICE RECONFIGURE	151,340
3	REPLACE CR4 SDRS SLURRY RECYCLE SPRAY NOZZLES	102,073
4	MINOR PROJECTS	7,996,850
5		
6	HYDRAULIC PRODUCTION	
7	OHIO FALLS REDEVELOPMENT	4,443,782
8	MINOR PROJECTS	108,048
9		
10	OTHER PRODUCTION	
11	TC 5 CT	256,896
12	TC 6 CT	241,972
13	SERVICE WATER PIPING AND VALVE	179,406
14	MINOR PROJECTS	190,873
15		
16	TRANSMISSION	
17	REPLACE MT TR 1 & TR 2	2,233,436
18	REPAIR CR6 GSU	1,598,210
19	SPARE 345/138KV AUTO TRANSFORMER	1,533,153
20	REPLACE DEFECTIVE POLES	488,644
21	CANE RUN SWITCHING 138KV UNDERRATED	431,545
22	CIRCUIT 6658	400,390
23	LT9 TRANSMISSION	395,262
24	SUBSTATION SONET TRANSFORMER	366,253
25	MC-4502-32 TIE REPLACEMENT	334,022
26	CENTERFIELD 69KV EXPANSION	331,664
27	FORD-MIDDLETOWN 138KV LINE	293,240
28	RECONDUCTOR STATIC 3821-3823	220,958
29	EMS UPGRADE	211,149
30	UPGRADE LINE 6692 (TA-LS-LY)	197,263
31	GE DAC REPL FOR EMS	196,535
32	CONSTRUCT GRADE LANE SUBSTATION	186,427
33	UPGRADE 69KV CIRCUIT	183,317
34	BEARGRASS OPGW	126,724
35	RELOCATE TRANSMISSION HWY FAC	123,937
36	SMAC-TRANSMISSION	222,783
37	MC-4504-B MODIFICATIONS	109,473
38	MINOR PROJECTS	1,952,051
39		
40	DISTRIBUTION	
41	LDI-IT PROJECTS CAPITAL	18,166,323
42	NETWORK VAULTS	1,547,635
43	TOTAL	261,760,776

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
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CONSTRUCTION WORK IN PROGRESS - - ELECTRIC (Account 107)

1. Report below descriptions and balances at end of year of projects in process of construction (107)
2. Show items relating to "research, development, and demonstration" projects last, under a caption Research, Development, and Demonstrating (see Account 107 of the Uniform System of Accounts)
3. Minor projects (5% of the Balance End of the Year for Account 107 or $100,000, whichever is less) may be grouped.

Line No.	Description of Project (a)	Construction work in progress - Electric (Account 107) (b)
1	WORTHINGTON SUBSTATION	1,319,563
2	CRESTWOOD CAPACITY ADDITION	1,089,802
3	DOUGLAS HILLS CABLE REPLACEMENT	834,887
4	NEW BUS. SERV. 344UG	812,600
5	ENTERPRISE BILL PRINTING	704,841
6	VARIOUS DISTRIBUTION PROJECTS	701,559
7	DIST. OP. LGE INFRASTRUCTURE	657,665
8	NEW ELECTRIC SERVICES	652,591
9	STORM 7-29-02	571,455
10	IMPROVE SYSTEM POWER FACTOR	528,755
11	DISTRIBUTION LINE TRANSFORMER	487,324
12	RELOCATE DIST. HWY FACILITIES	466,898
13	NEW BUS COMM 344UG	465,173
14	NEW BUS SUB 341UG	403,030
15	LGE GEMINI	379,507
16	NEW BUS COMM 340UG	368,874
17	STORM 10-24-01	352,303
18	NEW BUS STREET LIGHT 340	330,292
19	ASC REC RELIABILITY	281,226
20	PURCHASE & INSTALLATION OF ELECTRIC METERS	257,094
21	MEDICAL CENTER CHILLED WATER PLANT	251,262
22	REPLACE DEFECTIVE EQUIPMENT 340OH	231,064
23	WORTHINGTON SUB LINE WORK	230,066
24	CARTER SUB 4KV TRANSFORMER	222,327
25	JEWISH HOSPITAL	214,823
26	ALGONQUIN SUB TR#3	208,577
27	MISC. DISTRIBUTION PROJECTS	194,872
28	HILLIARD LYONS VAULT	192,374
29	REPLACE DEFECTIVE EQUIPMENT 320OH	188,118
30	STONE LAKES PHASE 2	169,491
31	SW INITIATIVES	169,020
32	WESTPORT RD -LOU WATER CO	167,235
33	FOREST SPRINGS NORTH	157,879
34	NEW BUS RESIDENTIAL 340OH	136,099
35	PRESTON POLE REPLACEMENT	124,265
36	REGULATORS AND RECLOSERS	118,732
37	NEW BUS COMMERICAL 340OH	117,694
38	REPLACE DEFECTIVE EQUIPMENT 320UG	113,618
39	MAXIMO MOBILE DATA ENTRY	113,355
40	NEW BUS RESIDENTIAL 341UG	112,908
41	TAYLOR #3 REWIND	111,107
42	TAYLOR 1133	107,118
43	TOTAL	261,760,776

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
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CONSTRUCTION WORK IN PROGRESS - - ELECTRIC (Account 107)

1. Report below descriptions and balances at end of year of projects in process of construction (107)
2. Show items relating to "research, development, and demonstration" projects last, under a caption Research, Development, and Demonstrating (see Account 107 of the Uniform System of Accounts)
3. Minor projects (5% of the Balance End of the Year for Account 107 or $100,000, whichever is less) may be grouped.

Line No.	Description of Project (a)	Construction work in progress - Electric (Account 107) (b)
1	ADD FEEDER TO FM 12KV SEC1	106,552
2	METERS	2,231,420
3	PRE-PAYMENT METERS	629,425
4	PAY AS YOU GO METERING	611,499
5	AMR	493,837
6	ADDITIONAL ERTS	272,348
7	MINOR PROJECTS	11,831,015
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43	TOTAL	261,760,776

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	03/28/2003	Dec. 31, 2002

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	1,167,495,638	1,167,495,638		
2	Depreciation Provisions for Year, Charged to				
3	(403) Depreciation Expense	78,252,996	78,252,996		
4	(413) Exp. of Elec. Plt. Leas. to Others				
5	Transportation Expenses-Clearing	813,270	813,270		
6	Other Clearing Accounts				
7	Other Accounts (Specify, details in footnote):				
8	(151) Fuel Stock	165,350	165,350		
9	TOTAL Deprec. Prov for Year (Enter Total of lines 3 thru 8)	79,231,616	79,231,616		
10	Net Charges for Plant Retired:				
11	Book Cost of Plant Retired	11,417,033	11,417,033		
12	Cost of Removal	5,028,662	5,028,662		
13	Salvage (Credit)	136,843	136,843		
14	TOTAL Net Chrgs. for Plant Ret. (Enter Total of lines 11 thru 13)	16,308,852	16,308,852		
15	Other Debit or Cr. Items (Describe, details in footnote):	436,528	436,528		
16					
17	Balance End of Year (Enter Totals of lines 1, 9, 14, 15, and 16)	1,230,854,930	1,230,854,930		
	Section B. Balances at End of Year According to Functional Classification				
18	Steam Production	795,063,647	795,063,647		
19	Nuclear Production				
20	Hydraulic Production-Conventional	9,183,403	9,183,403		
21	Hydraulic Production-Pumped Storage				
22	Other Production	20,674,502	20,674,502		
23	Transmission	113,520,281	113,520,281		
24	Distribution	277,948,185	277,948,185		
25	General	14,464,912	14,464,912		
26	TOTAL (Enter Total of lines 18 thru 25)	1,230,854,930	1,230,854,930		

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	03/28/2003	Dec 31, 2002

FOOTNOTE DATA

Schedule Page: 219 Line No.: 15 Column: c

Customer payments related to construction projects.

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	03/28/2003	Dec. 31, 2002

INVESTMENTS IN SUBSIDIARY COMPANIES (Account 123.1)

1. Report below investments in Accounts 123.1, investments in Subsidiary Companies.
2. Provide a subheading for each company and List there under the information called for below. Sub - TOTAL by company and give a TOTAL in columns (e),(f),(g) and (h)
(a) Investment in Securities - List and describe each security owned. For bonds give also principal amount, date of issue, maturity and interest rate.
(b) Investment Advances - Report separately the amounts of loans or investment advances which are subject to repayment, but which are not subject to current settlement. With respect to each advance show whether the advance is a note or open account. List each note giving date of issuance, maturity date, and specifying whether note is a renewal.
3. Report separately the equity in undistributed subsidiary earnings since acquisition. The TOTAL in column (e) should equal the amount entered for Account 418.1.

Line No.	Description of Investment (a)	Date Acquired (b)	Date Of Maturity (c)	Amount of Investment at Beginning of Year (d)
1	LGE Receivables LLC	09/2000		5,000,000
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42	Total Cost of Account 123.1 $ 0		TOTAL	5,000,000

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	03/28/2003	Dec. 31, 2002

INVESTMENTS IN SUBSIDIARY COMPANIES (Account 123.1) (Continued)

4. For any securities, notes, or accounts that were pledged designate such securities, notes, or accounts in a footnote, and state the name of pledgee and purpose of the pledge.
5. 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.
6. Report column (f) interest and dividend revenues form investments, including such revenues form securities disposed of during the year.
7. 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 difference from cost) and the selling price thereof, not including interest adjustment includible in column (f).
8. Report on Line 42, column (a) the TOTAL cost of Account 123.1

Equity in Subsidiary Earnings of Year (e)	Revenues for Year (f)	Amount of Investment at End of Year (g)	Gain or Loss from Investment Disposed of (h)	Line No.
		5,000,000		1
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		5,000,000		42

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	03/28/2003	Dec. 31, 2002

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)	22,024,120	36,600,574	
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)	13,828,013	19,494,389	Electric
8	Transmission Plant (Estimated)	1,271,618	666,256	Electric, Gas
9	Distribution Plant (Estimated)	9,223,048	1,764,515	Electric, Gas
10	Assigned to - Other (provide details in footnote)	1,723,731	13,223	Various
11	TOTAL Account 154 (Enter Total of lines 5 thru 10)	26,046,410	21,938,383	
12	Merchandise (Account 155)			
13	Other Materials and Supplies (Account 156)			
14	Nuclear Materials Held for Sale (Account 157) (Not applic to Gas Util)			
15	Stores Expense Undistributed (Account 163)	3,003,518	3,712,279	Various
16				
17				
18				
19				
20	TOTAL Materials and Supplies (Per Balance Sheet)	51,074,048	62,251,236	

Schedule Page: 227 Line No.: 8 Column: b

Transmission Plant:

	Balance Beg. of Year	Balance End of Year
Electric	1,271,213	666,256
Gas	405	0
Total Transmission	1,271,618	666,256

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

Distribution Plant:

	Balance Beg. of Year	Balance End of Year
Electric	9,123,288	1,760,568
Gas	99,760	3,947
Total Distribution	9,223,048	1,764,515

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	03/28/2003	Dec. 31, 2002

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)	2003 No. (d)	2003 Amt. (e)
1	Balance-Beginning of Year	88,527.00	48,614	64,864.00	
2					
3	Acquired During Year:				
4	Issued (Less Withheld Allow)				
5	Returned by EPA				
6					
7					
8	Purchases/Transfers:				
9	Transfer		34,006		
10	Adjustment	437.00			
11					
12					
13					
14					
15	Total	437.00	34,006		
16					
17	Relinquished During Year:				
18	Charges to Account 509	46,026.00	39,055		
19	Other:				
20					
21	Cost of Sales/Transfers:				
22					
23					
24					
25					
26					
27					
28	Total				
29	Balance-End of Year	42,938.00	43,565	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	904.00		904.00	
37	Add: Withheld by EPA				
38	Deduct: Returned by EPA				
39	Cost of Sales	904.00			
40	Balance-End of Year			904.00	
41					
42	Sales:				
43	Net Sales Proceeds (Assoc. Co.)				
44	Net Sales Proceeds (Other)	904.00	145,675		
45	Gains		145,675		
46	Losses				

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	03/28/2003	Dec. 31, 2002

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.

2004		2005		Future Years		Totals		Line No.
No. (f)	Amt. (g)	No. (h)	Amt. (i)	No. (j)	Amt. (k)	No. (l)	Amt. (m)	
64,864.00		64,864.00		1,631,794.00		1,914,913.00	48,614	1
[redacted]								2
								3
								4
								5
[redacted]								6
								7
								8
							34,006	9
						437.00		10
								11
								12
								13
								14
						437.00	34,006	15
[redacted]								16
								17
						46,026.00	39,055	18
[redacted]								19
								20
[redacted]								21
								22
								23
								24
								25
								26
								27
								28
64,864.00		64,864.00		1,631,794.00		1,869,324.00	43,565	29
[redacted]								30
								31
								32
								33
								34
								35
[redacted]								
904.00		904.00		44,157.00		47,773.00		36
								37
								38
				903.00		1,807.00		39
904.00		904.00		43,254.00		45,966.00		40
[redacted]								41
								42
								43
				903.00	71,272	1,807.00	216,947	44
					71,272		216,947	45
								46

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	03/28/2003	Dec. 31, 2002

OTHER REGULATORY ASSETS (Account 182.3)

1. Report below the particulars (details) called for concerning other regulatory assets which are created through the rate making actions of regulatory agencies (and not includable in other accounts)
2. For regulatory assets being amortized, show period of amortization in column (a)
3. Minor items (5% of the Balance at End of Year for Account 182.3 or amounts less than $50,000, whichever is less) may be grouped by classes.

Line No.	Description and Purpose of Other Regulatory Assets (a)	Debits (b)	CREDITS Account Charged (c)	CREDITS Amount (d)	Balance at End of Year (e)
1					
2	SFAS 109 - Income Taxes				1,797,488
3					
4	Cost to Achieve Merger with KU		930.2)	3,629,340	1,814,670
5					
6	VDT Workforce Reduction Cost	514,331	930.2)	30,000,000	98,043,607
7					
8					
9					
10					
11					
12					
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43					
44	TOTAL	514,331		33,629,340	101,655,765

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	03/28/2003	Dec. 31, 2002

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	2,062,106		930.2	305,400	1,756,706
2						
3	Minimum Pension Asset	11,935,962	20,862,478			32,798,440
4						
5	One Utility Costs	3,642,770		930.2	2,688,413	954,357
6						
7	Gas Supply Adjustment -					
8	Underbilled and collectible					
9	from customers	30,134,858	8,220,341	803	24,640,835	13,714,364
10						
11	Demand Side Management-					
12	Collectible from Customers	2,718,935	1,874,134	142	3,015,946	1,577,123
13						
14	Gas Performance Based Ratemakng	7,708,518	7,364,646	803	10,830,341	4,242,823
15						
16	Financing Expense	78,614	4,435,332	181	4,513,946	
17						
18	Earnings Sharing Mechanism					
19	Underbilled and collectible					
20	from customers		12,500,000			12,500,000
21						
22						
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46						
47	Misc. Work in Progress		[redacted]			
48	Deferred Regulatory Comm. Expenses (See pages 350 - 351)					
49	TOTAL	58,281,763	[redacted]			67,543,813

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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	03/28/2003	Dec. 31, 2002

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	6,309,991	781,196
3	Worker's Compensation	1,095,734	1,034,228
4	Bad Debts Reserves	455,991	551,650
5	Vacation Pay	606,759	759,339
6	Prepaid Transmission Fees	84,876	76,483
7	Other	117,477,680	108,474,376
8	TOTAL Electric (Enter Total of lines 2 thru 7)	126,031,031	111,677,272
9	Gas		
10	Pensions	311,253	-193,314
11	Worker's Compensation	339,321	323,945
12	Bad Debts Reserve	169,470	194,898
13	Vacation Pay	246,228	284,372
14	Capitalized Inventory	630,513	894,331
15	Other	18,600,684	16,258,582
16	TOTAL Gas (Enter Total of lines 10 thru 15	20,297,469	17,762,814
17	Other (Specify)		
18	TOTAL (Acct 190) (Total of lines 8, 16 and 17)	146,328,500	129,440,086

Notes

	Electric Amounts		Gas Amounts	
	Beg. Bal.	End. Bal.	Beg. Bal.	End. Bal.
Fas 106	7,734,170	19,114,422	2,132,470	5,386,670
RAR Interest Res.	(782,891)	(781,730)	(153,809)	(153,561)
Public Liab. Res.	152,624	837,700	0	0
Non-Qual Thrift	166,261	177,130	43,207	46,096
Fas 133 Other Comp	2,826,190	5,549,901	706,547	1,387,476
Fas 109 Adj.	70,304,230	68,291,464	4,587,050	3,432,546
Contingent Liab.	0	359,088	0	0
Fas 112	665,109	751,767	177,248	204,522
State Tax Adj.	(415,760)	(1,330,504)	977,604	1,231,935
Prop. Tax Adj.	(24,168)	0	(5,701)	0
Minimum Pension Liab.	7,979,532	16,269,715	1,994,882	4,198,601
Afr. Amer Venture	139	69,889	(133)	11,222
DSM	30,745	72,106	272,818	607,465
Prepaid Insurance	(1,309,280)	(1,577,066)	(307,115)	(369,929)
Merg. Exp Rate Port.	(2,197,338)	(732,446)	0	0
Line Pack	0	0	90,211	71,714
Gas Franchise	0	0	36,498	36,915
VDT Severance & Other	31,782,108	0	7,945,528	0
Unclaimed Checks	268,208	268,208	67,052	67,052
Medical Plans	145,305	399,427	36,327	99,858
Mark to Market	75,125	62,792	0	0
Earnings Sharing Mech.	77,371	77,230	0	0
Environmental Cost Rec.	0	596,975	0	0
Non-Qual.Stock Opt.	0	(1,692)	0	0
	117,477,680	108,474,376	18,600,684	16,258,582

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	03/28/2003	Dec. 31, 2002

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	$5.875 Series		100.00	101.18
11	Total Preferred	8,470,000		
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	LG&E Energy Corp.			
22				
23	The Preferred Stock is traded in the			
24	over-the-counter-market			
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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	03/28/2003	Dec. 31, 2002

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
250,000	25,000,000					10
1,610,287	96,519,300	485	12,125			11
						12
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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	03/28/2003	Dec. 31, 2002

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		
2	Accounts 210:	
3	Gain on Required Preferred Stock, Cumulative 5% Series, $25 Par Value	5,699
4		
5		
6	Accounts 211:	
7	Contributed Capital - Misc.	40,000,000
8		
9		
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40	TOTAL	40,005,699

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	03/28/2003	Dec. 31, 2002

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 $5.875 Preferred Stock, Cumulative	284,247
3	Expenses on Common Stock	835,889
4		
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22	TOTAL	2,208,416

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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			
3	First Mortgage Bonds		
4	6% Series, due 08/15/2003	42,600,000	401,905
5			
6	Pollution Control Bonds (2)		
7	Series R, due 11/01/2020, 6.55% (3) (6)	50,000,000	960,963
8	Series S, due 09/01/2017, Variable	31,000,000	312,946
9	Series T, due 09/01/2017, Variable	60,000,000	418,276
10	Series AA, due 09/01/2027, Variable	10,104,000	514,039
11	Series U, due 08/15/2013, Variable	35,200,000	234,448
12	Series V, due 08/15/2019, 5.625%	102,000,000	1,167,309
13	Series W, due 10/15/2020, 5.45%	26,000,000	515,059
14	Series X, due 04/15/2023, 5.9%	40,000,000	924,608
15	1996 Series A JC, due 09/01/2026 (6)	22,500,000	196,143
16	1996 Series A TC, due 09/01/2026 (6)	27,500,000	211,080
17	1997 Series A JC, due 11/01/2027 (6)	35,000,000	113,163
18	1997 Series A TC, due 11/01/2027 (6)	35,000,000	110,413
19	Series Y, due 05/01/2027	25,000,000	645,041
20	Series Z, due 08/01/2030	83,335,000	1,145,612
21	Series BB, due 9/1/2026, Variable (6)	22,500,000	239,101
22	Series CC, due 9/1/2026, Variable (6)	27,500,000	259,415
23	Series DD, due 11/1/2027, Variable (6)	35,000,000	275,472
24	Series EE, due 11/1/2027, Variable (6)	35,000,000	275,512
25	Series FF, due 10/1/2032, Variable (6)	41,665,000	1,071,759
26			
27	TOTAL ACCOUNT 221	786,904,000	9,992,264
28			
29			
30	INTEREST RATE SWAPS (4)		
31			
32			
33	TOTAL	786,904,000	9,992,264

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	03/28/2003	Dec. 31, 2002

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
						3
8/31/1993	8/15/2003	8/31/1993	8/15/2003	42,600,000	2,556,000	4
						5
						6
11/1/1990	11/1/2020	11/1/1990	10/22/2002		2,376,964	7
9/17/1992	9/1/2017	9/17/1992	9/1/2017	31,000,000	434,530	8
9/17/1992	9/1/2017	9/17/1992	9/1/2017	60,000,000	904,658	9
9/11/2001	9/1/2027	9/1/2001	9/1/2027	10,104,000	150,071	10
8/15/1993	8/15/2013	8/15/1993	8/15/2013	35,200,000	539,664	11
8/15/1993	8/15/2019	8/15/1993	8/15/2019	102,000,000	5,737,505	12
10/15/1993	10/15/2020	10/15/1993	10/15/2020	26,000,000	1,417,000	13
4/15/1995	4/15/2023	4/15/1995	4/15/2023	40,000,000	2,360,000	14
10/1/1996	9/1/2026	10/1/1996	03/05/2002		79,006	15
10/1/1996	9/1/2026	10/1/1996	03/05/2002		110,904	16
11/1/1997	11/1/2027	11/1/1997	03/21/2002		158,253	17
11/1/1997	11/1/2027	11/1/1997	03/21/2002		183,343	18
5/19/2000	5/1/2027	5/19/2000	5/1/2027	25,000,000	363,854	19
8/9/2000	8/1/2030	8/9/2000	8/1/2030	83,335,000	1,206,300	20
03/06/2002	09/01/2026	03/06/2002	09/01/2026	22,500,000	271,147	21
03/06/2002	09/01/2026	03/06/2002	09/01/2026	27,500,000	331,015	22
03/22/2002	11/01/2027	03/22/2002	11/01/2027	35,000,000	418,112	23
03/22/2002	11/01/2027	03/22/2002	11/01/2027	35,000,000	417,808	24
10/23/2002	10/01/2032	10/23/2002	10/01/2032	41,665,000	117,861	25
						26
				616,904,000	20,133,995	27
						28
						29
					4,406,542	30
						31
						32
				616,904,000	24,540,537	33

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

Notes to FERC Form No.1 page 256:

(1) 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) In March 1993, the Company defeased $8,335,000 from an issue of its Trimble County Pollution Control Bonds, Series due November 1, 2020.

(4) As of December 31, 2002, the Company had in effect three 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. The specifics for each swap agreement related to notional amounts, maturity dates, payable and receivable positions are as follows:

Notional Amount	Maturity	Payable	Receivable
$17,000,000	02/3/2003	Fixed 4.184%	BMA Index
$17,000,000	02/3/2005	Fixed 4.309%	BMA Index
$83,335,000	11/2/2020	Fixed 5.495%	BMA Index

(5) 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.

(6) During 2002, the Company executed the following refinancings of Pollution Control Bonds for their full face value:

Issued	Redeemed
Series BB, due 9/1/2026	1996 Series A JC, due 9/1/2026
Series CC, due 9/1/2026	1996 Series A TC, due 9/1/2026
Series DD, due 11/1/2027	1997 Series A JC, due 11/1/2027
Series EE, due 11/1/2027	1997 Series A TC, due 11/1/2027
Series FF, due 10/1/2032	Series R, due 11/1/2020

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	03/28/2003	Dec. 31, 2002

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)	88,931,532
2		
3		
4	Taxable Income Not Reported on Books	
5	See Footnotes	13,635,738
6		
7		
8		
9	Deductions Recorded on Books Not Deducted for Return	
10	See Footnotes	205,763,695
11		
12		
13		
14	Income Recorded on Books Not Included in Return	
15	See Footnotes	16,705,031
16		
17		
18		
19	Deductions on Return Not Charged Against Book Income	
20	See Footnotes	224,872,347
21		
22		
23		
24		
25		
26		
27	Federal Tax Net Income	66,753,587
28	Show Computation of Tax:	
29		
30	Federal Tax Net Income	66,753,587
31	35% - Rounded	23,363,755
32	Add: Adjustment of Prior Years Taxes to Actual	1,202,088
33		
34		
35	Total	24,565,843
36		
37		
38		
39		
40		
41		
42		
43		
44		

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year of Report
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FOOTNOTE DATA

Schedule Page: 261 Line No.: 5 Column: b

Contributions in Aid of Construction	3,005,330
Demand Side Management	931,576
Weatherization (DSM)	1,141,812
Purchased Gas Adjustment	7,337,401
Environmental Cost Recovery	758,783
Other	460,836

	13,635,738
	==========

Schedule Page: 261 Line No.: 10 Column: b

Federal Income Taxes:	
Utility Operating Income	26,232,677
Other Income and Deductions	(1,666,834)
Provision for Deferred Income Taxes-Net	24,613,839
Fas 106 Cost Write-Off (Postretirement)	4,363,750
Book Depreciation	106,100,000
Public Liability	2,000,000
Capitalized Interest	8,000,000
Amortization Merger Exp. Ratepayer Portion	3,629,340
One Utility Costs	2,688,414
VDT - Powergen Merger Amortization	27,166,568
Vacation Pay	600,250
Medical Plan	787,000
Other	1,248,691

	205,763,695
	============

Schedule Page: 261 Line No.: 15 Column: b

Investment Tax Credit	4,152,179
Earnings Sharing Mechanism	12,500,000
Other	52,852

	16,705,031
	===========

Schedule Page: 261 Line No.: 20 Column: b

Loss on Reacquired Debt-Amortization	940,289
Cost of Removal Charged to Book Depre Reserve	4,500,000
Pensions	73,523,940
Tax Depreciation	145,080,109
Prepaid Insurance	788,943
State Income Tax Deduction	(478,492)
Other	517,558

	224,872,347
	=============

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	03/28/2003	Dec. 31, 2002

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)	Adjustments (f)
1	Federal:					
2	Income	8,065,457		24,565,846	37,372,286	
3	Unemployment Insurance	3,631		76,805	62,785	
4	FICA	6,750		4,488,624	4,279,754	
5	Highway Use	-1,614		550	-1,064	
6	Excise Tax	316		109	425	
7	IFTA			4,525	4,525	
8						
9	Kentucky:					
10	Income	10,901,516		7,252,682	14,041,493	
11	Unemployment Insurance	615		63,104	52,950	
12	Regulatory Commission Fee			1,558,789	1,558,789	
13	6% Use	270,144		1,987,985	1,811,567	
14	Auto License	-75		71,423	71,348	
15	Excise Tax	1,053		118	1,171	
16	Weight Distance	1,614		464	2,078	
17	Coal Tax	-1,294		19,808	18,514	
18	Hazardous Waste					
19						
20	Indiana:					
21	Motor Carrier Tax					
22	5% Use	161			308	
23	Gross Receipts	912,782		400,000	126,000	
24						
25	Local:					
26	Occupational			15,413	16,137	
27						
28	Kentucky & Local					
29	Property Taxes	83,941		11,799,980	11,692,854	
30						
31						
32						
33						
34						
35						
36						
37						
38						
39						
40						
41	TOTAL	20,244,997		52,306,225	71,111,920	

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
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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
-4,740,983		20,859,460			3,706,386	2
17,651		136,373			-59,568	3
215,620		3,219,851			1,268,773	4
					550	5
					109	6
					4,525	7
						8
						9
4,112,705		6,498,002			754,680	10
10,769		84,265			-21,161	11
		1,169,091			389,698	12
446,562					1,987,985	13
					71,423	14
					118	15
					464	16
		19,808				17
						18
						19
						20
						21
-147						22
1,186,782					400,000	23
						24
						25
-724		12,488			2,925	26
						27
						28
191,067		8,755,386			3,044,594	29
						30
						31
						32
						33
						34
						35
						36
						37
						38
						39
						40
1,439,302		40,754,724			11,551,501	41

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Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year of Report
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FOOTNOTE DATA

Schedule Page: 262 Line No.: 1 Column: a

Louisville Gas and Electric Company
Taxes Accrued, Prepaid and Charged During the Year

Segregation of Other	Other	Gas Accounts 408.1-409.1	Other Accounts(1)
Federal:			
Income	3,706,386	5,373,216	(1,666,830)
Unemp Ins	(59,568)	31,491	(91,059)
FICA	1,268,773	743,525	525,248
Highway Use	550	0	550
Excise Tax	109	(25,989)	26,098
IFTA	4,525	0	4,525
Kentucky:			
Income	754,680	1,584,757	(830,077)
Unemp Ins	(21,161)	19,458	(40,619)
Reg Commission Fee	389,698	389,698	0
6% Use	1,987,985	0	1,987,985
Auto License	71,423	0	71,423
Excise Tax	118	118	0
Weight Distance	464	0	464
Indiana:			
Gross Receipts	400,000	0	400,000
Local:			
Occupational	2,925	2,925	0
Kentucky & Local Property Taxes	3,044,594	2,899,869	144,725
Total	11,551,501	11,019,068	532,433

(1) Other Accounts include Other Income and Deductions and Balance Sheet accounts.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
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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		56,424,267			411.4	3,952,359	
8	TOTAL	56,424,267				3,952,359	
9	Other (List separately and show 3%, 4%, 7%, 10% and TOTAL)						
10							
11							
12							
13							
14							
15							
16	Gas	2,264,357			411.4	199,820	
17							
18							
19							
20	Combined Electric a	58,688,624				4,152,179	
21							
22							
23							
24							
25							
26							
27							
28							
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31							
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48							

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
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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
52,471,908	32 years		7
52,471,908			8
			9
			10
			11
			12
			13
			14
			15
2,064,537	33 years		16
			17
			18
			19
54,536,445			20
			21
			22
			23
			24
			25
			26
			27
			28
			29
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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	03/28/2003	Dec. 31, 2002

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 Supply Adjustments -					
2	overbilled and refundable					
3	to customers	15,702,359	803	12,548,786		3,153,573
4						
5	Demand Side Management -					
6	revenues refundable to					
7	customers due to decoupling	752,096	142		931,575	1,683,671
8						
9	Prepaid transmission					
10	system use fee:					
11	MCI Telecommunications	159,872	454	22,292		137,580
12	East Kentucky Power Coop	65,602	454	161,904	161,900	65,598
13						
14	Revenue Subject to Refund	191,341	449	182,102	1,712,309	1,721,548
15						
16	Long-Term Derivative Liability	8,603,844			8,511,599	17,115,443
17						
18						
19	Texas Gas Transmission Refund		803	8,401	336,906	328,505
20	to customers					
21						
22						
23						
24						
25						
26						
27						
28						
29						
30						
31						
32						
33						
34						
35						
36						
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41						
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43						
44						
45						
46						
47	TOTAL	25,475,114		12,923,485	11,654,289	24,205,918

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) 03/28/2003	Year of Report Dec. 31, 2002

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)	CHANGES DURING YEAR Amounts Credited to Account 411.1 (d)
1	Account 282			
2	Electric	318,422,376	29,027,565	20,279,889
3	Gas	40,615,512	4,539,237	2,035,092
4				
5	TOTAL (Enter Total of lines 2 thru 4)	359,037,888	33,566,802	22,314,981
6				
7				
8				
9	TOTAL Account 282 (Enter Total of lines 5 thru	359,037,888	33,566,802	22,314,981
10	Classification of TOTAL			
11	Federal Income Tax	289,715,380	27,723,137	18,238,472
12	State Income Tax	69,322,508	5,843,665	4,076,509
13	Local Income Tax			

NOTES

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	03/28/2003	Dec. 31, 2002

ACCUMULATED DEFERRED INCOME TAXES - OTHER PROPERTY (Account 282) (Continued)

3. Use footnotes as required.

CHANGES DURING YEAR		ADJUSTMENTS					
Amounts Debited to Account 410.2 (e)	Amounts Credited to Account 411.2 (f)	Debits: Account Credited (g)	Debits: Amount (h)	Credits: Account Debited (i)	Credits: Amount (j)	Balance at End of Year (k)	Line No.
							1
				282	1,566,702	328,736,754	2
		282	1,566,704			41,552,953	3
							4
			1,566,704		1,566,702	370,289,707	5
							6
							7
							8
			1,566,704		1,566,702	370,289,707	9
							10
			1,100,459		1,100,458	299,200,044	11
			466,245		466,244	71,089,663	12
							13

NOTES (Continued)

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	03/28/2003	Dec. 31, 2002

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	5,957,827	704,209	445,700
4	Unamortized Loss on Bonds	824,418		
5	Fas 109 Adjustment	7,631,902		
6	Realized Gain/Loss	-104,004		
7	Performance Based Ratemaking			
8	Other	42,455,515	5,062,974	11,176,560
9	TOTAL Electric (Total of lines 3 thru 8)	56,765,658	5,767,183	11,622,260
10	Gas			
11	Loss on Reacquired Debt	338,019	135,134	109,099
12	Unamortized Loss on Bonds	206,104		
13	Fas 109 Adjustment	141,336		
14	Realized Gain/Loss	-25,416		
15	Purchased Gas Adjustment	16,449,128		4,137,186
16	Other	11,558,572	82,168	3,303,129
17	TOTAL Gas (Total of lines 11 thru 16)	28,667,743	217,302	7,549,414
18				
19	TOTAL (Acct 283) (Enter Total of lines 9, 17 and 18)	85,433,401	5,984,485	19,171,674
20	Classification of TOTAL			
21	Federal Income Tax	68,985,027	4,761,270	15,249,320
22	State Income Tax	16,448,374	1,223,215	3,922,354
23	Local Income Tax			

NOTES

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	03/28/2003	Dec. 31, 2002

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.
[redacted]							1
							2
				283	824,418	7,040,754	3
		283	824,418				4
						7,631,902	5
104,004							6
							7
						36,341,929	8
104,004			824,418		824,418	51,014,585	9
[redacted]							10
				283	206,104	570,158	11
		283	206,104				12
						141,336	13
25,416							14
						12,311,942	15
						8,337,611	16
25,416			206,104		206,104	21,361,047	17
							18
129,420			1,030,522		1,030,522	72,375,632	19
[redacted]							20
102,966			746,926		819,886	58,672,903	21
26,454			283,596		210,636	13,702,729	22
							23

NOTES (Continued)

Schedule Page: 276 Line No.: 8 Column: b

IRS Rollover-Amort Cap Legal Costs	(19,436)
Weatherization - DSM	110,863
One Utility Cost	1,111,925
Fas 133 Other Comp Income	72,960
VDT - Powergen Merger Amortization	41,179,203
	42,455,515

Schedule Page: 276 Line No.: 8 Column: c

IRS Rollover-Amort Cap Legal Costs	4,780
Weatherization - DSM	9,854
One Utility Cost	3,028
Earnings Sharing Mechanism	5,045,312
	5,062,974

Schedule Page: 276 Line No.: 8 Column: d

Weatherization - DSM	29,926
One Utility Cost	813,833
VDT - Powergen Merger Amortization	10,332,801
	11,176,560

Schedule Page: 276 Line No.: 8 Column: k

IRS Rollover-Amort Cap Legal Costs	(14,656)
Weatherization - DSM	90,791
One Utility Cost	301,120
FAS 133 Other Comp Income	72,960
VDT - Powergen Merger Amortization	30,846,402
Earnings Sharing Mechanism	5,045,312
	36,341,929

Schedule Page: 276 Line No.: 16 Column: b

IRS Rollover-Amort Cap Legal Costs	(5,803)
Weatherization - DSM	896,981
One Utility Cost	354,353
Fas 133 Other Comp Inc.	18,240
VDT - Powergen Merger Amortization	10,294,801
	11,558,572

Schedule Page: 276 Line No.: 16 Column: c

IRS Rollover-Amort Legal Costs	1,428

Weatherization - DSM	79,731
One Utility Cost	1,009

	82,168
	=======

Schedule Page: 276 Line No.: 16 Column: d

Weatherization - DSM	448,651
One Utility Cost	271,278
VDT - Powergen Merger Amortization	2,583,200

	3,303,129
	===========

Schedule Page: 276 Line No.: 16 Column: k

IRS Rollover-Amort Cap Legal Costs	(4,375)
Weatherization - DSM	528,061
One Utility Cost	84,084
Fas 133 Other Comp Income	18,240
VDT - Powergen Merger Amortization	7,711,601

	8,337,611
	===========

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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
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OTHER REGULATORY LIABILITIES (Account 254)

1. Reporting below the particulars (Details) called for concerning other regulatory liabilities which are created through the rate-making actions of regulatory agencies (and not includable in other amounts)
2. For regulatory Liabilities being amortized show period of amortization in column (a).
3. Minor items (5% of the Balance at End of Year for Account 254 or amounts less than $50,000, whichever is Less) may be grouped by classes.

Line No.	Description and Purpose of Other Regulatory Liabilities (a)	DEBITS Account Credited (b)	DEBITS Amount (c)	Credits (d)	Balance at End of Year (e)
1					
2					
3	FASB 109 - Income Taxes	190)	3,167,270		47,333,336
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
21					
22					
23					
24					
25					
26					
27					
28					
29					
30					
31					
32					
33					
34					
35					
36					
37					
38					
39					
40					
41	TOTAL		3,167,270		47,333,336

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	03/28/2003	Dec. 31, 2002

ELECTRIC OPERATING REVENUES (Account 400)

1. Report below operating revenues for each prescribed account, and manufactured gas revenues in total.
2. 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.
3. If increases or decreases from previous year (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 Amount for Year (b)	OPERATING REVENUES Amount for Previous Year (c)
1	Sales of Electricity		
2	(440) Residential Sales	232,526,971	205,038,057
3	(442) Commercial and Industrial Sales		
4	Small (or Comm.) (See Instr. 4)	185,305,880	170,800,625
5	Large (or Ind.) (See Instr. 4)	111,988,000	103,988,122
6	(444) Public Street and Highway Lighting	5,968,522	5,796,204
7	(445) Other Sales to Public Authorities	51,793,335	47,698,275
8	(446) Sales to Railroads and Railways		
9	(448) Interdepartmental Sales		
10	TOTAL Sales to Ultimate Consumers	587,582,708	533,321,283
11	(447) Sales for Resale	143,001,645	159,405,694
12	TOTAL Sales of Electricity	730,584,353	692,726,977
13	(Less) (449.1) Provision for Rate Refunds	-11,655,364	-1,588,408
14	TOTAL Revenues Net of Prov. for Refunds	742,239,717	694,315,385
15	Other Operating Revenues		
16	(450) Forfeited Discounts	1,884,275	1,693,102
17	(451) Miscellaneous Service Revenues	712,178	399,082
18	(453) Sales of Water and Water Power		
19	(454) Rent from Electric Property	1,079,251	659,917
20	(455) Interdepartmental Rents		
21	(456) Other Electric Revenues	12,575,130	8,856,721
22			
23			
24			
25			
26	TOTAL Other Operating Revenues	16,250,834	11,608,822
27	TOTAL Electric Operating Revenues	758,490,551	705,924,207

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
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ELECTRIC OPERATING REVENUES (Account 400)

4. 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.)
5. See pages 108-109, Important Changes During Year, for important new territory added and important rate increase or decreases.
6. For Lines 2,4,5,and 6, see Page 304 for amounts relating to unbilled revenue by accounts.
7. Include unmetered sales. Provide details of such Sales in a footnote.

MEGAWATT HOURS SOLD		AVG.NO. CUSTOMERS PER MONTH		Line No.
Amount for Year (d)	Amount for Previous Year (e)	Number for Year (f)	Number for Previous Year (g)	
[redacted]				1
4,035,725	3,782,869	334,328	330,030	2
[redacted]				3
3,492,517	3,394,983	40,893	39,773	4
3,028,490	2,976,234	407	408	5
69,101	69,599	3,494	3,477	6
1,184,292	1,153,582	2,236	2,261	7
				8
				9
11,810,125	11,377,267	381,358	375,949	10
7,261,999	6,957,029	37	41	11
19,072,124	18,334,296	381,395	375,990	12
				13
19,072,124	18,334,296	381,395	375,990	14

Line 12, column (b) includes $ 1,441,000 of unbilled revenues.
Line 12, column (d) includes 12,064 MWH relating to unbilled revenues

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Schedule Page: 300 Line No.: 4 Column: b

Schedule 300 Line No. 4

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.

Includes Small Commercial and Industrial Sales

(b) 82,172,746
(c) 77,668,410
(d) 1,285,467
(e) 1,271,236
(f) 38,541
(g) 37,509

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
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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	RESIDENTIAL SALES					
2	R Residential	4,016,204	230,541,700	334,328	12,013	0.0574
3	WH Water Heating	17,322	738,223			0.0426
4	OL Outdoor Lighting	6,221	880,048			0.1415
5	Unbilled Revenues	-4,022	367,000			-0.0912
6	Subtotal	4,035,725	232,526,971	334,328	12,071	0.0576
7						
8	SMALL COM'L. AND IND'L.					
9	GS General Service	1,211,853	76,045,291	38,541	31,443	0.0628
10	GS Space Heating	35,030	1,744,506			0.0498
11	WH Water Heating	166	7,737			0.0466
12	OL Outdoor Lighting	44,330	4,604,212			0.1039
13	Unbilled Revenue	-5,912	-229,000			0.0387
14	Subtotal	1,285,467	82,172,746	38,541	33,353	0.0639
15						
16	LARGE COMMERCIAL SALES					
17	LC Large Commercial	1,869,327	87,972,065	2,310	809,232	0.0471
18	TOD Time of Day	329,773	14,555,069	42	7,851,738	0.0441
19	Unbilled Revenue	7,950	606,000			0.0762
20	Subtotal	2,207,050	103,133,134	2,352	938,372	0.0467
21						
22	LARGE INDUSTRIAL SALES					
23	LP Industrial Power	646,128	29,067,408	356	1,814,966	0.0450
24	TOD Time of Day	1,657,944	57,625,025	47	35,275,404	0.0348
25	Special Contracts	712,055	24,734,567	4	178,013,750	0.0347
26	Unbilled Revenue	12,363	561,000			0.0454
27	Subtotal	3,028,490	111,988,000	407	7,441,007	0.0370
28						
29	PUBLIC STREET AND HIGHWAY					
30	PSL Public Street Lighting	51,311	4,863,603	1,637	31,345	0.0948
31	SLE Street Lighting Energy	4,145	147,137	124	33,427	0.0355
32	OL Outdoor Lighting	2,484	435,044	876	2,836	0.1751
33	TLE Traffic Lighting Energy	11,565	550,738	857	13,495	0.0476
34	Unbilled Revenue	-404	-28,000			0.0693
35	Subtotal	69,101	5,968,522	3,494	19,777	0.0864
36						
37						
38						
39						
40						
41	TOTAL Billed	11,798,061	586,141,708	381,358	30,937	0.0497
42	Total Unbilled Rev.(See Instr. 6)	12,064	1,441,000	0	0	0.1194
43	TOTAL	11,810,125	587,582,708	381,358	30,969	0.0497

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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						
2	SALES TO PUBLIC AUTH					
3	GS General Service	113,502	6,993,080	1,920	59,116	0.0616
4	GS Space Heating	4,959	234,438			0.0473
5	WH Water Heating	13	538			0.0414
6	LC Large Commercial	336,695	16,919,982	248	1,357,641	0.0503
7	LP Industrial Power	22,867	1,107,818	35	653,343	0.0484
8	TOD Time of Day	445,549	17,538,859	30	14,851,633	0.0394
9	Special Contracts	258,618	8,834,620	3	86,206,000	0.0342
10	Unbilled Revenue	2,089	164,000			0.0785
11	Subtotal	1,184,292	51,793,335	2,236	529,648	0.0437
12						
13						
14						
15						
16						
17						
18						
19						
20						
21						
22						
23						
24						
25						
26						
27						
28						
29						
30						
31						
32						
33						
34						
35						
36						
37						
38						
39						
40						
41	TOTAL Billed	11,798,061	586,141,708	381,358	30,937	0.0497
42	Total Unbilled Rev.(See Instr. 6)	12,064	1,441,000	0	0	0.1194
43	TOTAL	11,810,125	587,582,708	381,358	30,969	0.0497

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Schedule Page: 304 Line No.: 3 Column: a

Number of customers served under this rate schedule 6,237 - included in revenue class subtotal.

Schedule Page: 304 Line No.: 4 Column: a

Number of customers served under this rate schedule 6,359 - included in revenue class subtotal.

Schedule Page: 304 Line No.: 10 Column: a

Number of customers served under this rate schedule 967 - included in revenue class subtotal.

Schedule Page: 304 Line No.: 11 Column: a

Number of customers served under this rate schedule 122 - included in revenue class subtotal.

Schedule Page: 304 Line No.: 12 Column: a

Number of customers served under this rate schedule 8,968 - included in revenue class subtotal.

Schedule Page: 304.1 Line No.: 4 Column: a

Number of customers served under this rate schedule 62 - included in revenue class subtotal.

Schedule Page: 304.1 Line No.: 5 Column: a

Number of customers served under this rate schedule 4 - included in revenue class subtotal.

Schedule Page: 304 Line No.: 41 Column: c

Revenue in column (c) includes the following amount billed pursuant to a fuel adjustment clause applicable to all rate schedules

$7,944,977

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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 Classifi-cation (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	Alabama Electric Coop, Inc.	OS	(1)			
2	Allegheny Energy Supply Company, LLC	OS	(1)			
3	Ameren Energy, Inc.	OS	(1)			
4	American Electric Power Service Corp	OS	(1)			
5	Aquila Merchant Services, Inc	OS	(1)			
6	Associated Electric Coop, Inc.	OS	(1)			
7	Big Rivers Electric Corp.	OS	(1)			
8	Bluegrass Generation Company, LLC	OS	(1)			
9	BP Energy Company	OS	(1)			
10	Cargill Power Markets, LLC	OS	(1)			
11	Cincinnati Gas & Electic Company	OS	(1)			
12	CMS Marketing, Services & Trading Corp.	OS	(1)			
13	Conoco, Inc.	OS	(1)			
14	Constellation Power Source Inc.	OS	(1)			
	Subtotal RQ			0	0	0
	Subtotal non-RQ			0	0	0
	Total			**0**	**0**	**0**

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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,iine 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.
8,965		273,420		273,420	1
156,270		3,901,413		3,901,413	2
81,888		2,130,230		2,130,230	3
295,364		7,182,456		7,182,456	4
204,273	1,170	5,542,727		5,543,897	5
20,217		406,872		406,872	6
34,951		1,044,954		1,044,954	7
1,453		107,359		107,359	8
50,570		1,477,812		1,477,812	9
31,264		704,016		704,016	10
248,137		5,805,319		5,805,319	11
1,958		46,332		46,332	12
1,117		25,791		25,791	13
51,942		1,288,175		1,288,175	14
0	0	0	0	0	
7,261,999	6,876,128	136,125,517	0	143,001,645	
7,261,999	**6,876,128**	**136,125,517**	**0**	**143,001,645**	

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	03/28/2003	Dec. 31, 2002

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 Classifi-cation (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	Coral Power LLC	OS	(1)			
2	Dayton Power & Light Company	OS	(1)			
3	Detroit Edison Company	OS	(1)			
4	DTE Energy Trading, Inc.	OS	(1)			
5	Duke Energy Trading & Marketing LLC	OS	(1)			
6	Dynegy Power Marketing, Inc.	OS	(1)			
7	East Kentucky Power Cooperative, Inc.	OS	(1)			
8	El Paso Merchant Energy, L.P.	OS	(1)			
9	Electric Energy, Inc.	OS				
10	Engage Energy America, LLC	OS	(1)			
11	Entergy-Koch Trading, LP	OS	(1)			
12	Exelon Generation Company, LLC	OS	(1)			
13	Hoosier Energy Rural Electric Coop.	OS	(1)			
14	Illinois Municipal Electric Agency	OS	(1)			
	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 of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	03/28/2003	Dec. 31, 2002

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.
45,462		1,446,592		1,446,592	1
70,420		1,678,656		1,678,656	2
31,418		721,293		721,293	3
82,682		2,070,698		2,070,698	4
177,994		4,899,617		4,899,617	5
91,168		1,964,735		1,964,735	6
473,031	3,610,586	9,304,201		12,914,787	7
74,789		2,367,634		2,367,634	8
304,695	618,320	6,091,460		6,709,780	9
43		762		762	10
10,370		204,194		204,194	11
47,553		1,213,461		1,213,461	12
955		18,719		18,719	13
15,837		348,126		348,126	14
0	0	0	0	0	
7,261,999	6,876,128	136,125,517	0	143,001,645	
7,261,999	**6,876,128**	**136,125,517**	**0**	**143,001,645**	

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	03/28/2003	Dec. 31, 2002

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) (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	Indiana Municipal Power Agency	OS	(1)			
2	Indianapolis Power & Light Company	OS	(1)			
3	Kentucky Utilities Company	IF	(3)			
4	LG&E Energy Marketing Inc.	OS	(1)			
5	Mirant Americas Energy Marketing , LP	OS	(1)			
6	Morgan Stanley Capital Group, Inc.	OS	(1)			
7	Northern Indiana Public Service Co.	OS	(1)			
8	Northern States Power Company	OS	(1)			
9	Oglethorpe Power Corporation	OS	(1)			
10	Ohio Valley Electric Corporation	OS	(1)			
11	PG&E Energy Trading - Power, L.P.	OS	(1)			
12	Powerex Corp	OS	(1)			
13	PPL Electric Utilities Corp.	OS	(1)			
14	PSEG Energy Resources & Trade LLC	OS	(1)			
	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 of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	03/28/2003	Dec. 31, 2002

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,iine 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.
145,868	2,160,000	2,747,379		4,907,379	1
6,672		149,315		149,315	2
3,326,207		41,480,086		41,480,086	3
391,479		9,939,230		9,939,230	4
3,255		71,231		71,231	5
45,453		1,141,078		1,141,078	6
22,840		633,833		633,833	7
931		21,048		21,048	8
3,007		77,814		77,814	9
1,326	486,052	27,666		513,718	10
40		841		841	11
87		1,633		1,633	12
1,598		40,809		40,809	13
1,436		38,018		38,018	14
0	0	0	0	0	
7,261,999	6,876,128	136,125,517	0	143,001,645	
7,261,999	**6,876,128**	**136,125,517**	**0**	**143,001,645**	

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	03/28/2003	Dec. 31, 2002

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)	Actual Demand (MW) Average Monthly CP Demand (f)
1	Rainbow Energy Marketing Corporation	OS	(1)			
2	Reliant Energy Services, Inc.	OS	(1)			
3	Sempra Energy Trading Corp.	OS	(1)			
4	Southeastern Power Administration	OS	(1)			
5	Southern Company Services, Inc.	OS	(1)			
6	Southern Illinois Power Cooperative	OS	(1)			
7	Southern Indiana Gas & Electric Co	OS	(1)			
8	Tennessee Valley Authority	OS	(1)			
9	The Energy Authority	OS	(1)			
10	TXU Energy Trading Company, LP	OS	(1)			
11	Virginia Electric and Power Company	OS	(1)			
12	Wabash Valley Power Association	OS	(1)			
13	Westar Energy, Inc.	OS	(1)			
14	Western Resources Inc.	OS	(1)			
	Subtotal RQ			0	0	0
	Subtotal non-RQ			0	0	0
	Total			0	0	0

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) 03/28/2003	Year of Report Dec. 31, 2002

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.
387		13,599		13,599	1
41,116		1,011,996		1,011,996	2
23,097		423,604		423,604	3
52,208		1,055,449		1,055,449	4
16,236		593,371		593,371	5
189		5,652		5,652	6
34,820		938,670		938,670	7
300,971		7,085,979		7,085,979	8
15,202		360,131		360,131	9
20,693		438,869		438,869	10
21,762		479,115		479,115	11
11,609		298,970		298,970	12
6,217		153,847		153,847	13
10,966		234,529		234,529	14
0	0	0	0	0	
7,261,999	6,876,128	136,125,517	0	143,001,645	
7,261,999	**6,876,128**	**136,125,517**	**0**	**143,001,645**	

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) 03/28/2003	Year of Report Dec. 31, 2002

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)	Actual Demand (MW) Average Monthly CP Demand (f)
1	Williams Energy Marketing & Trading Co.	OS	(1)			
2						
3	Note:					
4	The balance stated in account 447					
5	includes $437,776 of imputed					
6	transmission services and $107,947					
7	ancillary service revenue under the					
8	Open Access Transmission Tariff from					
9	certain sales for resale.					
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 of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	03/28/2003	Dec. 31, 2002

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,iine 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.
141,541		4,394,731		4,394,731	1
					2
					3
					4
					5
					6
					7
					8
					9
					10
					11
					12
					13
					14
0	0	0	0	0	
7,261,999	6,876,128	136,125,517	0	143,001,645	
7,261,999	**6,876,128**	**136,125,517**	**0**	**143,001,645**	

Schedule Page: 310 Line No.: 1 Column: b
Non-Displacement Energy

Schedule Page: 310 Line No.: 1 Column: c
(1) FERC Electric Tariff, Original Volume No. 2

Schedule Page: 310 Line No.: 2 Column: b
Non-Displacement Energy

Schedule Page: 310 Line No.: 2 Column: c
(1) FERC Electric Tariff, Original Volume No. 2

Schedule Page: 310 Line No.: 3 Column: b
Non-Displacement Energy

Schedule Page: 310 Line No.: 3 Column: c
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Non-Displacement Energy

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Non-Displacement Energy

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Non-Displacement Energy

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(1) FERC Electric Tariff, Original Volume No. 2

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Non-Displacement Energy

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Non-Displacement Energy

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(1) FERC Electric Tariff, Original Volume No. 2

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Non-Displacement Energy

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Non-Displacement Energy

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(1) FERC Electric Tariff, Original Volume No. 2

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Non-Displacement Energy

Schedule Page: 310 Line No.: 12 Column: c
(1) FERC Electric Tariff, Original Volume No. 2

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Non-Displacement Energy

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(1) FERC Electric Tariff, Original Volume No. 2

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Non-Displacement Energy

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(1) FERC Electric Tariff, Original Volume No. 2

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Non-Displacement Energy

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(1) FERC Electric Tariff, Original Volume No. 2

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Non-Displacement Energy

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(1) FERC Electric Tariff, Original Volume No. 2

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Non-Displacement Energy

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(1) FERC Electric Tariff, Original Volume No. 2

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Non-Displacement Energy

Schedule Page: 310.1 Line No.: 4 Column: c

(1) FERC Electric Tariff, Original Volume No. 2

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Non-Displacement Energy

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(1) FERC Electric Tariff, Original Volume No. 2

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Non-Displacement Energy

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(1) FERC Electric Tariff, Original Volume No. 2

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Firm, interruptible Energy

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(1) FERC Electric Tariff, Original Volume No. 2

Schedule Page: 310.1 Line No.: 8 Column: b

Non-Displacement Energy

Schedule Page: 310.1 Line No.: 8 Column: c

(1) FERC Electric Tariff, Original Volume No. 2

Schedule Page: 310.1 Line No.: 9 Column: b

Non-Displacement Energy

Schedule Page: 310.1 Line No.: 9 Column: c

Sale of power pursuant to the Inter-Company Agreement among Electric Energy, Inc. and Sponsoring Companies dated May 1951.

Schedule Page: 310.1 Line No.: 10 Column: b

Non-Displacement Energy

Schedule Page: 310.1 Line No.: 10 Column: c

(1) FERC Electric Tariff, Original Volume No. 2

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Non-Displacement Energy

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(1) FERC Electric Tariff, Original Volume No. 2

Schedule Page: 310.1 Line No.: 12 Column: b
Non-Displacement Energy

Schedule Page: 310.1 Line No.: 12 Column: c
(1) FERC Electric Tariff, Original Volume No. 2

Schedule Page: 310.1 Line No.: 13 Column: b
Non-Displacement Energy

Schedule Page: 310.1 Line No.: 13 Column: c
(1) FERC Electric Tariff, Original Volume No. 2

Schedule Page: 310.1 Line No.: 14 Column: b
Non-Displacement Energy

Schedule Page: 310.1 Line No.: 14 Column: c
(1) FERC Electric Tariff, Original Volume No. 2

Schedule Page: 310.2 Line No.: 1 Column: b
Non-Displacement Energy

Schedule Page: 310.2 Line No.: 1 Column: c
(1) FERC Electric Tariff, Original Volume No. 2

Schedule Page: 310.2 Line No.: 2 Column: b
Non-Displacement Energy

Schedule Page: 310.2 Line No.: 2 Column: c
(1)FERC Electric Tariff, Original Volume No. 2.

Schedule Page: 310.2 Line No.: 3 Column: a
Louisville Gas & Electric Company and Kentucky Utilities Company are both owned by LG&E Energy Corp.

Schedule Page: 310.2 Line No.: 3 Column: c
(3) FERC Rate Schedule No. 1, The Power System Supply Agreement, FERC Docket No. ER98-111-000

Schedule Page: 310.2 Line No.: 4 Column: a
LG&E Energy Marketing is a wholly owned subsidary of LG&E Energy Corp.

Schedule Page: 310.2 Line No.: 4 Column: b
Non-Displacement Energy

Schedule Page: 310.2 Line No.: 4 Column: c
(1) FERC Electric Tariff, Original Volume No. 2

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Non-Displacement Energy

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(1) FERC Electric Tariff, Original Volume No. 2

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(1) FERC Electric Tariff, Original Volume No. 2

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(1)FERC Electric Tariff, Original Data No. 2.

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(1) FERC Electric Tariff, Original Volume No. 2

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The company owns 4.9% of the common stock of Ohio Valley Electric Corporation.

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Non-Displacement Energy

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(1) FERC Electric Tariff, Original Volume No. 2

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(1) FERC Electric Tariff, Original Volume No. 2

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Non-Displacement Energy

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(1) FERC Electric Tariff, Original Volume No. 2.

Schedule Page: 310.2 Line No.: 13 Column: b

Non-Displacement Energy

Schedule Page: 310.2 Line No.: 13 Column: c

(1) FERC Electric Tariff, Original Volume No. 2

Schedule Page: 310.2 Line No.: 14 Column: b

Non-Displacement Energy

Schedule Page: 310.2 Line No.: 14 Column: c

(1) FERC Electric Tariff, Original Volume No. 2

Schedule Page: 310.3 Line No.: 1 Column: b

Non-Displacement Energy

Schedule Page: 310.3 Line No.: 1 Column: c

(1) FERC Electric Tariff, Original Volume No. 2

Schedule Page: 310.3 Line No.: 2 Column: b

Non-Displacement Energy

Schedule Page: 310.3 Line No.: 2 Column: c

(1) FERC Electric Tariff, Original Volume No. 2

Schedule Page: 310.3 Line No.: 3 Column: b

Non-Displacement Energy

Schedule Page: 310.3 Line No.: 3 Column: c

(1) FERC Electric Tariff, Original Volume No. 2

Schedule Page: 310.3 Line No.: 4 Column: b

Non-Displacement Energy

Schedule Page: 310.3 Line No.: 4 Column: c

(1) FERC Electric Tariff, Original Volume No. 2

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(1) FERC Electric Tariff, Original Volume No. 2

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Schedule Page: 310.3 Line No.: 6 Column: c

(1)FERC Electric Tariff, Original Volume No. 2.

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Non-Displacement Energy

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(1) FERC Electric Tariff, Original Volume No. 2

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Non-Displacement Energy

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(1) FERC Electric Tariff, Original Volume No. 2

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(1) FERC Electric Tariff, Original Volume No. 2

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Non-Displacement Energy

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(1) FERC Electric Tariff, Original Volume No. 2

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
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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	1,440,101	1,220,305
5	(501) Fuel	184,106,845	155,917,909
6	(502) Steam Expenses	26,207,927	23,364,081
7	(503) Steam from Other Sources		
8	(Less) (504) Steam Transferred-Cr.		
9	(505) Electric Expenses	424,279	302,472
10	(506) Miscellaneous Steam Power Expenses	12,080,303	11,865,713
11	(507) Rents	51,252	55,594
12	(509) Allowances	37,206	66,121
13	TOTAL Operation (Enter Total of Lines 4 thru 12)	224,347,913	192,792,195
14	Maintenance		
15	(510) Maintenance Supervision and Engineering	1,215,311	984,403
16	(511) Maintenance of Structures	1,356,674	1,322,118
17	(512) Maintenance of Boiler Plant	24,202,326	25,273,379
18	(513) Maintenance of Electric Plant	6,714,433	6,688,255
19	(514) Maintenance of Miscellaneous Steam Plant	1,818,096	1,347,249
20	TOTAL Maintenance (Enter Total of Lines 15 thru 19)	35,306,840	35,615,404
21	TOTAL Power Production Expenses-Steam Power (Entr Tot lines 13 & 20)	259,654,753	228,407,599
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	102,158	129,272
45	(536) Water for Power	56,436	56,436
46	(537) Hydraulic Expenses		
47	(538) Electric Expenses	356,799	411,903
48	(539) Miscellaneous Hydraulic Power Generation Expenses	33,954	16,077
49	(540) Rents	358,304	547,940
50	TOTAL Operation (Enter Total of Lines 44 thru 49)	907,651	1,161,628

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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)
51	C. Hydraulic Power Generation (Continued)		
52	Maintenance		
53	(541) Mainentance Supervision and Engineering		
54	(542) Maintenance of Structures	21,466	24,037
55	(543) Maintenance of Reservoirs, Dams, and Waterways		
56	(544) Maintenance of Electric Plant	899,181	551,014
57	(545) Maintenance of Miscellaneous Hydraulic Plant	79,337	37,285
58	TOTAL Maintenance (Enter Total of lines 53 thru 57)	999,984	612,336
59	TOTAL Power Production Expenses-Hydraulic Power (tot of lines 50 & 58)	1,907,635	1,773,964
60	D. Other Power Generation		
61	Operation		
62	(546) Operation Supervision and Engineering	90,438	22,795
63	(547) Fuel	10,793,344	3,312,629
64	(548) Generation Expenses	65,540	3,978
65	(549) Miscellaneous Other Power Generation Expenses	42,054	94,581
66	(550) Rents	275,505	31,950
67	TOTAL Operation (Enter Total of lines 62 thru 66)	11,266,881	3,465,933
68	Maintenance		
69	(551) Maintenance Supervision and Engineering	14,822	14,647
70	(552) Maintenance of Structures	70,721	618,615
71	(553) Maintenance of Generating and Electric Plant	411,287	344,978
72	(554) Maintenance of Miscellaneous Other Power Generation Plant	192,302	105,020
73	TOTAL Maintenance (Enter Total of lines 69 thru 72)	689,132	1,083,260
74	TOTAL Power Production Expenses-Other Power (Enter Tot of 67 & 73)	11,956,013	4,549,193
75	E. Other Power Supply Expenses		
76	(555) Purchased Power	84,330,008	81,475,058
77	(556) System Control and Load Dispatching	1,123,818	1,121,636
78	(557) Other Expenses	14,529	39,462
79	TOTAL Other Power Supply Exp (Enter Total of lines 76 thru 78)	85,468,355	82,636,156
80	TOTAL Power Production Expenses (Total of lines 21, 41, 59, 74 & 79)	358,986,756	317,366,912
81	2. TRANSMISSION EXPENSES		
82	Operation		
83	(560) Operation Supervision and Engineering	270,917	326,874
84	(561) Load Dispatching	364,309	365,535
85	(562) Station Expenses	751,559	902,093
86	(563) Overhead Lines Expenses	31,817	47,726
87	(564) Underground Lines Expenses		
88	(565) Transmission of Electricity by Others	14,690,577	4,318,753
89	(566) Miscellaneous Transmission Expenses	3,689,036	735,933
90	(567) Rents	54,484	57,380
91	TOTAL Operation (Enter Total of lines 83 thru 90)	19,852,699	6,754,294
92	Maintenance		
93	(568) Maintenance Supervision and Engineering		56,900
94	(569) Maintenance of Structures	21,728	29,938
95	(570) Maintenance of Station Equipment	849,884	777,371
96	(571) Maintenance of Overhead Lines	702,332	536,511
97	(572) Maintenance of Underground Lines		
98	(573) Maintenance of Miscellaneous Transmission Plant	22,192	4,599
99	TOTAL Maintenance (Enter Total of lines 93 thru 98)	1,596,136	1,405,319
100	TOTAL Transmission Expenses (Enter Total of lines 91 and 99)	21,448,835	8,159,613
101	3. DISTRIBUTION EXPENSES		
102	Operation		
103	(580) Operation Supervision and Engineering	2,376,556	1,188,185

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)
104	3. DISTRIBUTION Expenses (Continued)		
105	(581) Load Dispatching	376,339	407,665
106	(582) Station Expenses	1,326,021	1,090,483
107	(583) Overhead Line Expenses	3,585,448	4,526,843
108	(584) Underground Line Expenses	631,609	1,169,179
109	(585) Street Lighting and Signal System Expenses	969,183	41,052
110	(586) Meter Expenses	897,634	791,822
111	(587) Customer Installations Expenses		136,911
112	(588) Miscellaneous Expenses	3,419,649	3,190,030
113	(589) Rents	16,422	16,112
114	TOTAL Operation (Enter Total of lines 103 thru 113)	13,598,861	12,558,282
115	Maintenance		
116	(590) Maintenance Supervision and Engineering	42,216	151,441
117	(591) Maintenance of Structures	248,024	445,442
118	(592) Maintenance of Station Equipment	654,415	745,065
119	(593) Maintenance of Overhead Lines	7,674,746	6,704,932
120	(594) Maintenance of Underground Lines	1,261,367	897,168
121	(595) Maintenance of Line Transformers	397,589	341,023
122	(596) Maintenance of Street Lighting and Signal Systems	89,020	646,420
123	(597) Maintenance of Meters	-88,979	-102,704
124	(598) Maintenance of Miscellaneous Distribution Plant	262,868	256,957
125	TOTAL Maintenance (Enter Total of lines 116 thru 124)	10,541,266	10,085,744
126	TOTAL Distribution Exp (Enter Total of lines 114 and 125)	24,140,127	22,644,026
127	4. CUSTOMER ACCOUNTS EXPENSES		
128	Operation		
129	(901) Supervision	44,715	45,382
130	(902) Meter Reading Expenses	2,077,893	1,872,474
131	(903) Customer Records and Collection Expenses	3,041,374	2,624,922
132	(904) Uncollectible Accounts	3,012,437	3,494,642
133	(905) Miscellaneous Customer Accounts Expenses	898,967	662,340
134	TOTAL Customer Accounts Expenses (Total of lines 129 thru 133)	9,075,386	8,699,760
135	5. CUSTOMER SERVICE AND INFORMATIONAL EXPENSES		
136	Operation		
137	(907) Supervision	74,132	64,113
138	(908) Customer Assistance Expenses	2,209,260	830,483
139	(909) Informational and Instructional Expenses	-14,799	383,487
140	(910) Miscellaneous Customer Service and Informational Expenses		
141	TOTAL Cust. Service and Information. Exp. (Total lines 137 thru 140)	2,268,593	1,278,083
142	6. SALES EXPENSES		
143	Operation		
144	(911) Supervision		
145	(912) Demonstrating and Selling Expenses		14,953
146	(913) Advertising Expenses	1,187	-57
147	(916) Miscellaneous Sales Expenses		793
148	TOTAL Sales Expenses (Enter Total of lines 144 thru 147)	1,187	15,689
149	7. ADMINISTRATIVE AND GENERAL EXPENSES		
150	Operation		
151	(920) Administrative and General Salaries	1,097,779	1,448,040
152	(921) Office Supplies and Expenses	521,923	797,718
153	(Less) (922) Administrative Expenses Transferred-Credit	1,230,769	1,446,053

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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)
154	7. ADMINISTRATIVE AND GENERAL EXPENSES (Continued)		
155	(923) Outside Services Employed	32,609,902	32,563,585
156	(924) Property Insurance	4,046,845	1,839,360
157	(925) Injuries and Damages	3,369,044	726,180
158	(926) Employee Pensions and Benefits	15,872,558	13,045,904
159	(927) Franchise Requirements	13,298	14,621
160	(928) Regulatory Commission Expenses	380,731	357,974
161	(929) (Less) Duplicate Charges-Cr.	79,394	97,505
162	(930.1) General Advertising Expenses	568,302	58,050
163	(930.2) Miscellaneous General Expenses	29,932,910	16,570,946
164	(931) Rents	13,927	27,955
165	TOTAL Operation (Enter Total of lines 151 thru 164)	87,117,056	65,906,775
166	Maintenance		
167	(935) Maintenance of General Plant	162,513	3,545,301
168	TOTAL Admin & General Expenses (Total of lines 165 thru 167)	87,279,569	69,452,076
169	TOTAL Elec Op and Maint Expn (Tot 80, 100, 126, 134, 141, 148, 168)	503,200,453	427,616,159

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Schedule Page: 320 Line No.: 10 Column: b

Includes credit of $2,713,121 in 2002 for electricity used by respondent.

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Includes credit of $2,666,488 in 2001 for electricity used by respondent.

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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	Allegheny Energy Supply Company, Inc.	OS	(1)			
2	Ameren Energy, Inc.	OS	(1)			
3	American Electric Power Service Corp	OS	(1)			
4	Aquila Merchant Services, Inc.	OS	(1)			
5	Associated Electric Coop, Inc	OS	(1)			
6	Avista Energy, Inc.	OS	(1)			
7	Big Rivers Electric Corp	OS	(1)			
8	Bluegrass Generation Company, LLC	OS	(1)			
9	BP Energy Company	OS	(1)			
10	Cargill Power Markets, LLC	OS	(1)			
11	Cincinnati Gas & Electric Company	OS	(1)			
12	CMS Marketing, Services & Trading Corp	OS	(1)			
13	Conectiv Energy Supply, Inc	OS	(1)			
14	Conoco, Inc.	OS	(1)			
	Total					

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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		COST/SETTLEMENT OF POWER				Line No.
	MegaWatt Hours Received (h)	MegaWatt Hours Delivered (i)	Demand Charges ($) (j)	Energy Charges ($) (k)	Other Charges ($) (l)	Total (j+k+l) of Settlement ($) (m)	
38,936				1,142,741		1,142,741	1
21,163				657,493		657,493	2
230,396				6,288,341		6,288,341	3
136,052				3,723,845		3,723,845	4
1,499				56,216		56,216	5
				-1,245		-1,245	6
1,087			113	43,919		44,032	7
1,516				25,472		25,472	8
10,001				201,806		201,806	9
13,835				355,469		355,469	10
106,390				2,808,434		2,808,434	11
9,966				274,927		274,927	12
98				2,744		2,744	13
126				5,574		5,574	14
4,289,181			10,575,343	73,754,065	600	84,330,008	

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	03/28/2003	Dec. 31, 2002

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	Constellation Power Source, Inc.	OS	(1)			
2	Coral Power, LLC	OS	(1)			
3	Dayton Power & Light Company	OS	(1)			
4	Detroit Edison Company	OS	(1)			
5	DTE Energy Trading, Inc.	OS	(1)			
6	Duke Energy Trading & Marketing, LLC	OS	(1)			
7	Dynegy Power Marketing, Inc.	OS	(1)			
8	East Kentucky Power Cooperative, Inc.	OS	25			
9	Edison Mission Marketing & Trading	OS	(1)			
10	El Paso Merchant Energy, L.P.	OS	(1)			
11	Electric Energy, Inc.	OS				
12	Entergy-KochTrading, LP	OS	(1)			
13	Exelon Generation Company, LLC	OS	(1)			
14	Indianapolis Power & Light Co	OS	(1)			
	Total					

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	03/28/2003	Dec. 31, 2002

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		COST/SETTLEMENT OF POWER				Line No.
	MegaWatt Hours Received (h)	MegaWatt Hours Delivered (i)	Demand Charges ($) (j)	Energy Charges ($) (k)	Other Charges ($) (l)	Total (j+k+l) of Settlement ($) (m)	
46,114				1,307,932		1,307,932	1
14,833				422,973		422,973	2
8,023				250,852		250,852	3
1,761				54,630		54,630	4
20,428				523,968		523,968	5
166,881				4,630,680		4,630,680	6
22,637				637,198		637,198	7
2,988				83,682		83,682	8
1,600				39,420		39,420	9
22,400				596,000		596,000	10
26				138		138	11
28,964				615,872		615,872	12
14,477				471,221		471,221	13
26,343				629,950		629,950	14
4,289,181			10,575,343	73,754,065	600	84,330,008	

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	03/28/2003	Dec. 31, 2002

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	Kentucky Utilities Company	IF	(3)			
2	LG&E Energy Marketing, Inc	OS	(1)			
3	Michigan Electric Coordinated System	OS	(1)			
4	Mirant Americas Energy Marketing, LP	OS	(1)			
5	Morgan Stanley Capital Group, Inc.	OS	(1)			
6	Northern Indiana Public Service Co.	OS	(1)			
7	Northern States Power Company	OS	(1)			
8	Ohio Valley Electric Corporation	OS	1-B			
9	PG&E Energy Trading - Power, L.P.	OS	(1)			
10	PPL Electric Utilities Corp.	OS	(1)			
11	PSEG Energy Resources & Trade LLC	OS	(1)			
12	Rainbow Energy Marketing Corporation	OS	(1)			
13	Reliant Energy Services, Inc.	OS	(1)			
14	Sempra Energy Trading Corp.	OS	(1)			
	Total					

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	03/28/2003	Dec. 31, 2002

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		COST/SETTLEMENT OF POWER				Line No.
	MegaWatt Hours Received (h)	MegaWatt Hours Delivered (i)	Demand Charges ($) (j)	Energy Charges ($) (k)	Other Charges ($) (l)	Total (j+k+l) of Settlement ($) (m)	
2,145,417				33,248,913		33,248,913	1
54,000				912,600		912,600	2
				-534		-534	3
4,456				122,510		122,510	4
3,250			8,735	78,708		87,443	5
12,718				340,015		340,015	6
603				18,122		18,122	7
998,205			10,566,495	10,074,970		20,641,465	8
2,342				46,335		46,335	9
401				8,086		8,086	10
1,200				23,400		23,400	11
575				17,250		17,250	12
23,394				594,108		594,108	13
800				39,000		39,000	14
4,289,181			10,575,343	73,754,065	600	84,330,008	

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) 03/28/2003	Year of Report Dec. 31, 2002

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	Southern Company Services, Inc.	OS	(1)			
2	Southern Illinois Power Cooperative	OS	(1)			
3	Southern Indiana Gas & Electric Co.	OS	(1)			
4	Tenaska Power Services Co	OS	(1)			
5	Tennessee Valley Authority	OS	29			
6	TXU Energy Trading Company, LP	OS	(1)			
7	Virginia Electric and Power Company	OS	(1)			
8	Wabash Valley Power Association	OS	(1)			
9	Westar Energy, Inc.	OS	(1)			
10	Western Resources, Inc.	OS	(1)			
11	Williams Energy Marketing & Trading Co	OS	(1)			
12	Other					
13	Inadvertant Interchange					
14						
	Total					

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	03/28/2003	Dec. 31, 2002

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		COST/SETTLEMENT OF POWER				Line No.
	MegaWatt Hours Received (h)	MegaWatt Hours Delivered (i)	Demand Charges ($) (j)	Energy Charges ($) (k)	Other Charges ($) (l)	Total (j+k+l) of Settlement ($) (m)	
1,645				54,426		54,426	1
93				3,633		3,633	2
20,120				486,290		486,290	3
14,233				170,796		170,796	4
953				10,052		10,052	5
17,600				500,000		500,000	6
4,781				141,730		141,730	7
8,342				246,953		246,953	8
1,159				45,277		45,277	9
771				24,839		24,839	10
29,348				696,334		696,334	11
					600	600	12
-5,765							13
							14
4,289,181			10,575,343	73,754,065	600	84,330,008	

Schedule Page: 326 Line No.: 1 Column: b
Non-displacement Energy
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
Non-displacement Energy
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
Non-displacement Energy
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
Non-displacement Energy
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.: 5 Column: b
Non-displacement Energy
Schedule Page: 326 Line No.: 5 Column: c
(1) FERC - Approved Tariff and/or Rate Schedule as on file with the Commission
Schedule Page: 326 Line No.: 6 Column: b
Non-Displacement Energy
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
Non-displacement Energy
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
Non-Displacement Energy
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
Non-displacement Energy
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
Non-displacement Energy
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
Non-displacement Energy
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
Non-displacement Energy
Schedule Page: 326 Line No.: 12 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 of Report
Louisville Gas and Electric Company	(1) X An Original (2) __ A Resubmission	03/28/2003	Dec 31, 2002

FOOTNOTE DATA

Schedule Page: 326 Line No.: 13 Column: b

Non-Displacement Energy

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.: 14 Column: b

Non-Displacement Energy

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

Non-displacement Energy

Schedule Page: 326.1 Line No.: 1 Column: c

(1) FERC - Approved Tariff and/or Rate Schedule as on file with the Commission

Schedule Page: 326.1 Line No.: 2 Column: b

Non-displacement Energy

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

Non-displacement Energy

Schedule Page: 326.1 Line No.: 3 Column: c

(1) FERC - Approved Tariff and/or Rate Schedule as on file with the Commission

Schedule Page: 326.1 Line No.: 4 Column: b

Non-Displacement Energy

Schedule Page: 326.1 Line No.: 4 Column: c

(1) FERC-approved tariff and/or rate schedule as on file with the commission.

Schedule Page: 326.1 Line No.: 5 Column: b

Non-displacement Energy

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: b

Non-displacement Energy

Schedule Page: 326.1 Line No.: 6 Column: c

(1) FERC - Approved Tariff and/or Rate Schedule as on file with the Commission

Schedule Page: 326.1 Line No.: 7 Column: b

Non-displacement Energy

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

Non-displacement Energy

Schedule Page: 326.1 Line No.: 9 Column: b

Non-Displacement Energy

Schedule Page: 326.1 Line No.: 9 Column: c

(1)FERC-approved tariff and/or rate schedule as on file with the commission.

Schedule Page: 326.1 Line No.: 10 Column: b

Non-displacement Energy

Schedule Page: 326.1 Line No.: 10 Column: c

(1) FERC - Approved Tariff and/or Rate Schedule as on file with the Commission

Schedule Page: 326.1 Line No.: 11 Column: b

Non-displacement Energy

Schedule Page: 326.1 Line No.: 12 Column: b

Non-Displacement Energy

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

Non-Displacement Energy

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

Non-Displacement Energy

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: a

Louisville Gas & Electric Company and Kentucky Utilities Company are both owned by LG&E Energy Corp.

Schedule Page: 326.2 Line No.: 1 Column: c

(3) FERC Rate Schedule No. 1, The Power System Supply Agreement, FERC Docket No. ER98-11-000

Schedule Page: 326.2 Line No.: 2 Column: a

LG&E Energy Marketing is a wholly owned subsidiary of LG&E Energy Corp.

Schedule Page: 326.2 Line No.: 2 Column: b

Non-Displacement Energy

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.: 3 Column: b

Non-displacement Energy

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

Non-Displacement Energy

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

Non-displacement Energy

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

Non-Displacement Energy

Schedule Page: 326.2 Line No.: 6 Column: c

(1)FERC-approved tariff and/or rate schedule as on file with the commission.

Schedule Page: 326.2 Line No.: 7 Column: b

Non-displacement Energy

Schedule Page: 326.2 Line No.: 7 Column: c

(1) FERC - Approved Tariff and/or Rate Schedule as on file with the Commission

Schedule Page: 326.2 Line No.: 8 Column: a

Purchase of surplus power pursuant to Article 6 of the Inter-Company Agreement among OVEC and Sponsoring Companies dated July 10, 1953.

The company owns 4.9% of the common stock of Ohio Valley Electric Corporation.

Schedule Page: 326.2 Line No.: 8 Column: b

Surplus Energy

Schedule Page: 326.2 Line No.: 9 Column: b
Non-displacement Energy

Schedule Page: 326.2 Line No.: 9 Column: c
(1) FERC - Approved Tariff and/or Rate Schedule as on file with the Commission

Schedule Page: 326.2 Line No.: 10 Column: b
Non-displacement Energy

Schedule Page: 326.2 Line No.: 10 Column: c
(1) FERC - Approved Tariff and/or Rate Schedule as on file with the Commission

Schedule Page: 326.2 Line No.: 11 Column: b
Non-displacement Energy

Schedule Page: 326.2 Line No.: 11 Column: c
(1) FERC - Approved Tariff and/or Rate Schedule as on file with the Commission

Schedule Page: 326.2 Line No.: 12 Column: b
Non-displacement Energy

Schedule Page: 326.2 Line No.: 12 Column: c
(1) FERC - Approved Tariff and/or Rate Schedule as on file with the Commission

Schedule Page: 326.2 Line No.: 13 Column: b
Non-displacement Energy

Schedule Page: 326.2 Line No.: 13 Column: c
(1) FERC - Approved Tariff and/or Rate Schedule as on file with the Commission

Schedule Page: 326.2 Line No.: 14 Column: b
Non-displacement Energy

Schedule Page: 326.2 Line No.: 14 Column: c
(1) FERC - Approved Tariff and/or Rate Schedule as on file with the Commission

Schedule Page: 326.3 Line No.: 1 Column: b
Non-displacement Energy

Schedule Page: 326.3 Line No.: 1 Column: c
(1) FERC - Approved Tariff and/or Rate Schedule as on file with the Commission

Schedule Page: 326.3 Line No.: 2 Column: b
Non-Displacement Energy

Schedule Page: 326.3 Line No.: 2 Column: c
(1)FERC-approved tariff and/or rate schedule as on file with the commission.

Schedule Page: 326.3 Line No.: 3 Column: b
Non-displacement Energy

Schedule Page: 326.3 Line No.: 3 Column: c
(1) FERC - Approved Tariff and/or Rate Schedule as on file with the Commission

Schedule Page: 326.3 Line No.: 4 Column: b
Non-Displacement Energy

Schedule Page: 326.3 Line No.: 4 Column: c
(1)FERC-approved tariff and/or rate schedule as on file with the commission.

Schedule Page: 326.3 Line No.: 5 Column: b
Non-displacement Energy

Schedule Page: 326.3 Line No.: 6 Column: b
Non-displacement Energy

Schedule Page: 326.3 Line No.: 6 Column: c
(1) FERC - Approved Tariff and/or Rate Schedule as on file with the Commission

Schedule Page: 326.3 Line No.: 7 Column: b
Non-displacement Energy

Schedule Page: 326.3 Line No.: 7 Column: c

Blank Page

(1) FERC - Approved Tariff and/or Rate Schedule as on file with the Commission

Schedule Page: 326.3 Line No.: 8 Column: b

Non-displacement Energy

Schedule Page: 326.3 Line No.: 8 Column: c

(1) FERC - Approved Tariff and/or Rate Schedule as on file with the Commission

Schedule Page: 326.3 Line No.: 9 Column: b

Non-Displacement Energy

Schedule Page: 326.3 Line No.: 9 Column: c

(1) FERC-approved tariff and/or rate schedule as on file with the commission.

Schedule Page: 326.3 Line No.: 10 Column: b

Non-Displacement Energy

Schedule Page: 326.3 Line No.: 10 Column: c

(1)FERC approved tariff and/or rate schedule as on file with the commission.

Schedule Page: 326.3 Line No.: 11 Column: b

Non-displacement Energy

Schedule Page: 326.3 Line No.: 11 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 of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	03/28/2003	Dec. 31, 2002

TRANSMISSION OF ELECTRICITY FOR OTHERS (Account 456)
(Including transactions referred to as 'wheeling')

1. Report all transmission of electricity, i. e., wheeling, provided for other electric utilities, cooperatives, municipalities, other public authorities, qualifying facilities, non-traditional utility suppliers and ultimate customers.
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: LF - for Long-term firm transmission service. "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 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.
SF - for short-term firm transmission service. Use this category for all firm services, where the duration of each period of commitment for service is less than one year.

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	Aquilla Power Corp	Aquilla Power Corp	Aquilla Power Corp	OS
2				
3				
4	Cinergy	Cinergy	Cinergy	LF
5				OS
6				
7				
8	East Kentucky Power Coop	East Kentucky Power Coop	East Kentucky Power Coop	LF
9				
10	Hoosier Energy	Hoosier Energy	Hoosier Energy	SF
11	Indiana Municipal Power Assoc.	Indiana Municipal Power Assoc.	Indiana Municipal Power Assoc.	LF
12	Illinios Municipal Energy Assoc.	Illinios Municipal Energy Assoc.	Illinios Municipal Energy Assoc.	LF
13	LG&E Energy Marketing Inc.	LG&E Energy Marketing Inc.	LG&E Energy Marketing Inc.	OS
14				SF
15	Williams Energy Services Co	Williams Energy Services Co	Williams Energy Services Co	OS
16				
17	Midwest ISO	Midwest ISO	Midwest ISO	OS
	TOTAL			

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	03/28/2003	Dec. 31, 2002

TRANSMISSION OF ELECTRICITY FOR OTHERS (Account 456)(Continued)
(Including transactions reffered to as 'wheeling')

OS - for other service. Use this category only for those services which cannot be placed in the above-defined categories, such as all nonfirm 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.

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.

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.

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.
SA 12 Vol 1	CIN/LGEE	LGEE/TVA		107	106	1
	AEP/LGEE	LGEE/SIGE				2
	TVA/LGEE					3
SA 201 Vol 1	CIN/LGEE	LGEE/TVA		10,833	10,354	4
SA 161 Vol 1	CIN/LGEE	LGEE/TVA		27,333	26,487	5
	TVA/LGEE	LGEE/EKPC				6
	BR/LGEE	LGEE/CIN				7
SA 51 Vol 1	EKPC/LGEE	Salt River		197,769	197,769	8
	EKPC/LGEE	Long Run		366	366	9
SA 135 Vol 1	CIN/LGEE	Bridgeport		692	692	10
FPC 31		LGEE/AEP	64	500,794	500,794	11
FPC 33		LGEE/CIN	60	474,880	474,880	12
SA 17 Vol 1	AEP/LGEE	LGEE/BREC		23	23	13
SA 70 Vol 1	BREC/LGEE	LGEE/EKPC		375	335	14
SA 16 Vol 1	CIN/LGEE	LGEE/BREC		29	29	15
						16
	Midwest ISO	NA				17
			124	**1,220,314**	**1,218,948**	

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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	03/28/2003	Dec. 31, 2002

TRANSMISSION OF ELECTRICITY FOR OTHERS (Account 456) (Continued)
(Including transactions reffered to as 'wheeling')

8. Report in column (i) and (j) the total megawatthours received and delivered.
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. Provide total amounts in column (i) through (n) as the last Line. Enter "TOTAL" in column (a) as the Last Line. The total amounts in columns (i) and (j) must be reported as Transmission Received and Delivered 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.
	165	30	195	1
				2
				3
	68,021	17,566	85,587	4
				5
				6
				7
18,462		109	18,571	8
655			655	9
	519	119	638	10
716,220			716,220	11
592,920			592,920	12
	38,316	8,745	47,061	13
				14
	49	8	57	15
				16
	4,194,285	823,454	5,017,739	17
1,328,257	**4,318,388**	**850,031**	**6,496,676**	

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	03/28/2003	Dec. 31, 2002

TRANSMISSION OF ELECTRICITY FOR OTHERS (Account 456)
(Including transactions referred to as 'wheeling')

1. Report all transmission of electricity, i. e., wheeling, provided for other electric utilities, cooperatives, municipalities, other public authorities, qualifying facilities, non-traditional utility suppliers and ultimate customers.
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:
LF - for Long-term firm transmission service. "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 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.
SF - for short-term firm transmission service. Use this category for all firm services, where the duration of each period of commitment for service is less than one year.

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				
2	Transmission for Resale:			
3	Cargill Power Markets, LLC	Cargill Power Markets, LLC	Cargill Power Markets, LLC	OS
4	Detroit Edison Co	Detroit Edison Co	Detroit Edison Co	OS
5	Dayton Power and Light Co	Dayton Power and Light Co	Dayton Power and Light Co	OS
6	DTE Energy Trading, Inc	DTE Energy Trading, Inc	DTE Energy Trading, Inc	OS
7	Dynegy Power Marketing, Inc	Dynegy Power Marketing, Inc	Dynegy Power Marketing, Inc	OS
8	Reliant Energy Services, Inc	Reliant Energy Services, Inc	Reliant Energy Services, Inc	OS
9	Williams Energy Marketing & Trading Co	Williams Energy Marketing & Tradi	Williams Energy Marketing & Tradi	OS
10				
11				
12				
13				
14				
15				
16				
17				
	TOTAL			

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	03/28/2003	Dec. 31, 2002

TRANSMISSION OF ELECTRICITY FOR OTHERS (Account 456)(Continued)
(Including transactions reffered to as 'wheeling')

OS - for other service. Use this category only for those services which cannot be placed in the above-defined categories, such as all nonfirm 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.
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.
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.

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.
						1
						2
1				699	699	3
1				3,738	3,738	4
1				1,170	1,170	5
1				873	873	6
1				81	81	7
1				219	219	8
1				333	333	9
						10
						11
						12
						13
						14
						15
						16
						17
			124	**1,220,314**	**1,218,948**	

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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	03/28/2003	Dec. 31, 2002

TRANSMISSION OF ELECTRICITY FOR OTHERS (Account 456) (Continued)
(Including transactions reffered to as 'wheeling')

8. Report in column (i) and (j) the total megawatthours received and delivered.
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. Provide total amounts in column (i) through (n) as the last Line. Enter "TOTAL" in column (a) as the Last Line. The total amounts in columns (i) and (j) must be reported as Transmission Received and Delivered 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
				2
			1,049	3
	1,049		9,840	4
	9,840		3,093	5
	3,093		1,652	6
	1,652		244	7
	244		437	8
	437		718	9
	718			10
				11
				12
				13
				14
				15
				16
				17
1,328,257	4,318,388	850,031	6,496,676	

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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	03/28/2003	Dec 31, 2002

FOOTNOTE DATA

Schedule Page: 328 Line No.: 1 Column: m

"Other Charges" consist of Service Schedule 1 (Scheduling, System Control and Dispatch) and Service Schedule 2 (Reactive Supply and Voltage Control from Generation Sources Service).

Schedule Page: 328 Line No.: 11 Column: f

Indiana Municipal Power Assoc. has a 12.88% ownership interest in Trimble County coal-fired steam generation. Point of receipt for this transmission is actual generation at the Trimble County plant.

Schedule Page: 328 Line No.: 12 Column: f

Illinois Municipal Energy Assoc. has a 12.12% ownership interest in Trimble County coal-fired steam generation. Point of receipt for this transmission is actual generation at the Trimble County plant.

Schedule Page: 328 Line No.: 17 Column: e

Midwest ISO FERC Electric Tariff, First Revised Rate Schedule No. 1.

Schedule Page: 328 Line No.: 17 Column: n

Revenues received from the Midwest ISO are pursuant to the Midwest ISO OATT Schedules 1, 2, 7, 8, and 9, of which LG&E received only a portion of the total invoices. Revenues received by each transmission owner were based upon the revenue distribution formulas of Appendix C of the Midwest ISO Transmission Owners Agreement.

Schedule Page: 328.1 Line No.: 3 Column: e

(1) FERC-approved tariff and/or rate schedule as on file with the commission.

Schedule Page: 328.1 Line No.: 4 Column: e

(1) FERC-approved tariff and/or rate schedule as on file with the commission.

Schedule Page: 328.1 Line No.: 5 Column: e

(1) FERC-approved tariff and/or rate schedule as on file with the commission.

Schedule Page: 328.1 Line No.: 6 Column: e

(1) FERC-approved tariff and/or rate schedule as on file with the commission.

Schedule Page: 328.1 Line No.: 7 Column: e

(1) FERC-approved tariff and/or rate schedule as on file with the commission.

Schedule Page: 328.1 Line No.: 8 Column: e

(1) FERC-approved tariff and/or rate schedule as on file with the commission.

Schedule Page: 328.1 Line No.: 9 Column: e

(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 of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	03/28/2003	Dec. 31, 2002

TRANSMISSION OF ELECTRICITY BY OTHERS (Account 565)
(Including transactions referred to as "wheeling")

1. Report all transmission, i.e., wheeling of electricity provided to respondent by other electric utilities, cooperatives, municipalities, or other public authorities during the year.
2. In column (a) report each company or public authority that provide 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.
3. Provide in column (a) subheadings and classify transmission service purchased form other utilities as: "Delivered Power to Wheeler" or "Received Power from Wheeler."
4. Report in columns (b) and (c) the total Megawatthours received and delivered by the provider of the transmission service.
5. In columns (d) through (g), report expenses as shown on bills or vouchers rendered to the respondent. In column (d), provide demand charges. In column (e), provide energy charges related to the amount of energy transferred. In column (f), provide 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 (f). Report in column (9) the total charge shown on bills rendered to the respondent. If no monetary settlement was made, enter zero ("0") column (g). 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. Provide a total amount in columns (b) through (g) as the last Line. Energy provided by the respondent for the wheeler's transmission tosses should be reported on the Electric Energy Account, Page 401. If the respondent received power from the wheeler, energy provided to account for Losses should be reported on Line 19. Transmission By Others Losses, on Page 401. Otherwise, Losses should be reported on line 27, Total Energy Losses, Page 401.
7. Footnote entries and provide explanations following all required data.

Line No.	Name of Company or Public Authority (Footnote Affiliations) (a)	TRANSFER OF ENERGY		EXPENSES FOR TRANSMISSION OF ELECTRICITY BY OTHERS			
		Magawatt-hours Received (b)	Magawatt-hours Delivered (c)	Demand Charges ($) (d)	Energy Charges ($) (e)	Other Charges ($) (f)	Total Cost of Transmission ($) (g)
1	Allegheny Energy Supply	79,389	79,389		181,651		181,651
2	Ameren Energy Inc	5,814	5,814		16,231		16,231
3	Big Rivers Elec Corp	26	26		54		54
4	Cincinnati Gas & Elec	1,310	1,281		3,186		3,186
5	Constellation Power	1,388	1,388		4,163		4,163
6	Midwest Indep Sys Op	2,771,268	2,746,288		11,043,571		11,043,571
7	Ohio Valley Elec Corp	4,253	4,208		18,992		18,992
8	Reliant Energy Svcs	760	760		1,042		1,042
9	Tennessee Valley Auth	97,671	94,826		225,860		225,860
10							
11	Kentucky Utilities Comp				3,185,996	9,575	3,195,571
12							
13	Indiana-Kentucky						
14	Electric Corp.				256		256
15							
16							
	TOTAL	2,961,879	2,933,980		14,681,002	9,575	14,690,577

FOOTNOTE DATA

Schedule Page: 332 Line No.: 11 Column: f

Allocation of software maintenance charges charged back to Lousville Gas and Electric for a computer application related to Kentucky Utilities' trasmission services.

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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	03/28/2003	Dec. 31, 2002

MISCELLANEOUS GENERAL EXPENSES (Account 930.2) (ELECTRIC)

Line No.	Description (a)	Amount (b)
1	Industry Association Dues	60,569
2	Nuclear Power Research Expenses	
3	Other Experimental and General Research Expenses	78,743
4	Pub & Dist Info to Stkhldrs...expn servicing outstanding Securities	
5	Oth Expn >=5,000 show purpose, recipient, amount. Group if < $5,000	
6	Stock Purchase Commission	95,052
7	Amortization of Merger Regulatory Asset	3,629,340
8	Amortization of One Utility Costs	2,123,847
9	Amortization of Value Delivery Team Workforce Reduct	23,900,000
10	Broker Fees	76,155
11	Miscellaneous Debits and Credits	-30,796
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46	TOTAL	29,932,910

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
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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: (a) Depreciation Expense (Account 403); (b) Amortization of Limited-Term Electric Plant (Account 404); and (c) 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)	Amortization of Limited Term Electric Plant (Acc 404) (c)	Amortization of Other Electric Plant (Acc 405) (d)	Total (e)
1	Intangible Plant				
2	Steam Production Plant	47,678,663			47,678,663
3	Nuclear Production Plant				
4	Hydraulic Production Plant-Conventional	169,051			169,051
5	Hydraulic Production Plant-Pumped Storage				
6	Other Production Plant	4,260,319			4,260,319
7	Transmission Plant	5,056,743			5,056,743
8	Distribution Plant	20,916,470			20,916,470
9	General Plant	171,751			171,751
10	Common Plant-Electric	8,356,691	3,638,318		11,995,009
11	TOTAL	86,609,688	3,638,318		90,248,006

B. Basis for Amortization Charges

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) 03/28/2003	Year of Report Dec. 31, 2002

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)
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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	03/28/2003	Dec. 31, 2002

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	Administrative Charge, Project #289	219,723		219,723	
3	Annual Fee for Omnibus Reconciliation Act	159,656		159,656	
4	Annual Headwater Benefits Assessment	1,285		1,285	
5	Use of Government Land	67		67	
6					
7					
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46	TOTAL	380,731		380,731	

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
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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
							2
Electric	928	219,723					3
Electric	928	159,656					4
Electric	928	1,285					5
Electric	928	67					6
							7
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		380,731					46

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
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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			
4	Transmission	15,610,248		
5	Distribution	223,137		
6	Customer Accounts	3,091,226		
7	Customer Service and Informational	1,607,304		
8	Sales	50,688		
9	Administrative and General			
10	TOTAL Operation (Enter Total of lines 3 thru 9)	729,654		
11	Maintenance	21,312,257		
12	Production			
13	Transmission	5,507,084		
14	Distribution	131,047		
15	Administrative and General	2,446,843		
16	TOTAL Maint. (Total of lines 12 thru 15)	46,910		
17	Total Operation and Maintenance	8,131,884		
18	Production (Enter Total of lines 3 and 12)			
19	Transmission (Enter Total of lines 4 and 13)	21,117,332		
20	Distribution (Enter Total of lines 5 and 14)	354,184		
21	Customer Accounts (Transcribe from line 6)	5,538,069		
22	Customer Service and Informational (Transcribe from line 7)	1,607,304		
23	Sales (Transcribe from line 8)	50,688		
24	Administrative and General (Enter Total of lines 9 and 15)			
25	TOTAL Oper. and Maint. (Total of lines 18 thru 24)	776,564		
26	Gas	29,444,141	3,224,676	32,668,817
27	Operation			
28	Production-Manufactured Gas			
29	Production-Nat. Gas (Including Expl. and Dev.)			
30	Other Gas Supply			
31	Storage, LNG Terminaling and Processing	375,874		
32	Transmission	1,099,702		
33	Distribution	273,500		
34	Customer Accounts	1,947,090		
35	Customer Service and Informational	478,802		
36	Sales			
37	Administrative and General			
38	TOTAL Operation (Enter Total of lines 28 thru 37)	218,537		
39	Maintenance	4,393,505		
40	Production-Manufactured Gas			
41	Production-Natural Gas			
42	Other Gas Supply			
43	Storage, LNG Terminaling and Processing			
44	Transmission	654,441		
45	Distribution	1,165		
46	Administrative and General	2,186,550		
47	TOTAL Maint. (Enter Total of lines 40 thru 46)	10,946		
		2,853,102		

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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	Total Operation and Maintenance			
49	Production-Manufactured Gas (Enter Total of lines 28 and 40)			
50	Production-Natural Gas (Including Expl. and Dev.) (Total lines 29,			
51	Other Gas Supply (Enter Total of lines 30 and 42)	375,874		
52	Storage, LNG Terminaling and Processing (Total of lines 31 thru	1,754,143		
53	Transmission (Lines 32 and 44)	274,665		
54	Distribution (Lines 33 and 45)	4,133,640		
55	Customer Accounts (Line 34)	478,802		
56	Customer Service and Informational (Line 35)			
57	Sales (Line 36)			
58	Administrative and General (Lines 37 and 46)	229,483		
59	TOTAL Operation and Maint. (Total of lines 49 thru 58)	7,246,607	880,960	8,127,567
60	Other Utility Departments			
61	Operation and Maintenance			
62	TOTAL All Utility Dept. (Total of lines 25, 59, and 61)	36,690,748	4,105,636	40,796,384
63	Utility Plant			
64	Construction (By Utility Departments)			
65	Electric Plant	2,947,631	2,492,553	5,440,184
66	Gas Plant	1,747,662	1,001,853	2,749,515
67	Other (provide details in footnote):	102,775	25,802	128,577
68	TOTAL Construction (Total of lines 65 thru 67)	4,798,068	3,520,208	8,318,276
69	Plant Removal (By Utility Departments)			
70	Electric Plant	359,840	135,408	495,248
71	Gas Plant	152,662	32,290	184,952
72	Other (provide details in footnote):	198	124	322
73	TOTAL Plant Removal (Total of lines 70 thru 72)	512,700	167,822	680,522
74	Other Accounts (Specify, provide details in footnote):			
75	Accounts Receivable (work for others)	858,079	116,108	974,187
76	Deferred Debits	3,285	378	3,663
77	Certain Civil, Political and Realted Activites and Other	562,747	-34,307	528,440
78	Accounts Receivable (Non-Jurisdictional - Trimble County)	1,014,354	140,311	1,154,665
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95	TOTAL Other Accounts	2,438,465	222,490	2,660,955
96	TOTAL SALARIES AND WAGES	44,439,981	8,016,156	52,456,137

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Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year of Report
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FOOTNOTE DATA

Schedule Page: 354 Line No.: 67 Column: d

Common Utility Plant

Schedule Page: 354 Line No.: 72 Column: d

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) 03/28/2003	Year of Report Dec. 31, 2002

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 $8,356,691; Gas $2,785,986. For basis of allocation see page 356.1.

Common Utility expense accounts are not maintained, but such expenses are allocated to Electric and Gas Departments as follows:

Customer Accounts Expenses (excluding provision for uncollectable accounts).
Allocated between departments based on average number of customers served by each department for the year ended December 31, 2001.

Customer Service and Informational Expenses
Allocated between departments based on gross revenues from 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.

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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 75%	Gas 25%	Balance End of Year
Account 101			
Intangible Plant			
301 Organization			$ 83,782
302 Franchises and Consents			4,200
303 Miscellaneous Intangible Plant			24,444,478
Total Intangible Plant			$ 24,532,730
General Plant			
389 Land and Land Rights			$ 1,863,598
390 Structures and Improvements			61,062,051
391 Office Furniture and Equipment			42,248,153
392 Transportation Equipment			289,868
393 Stores Equipment			1,229,702
394 Tools, Shop and Garage Equipment			1,928,937
395 Laboratory Equipment			22,282
396 Power Operated Equipment			275,594
397 Communication Equipment			35,111,713
398 Miscellaneous Equipment			1,012,232
Total General Plant			$ 145,044,130
TOTAL ACCOUNTS 101			$ 169,576,860
Account 107 Contruction Work in Progress			$ 13,723,767
TOTAL COMMON UTILITY PLANT	$137,475,470	$45,825,157	$ 183,300,627
Accumulated Provision for Depreciation of Common Utility Plant Balance at end of year	$ 54,759,153	$18,253,051	$ 73,012,204

(1) Common plant consists of land, structures and equipment of a general nature used by all departments not specifically assignable to one department,and include offices,storerooms,communication, transportation, and work equipment,etc.
(2) Based on estimated useage by departments.

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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	15,006,973
4	Nuclear	
5	Hydro-Conventional	216,127
6	Hydro-Pumped Storage	
7	Other	250,956
8	Less Energy for Pumping	
9	Net Generation (Enter Total of lines 3 through 8)	15,474,056
10	Purchases	4,289,181
11	Power Exchanges:	
12	Received	
13	Delivered	
14	Net Exchanges (Line 12 minus line 13)	
15	Transmission For Other (Wheeling)	
16	Received	1,220,314
17	Delivered	1,218,948
18	Net Transmission for Other (Line 16 minus line 17)	1,366
19	Transmission By Others Losses	
20	TOTAL (Enter Total of lines 9, 10, 14, 18 and 19)	19,764,603

Line No.	Item (a)	MegaWatt Hours (b)
21	DISPOSITION OF ENERGY	
22	Sales to Ultimate Consumers (Including Interdepartmental Sales)	11,810,125
23	Requirements Sales for Resale (See instruction 4, page 311.)	
24	Non-Requirements Sales for Resale (See instruction 4, page 311.)	7,261,999
25	Energy Furnished Without Charge	670
26	Energy Used by the Company (Electric Dept Only, Excluding Station Use)	136,380
27	Total Energy Losses	555,429
28	TOTAL (Enter Total of Lines 22 Through 27) (MUST EQUAL LINE 20)	19,764,603

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MONTHLY PEAKS AND OUTPUT

1. 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 in column (b) the system's energy output for each month such that the total on Line 41 matches the total on Line 20.
3. Report in column (c) a monthly breakdown of the Non-Requirements Sales For Resale reported on Line 24. include in the monthly amounts any energy losses associated with the sales so that the total on Line 41 exceeds the amount on Line 24 by the amount of losses incurred (or estimated) in making the Non-Requirements Sales for Resale.
4. Report in column (d) the system's monthly maximum megawatt Load (60-minute integration) associated with the net energy for the system defined as the difference between columns (b) and (c)
5. Report in columns (e) and (f) the specified information for each monthly peak load reported in column (d).

NAME OF SYSTEM:

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	1,818,022	864,795	1,603	3	7:00 PM
30	February	1,774,070	929,688	1,660	27	8:00 PM
31	March	1,762,693	856,694	1,655	4	11:00 AM
32	April	1,575,989	680,504	1,975	19	2:00 PM
33	May	1,812,862	847,857	2,152	31	4:00 PM
34	June	1,539,026	292,273	2,392	4	2:00 PM
35	July	1,593,809	238,528	2,563	29	4:00 PM
36	August	1,553,665	193,496	2,623	5	3:00 PM
37	September	1,522,858	370,443	2,529	3	4:00 PM
38	October	1,740,666	788,029	2,124	3	4:00 PM
39	November	1,445,852	549,713	1,591	26	7:00 PM
40	December	1,625,091	649,979	1,728	4	7:00 PM
41	TOTAL	19,764,603	7,261,999			

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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 37) and average cost per unit of fuel burned (Line 40) must be consistent with charges to expense accounts 501 and 547 (Line 41) as show on Line 19. 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)	0	0
7	Plant Hours Connected to Load	8741	8748
8	Net Continuous Plant Capability (Megawatts)	0	0
9	When Not Limited by Condenser Water	1485	563
10	When Limited by Condenser Water	0	0
11	Average Number of Employees	226	132
12	Net Generation, Exclusive of Plant Use - KWh	9075624000	3068004000
13	Cost of Plant: Land and Land Rights	827688	654101
14	Structures and Improvements	118669176	41247702
15	Equipment Costs	700022560	221382549
16	Total Cost	819519424	263284352
17	Cost per KW of Installed Capacity (line 5)	477.2973	408.1928
18	Production Expenses: Oper, Supv, & Engr	466809	343942
19	Fuel	111390231	37056567
20	Coolants and Water (Nuclear Plants Only)	0	0
21	Steam Expenses	10769312	13923717
22	Steam From Other Sources	0	0
23	Steam Transferred (Cr)	0	0
24	Electric Expenses	311	105767
25	Misc Steam (or Nuclear) Power Expenses	7469173	5468628
26	Rents	0	51252
27	Allowances	18712	12947
28	Maintenance Supervision and Engineering	11252	940971
29	Maintenance of Structures	638111	357049
30	Maintenance of Boiler (or reactor) Plant	14400267	6104229
31	Maintenance of Electric Plant	3060374	3177673
32	Maintenance of Misc Steam (or Nuclear) Plant	1282048	401372
33	Total Production Expenses	149506600	67944114
34	Expenses per Net KWh	0.0165	0.0221

Line No.	Item (a)	(b)	(b)	(b)	(c)	(c)	(c)
35	Fuel: Kind (Coal, Gas, Oil, or Nuclear)		COAL			COAL	
36	Unit (Coal-tons/Oil-barrel/Gas-mcf/Nuclear-indicate)		TONS			TONS	
37	Quantity (units) of Fuel Burned	0	4208342	0	0	1429248	0
38	Avg Heat Cont - Fuel Burned (btu/indicate if nuclear)	0	11370	0	0	11300	0
39	Avg Cost of Fuel/unit, as Delvd f.o.b. during year	0.000	25.237	0.000	0.000	26.007	0.000
40	Average Cost of Fuel per Unit Burned	0.000	24.824	0.000	0.000	24.538	0.000
41	Average Cost of Fuel Burned per Million BTU	0.000	1.164	0.000	0.000	1.147	0.000
42	Average Cost of Fuel Burned per KWh Net Gen	0.000	0.012	0.000	0.000	0.012	0.000
43	Average BTU per KWh Net Generation	0.000	10605.000	0.000	0.000	10593.000	0.000

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	03/28/2003	Dec. 31, 2002

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 24 "Electric Expenses," and Maintenance Account Nos. 553 and 554 on Line 31, "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* (d)	Plant Name: *CANE RUN GT* (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
425.00	16.00	143.00	5
0	0	0	6
7889	0	804	7
0	0	0	8
386	14	119	9
0	0	0	10
88	0	0	11
3839019000	122000	57598000	12
3572031	0	0	13
161698973	68932	2201563	14
417609358	2729519	36480408	15
582880362	2798451	38681971	16
1371.4832	174.9032	270.5033	17
829088	0	2889	18
40449293	17894	2182780	19
0	0	0	20
2038940	0	0	21
0	0	0	22
0	0	0	23
422927	0	684	24
2472728	0	5918	25
0	2400	7620	26
7216	0	0	27
350464	0	0	28
481988	0	0	29
4930438	0	0	30
634214	16499	43559	31
179553	0	23408	32
52796849	36793	2266858	33
0.0138	0.3016	0.0394	34

(d)	(d)	(d)	(e)	(e)	(e)	(f)	(f)	(f)	Line No.
	COAL		GAS		OIL		GAS		35
	TONS		MCF		BARREL		MCF		36
0	1645522	0	1728	0	148	0	586252	0	37
0	11620	0	1025	0	140000	0	1025	0	38
0.000	24.871	0.000	7.579	0.000	32.414	0.000	3.723	0.000	39
0.000	23.955	0.000	7.579	0.000	32.414	0.000	3.723	0.000	40
0.000	1.058	0.000	7.395	0.000	5.514	0.000	3.633	0.000	41
0.000	0.011	0.000	0.222	0.000	0.076	0.000	0.038	0.000	42
0.000	9974.000	0.000	30017.000	0.000	13810.000	0.000	10433.000	0.000	43

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	03/28/2003	Dec. 31, 2002

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 37) and average cost per unit of fuel burned (Line 40) must be consistent with charges to expense accounts 501 and 547 (Line 41) as show on Line 19. 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: *WATERSIDE* (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			1923		
4	Year Last Unit was Installed	1969			1964		
5	Total Installed Cap (Max Gen Name Plate Ratings-MW)	18.00			45.00		
6	Net Peak Demand on Plant - MW (60 minutes)	0			0		
7	Plant Hours Connected to Load	4			4		
8	Net Continuous Plant Capability (Megawatts)	0			0		
9	When Not Limited by Condenser Water	14			22		
10	When Limited by Condenser Water	0			0		
11	Average Number of Employees	0			0		
12	Net Generation, Exclusive of Plant Use - KWh	53000			43000		
13	Cost of Plant: Land and Land Rights	0			41126		
14	Structures and Improvements	8241			411978		
15	Equipment Costs	1881319			3613981		
16	Total Cost	1889560			4067085		
17	Cost per KW of Installed Capacity (line 5)	104.9756			90.3797		
18	Production Expenses: Oper, Supv, & Engr	0			0		
19	Fuel	4336			3678		
20	Coolants and Water (Nuclear Plants Only)	0			0		
21	Steam Expenses	0			0		
22	Steam From Other Sources	0			0		
23	Steam Transferred (Cr)	0			0		
24	Electric Expenses	334			0		
25	Misc Steam (or Nuclear) Power Expenses	2660			17037		
26	Rents	12816			7128		
27	Allowances	0			0		
28	Maintenance Supervision and Engineering	0			0		
29	Maintenance of Structures	0			66015		
30	Maintenance of Boiler (or reactor) Plant	0			0		
31	Maintenance of Electric Plant	13470			13316		
32	Maintenance of Misc Steam (or Nuclear) Plant	0			19		
33	Total Production Expenses	33616			107193		
34	Expenses per Net KWh	0.6343			2.4929		
35	Fuel: Kind (Coal, Gas, Oil, or Nuclear)		GAS			GAS	
36	Unit (Coal-tons/Oil-barrel/Gas-mcf/Nuclear-indicate)		MCF			MCF	
37	Quantity (units) of Fuel Burned	0	1159	0	0	851	0
38	Avg Heat Cont - Fuel Burned (btu/indicate if nuclear)	0	1025	0	0	1025	0
39	Avg Cost of Fuel/unit, as Delvd f.o.b. during year	0.000	3.741	0.000	0.000	4.322	0.000
40	Average Cost of Fuel per Unit Burned	0.000	3.741	0.000	0.000	4.322	0.000
41	Average Cost of Fuel Burned per Million BTU	0.000	3.650	0.000	0.000	4.218	0.000
42	Average Cost of Fuel Burned per KWh Net Gen	0.000	0.082	0.000	0.000	0.086	0.000
43	Average BTU per KWh Net Generation	0.000	22415.000	0.000	0.000	20279.000	0.000

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	03/28/2003	Dec. 31, 2002

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 24 "Electric Expenses," and Maintenance Account Nos. 553 and 554 on Line 31, "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: *BROWN CT* (d)	Plant Name: *TRIMBLE COUNTY CT* (e)	Plant Name: (f)	Line No.
			1
COMBUSTION TURBINE	COMBUSTION TURBINE		2
CONVENTIONAL	CONVENTIONAL		3
1999	2002		4
2001	2002	0.00	5
204.00	136.00	0	6
0	0	0	7
0	1455	0	8
0	0	0	9
189	90	0	10
0	0	0	11
0	0	0	12
102131610	91008000	0	13
0	0	0	14
1033860	2916457	0	15
70242483	30849985	0	16
71276343	33766442	0.0000	17
349.3938	248.2827	0	18
87549	0	0	19
4632659	3951997	0	20
0	0	0	21
0	0	0	22
0	0	0	23
0	0	0	24
30511	34011	0	25
9699	6740	0	26
0	245541	0	27
0	0	0	28
14822	0	0	29
4706	0	0	30
0	0	0	31
324443	0	0	32
168875	0	0	33
5273264	4238289	0.0000	34
0.0516	0.0466		35

(d)	(d)	(d)	(e)	(e)	(e)	(f)	(f)	(f)	Line No.
GAS		OIL		GAS					36
MCF		BARREL		MCF					37
1198449	0	12405	0	950784	0	0	0	0	38
1025	0	140000	0	1025	0	0	0	0	39
3.527	0.000	32.723	0.000	4.157	0.000	0.000	0.000	0.000	40
3.527	0.000	32.723	0.000	4.157	0.000	0.000	0.000	0.000	41
3.404	0.000	5.565	0.000	4.068	0.000	0.000	0.000	0.000	42
0.044	0.000	0.070	0.000	0.043	0.000	0.000	0.000	0.000	43
12888.000	0.000	12582.000	0.000	10676.000	0.000	0.000	0.000	0.000	44

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Schedule Page: 402 Line No.: 1 Column: d

The statistics for Trimble County represent 100% of plant output and expenses. LGE owns 75% of the plant. See Note 13 of Notes to Financial Statements for additional information.

Schedule Page: 402 Line No.: 5 Column: f

The figure for Paddy's Run Name Plate Rating consists of 16 MW for unit GR-11, 33 MW for unit GT-12 and 53% (94 MW) of Unit GT-13 with a 178 MW Name Plate Rating. The remaining 47% (84 MW) of GT-13 is owned by Kentucky Utilities.

Schedule Page: 402 Line No.: 11 Column: e

No production/operation employees are assigned to Cane Run or Paddy's Run turbines.

Schedule Page: 402 Line No.: 12 Column: d

Trimble County net generation was 3,839,019,000 kwh. Included in this total is 474,880,000 kwh generated for Illinois Municipal Electric Agency and 500,794,000 kwh for Indiana Municipal Power Agency.

Schedule Page: 402 Line No.: 33 Column: b

Reconciliation of Total Steam Expenses to Page 320 Line 21

Page 320 Total Production Expenses	$259,654,753
Coal for Resale expensed to Account 501	(5,533,825)
IMEA/IMPA portion of Trimble County O&M expenses not included in LG&E O&M expenses	13,413,514
Credit for company uses	2,713,121

Page 402 Total Production Expenses	$270,247,563
	===========

Schedule Page: 402.1 Line No.: 1 Column: b

Zorn and Waterside stations are peak load only; both are automatically operated.

Schedule Page: 402.1 Line No.: 1 Column: c

Waterside station is jet-engine driven.

Schedule Page: 402.1 Line No.: 5 Column: d

The figure for the Name Plate 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. Total Name Plate Rating for these units are 170 MW per unit.

Schedule Page: 402.1 Line No.: 5 Column: e

The figure for the Name Plate Rating for Trimble County CT represents 29% ownership of Trimble County's Units #5 and #6 for Louisville Gas and Electric Company. Total Name Plate Rating for these units are 234 MW per unit.

Schedule Page: 402.1 Line No.: 11 Column: b

Zorn and Waterside stations have no production/operation employees assigned.

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	03/28/2003	Dec. 31, 2002

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 plan, 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)	80.00	0.00
6	Net Peak Demand on Plant-Megawatts (60 minutes)	0	0
7	Plant Hours Connect to Load	6,301	0
8	Net Plant Capability (in megawatts)		
9	(a) Under Most Favorable Oper Conditions	80	0
10	(b) Under the Most Adverse Oper Conditions	0	0
11	Average Number of Employees	12	0
12	Net Generation, Exclusive of Plant Use - Kwh	216,127,000	0
13	Cost of Plant		
14	Land and Land Rights	13	0
15	Structures and Improvements	5,060,945	0
16	Reservoirs, Dams, and Waterways	303,530	0
17	Equipment Costs	3,780,214	0
18	Roads, Railroads, and Bridges	179,981	0
19	TOTAL cost (Total of 14 thru 18)	9,324,683	0
20	Cost per KW of Installed Capacity (line 5)	116.5585	0.0000
21	Production Expenses		
22	Operation Supervision and Engineering	102,158	0
23	Water for Power	56,436	0
24	Hydraulic Expenses	0	0
25	Electric Expenses	356,799	0
26	Misc Hydraulic Power Generation Expenses	33,954	0
27	Rents	358,304	0
28	Maintenance Supervision and Engineering	0	0
29	Maintenance of Structures	21,466	0
30	Maintenance of Reservoirs, Dams, and Waterways	0	0
31	Maintenance of Electric Plant	899,181	0
32	Maintenance of Misc Hydraulic Plant	79,337	0
33	Total Production Expenses (total 22 thru 32)	1,907,635	0
34	Expenses per net KWh	0.0088	0.0000

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	03/28/2003	Dec. 31, 2002

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
0.0000	0.0000	0.0000	20
			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
0.0000	0.0000	0.0000	34

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	03/28/2003	Dec. 31, 2002

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	KY.-Ind. State Line Opp							
2	Mill Creek Sub	Paddys West Sub	345.00	345.00	ST	14.40		1
3	Paddys West Sub	Northside Sub	345.00	345.00	ST, SP	14.37		1
4	Clifty Creek Sub	Clifty Creek Sub	345.00	345.00	ST	0.27		1
5	KY.-Ind. State Line Opp.	KY.-Ind. State Line Opp.						
6	Blue Lick Sub	Middletown Sub	345.00	345.00	ST	0.08	19.62	1
7	Buckner	Wises Landing	345.00	345.00	ST	0.32	13.11	1
8	Middletown	Buckner	345.00	345.00	ST	0.23	14.08	1
9	Middletown Sub	Trimble County Sub	345.00	345.00	ST	27.76		1
10	Mill Creek Sub	Blue Lick Sub	345.00	345.00	ST	0.24	11.59	1
11	Mill Creek Sub	Middletown Sub	345.00	345.00	ST	31.19		1
12	Mill Creek Sub	Mill Creek Sub	345.00	345.00	ST	1.00		1
13	Trimble County Sub	KY.-Ind. State Line Opp.						
14		Clifty Creek Sub	345.00	345.00	ST	12.35		1
15	Cane Run Sub	Cane Run Sub	138.00	345.00	ST	0.39		1
16	Mill Creek Sub	Cane Run Sub	138.00	345.00	ST	1.13	9.42	1
17	Mill Creek Sub	Mill Creek Sub	138.00	345.00	ST		0.77	1
18	Paddy's Run Sub	T.V.A. Tower	154.00	154.00	ST	65.96	65.96	2
19	Appl Park Switching Station	Middletown Sub	138.00	138.00	ST	11.11	1.60	1
20	Appl Park Switching Station	Ethel Sub	138.00	138.00	WP, ST	1.89		1
21	Ashbottom Sub	Appl Park Switching Station	138.00	138.00	ST	6.22		1
22	Ashbottom Sub	Fern Valley Sub	138.00	138.00	ST		2.98	1
23	Ashbottom	Grade Lane	138.00	138.00	ST,SP	0.92		1
24	Ashbottom Sub	Manslick Sub	138.00	138.00	WP, ST	3.47		1
25	Ashby Sub	Pleasure Ridge Park Sub	138.00	138.00	WP	2.82		1
26	Beargrass Sub	KY.-Ind. State Line	138.00	138.00	ST	1.06	1.06	2
27	Beargrass Sub	Lyndon South Sub	138.00	138.00	ST		7.43	1
28	Beargrass Sub	Middletown Sub	138.00	138.00	ST	12.93		1
29	Beargrass Sub	Northside Sub	138.00	138.00	ST	5.25		1
30	Beargrass Sub	Northside Sub	138.00	138.00	ST		5.25	1
31	Breckenridge Sub	Hurstbourne Sub	138.00	138.00	WP, SP	4.06		1
32	Campground	Cane Run Switching Station	138.00	138.00	ST	3.00		1
33	Canal Sub	Waterside Switching Station	138.00	138.00	ST	0.13	1.28	1
34	Cane Run Switching Station	Ashbottom Sub	138.00	138.00	ST	7.76	7.76	2
35								
36					TOTAL	657.57	265.56	83

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) 03/28/2003	Year of Report Dec. 31, 2002

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)	
								1
								2
(31)	113,337	2,231,657	2,344,994					3
(31)	102,753	4,108,058	4,210,811					4
(13)		144,885	144,885					5
								6
(5)		797,805	797,805					7
		2,990,335	2,990,335					8
		2,639,073	2,639,073					9
(5)	479,907	7,316,765	7,796,672					10
(5)		444,135	444,135					11
(5)	314,954	3,881,627	4,196,581					12
(6)		384,608	384,608					13
								14
(5)		2,601,628	2,601,628					15
(22)		143,357	143,357					16
(13)	20,979	466,464	487,443					17
(22)		70,622	70,622					18
(7)	98,666	1,807,118	1,905,784					19
(9)	102,525	915,806	1,018,331					20
(23)	861	302,721	303,582					21
(11)	42,502	490,158	532,660					22
(17)		300,114	300,114					23
(18)		181,001	181,001					24
(10)		402,298	402,298					25
(16)		981,798	981,798					26
(24)	6,427	266,239	272,666					27
(10)		115,848	115,848					28
(10)	159,066	774,015	933,081					29
(34)	67,983	1,559,052	1,627,035					30
(34)		284,003	284,003					31
(16)	15,419	1,365,183	1,380,602					32
(8)	8,216	210,457	218,673					33
(9)		412,903	412,903					34
(15)	38,205	608,871	647,076					35
	2,629,333	90,932,859	93,562,192	31,817	702,332	33,243	767,392	36

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	03/28/2003	Dec. 31, 2002

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)	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)	On Structures of Another Line (g)	Number Of Circuits (h)
1								
2	Cane Run Sub	Cane Run Switching Station						
3		Line #1						
4		Line #2	138.00	138.00	ST	2.62	2.62	2
5		Line #3	138.00	138.00	ST	2.62	2.62	2
6		Line #4	138.00	138.00	ST	2.56		1
7	Cane Run Switching	International	138.00	138.00	ST	0.02	2.56	1
8	Centerfield Sub	Trimble County Sub	138.00	138.00	ST,SP	1.34	1.48	1
9	Dixie Sub	Algonquin Sub	138.00	138.00	WP, ST	15.68	0.36	1
10	Ethel Sub	Breckenridge Sub	138.00	138.00	WP	0.68	0.01	1
11	Fern Valley Sub	Okolona Sub	138.00	138.00	WP, ST	4.00		1
12	Fern Valley Sub	Watterson Sub	138.00	138.00	WP, SP	1.40		1
13	Hurstbourne Sub	Bluegrass Sub	138.00	138.00	ST		5.38	1
14	Knob Creek Sub	Tip Top Sub	138.00	138.00	SP	2.47		1
15	Lyndon South Sub	Middletown Sub	138.00	138.00	WP-22	11.82		1
16	Magzine Sub	Hancock Sub	138.00	138.00	ST		5.60	1
17	Magazine Sub	Waterside Switching Station	138.00	138.00	SP, WP	2.40		1
18	Manslick Sub	Mill Creek Sub	138.00	138.00	ST, SP, WP	3.67		1
19	Middletown Sub	Centerfield Sub	138.00	138.00	WP, ST	10.53		1
20	Mill Creek Sub	Ashby Sub	138.00	138.00	WP, ST	12.25		1
21	Mill Creek Sub	Knob Creek Sub	138.00	138.00	WP, ST	5.80		1
22	Mill Creek Sub	Kosmosdale Prim. Meter Stn.	138.00	138.00	WP, ST	2.86	3.44	1
23	Mud Lane Sub	Blue Lick Sub	138.00	138.00	WP, ST	1.39		1
24	Ohio Falls Sub	Canal Sub	138.00	138.00	SP	5.45		1
25	Ohio Falls Sub	Ohio Falls Sub	138.00	138.00	ST	0.91		1
26	Okolona Sub	Mud Lane Sub	138.00	138.00	ST	0.27		1
27	Paddy's Run Sub	Campground	138.00	138.00	WP, ST	3.72		1
28	Paddy's Run Sub	Dixie Sub	138.00	138.00	ST	0.37		1
29	Paddy's Run Sub	Ohio Falls Sub	138.00	138.00	WP	3.59		1
30	Paddy's Run Sub	Paddy's Run Sub	138.00	138.00	ST	12.11	0.28	1
31	Paddy's Run Sub	Paddy's West Sub	138.00	138.00	ST	0.41		1
32	Paddy's Run Sub	Paddys West Sub	138.00	138.00	ST	0.03		1
33	Plainview Sub	Hurstbourne Sub	138.00	138.00	ST	0.41		1
34	Paddy's West Sub	PSI Connection Gallagher	138.00	138.00	WP, SP	2.17		1
35	Northside Sub	Clifty Creek Sub	138.00	138.00	SP	0.02		1
			138.00	138.00	ST	32.59		1
36					TOTAL	657.57	265.56	83

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	03/28/2003	Dec. 31, 2002

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.
								1
								2
								3
(9)	18,788	183,251	202,039					4
(9)		188,497	188,497					5
(13)		156,147	156,147					6
(14)		110,365	110,365					7
(9)		574,206	574,206					8
(10)	85,784	811,181	896,965					9
(12)	1,446	232,382	233,828					10
(16)	27,072	1,175,813	1,202,885					11
(16)		418,533	418,533					12
(18)	2,054	57,683	59,737					13
(16)	37,300	1,164,787	1,202,087					14
(21)	7,955	478,079	486,034					15
(10)	35,941	479,618	515,559					16
(16)		1,651,768	1,651,768					17
(11)	2,601	945,576	948,177					18
(14)	16,570	1,180,237	1,196,807					19
(10)	42,761	930,818	973,579					20
(16)	528	1,718,119	1,718,647					21
(14)	10,855	376,077	386,932					22
(20)		135,943	135,943					23
(29)	46,432	2,255,744	2,302,176					24
(9)		146,725	146,725					25
(10)		20,591	20,591					26
(16)	79,825	1,091,885	1,171,710					27
(8)	1,455	64,917	66,372					28
(12)	27,351	687,941	715,292					29
(32)	81,226	723,356	804,582					30
(9)		67,030	67,030					31
(13)	2,763	221,577	224,340					32
(5)		126,143	126,143					33
(16)	3,591	732,533	736,124					34
(13)		213,629	213,629					35
(33)	73,852	471,000	544,852					
	2,629,333	90,932,859	93,562,192	31,817	702,332	33,243	767,392	36

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	03/28/2003	Dec. 31, 2002

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)	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)	On Structures of Another Line (g)	Number Of Circuits (h)
1	Northside Sub	Tower No. 43 at P.S.I.						
2		Connection	138.00	138.00	ST	0.22	0.05	1
3	Clifty Creek Sub	Tower No.220 Connection						
4		with CG&E Co.	138.00	138.00	ST	2.03	2.50	1
5	Tap Off 3832	Pleasure Ridge Park Sub	138.00	138.00	WP	1.46		1
6	Tap Off 3855	Mill Creek Yard Aux Sub	138.00	138.00	SP	0.30		1
7	Tap Off 3870	Plainview Sub	138.00	138.00	WP, SP	1.72		1
8	Tip Top Sub	Cloverport Sub	138.00	138.00	WP-22	32.71		
9					ST	2.78		1
10	Waterside Switching Station	Beargrass Sub	138.00	138.00	ST	2.95	2.95	2
11	Watterson Sub	Middletown Sub	138.00	138.00	ST		7.41	1
12	Algonquin	Seminole	69.00	138.00	SP,WP	3.09	0.21	1
13	Overheads Lines under		69.00	69.00	WP, ST	228.79	66.18	
14	132KV							
15	Canal Sub	Waterside Station	138.00	138.00	Undg. (26)	0.38		1
16	Magazine Sub	Hancock Sub	138.00	138.00	Undg. (26)	0.11		1
17	Magazine Sub	Waterside Station	138.00	138.00	Undg. (26)	0.38		1
18	Waterside Switching Station	Beargrass Sub	138.00	138.00	Undg. (26)	2.16		1
19	Underground Lines under							
20	132KV		69.00	69.00	Undg. (26)	2.02		
21								
22								
23								
24								
25								
26								
27								
28								
29								
30								
31								
32								
33								
34								
35								
36					TOTAL	657.57	265.56	83

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) 03/28/2003	Year of Report Dec. 31, 2002

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.
								1
								2
(13)		39,159	39,159					3
								4
(35)	22,743	191,394	214,137					5
(16)		340,414	340,414					6
(30)		87,625	87,625					7
(16)	340	477,508	477,848					8
(19)	46,017	1,412,211	1,458,228					9
	2,003	128,287	130,290					10
(10)	17,950	702,062	720,012					11
(14)		356,985	356,985					12
(9)		2,337,471	2,337,471				767,392	13
	362,330	18,474,512	18,836,842	31,817	702,332	33,243		14
								15
(27)		74,247	74,247					16
(27)		351,265	351,265					17
(27)		64,915	64,915					18
(27)		3,287,688	3,287,688					19
								20
(29)		3,616,361	3,616,361					21
								22
								23
								24
								25
								26
								27
								28
								29
								30
								31
								32
								33
								34
								35
	2,629,333	90,932,859	93,562,192	31,817	702,332	33,243	767,392	36

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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	03/28/2003	Dec 31, 2002

FOOTNOTE DATA

Schedule Page: 422 Line No.: 1 Column: i

TRANSMISSION LINE STATISTICS

Notes:
(1) Designation From/To incldues related extensions.
(2) Voltage in thousands.
(3) Steel Tower - ST,
Wood Pole - WP,
Steel Pole - SP,
Majority of wood pole construction is single pole.
(4) Total Expenses in Column (P) exclusive of supervision and engineering.
(5) 954 MCM 45/7 ACSR bundled.
(6) 2338 MCM 42/19 ACAR.
(7) 500 MCM bare copper.
(8) 796 MCM 45/7 ACSR bundled and 795 MCM 26/7 bare aluminum bundled.
(9) 795 26/7 ACSR.
(10) 795 MCM 45/7 ACSR.
(11) 795 MCM 26/7 ACSR and 795 MCM AA bundled.
(12) 795 MCM AA bundled.
(13) 954 45/7 ACSR.
(14) 840.2 MCM 24/13 ACAR bundled.
(15) 795 MCM 45/7 bundled.
(16) 1272 MCM AA.
(17) 795 MCM 42/19 ACAR.
(18) 795 MCM 26/7 ACSR bundled.
(19) 397.5 MCM 26/7 ACSR.
(20) 840.2 MCM 24/13 ACAR and 195.9 MCM 4/3 ACAR.
(21) 636 MCM 24/7 ACSR.
(22) 954 MCM 30/19 ACSR bundled and 2000 MCM AA.
(23) 795 MCM AA.
(24) 1033.5 MCM 45/7 SSAC single conductor, 1024.5 MCM 24/13 bundled and 954 MCM 30/19 ACSR bundled.
(25) Various.
(26) Underground conduit, conductors and devices.
(27) 1750 MCM HO cable.
(28) 600 MCM S/C 61 strand PVC c able, 1250 MCM S/C EPR cable, 2000 MCM I/C XPL and 1500 MCM I/C HO cable.
(29) 840 MCM ACAR and 2000 AA.
(30) 336.4 MCM 26/7 ACSR.
(31) 954 MCM ACSR and 1024.5 MCM ACSR.
(32) 300 MCM Copper and 795 MCM ACSR.
(33) 336.4 MCM ACSR, 795 MCM ACSR and 954 MCM ACSR.
(34) 1024.5 MCM ACSR.
(35) 366.4 MCM ACSR and 795 MCM ACSR.

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	03/28/2003	Dec. 31, 2002

TRANSMISSION LINES ADDED DURING YEAR

1. Report below the information called for concerning Transmission lines added or altered during the year. It is not necessary to report minor revisions of lines.

2. Provide separate subheadings for overhead and under- ground construction and show each transmission line separately. If actual costs of competed construction are not readily available for reporting columns (l) to (o), it is permissible to report in these columns the

Line No.	LINE DESIGNATION		Line Length in Miles	SUPPORTING STRUCTURE		CIRCUITS PER STRUCTURE	
	From (a)	To (b)	(c)	Type (d)	Average Number per Miles (e)	Present (f)	Ultimate (g)
1	Middletown	Buckner	0.23	ST		1	
2	Buckner	Wises Landing	0.32	ST		1	
3							
4							
5							
6							
7							
8							
9							
10							
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12							
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41							
42							
43							
44	TOTAL		0.55			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) 03/28/2003	Year of Report Dec. 31, 2002

TRANSMISSION LINES ADDED DURING YEAR (Continued)

costs. Designate, however, if estimated amounts are reported. Include costs of Clearing Land and Rights-of-Way, and Roads and Trails, in column (l) with appropriate footnote, and costs of Underground Conduit in column (m).
3. If design voltage differs from operating voltage, indicate such fact by footnote; also where line is other than 60 cycle, 3 phase, indicate such other characteristic.

CONDUCTORS			Voltage KV (Operating)	LINE COST				Line No.
Size (h)	Specification (i)	Configuration and Spacing (j)	(k)	Land and Land Rights (l)	Poles, Towers and Fixtures (m)	Conductors and Devices (n)	Total (o)	
954mcm	45/7		345		2,639,073		2,639,073	1
954mcm	45/7		345		2,990,335		2,990,335	2
								3
								4
								5
								6
								7
								8
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								40
								41
								42
								43
					5,629,408		5,629,408	44

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	03/28/2003	Dec. 31, 2002

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	Algonquin	Transmission *	72.00	14.67	
2					
3		Transmission *	138.00	69.00	13.80
4	Ashbottom	Transmission *	138.00	69.00	13.80
5		Transmission *	138.00	34.50	14.00
6	Beargrass	Transmission *	138.00	69.00	13.80
7	Bluelick, Brooks, Ky.	Transmission *	345.00	138.00	13.80
8		Transmission *	345.00	161.00	
9	Breckenridge	Transmission *	66.00	14.00	
10		Transmission *	69.00	13.09	
11		Transmission *	138.00	69.00	13.80
12	Canal	Transmission *	136.80	69.28	14.00
13		Transmission *	69.00	14.00	
14		Transmission *	136.80	66.00	14.00
15	Cane Run	Transmission	138.00	17.10	
16		Transmission	138.00	15.20	
17		Transmission	138.00	13.80	
18		Transmission	138.00	20.90	
19	Cane Run Switching	Transmission *	138.00	69.00	13.80
20	Ethel	Transmission *	138.00	69.00	13.80
21		Transmission *	66.00	14.00	
22		Transmission *	69.00	13.09	
23		Transmission *	138.00	13.09	
24	Fern Valley	Transmission *	138.00	14.00	
25		Transmission *	138.00	13.09	
26		Transmission *	138.00	69.00	13.80
27		Transmission *	138.00	14.00	
28	Lyndon South, Lyndon, Ky.	Transmission *	138.00	69.00	13.80
29		Transmission *	138.00	13.09	
30	Middletown, Middletown, Ky.	Transmission *	138.00	69.00	13.80
31		Transmission *	345.00	138.00	
32	Mill Creek, Kosmosdale, Ky.	Transmission	345.00	20.90	
33		Transmission	345.00	138.00	13.80
34		Transmission	138.00	69.00	13.80
35		Transmission	138.00	69.00	14.00
36		Transmission	138.00	13.09	
37	Mud Lane	Transmission *	138.00	69.00	13.80
38		Transmission *	138.00	13.09	
39		Transmission *	138.00	13.09	
40	Ohio Falls	Transmission	69.00	13.80	

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	03/28/2003	Dec. 31, 2002

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.
			Ground Transformer	6	1,998	1
113	4		Ground Transformer	2	1,250	2
						3
140	1					4
224	2		Ground Transformer	1	625	5
70	1					6
168	1					7
448	1					8
240	1		Ground Transformer	3	600	9
40	2		Ground Transformer	1	525	10
84	3					11
140	1					12
83	3		Ground Transformer	2	1,050	13
60	2					14
93	1					15
190	1					16
160	1					17
180	3					18
566	2					19
224	2					20
140	1		Ground Transformer	1	525	21
25	1					22
28	1					23
28	1		Ground Transformer	1	525	24
33	1					25
101	3					26
80	2					27
40	1					28
140	1					29
28	1					30
224	2					31
1344	3					32
1972	12	1	Ground Transformer	2	2,400	33
672	2					34
40	1					35
50	1	1				36
28	1					37
140	1					38
45	1					39
45	1					40
134	2					

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	03/28/2003	Dec. 31, 2002

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	Paddy's Run	Transmission	161.00	138.00	14.00
2	Paddy's Run	Transmission	138.00	69.00	14.00
3		Transmission	138.00	14.00	
4		Transmission	69.00	14.00	
5		Transmission	138.00	14.00	
6	Tip Top, Tip Top, Ky.	Transmission *	138.00	34.00	14.00
7		Transmission *	135.00	66.00	14.00
8		Transmission *	135.00	66.00	14.00
9	Trimble County	Transmission *	345.00	20.90	
10		Transmission *	345.00	138.00	
11		Transmission *	138.00	13.80	
12		Transmission *	138.00	14.00	
13		Transmission *	138.00	13.09	
14	Watterson	Transmission *	138.00	69.00	13.80
15		Transmission *	138.00	13.09	
16	Northside, Jeffersonville, Indiana	Transmission *	345.00	138.00	13.80
17	Paddy's West - Indiana	Transmission *	345.00	138.00	
18	Total Transmission- 21 Stations		9050.60	2836.75	333.00
19					
20	Aiken	Distribution *	69.00	13.09	
21	Ashby	Distribution *	138.00	13.09	
22	Bishop	Distribution *	69.00	13.09	
23	Bluegrass	Distribution *	138.00	13.09	
24	Brandenburg, near Brandenburg, Ky.	Distribution *	69.00	13.09	
25	Campground	Distribution *	138.00	14.00	
26	Centerfield, near Centerfield, Ky.	Distribution *	138.00	13.09	
27		Distribution *	138.00	69.00	
28	Clay	Distribution *	66.00	14.00	
29	Clifton	Distribution *	69.00	12.00	
30		Distribution *	69.00	13.09	
31		Distribution *	66.00	14.00	
32	Collins	Distribution *	69.00	13.09	
33	Crestwood, Crestwood, Ky.	Distribution *	69.00	13.09	
34	Crop	Distribution *	13.80	4.36	
35	Dahlia	Distribution *	69.00	13.09	
36	Del Park	Distribution *	66.00	14.00	
37	Dixie	Distribution *	138.00	13.09	
38	Fairmont	Distribution *	69.00	13.09	
39	Farnsley, Shively, Ky.	Distribution *	69.00	13.09	
40	Floyd	Distribution *	69.00	14.00	

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	03/28/2003	Dec. 31, 2002

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.
240	6	1				1
287	3					2
100	2		Ground Transformer	2	32,332	3
33	1					4
60	1					5
56	1					6
45	1					7
34	1					8
638	1		Ground Transformer	2	1,000	9
224	1					10
60	1					11
50	1					12
11	1					13
152	2		Ground Transformer	1	525	14
73	2					15
448	1					16
448	1					17
11519	99	3		24	43,355	18
						19
73	2					20
56	2					21
56	2					22
45	1					23
11	1					24
45	1					25
45	1					26
140	1					27
50	2		Ground Transformer	2	1,250	28
28	1		Ground Transformer	1	525	29
56	2					30
20	1		Ground Transformer	1	525	31
56	2					32
28	1					33
12	2					34
56	2					35
45	1		Ground Transformer	1	625	36
45	1					37
19	2					38
56	2					39
45	1		Ground Transformer	1	5,050	40

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	03/28/2003	Dec. 31, 2002

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	Ford Truck Plant	Distribution *	69.00	13.09	
2	Frey's Hill	Distribution *	69.00	13.09	
3		Distribution *	69.00	12.00	
4	Grade Lane	Distribution *	138.00	14.00	
5	Grady	Distribution *	66.00	14.00	
6	Hancock	Distribution *	138.00	12.00	
7		Distribution *	138.00	69.00	
8	Harmony Landing, near Goshen, Ky.	Distribution *	69.00	13.09	
9	Harrod's Creek	Distribution *	69.00	13.09	
10	Herman - Class B	Distribution *	13.80	4.16	
11	Highland #1	Distribution *	66.00	14.00	
12	Hillcrest	Distribution *	66.00	14.00	
13		Distribution *	69.00	13.09	
14	Hurstbourne, Jeffersontown, Ky.	Distribution *	138.00	13.09	
15	International	Distribution *	138.00	13.09	
16	Jeffersontown	Distribution *	138.00	13.09	
17	Kenwood	Distribution *	69.00	13.09	
18	Knob Creek, near Shepherdsville, Ky.	Distribution *	135.00	37.00	14.00
19	Locust	Distribution *	69.00	13.09	
20	Lyndon, Lyndon, Ky.	Distribution *	69.00	13.09	
21	Lynn	Distribution *	13.80	4.16	
22	Madison	Distribution *	66.00	14.00	
23	Magazine	Distribution *	66.00	14.00	
24		Distribution *	13.80	4.16	
25		Distribution *	138.00	14.00	
26	Manslick	Distribution *	138.00	13.09	
27	Nachand	Distribution *	69.00	13.09	
28	Okolona	Distribution *	138.00	12.00	
29	Oxmoor	Distribution *	69.00	13.09	
30	Plainview	Distribution *	138.00	13.09	
31	Pleasure Ridge	Distribution *	138.00	13.09	
32	Seminole	Distribution *	66.00	14.00	
33		Distribution *	66.00	34.50	14.00
34		Distribution *	69.00	13.09	
35		Distribution *	69.00	14.00	
36	Seventh Street	Distribution *	13.80	4.36	
37	Shepherdsville, Shepherdsville, Ky.	Distribution *	69.00	13.09	
38	Shively	Distribution *	66.00	14.00	
39		Distribution *	69.00	13.09	
40	Skylight, Skylight, Ky.	Distribution *	69.00	13.09	

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	03/28/2003	Dec. 31, 2002

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.
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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.
90	2					1
28	1					2
45	1					3
90	2					4
60	2		Ground Transformer	2	1,150	5
45	1					6
140	1					7
28	1					8
56	2					9
11	2					10
34	1					11
34	1		Ground Transformer	1	625	12
45	1					13
90	2					14
45	1					15
11	1					16
56	2					17
30	1					18
45	1					19
28	1					20
12	2					21
90	2		Ground Transformer	2	1,250	22
67	2		Ground Transformer	2	1,050	23
15	6					24
45	1		Ground Transformer	1	625	25
45	1					26
56	2					27
45	1					28
56	2					29
45	1					30
45	1					31
25	1		Ground Transformer	1	525	32
25	1		Ground Transformer	1	525	33
45	1					34
45	1		Ground Transformer	1	525	35
13	2					36
21	2					37
25	1		Ground Transformer	1	625	38
45	1					39
11	1					40

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	03/28/2003	Dec. 31, 2002

SUBSTATIONS

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Line No.	Name and Location of Substation (a)	Character of Substation (b)	VOLTAGE (In MVa) Primary (c)	Secondary (d)	Tertiary (e)
1	Smyrna	Distribution *	69.00	13.09	
2	Southern	Distribution *	13.80	4.16	
3	South Park	Distribution *	69.00	13.09	
4		Distribution *	69.00	34.50	14.00
5	Stewart	Distribution *	69.00	13.09	
6	Taylor	Distribution *	69.00	13.09	
7	Terry	Distribution *	69.00	13.09	
8	Waterside	Distribution	136.80	69.00	14.19
9		Distribution	14.00	4.33	
10		Distribution			
11		Distribution	138.00	14.00	
12	Western	Distribution *	13.80	4.16	
13	West Point, West Point, Ky.	Distribution *	34.50	12.50	
14	WHAS	Distribution *	69.00	13.09	
15	25 Stations Less Than 10,000 KVA				
16	Total Distribution - 84 Stations		5972.90	1141.86	56.19
17					
18					
19					
20					
21					
22					
23					
24					
25					
26	Summary				
27	21 Stations				
28	84 Stations				
29	105				
30					
31					
32					
33	(1) Located in or near Louisville except as noted.				
34					
35	* Unattended.				
36					
37					
38					
39					
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) 03/28/2003	Year of Report Dec. 31, 2002

SUBSTATIONS (Continued)

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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.
						1
56	2					2
14	2					3
28	1					4
10	1					5
56	2					6
84	3					7
28	2		Ground Transformer	1	1,690	8
130	2		M.G. Set	1	500	9
10	1		Rectifer	1	110	10
			Ground Transformer	1	16,666	11
67	1					12
14	2					13
11	1					14
17	2					15
159	31			22	33,841	16
3458	143					17
						18
						19
						20
						21
						22
						23
						24
						25
						26
						27
11520	99	3				28
3458	143					29
14978	242	3				30
						31
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						34
						35
						36
						37
						38
						39
						40

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Schedule	Page No.

LG&E FERC Form 2 - December 31, 2002

Check appropriate box:

☒ Original signed form

☐ Conformed copy

Form Approved
OMB No. 1902-0028
(Expires 3/31/2005)

FERC FORM NO. 2:
ANNUAL REPORT OF MAJOR NATURAL GAS COMPANIES

This report is mandatory under the Natural Gas Act, Sections 10(a) and 16, and 18 CFR 260.1. 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 this report to be of a confidential nature.

Exact Legal Name of Respondent (Company)	Year of Report
LOUISVILLE GAS AND ELECTRIC COMPANY	Dec. 31, 2002

PRICEWATERHOUSECOOPERS

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

Report of Independent Accountants

To the Shareholders of Louisville Gas and Electric Company:

We have audited the accompanying balance sheets of Louisville Gas and Electric Company as of December 31, 2002 and 2001 and the related statements of income, of retained earnings and of cash flows for the years then ended, included on pages 110 through 123.23 of the accompanying Federal Energy Regulatory Commission (FERC) Form No. 2. 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 audits 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 FERC as set forth in its applicable Uniform System of Accounts and published accounting releases, which is a comprehensive basis of accounting other than accounting principles generally accepted 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, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with the accounting requirements of the FERC 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 shareholders and management of Louisville Gas and Electric Company and for filing with the FERC and should not be used for any other purpose.

PricewaterhouseCoopers LLP

January 21, 2003

INSTRUCTIONS FOR FILING THE
FERC FORM NO. 2

GENERAL INFORMATION

I. Purpose

This form is designed to collect financial and operational information from major interstate natural gas companies subject to the jurisdiction of the Federal Energy Regulatory Commission. This report is a nonconfidential public use form.

II. Who Must Submit

Each Major natural gas company which meets the filing requirements of 18 CFR 260.1 must submit this form. NOTE: Major means having combined gas transported or stored for a fee exceeding 50 million Dth in each of the 3 previous calendar years.

III. What and Where to Submit

(a) Submit the electronic medium in accordance with the procedures specified in 18 CFR § 385.2011 and an original and four (4) copies of this form to:

Office of the Secretary
Federal Energy Regulatory Commission
Washington, DC 20426

Retain one copy of this report for your files.

(b) Submit immediately upon publication, four (4) copies of 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 page 3, List of Schedules, if the reports to stockholders will be submitted or if no annual report to stockholders is prepared.) Mail these reports to:

Chief Accountant
Federal Energy Regulatory Commission
Washington, DC 20426

(c) For the CPA certification, 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 current standards of reporting which will:

(i) contain a paragraph attesting 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 independent licensed public accountants, certified or licensed by a regulatory authority of a State or other political subdivision of the United States (See 18 CFR 158.10-158.12 for specific qualifications.)

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Comparative Balance Sheet	110-113
Statement of Income	114-116
Statement of Retained Earnings	118-119
Statement of Cash Flows	120-121
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Insert the letter or report immediately following the cover sheet of the original and each copy of this form.

(d) Federal, State and Local Governments and other authorized users may obtain additional blank copies to meet their requirement free of charge from:

Public Reference and Files Maintenance Branch
Washington, DC 20426
(202) 208-2356

IV. When to Submit

Submit this report form on or before April 30th of the year following the year covered by this report.

V. Where to Send Comments on Public Reporting Burden

The public reporting burden for this collection of information is estimated to average 2,475 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. Send comments regarding this burden estimate or any aspect of this collection of information, including suggestions for reducing this burden, to the Federal Energy Regulatory Commission, Washington, DC 20426 (Attention: Michael Miller, ED-12.4); and to the Office of Information and Regulatory Affairs. Office of the Management and Budget, Washington, DC 20503 (Attention: Desk Officer for the Federal Energy Regulatory Commission).

You shall not be penalized for failure to respond to this collection of information unless the collection of information displays a valid OMB control number.

GENERAL INSTRUCTIONS

I. Prepare this report in conformity with the Uniform Systems of Accounts (18 CFR 201)(U.S. of A.). Interpret all accounting words and phrases in accordance with the U.S. of A.

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 to dollars 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 year, and use the current year amounts for statement of income accounts.

III. Complete each question fully and accurately, even if it has been answered in a previous annual 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, either

(a) Enter the words "Not Applicable" on the particular page(s), or
(b) 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" at the top of each page is applicable only to resubmissions (see VII. below).

VI. Indicate negative amounts (such as decreases) by enclosing the figures in parentheses ( ).

VII. When making revisions, resubmit the electronic medium and only those pages that have been changed from the original submission. Submit the same number of copies as required for filing the form. Include with the resubmission the Identification and Attestation, page 1. Mail dated resubmissions to:

Chief Accountant
Federal Energy Regulatory Commission
Washington, DC 20426

VIII. Provide a supplemental statement further explaining accounts or pages as necessary. Attach the supplemental statement (8 1/2 by 11 inch size) to the page being supplemented. Provide the appropriate identification information, including the title(s) of the page and the page number supplemented.

IX. Do not make references to reports of previous years or to other reports in lieu of required entries, except as specifically authorized.

X. Wherever (schedule) pages refer to figures from a previous year, the figures reported must be based upon those shown by the annual report of the previous year, or an appropriate explanation given as to why the different figures were used.

XI. Report all gas volumes in MMBtu and Dth.

XII. Respondents may submit computer printed schedules (reduced to 8 1/2 x 11) instead of the schedules in the FERC Form 2 if they are in substantially the same format.

XIII. Report footnotes on pages 551 and 552. Sort data on page 551 by page number. Sort data on page 552 by footnote number. The page number component of the footnote reference is the first page of a schedule whether it is a single page schedule or a multi-page schedule. Even if a footnote appears on a later page of a multi-page schedule the footnote will only reference the first page of the schedule. The first page of a multi-page schedule now becomes a proxy for the entire schedule. For example, Gas Plant in Service ranges across pages 204 through 209. A footnote on page 207 would contain a page reference of 204.

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 inches of mercury at 32°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 air when the water formed by combustion is condensed to the liquid state (called gross heating value or total heating value).

II. Commission Authorization—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.

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.

EXCERPTS FROM THE LAW

(Natural Gas Act, 15 U.S.C. 717-717w)

"Sec.10(a). Every natural-gas company shall file with the Commission such annual and other periodic or special reports as the Commission may by rules and regulations or order prescribe as necessary or appropriate to assist the Commission in the proper administration of this act. The Commission may prescribe the manner and form in which such reports shall be made and require from such natural-gas companies 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, investment and reduction thereof, gross receipts, interest due and paid, depreciation, amortization, and other reserves, costs of facilities, cost of maintenance and operation of facilities for the production, transportation, delivery, use, or sale of natural gas, cost of renewal and replacement of such facilities, transportation, delivery, use, and sale of natural gas..."

"Sec. 16. The Commission shall have power to perform any and all acts, and to prescribe, issue, make, amend, 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 form or forms of all statements declarations, applications, and reports to be filed with the Commission, the information which they shall contain, and time within which they shall be filed..."

GENERAL PENALTIES

"Sec.21(b). Any person who willfully and knowingly violates any rule, regulation, restriction, condition, or order made or imposed by the Commission under authority of this act, shall, in addition to any other penalties provided by law, be punished upon conviction thereof by a fine of not exceeding $500 for each and every day during which such offense occurs."

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, 2002

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 J. Scott Williams	06 Title of Contact Person Mgr - Financial Reporting & Control

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* (502) 627-2530	09 This Report is (1) [x] An Original (2) [ ] A Resubmission	10 Date of Report (*Mo, Da, Yr*) 3/28/2003

ATTESTATION

The undersigned officer certifies that he/she has examined the accompanying report; that to the best of his/her knowledge, information, and belief, all statements of fact contained in the accompanying report are true and the accompanying report is a correct statement of the business and affairs of the above named respondent in respect to each and every matter set forth therein during the period from and including January 1 to and including December 31 of the year of the report.

01 Name S. Bradford Rives	02 Title Sr VP-Finance and Controller
03 Signature S. B. Rives /s/	04 Date Signed (*Mo, Da, Yr*) 3/28/2003

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 Louisville Gas and Electric Company	This Report Is: (1) [x] An Original (2) [ ] A Resubmission	Date of Report (Mo,Da,Yr) 03/28/2003	Year of Report Dec. 31, 2002

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."

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	03/28/2003	Dec. 31, 2002

LIST OF SCHEDULES (Natural Gas Company)(Continued)

*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 of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	03/28/2003	Dec. 31, 2002

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 of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	03/28/2003	Dec. 31, 2002

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.

On April 9, 2001, a German company, E.ON AG ("E.ON"), announced a pre-conditional cash offer of 5.1 billion pounds sterling ($7.3 billion) to acquire Powergen. The final regulatory approval needed was received on June 14, 2002 from the SEC. Effective July 1, 2002, the acquisition of Powergen was completed by E.ON. Following this acquisition, LG&E became an indirect subsidiary of E.ON and E.ON became a registered holding company under PUHCA, and subject to regulation thereunder. No costs associated with the E.ON acquisition nor any of the effects of purchase accounting have been reflected in the financial statements of LG&E.

LG&E is a wholly owned subsidiary of LG&E Energy Corp. On December 11, 2000, LG&E Energy Corp. and Powergen Limited successfully completed a merger transaction involving the two companies. Pursuant to the acquisition agreement, LG&E Energy became a wholly owned subsidiary of Powergen and, as a result LG&E became an indirect subsidiary of Powergen.

LG&E Energy and KU Energy merged on May 4, 1998, with LG&E Energy as the surviving corporation.

On August 17, 1990, LG&E Energy Corp. and LG&E implemented a corporate reorganization pursuant to a mandatory share exchange whereby each share of outstanding common stock of LG&E was exchanged on a share-for-share basis for the common stock of LG&E Energy Corp. LG&E preferred stock and first mortgage bonds were not exchanged and remain securities of LG&E.

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	03/28/2003	Dec. 31, 2002

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.
. 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	LG&E Receivables LLC	Limited Liability Company	100%	See Note 1 Page 123
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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 (2) [ ] A Resubmission	03/28/2003	Dec. 31, 2002

IMPORTANT CHANGES DURING THE 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.

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

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	03/28/2003	Dec 31, 2002

IMPORTANT CHANGES DURING THE YEAR (Continued)

1. None.
2. None.
3. None.
4. None.
5. None.
6. The Company is authorized by FERC Docket ES03-1-000 to issue short-term debt not to exceed $400 million at any one time on or before November 30, 2004 with final maturity no later than November 30, 2005.
7. None.
8. None of a material nature.
9. None.
10. None.
12. None.

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	03/28/2003	Dec. 31, 2002

COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)

Line No.	Title of Account (a)	Ref. Page No. (b)	Balance at Beginning of Year (c)	Balance at End of Year (d)
1	**UTILITY PLANT**			
2	Utility Plant (101-106, 114)	200-201	3,165,823,064	3,319,858,912
3	Construction Work in Progress (107)	200-201	255,073,676	300,986,392
4	TOTAL Utility Plant (Enter Total of lines 2 and 3)		3,420,896,740	3,620,845,304
5	(Less) Accum. Prov. for Depr. Amort. Depl. (108, 111, 115)	200-201	1,381,873,772	1,463,673,942
6	Net Utility Plant (Enter Total of line 4 less 5)		2,039,022,968	2,157,171,362
7	Nuclear Fuel (120.1-120.4, 120.6)	202-203	0	0
8	(Less) Accum. Prov. for Amort. of Nucl. Fuel Assemblies (120.5)	202-203	0	0
9	Net Nuclear Fuel (Enter Total of line 7 less 8)		0	0
10	Net Utility Plant (Enter Total of lines 6 and 9)		2,039,022,968	2,157,171,362
11	Utility Plant Adjustments (116)	122	0	0
12	Gas Stored Underground - Noncurrent (117)		2,139,990	2,139,990
13	**OTHER PROPERTY AND INVESTMENTS**			
14	Nonutility Property (121)	221	749,258	337,405
15	(Less) Accum. Prov. for Depr. and Amort. (122)		63,361	63,361
16	Investments in Associated Companies (123)		0	0
17	Investment in Subsidiary Companies (123.1)	224-225	5,000,000	5,000,000
18	(For Cost of Account 123.1, See Footnote Page 224, line 42)			
19	Noncurrent Portion of Allowances	228-229	0	0
20	Other Investments (124)		490,000	490,000
21	Special Funds (125-128)		0	7,525,957
22	TOTAL Other Property and Investments (Total of lines 14-17,19-21)		6,175,897	13,290,001
23	**CURRENT AND ACCRUED ASSETS**			
24	Cash (131)		1,399,685	9,461,071
25	Special Deposits (132-134)		712,296	28,045
26	Working Fund (135)		68,065	66,065
27	Temporary Cash Investments (136)		0	0
28	Notes Receivable (141)		0	0
29	Customer Accounts Receivable (142)		-4,091,845	-8,476,391
30	Other Accounts Receivable (143)		21,186,534	8,452,278
31	(Less) Accum. Prov. for Uncollectible Acct.-Credit (144)		300,000	249,999
32	Notes Receivable from Associated Companies (145)		26,296,208	22,766,637
33	Accounts Receivable from Assoc. Companies (146)		0	0
34	Fuel Stock (151)	227	22,024,120	36,600,574
35	Fuel Stock Expenses Undistributed (152)	227	0	0
36	Residuals (Elec) and Extracted Products (153)	227	0	0
37	Plant Materials and Operating Supplies (154)	227	26,046,410	21,938,383
38	Merchandise (155)	227	0	0
39	Other Materials and Supplies (156)	227	0	0
40	Nuclear Materials Held for Sale (157)	202-203/227	0	0
41	Allowances (158.1 and 158.2)	228-229	48,614	43,565
42	(Less) Noncurrent Portion of Allowances		0	0
43	Stores Expense Undistributed (163)	227	3,003,518	3,712,279
44	Gas Stored Underground - Current (164.1)		46,394,603	50,266,008
45	Liquefied Natural Gas Stored and Held for Processing (164.2-164.3)		0	0
46	Prepayments (165)		4,558,908	5,169,064
47	Advances for Gas (166-167)		0	0
48	Interest and Dividends Receivable (171)		49,000	44,100
49	Rents Receivable (172)		176,746	159,641
50	Accrued Utility Revenues (173)		37,253,000	40,652,000
51	Miscellaneous Current and Accrued Assets (174)		80,809	0
52	Derivative Instrument Assets (175)		0	85,530

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	03/28/2003	Dec. 31, 2002

COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)(Continued)

Line No.	Title of Account (a)	Ref. Page No. (b)	Balance at Beginning of Year (c)	Balance at End of Year (d)
53	Derivative Instrument Assets - Hedges (176)		0	0
54	TOTAL Current and Accrued Assets (Enter Total of lines 24 thru 53)		184,906,671	190,718,850
55	**DEFERRED DEBITS**			
56	Unamortized Debt Expenses (181)		5,921,200	6,531,855
57	Extraordinary Property Losses (182.1)	230	0	0
58	Unrecovered Plant and Regulatory Study Costs (182.2)	230	0	0
59	Other Regulatory Assets (182.3)	232	134,770,774	101,655,765
60	Prelim. Survey and Investigation Charges (Electric) (183)		0	345,300
61	Prelim. Sur. and Invest. Charges (Gas) (183.1, 183.2)		0	0
62	Clearing Accounts (184)		1,001,319	4,610,825
63	Temporary Facilities (185)		0	0
64	Miscellaneous Deferred Debits (186)	233	58,281,763	67,543,813
65	Def. Losses from Disposition of Utility Plt. (187)		0	0
66	Research, Devel. and Demonstration Expend. (188)	352-353	0	0
67	Unamortized Loss on Reaquired Debt (189)		17,901,766	18,842,728
68	Accumulated Deferred Income Taxes (190)	234	146,328,500	129,440,086
69	Unrecovered Purchased Gas Costs (191)		0	0
70	TOTAL Deferred Debits (Enter Total of lines 56 thru 69)		364,205,322	328,970,372
71	TOTAL Assets and Other Debits (Enter Total of lines 10,11,12,22,54,70)		2,596,450,848	2,692,290,575

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FOOTNOTE DATA

Schedule Page: 110 Line No.: 29 Column: c

Negative balance reflects sale of accounts receivable from accounts 142 and 173 to LG&E Receivables LLC , an afflicated company. (See Note 1 of Notes to Financial Statements)

Schedule Page: 110 Line No.: 29 Column: d

Negative balance reflects sale of accounts receivable from accounts 142 and 173 to LG&E Receivables LLC , an afflicated company. (See Note 1 of Notes to Financial Statements)

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	03/28/2003	Dec. 31, 2002

COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)

Line No.	Title of Account (a)	Ref. Page No. (b)	Balance at Beginning of Year (c)	Balance at End of Year (d)
1	**PROPRIETARY CAPITAL**			
2	Common Stock Issued (201)	250-251	425,170,424	425,170,424
3	Preferred Stock Issued (204)	250-251	96,519,300	96,519,300
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	2,208,416	2,208,416
11	Retained Earnings (215, 215.1, 216)	118-119	393,618,345	409,303,886
12	Unappropriated Undistributed Subsidiary Earnings (216.1)	118-119	0	0
13	(Less) Reaquired Capital Stock (217)	250-251	12,125	12,125
14	Accumulated Other Comprehensive Income (219)	122(a)(b)	-19,899,973	-40,512,168
15	TOTAL Proprietary Capital (Enter Total of lines 2 thru 13)		933,193,254	928,266,600
16	**LONG-TERM DEBT**			
17	Bonds (221)	256-257	616,904,000	616,904,000
18	(Less) Reaquired Bonds (222)	256-257	0	0
19	Advances from Associated Companies (223)	256-257	0	0
20	Other Long-Term Debt (224)	256-257	0	0
21	Unamortized Premium on Long-Term Debt (225)		0	0
22	(Less) Unamortized Discount on Long-Term Debt-Debit (226)		0	0
23	TOTAL Long-Term Debt (Enter Total of lines 16 thru 21)		616,904,000	616,904,000
24	**OTHER NONCURRENT LIABILITIES**			
25	Obligations Under Capital Leases - Noncurrent (227)		0	0
26	Accumulated Provision for Property Insurance (228.1)		0	0
27	Accumulated Provision for Injuries and Damages (228.2)		0	0
28	Accumulated Provision for Pensions and Benefits (228.3)		60,317,391	62,092,102
29	Accumulated Miscellaneous Operating Provisions (228.4)		0	0
30	Accumulated Provision for Rate Refunds (229)		0	0
31	TOTAL OTHER Noncurrent Liabilities (Enter Total of lines 24 thru 29)		60,317,391	62,092,102
32	**CURRENT AND ACCRUED LIABILITIES**			
33	Notes Payable (231)		29,943,750	0
34	Accounts Payable (232)		217,240,887	264,659,046
35	Notes Payable to Associated Companies (233)		64,252,943	193,052,943
36	Accounts Payable to Associated Companies (234)		46,373,837	26,360,782
37	Customer Deposits (235)		8,528,115	9,735,472
38	Taxes Accrued (236)	262-263	20,244,997	1,439,302
39	Interest Accrued (237)		5,817,921	4,939,641
40	Dividends Declared (238)		1,111,029	1,057,279
41	Matured Long-Term Debt (239)		0	0
42	Matured Interest (240)		0	0
43	Tax Collections Payable (241)		440,912	972,332
44	Miscellaneous Current and Accrued Liabilities (242)		3,201,190	3,561,664
45	Obligations Under Capital Leases-Current (243)		0	0

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	03/28/2003	Dec. 31, 2002

COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)(Continued)

Line No.	Title of Account (a)	Ref. Page No. (b)	Balance at Beginning of Year (c)	Balance at End of Year (d)
46	Derivative Instrument Liabilities (244)		0	241,104
47	Derivative Instrument Liabilities - Hedges (245)		0	0
48	TOTAL Current & Accrued Liabilities (Enter Total of lines 32 thru 44)		397,155,581	506,019,565
49	**DEFERRED CREDITS**			
50	Customer Advances for Construction (252)		9,744,990	10,267,270
51	Accumulated Deferred Investment Tax Credits (255)	266-267	58,688,623	54,536,445
52	Deferred Gains from Disposition of Utility Plant (256)		0	0
53	Other Deferred Credits (253)	269	25,475,114	24,205,918
54	Other Regulatory Liabilities (254)	278	50,500,606	47,333,336
55	Unamortized Gain on Reaquired Debt (257)		0	0
56	Accumulated Deferred Income Taxes (281-283)	272-277	444,471,289	442,665,339
57	TOTAL Deferred Credits (Enter Total of lines 47 thru 53)		588,880,622	579,008,308
58			0	0
59			0	0
60			0	0
61			0	0
62			0	0
63			0	0
64			0	0
65			0	0
66			0	0
67			0	0
68			0	0
69			0	0
70			0	0
71	TOTAL Liab and Other Credits (Enter Total of lines 14,22,30,45,54)		2,596,450,848	2,692,290,575

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	03/28/2003	Dec. 31, 2002

STATEMENT OF INCOME FOR THE YEAR

1. Report amounts for accounts 412 and 413, Revenue and Expenses from Utility Plant Leased to Others, in another Utility column (i, k, m, o) in a similar manner to a utility department. Spread the amount(s) over Lines 02 thru 24 as appropriate. Include these amounts in columns (c) and (d) totals.
2. Report amounts in account 414, Other Utility Operating income, in the same manner as accounts 412 and 413 above.
3. Report data for lines 7,9, and 10 for Natural Gas companies using accounts 404.1, 404.2, 404.3, 407.1 and 407.2.
4. Use pages 122-123 for important notes regarding the statement of income or any account thereof.
5. 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 a material refund to the utility with respect to power or gas purchases. State for each year affected 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 and gas purchases.
6. Give concise explanations concerning significant amounts of any refunds made or received during the year

Line No.	Account (a)	(Ref.) Page No. (b)	TOTAL Current Year (c)	TOTAL Previous Year (d)
1	UTILITY OPERATING INCOME			
2	Operating Revenues (400)	300-301	1,026,183,706	996,699,570
3	Operating Expenses			
4	Operation Expenses (401)	320-323	673,305,661	614,935,371
5	Maintenance Expenses (402)	320-323	56,782,185	58,687,684
6	Depreciation Expense (403)	336-337	101,054,754	94,473,770
7	Amort. & Depl. of Utility Plant (404-405)	336-337	4,851,091	5,882,622
8	Amort. of Utility Plant Acq. Adj. (406)	336-337		
9	Amort. Property Losses, Unrecov Plant and Regulatory Study Costs (407)			
10	Amort. of Conversion Expenses (407)			
11	Regulatory Debits (407.3)			
12	(Less) Regulatory Credits (407.4)			
13	Taxes Other Than Income Taxes (408.1)	262-263	17,458,357	17,743,299
14	Income Taxes - Federal (409.1)	262-263	26,232,676	42,987,716
15	- Other (409.1)	262-263	8,082,759	8,665,054
16	Provision for Deferred Income Taxes (410.1)	234, 272-277	112,979,496	92,299,601
17	(Less) Provision for Deferred Income Taxes-Cr. (411.1)	234, 272-277	88,106,603	76,222,026
18	Investment Tax Credit Adj. - Net (411.4)	266	-4,152,179	-4,289,898
19	(Less) Gains from Disp. of Utility Plant (411.6)			
20	Losses from Disp. of Utility Plant (411.7)			
21	(Less) Gains from Disposition of Allowances (411.8)		216,947	248,033
22	Losses from Disposition of Allowances (411.9)			
23	TOTAL Utility Operating Expenses (Enter Total of lines 4 thru 22)		908,271,250	854,915,160
24	Net Util Oper Inc (Enter Tot line 2 less 23) Carry fwd to P117,line 25		117,912,456	141,784,410

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	03/28/2003	Dec. 31, 2002

STATEMENT OF INCOME FOR THE YEAR (Continued)

resulting from settlement of any rate proceeding affecting revenues received or costs incurred for power or gas purchases, and a summary of the adjustments made to balance sheet, income, and expense accounts.

7. If any notes appearing in the report to stockholders are applicable to this Statement of Income, such notes may be included on pages 122-123.

8. Enter on pages 122-123 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 approximate dollar effect of such changes.

9. Explain in a footnote if the previous year's figures are different from that reported in prior reports.

10. If the columns are insufficient for reporting additional utility departments, supply the appropriate account titles, lines 2 to 23, and report the information in the blank space on pages.122-123 or in a footnote.

ELECTRIC UTILITY		GAS UTILITY		OTHER UTILITY		Line No.
Current Year (e)	Previous Year (f)	Current Year (g)	Previous Year (h)	Current Year (i)	Previous Year (j)	
[redacted]						1
758,490,551	705,924,207	267,693,155	290,775,363			2
[redacted]						3
453,904,582	375,268,796	219,401,079	239,666,575			4
49,295,871	52,347,363	7,486,314	6,340,321			5
86,609,688	81,163,607	14,445,066	13,310,163			6
3,638,318	4,408,224	1,212,773	1,474,398			7
						8
						9
						10
						11
						12
13,397,262	13,670,536	4,061,095	4,072,763			13
20,859,460	43,388,771	5,373,216	-401,055			14
6,498,002	9,014,014	1,584,757	-348,960			15
94,216,796	70,062,141	18,762,700	22,237,460			16
68,610,940	62,867,356	19,495,663	13,354,670			17
-3,952,359	-4,082,632	-199,820	-207,266			18
						19
						20
216,947	248,033					21
						22
655,639,733	582,125,431	252,631,517	272,789,729			23
102,850,818	123,798,776	15,061,638	17,985,634			24

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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	03/28/2003	Dec. 31, 2002

STATEMENT OF INCOME FOR THE YEAR (Continued)

Line No.	Account (a)	(Ref.) Page No. (b)	TOTAL Current Year (c)	TOTAL Previous Year (d)
25	Net Utility Operating Income (Carried forward from page 114)		117,912,456	141,784,410
26	Other Income and Deductions			
27	Other Income			
28	Nonutilty Operating Income			
29	Revenues From Merchandising, Jobbing and Contract Work (415)		659,567	1,943,608
30	(Less) Costs and Exp. of Merchandising, Job. & Contract Work (416)		1,686,452	1,662,830
31	Revenues From Nonutility Operations (417)		858,871	795,233
32	(Less) Expenses of Nonutility Operations (417.1)			
33	Nonoperating Rental Income (418)			
34	Equity in Earnings of Subsidiary Companies (418.1)	119		
35	Interest and Dividend Income (419)		559,582	855,896
36	Allowance for Other Funds Used During Construction (419.1)			
37	Miscellaneous Nonoperating Income (421)		153,354	-52,480
38	Gain on Disposition of Property (421.1)		420,547	1,217,295
39	TOTAL Other Income (Enter Total of lines 29 thru 38)		965,469	3,096,722
40	Other Income Deductions			
41	Loss on Disposition of Property (421.2)			
42	Miscellaneous Amortization (425)	340		
43	Miscellaneous Income Deductions (426.1-426.5)	340	2,450,724	2,111,215
44	TOTAL Other Income Deductions (Total of lines 41 thru 43)		2,450,724	2,111,215
45	Taxes Applic. to Other Income and Deductions			
46	Taxes Other Than Income Taxes (408.2)	262-263	50,412	50,412
47	Income Taxes-Federal (409.2)	262-263	-1,666,834	-1,870,206
48	Income Taxes-Other (409.2)	262-263	-430,076	-483,066
49	Provision for Deferred Inc. Taxes (410.2)	234, 272-277	461,496	535,380
50	(Less) Provision for Deferred Income Taxes-Cr. (411.2)	234, 272-277	720,550	177,121
51	Investment Tax Credit Adj.-Net (411.5)			
52	(Less) Investment Tax Credits (420)			
53	TOTAL Taxes on Other Income and Deduct. (Total of 46 thru 52)		-2,305,552	-1,944,601
54	Net Other Income and Deductions (Enter Total lines 39, 44, 53)		820,297	2,930,108
55	Interest Charges			
56	Interest on Long-Term Debt (427)		24,540,537	30,507,423
57	Amort. of Debt Disc. and Expense (428)		418,580	304,853
58	Amortization of Loss on Reaquired Debt (428.1)		1,138,550	1,134,278
59	(Less) Amort. of Premium on Debt-Credit (429)			
60	(Less) Amortization of Gain on Reaquired Debt-Credit (429.1)			
61	Interest on Debt to Assoc. Companies (430)	340	2,175,713	3,015,330
62	Other Interest Expense (431)	340	1,527,841	2,988,999
63	(Less) Allowance for Borrowed Funds Used During Construction-Cr. (432)			
64	Net Interest Charges (Enter Total of lines 56 thru 63)		29,801,221	37,950,883
65	Income Before Extraordinary Items (Total of lines 25, 54 and 64)		88,931,532	106,763,635
66	Extraordinary Items			
67	Extraordinary Income (434)			
68	(Less) Extraordinary Deductions (435)			
69	Net Extraordinary Items (Enter Total of line 67 less line 68)			
70	Income Taxes-Federal and Other (409.3)	262-263		
71	Extraordinary Items After Taxes (Enter Total of line 69 less line 70)			
72	Net Income (Enter Total of lines 65 and 71)		88,931,532	106,763,635

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
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STATEMENT OF RETAINED EARNINGS FOR THE YEAR

1. Report all changes in appropriated retained earnings, unappropriated retained earnings, and unappropriated undistributed subsidiary earnings for the year.
2. 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)
3. State the purpose and amount of each reservation or appropriation of retained earnings.
4. 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.
5. Show dividends for each class and series of capital stock.
6. Show separately the State and Federal income tax effect of items shown in account 439, Adjustments to Retained Earnings.
7. 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.
8. 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)	Amount (c)
	UNAPPROPRIATED RETAINED EARNINGS (Account 216)		
1	Balance-Beginning of Year		393,618,345
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)		88,931,532
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		-1,075,366
25	WITHOUT PAR VALUE CUMULATIVE - $5.875 PER SHARE		-1,468,750
26	WITHOUT PAR VALUE AUCTION RATE CUMULATIVE		-1,701,875
27			
28			
29	TOTAL Dividends Declared-Preferred Stock (Acct. 437)		-4,245,991
30	Dividends Declared-Common Stock (Account 438)		
31	WITHOUT PAR VALUE		-69,000,000
32			
33			
34			
35			
36	TOTAL Dividends Declared-Common Stock (Acct. 438)		-69,000,000
37	Transfers from Acct 216.1, Unapprop. Undistrib. Subsidiary Earnings		
38	Balance - End of Year (Total 1,9,15,16,22,29,36,37)		409,303,886
	APPROPRIATED RETAINED EARNINGS (Account 215)		

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
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STATEMENT OF RETAINED EARNINGS FOR THE YEAR

1. Report all changes in appropriated retained earnings, unappropriated retained earnings, and unappropriated undistributed subsidiary earnings for the year.
2. 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)
3. State the purpose and amount of each reservation or appropriation of retained earnings.
4. 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.
5. Show dividends for each class and series of capital stock.
6. Show separately the State and Federal income tax effect of items shown in account 439, Adjustments to Retained Earnings.
7. 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.
8. 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)	Amount (c)
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)		409,303,886
48	TOTAL Retained Earnings (Account 215, 215.1, 216) (Total 38, 47)		
	UNAPPROPRIATED UNDISTRIBUTED SUBSIDIARY EARNINGS (Account 216.1)		
49	Balance-Beginning of Year (Debit or Credit)		
50	Equity in Earnings for Year (Credit) (Account 418.1)		
51	(Less) Dividends Received (Debit)		
52			
53	Balance-End of Year (Total lines 49 thru 52)		

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Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year of Report
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FOOTNOTE DATA

Schedule Page: 118 Line No.: 1 Column: c

STATEMENT OF RETAINED EARNINGS FOR PREVIOUS YEAR

BALANCE - BEGINNING OF YEAR	$ 314,593,826
BALANCE TRANSFERRED FROM INCOME	106,763,635
DIVIDENDS DECLARED - PREFERRED STOCK (ACCT 437)	
$25 PAR VALUE 5% CUMULATIVE - $1.25 PER SHARE	(1,075,366)
WITHOUT PAR VALUE CUMULATIVE - $5.875 PER SHARE	(1,468,750)
WITHOUT PAR VALUE AUCTION RATE CUMMULATIVE	(2,195,000)
TOTAL DIVIDENDS DECLARED - PREFERRED STOCK	(4,739,116)
DIVIDENDS DECLARED - COMMON STOCK WITHOUT PAR VALUE	(23,000,000)
TOTAL DIVIDENDS DECLARED - COMMON STOCK	(23,000,000)
BALANCE - END OF YEAR	$ 393,618,345

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	03/28/2003	Dec. 31, 2002

STATEMENT OF CASH FLOWS

1. If the notes to the cash flow statement in the respondents annual stockholders report are applicable to this statement, such notes should be included in page 122-123. Information about non-cash investing and financing activities should be provided on Page 122-123. Provide also on pages 122-123 a reconciliation between "Cash and Cash Equivalents at End of Year" with related amounts on the balance sheet.
2. Under "Other" specify significant amounts and group others.
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 on Page 122-123 the amount of interest paid (net of amounts capitalized) and income taxes paid.

Line No.	Description (See Instruction No. 5 for Explanation of Codes) (a)	Amounts (b)
1	Net Cash Flow from Operating Activities:	
2	Net Income	88,931,532
3	Noncash Charges (Credits) to Income:	
4	Depreciation and Depletion	101,054,754
5	Amortization of	
6	Underground Storage Land Rights and Intangible Plant	4,851,091
7		
8	Deferred Income Taxes (Net)	15,082,464
9	Investment Tax Credit Adjustment (Net)	-4,152,179
10	Net (Increase) Decrease in Receivables	17,223,377
11	Net (Increase) Decrease in Inventory	-15,048,593
12	Net (Increase) Decrease in Allowances Inventory	5,049
13	Net Increase (Decrease) in Payables and Accrued Expenses	10,061,484
14	Net (Increase) Decrease in Other Regulatory Assets	33,115,009
15	Net Increase (Decrease) in Other Regulatory Liabilities	-3,167,270
16	(Less) Allowance for Other Funds Used During Construction	
17	(Less) Undistributed Earnings from Subsidiary Companies	
18	Other (provide details in footnote): Deprec. Chrgd. to Clearing Accts	1,618,770
19	(Increase) Decrease in Other Deferred Debits	-13,216,856
20	Increase (Decrease) in Other Deferred Credits	-1,269,196
21	Other	-25,739,227
22	Net Cash Provided by (Used in) Operating Activities (Total 2 thru 21)	209,350,209
23		
24	Cash Flows from Investment Activities:	
25	Construction and Acquisition of Plant (including land):	
26	Gross Additions to Utility Plant (less nuclear fuel)	-207,278,840
27	Gross Additions to Nuclear Fuel	
28	Gross Additions to Common Utility Plant	-13,136,639
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)	-220,415,479
35		
36	Acquisition of Other Noncurrent Assets (d)	
37	Proceeds from Disposal of Noncurrent Assets (d)	411,853
38		
39	Investments in and Advances to Assoc. and Subsidiary Companies	
40	Contributions and Advances from Assoc. and Subsidiary Companies	
41	Disposition of Investments in (and Advances to)	
42	Associated and Subsidiary Companies	
43		
44	Purchase of Investment Securities (a)	
45	Proceeds from Sales of Investment Securities (a)	

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) 03/28/2003	Year of Report Dec. 31, 2002

STATEMENT OF CASH FLOWS

4. Investing Activities include at Other (line 31) net cash outflow to acquire other companies. Provide a reconciliation of assets acquired with liabilities assumed on pages 122-123. Do not include on this statement the dollar amount of Leases capitalized per US of A General Instruction 20; instead rovide a reconciliation of the dollar amount of Leases capitalized with the plant cost on pages 122-123.

5. Codes used:

(a) Net proceeds or payments.

(b) Bonds, debentures and other long-term debt.

(c) Include commercial paper.

(d) Identify separately such items as investments, fixed assets, intangibles, etc.

6. Enter on pages 122-123 clarifications and explanations.

Line No.	Description (See Instruction No. 5 for Explanation of Codes) (a)	Amounts (b)
46	Loans Made or Purchased	
47	Collections on Loans	
48		
49	Net (Increase) Decrease in Receivables	
50	Net (Increase) Decrease in Inventory	
51	Net (Increase) Decrease in Allowances Held for Speculation	
52	Net Increase (Decrease) in Payables and Accrued Expenses	
53	Other (provide details in footnote):	
54		
55		
56	Net Cash Provided by (Used in) Investing Activities	-220,003,626
57	Total of lines 34 thru 55)	
58		
59	Cash Flows from Financing Activities:	
60	Proceeds from Issuance of:	161,665,000
61	Long-Term Debt (b)	
62	Preferred Stock	
63	Common Stock	
64	Other (provide details in footnote):	
65		98,856,250
66	Net Increase in Short-Term Debt (c)	
67	Other (provide details in footnote):	
68		
69		260,521,250
70	Cash Provided by Outside Sources (Total 61 thru 69)	
71		
72	Payments for Retirement of:	-161,665,000
73	Long-term Debt (b)	
74	Preferred Stock	
75	Common Stock	
76	Other (provide details in footnote):	
77		
78	Net Decrease in Short-Term Debt (c)	
79		-4,299,741
80	Dividends on Preferred Stock	-69,000,000
81	Dividends on Common Stock	
82	Net Cash Provided by (Used in) Financing Activities	25,556,509
83	(Total of lines 70 thru 81)	
84		
85	Net Increase (Decrease) in Cash and Cash Equivalents	14,903,092
86	(Total of lines 22,57 and 83)	
87		2,111,981
88	Cash and Cash Equivalents at Beginning of Year	
89		17,015,073
90	Cash and Cash Equivalents at End of Year	

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Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year of Report
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FOOTNOTE DATA

Schedule Page: 120 Line No.: 2 Column: b

STATEMENT OF CASH FLOWS-PREVIOUS YEAR (2001)

2. Net Income	$106,763,635
4. Depreciation and Depletion	94,478,760
6. Underground Storage Land Rights and Intangible Plant	5,877,632
8. Deferred Income Taxes (Net)	8,910,514
9. Investment Tax Credit Adjustment (Net)	(4,289,899)
10. Net (Increase) Decrease in Receivables	90,213,878
11. Net (Increase) Decrease in Inventory	(2,017,067)
12. Net (Increase) Decrease in Allowances Inventory	(48,614)
13. Net Increase (Decrease)in Payables and Accrued Expenses	118,915,000
14. Net (Increase) Decrease in Other Regulatory Assets	(123,899,937)
15. Net Increase (Decrease) in Other Regulatory Liabilities	(5,890,633)
18. Other: Depreciation Charged to Clearing Accounts	1,826,064
19. (Increase) Decrease in Other Deferred Debits	(32,079,864)
20. Increase (Decrease)in Other Deferred Credits	18,808,144
21. Other	14,569,928
22. Net Cash Provided by (Used in) Operating Activities	292,137,541
26. Gross Additions to Utility Plant (less nuclear fuel)	(243,213,593)
28. Gross Additions to Common Utility Plant	(9,743,898)
34. Cash Outflows for Plant	(252,957,491)
37. Proceeds from Disposal of Noncurrent Assets	106,605
39. Investments in and Advances to Assoc. and Subsidiary Cos.	(5,000,000)
45. Proceeds from Sales of Investment Securities	4,055,525
57. Net Cash Provided by (Used in) Investing Activities	(253,795,361)
65. Issuance of Long-Term Debt	9,661,855
78. Net Decrease in Short-Term Debt	(20,391,999)
80. Dividends on Preferred Stock	(4,995,367)
81. Dividends on Common Stock	(23,000,000)
83. Net Cash Provided by (Used in) Financing Activities	(38,725,511)
86. Net Increase (Decrease) in Cash and Cash Equivalents	(383,331)
88. Cash and Cash Equivalents at Beginning of Year	2,495,312
90. Cash and Cash Equivalents at End of Year	$ 2,111,981

Name of Respondent	This Report Is:	Date of Report	Year of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	03/28/2003	Dec. 31, 2002

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.

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

INDEX OF ABBREVIATIONS

Capital Corp.	LG&E Capital Corp.
Clean Air Act	The Clean Air Act, as amended in 1990
CCN	Certificate of Public Convenience and Necessity
CT	Combustion Turbines
DSM	Demand Side Management
ECR	Environmental Cost Recovery
EEI	Electric Energy, Inc.
EITF	Emerging Issues Task Force Issue
E.ON	E.ON AG
EPA	U.S. Environmental Protection Agency
ESM	Earnings Sharing Mechanism
F	Fahrenheit
FAC	Fuel Adjustment Clause
FERC	Federal Energy Regulatory Commission
FPA	Federal Power Act
FT and FT-A	Firm Transportation
GSC	Gas Supply Clause
IBEW	International Brotherhood of Electrical Workers
IMEA	Illinois Municipal Electric Agency
IMPA	Indiana Municipal Power Agency
Kentucky Commission	Kentucky Public Service Commission
KIUC	Kentucky Industrial Utility Consumers, Inc.
KU	Kentucky Utilities Company
KU Energy	KU Energy Corporation
KU R	KU Receivables LLC
kV	Kilovolts
Kva	Kilovolt-ampere
KW	Kilowatts
Kwh	Kilowatt hours
LEM	LG&E Energy Marketing Inc.
LG&E	Louisville Gas and Electric Company
LG&E Energy	LG&E Energy Corp.
LG&E R	LG&E Receivables LLC
LG&E Services	LG&E Energy Services Inc.
Mcf	Thousand Cubic Feet
MGP	Manufactured Gas Plant
MISO	Midwest Independent System Operator
Mmbtu	Million British thermal units
Moody's	Moody's Investor Services, Inc.
Mw	Megawatts
Mwh	Megawatt hours
NNS	No-Notice Service
NOPR	Notice of Proposed Rulemaking
NOx	Nitrogen Oxide
OATT	Open Access Transmission Tariff
OMU	Owensboro Municipal Utilities
OVEC	Ohio Valley Electric Corporation

PBR	Performance-Based Ratemaking
PJM	Pennsylvania, New Jersey, Maryland Interconnection
Powergen	Powergen Limited (formerly Powergen plc)
PUHCA	Public Utility Holding Company Act of 1935
ROE	Return on Equity
RTO	Regional Transmission Organization
S&P	Standard & Poor's Rating Services
SCR	Selective Catalytic Reduction
SEC	Securities and Exchange Commission
SERP	Supplemental Employee Retirement Plan
SFAS	Statement of Financial Accounting Standards
SIP	State Implementation Plan
SMD	Standard Market Design
SO_2	Sulfur Dioxide
Tennessee Gas	Tennessee Gas Pipeline Company
Texas Gas	Texas Gas Transmission Corporation
TRA	Tennessee Regulatory Authority
Trimble County	LG&E's Trimble County Unit 1
USWA	United Steelworkers of America
Utility Operations	Operations of LG&E and KU
VDT	Value Delivery Team Process
Virginia Commission	Virginia State Corporation Commission
Virginia Staff	Virginia State Corporation Commission Staff

Note 1 - Summary of Significant Accounting Policies

LG&E, a subsidiary of LG&E Energy and an indirect subsidiary of Powergen and E.ON, 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 in Louisville and adjacent areas in Kentucky. LG&E Energy is an exempt public utility holding company with wholly owned subsidiaries including LG&E, KU, Capital Corp., LEM, and LG&E Services. All of the LG&E's Common Stock is held by LG&E Energy. LG&E has one wholly owned consolidated subsidiary, LG&E R.

On December 11, 2000, LG&E Energy was acquired by Powergen. On July 1, 2002, E.ON, a German company, completed its acquisition of Powergen plc (now Powergen Limited). E.ON had announced its pre-conditional cash offer of £5.1 billion ($7.3 billion) for Powergen on April 9, 2001. E.ON and Powergen are registered public utility holding companies under PUHCA. No costs associated with these acquisitions nor any of the effects of purchase accounting have been reflected in the financial statements of LG&E.

Certain reclassification entries have been made to the previous year's financial statements to conform to the 2002 presentation with no impact on the balance sheet totals or previously reported income.

Prensentation. The accompanying financial statements are prepared on the regulatory basis of accounting in accordance with the requirements of FERC, which is a comprehensive basis of accounting other than generally accepted accounting principles. This basis of accounting reflects the accounting and ratemaking treatment authorized by FERC and the Kentucky Commission in LG&E's historical rate proceedings.

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.

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. Pursuant to a final order of the Kentucky Commission dated December 3, 2001, LG&E implemented new depreciation rates effective January 1, 2001. The amounts provided were approximately 3.1% in 2002 (2.9% electric, 2.8% gas and 6.6% common); 3.0% for 2001 (2.9% electric, 2.9% gas and 5.7% common); and 3.6% for 2000 (3.3% electric, 3.8% gas and 7.3% common), of average depreciable plant. Of the amount provided for depreciation, at December 31, 2002, 2001 and 2000, respectively, approximately 0.4 % electric, 0.9 % gas and 0.04% common were related to the retirement, removal and disposal costs of long lived assets.

Fuel Inventory. Fuel inventories of $36.6 million and $22.0 million at December 31, 2002, and 2001, respectively, are included in Fuel in the balance sheet. The inventory is accounted for using the average-cost method.

Gas Stored Underground. Gas inventories of $50.3 million and $46.4 million at December 31, 2002, and 2001, respectively, are included in gas stored underground in the balance sheet. The inventory is accounted for using the average-cost method.

Financial Instruments. LG&E uses over-the-counter interest-rate swap agreements to hedge its exposure to fluctuations in the interest rates it pays on variable-rate debt. Gains and losses on interest-rate swaps used to hedge interest rate risk are reflected in other comprehensive income. In 2000, LG&E used exchange traded U.S. Treasury note and bond futures to hedge its exposure to fluctuations in the value of its investments in the preferred stocks of other companies. Gains and losses on U.S. Treasury note and bond futures were charged or credited to other income-net. See Note 4 - Financial Instruments.

Unamortized Debt Expense. Debt expense is capitalized in deferred debits and amortized over the lives of the related bond issues, consistent with regulatory practices.

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 basis of assets and liabilities.

Investment Tax Credits. Investment tax credits resulted from provisions of the tax law that permitted a reduction of LG&E's tax liability based on credits for certain 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. The unbilled revenue estimates included in accounts receivable were approximately $40.7 million and $37.3 million, at December 31, 2002 and 2001, respectively. See Note 3, Rates and Regulatory Matters. LG&E recorded electric revenues that resulted from sales to a related party, KU, of $46.5 million, $28.5 million and $20.9 million for years ended December 31, 2002, 2001 and 2000, respectively.

Fuel and Gas Costs. The cost of fuel for electric generation is charged to expense as used, and the cost of 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 gas procurement and off-system gas sales activity. See Note 3, 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. Actual results could differ from those estimates. See Note 11, Commitments and Contingencies, for a further discussion.

Accounts Receivable Securitization. SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, revises the standards for accounting for securitizations and other transfers of financial assets and collateral and requires certain disclosures, and provides accounting and reporting standards for transfers and servicing of financial assets and extinguishments of liabilities. SFAS No. 140 was adopted in the first quarter of 2001, when LG&E entered into an accounts receivable securitization transaction.

On February 6, 2001, LG&E implemented an accounts receivable securitization program. The purpose of this program is to enable LG&E to accelerate the receipt of cash from the collection of retail accounts receivable, thereby reducing dependence upon more costly sources of working capital. The securitization program allows for a percentage of eligible receivables to be sold. Eligible receivables are generally all receivables associated with retail sales that have standard terms and are not past due. LG&E is able to terminate this program at any time without penalty. If there is a significant deterioration in the payment record of the receivables by the retail customers or if LG&E fails to meet certain covenants regarding the program, the program may terminate at the election of the financial institutions. In this case, payments from retail customers would first be used to repay the financial institutions participating in the program, and would then be available for use by LG&E.

As part of the program, LG&E sold retail accounts receivables to a wholly owned subsidiary, LG&E R. Simultaneously, LG&E R entered into two separate three-year accounts receivable securitization facilities with two financial institutions and their affiliates whereby LG&E R can sell, on a revolving basis, an undivided interest in certain of its receivables and receive up to $75 million from an unrelated third party purchaser. The effective cost of the receivables programs is comparable to LG&E's lowest cost source of capital, and is based on prime rated commercial paper. LG&E retains servicing rights of the sold receivables through two separate servicing agreements with the third party purchaser. LG&E has obtained an opinion from independent legal counsel indicating these transactions qualify as true sale of receivables. As of December 31, 2002, the outstanding program balance was $63.2 million. LG&E is considering unwinding its accounts receivable securitization arrangements involving LG&E R during 2003.

The allowance for doubtful accounts associated with the eligible securitized receivables was $2.125 million at December 31, 2002. This allowance is based on historical experience of LG&E. Each securitization facility contains a fully funded reserve for uncollectible receivables.

New Accounting Pronouncements. The following accounting pronouncements were issued that affected LG&E in 2002:

SFAS No. 143, *Accounting for Asset Retirement Obligations* was issued in 2001. SFAS No. 143 establishes accounting and reporting standards for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs.

The effective implementation date for SFAS No. 143 is January 1, 2003. Management has calculated the impact of SFAS No. 143 and the recently released FERC NOPR No. RM02-7, *Accounting, Financial Reporting, and Rate Filing Requirements for Asset Retirement Obligations*. As of January 1, 2003, LG&E recorded asset retirement obligation (ARO) assets in the amount of $4.6 million and liabilities in the amount of $9.3 million. LG&E also recorded a cumulative effect adjustment in the amount of $5.3 million to reflect the accumulated depreciation and accretion of ARO assets at the transition date less amounts previously accrued under regulatory depreciation. LG&E recorded offsetting regulatory assets of $5.3 million, pursuant to regulatory treatment prescribed under SFAS No. 71, *Accounting for the Effects of Certain Types of Regulation*. Also pursuant to SFAS No. 71, LG&E recorded regulatory liabilities in the amount of $60,000 offsetting removal costs previously accrued under regulatory accounting in excess of amounts allowed under SFAS No. 143.

LG&E also expects to record ARO accretion expense of approximately $617,000, ARO depreciation expense of approximately $117,000 and an offsetting regulatory credit in the income statement of approximately $734,000 in 2003, pursuant to regulatory treatment prescribed under SFAS No. 71, *Accounting for the Effects of Certain Types of Regulation*. The accretion, depreciation and regulatory credit will be annual adjustments. SFAS No. 143 will have no impact on the results of the operation of LG&E.

LG&E asset retirement obligations are primarily related to the final retirement of generating units. 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 will be recorded for transmission and distribution assets.

LG&E adopted EITF No. 98-10, *Accounting for Energy Trading and Risk Management Activities*, effective January 1, 1999. This pronouncement required that energy trading contracts be marked to market on the balance sheet, with the gains and losses shown net in the income statement. In October 2002, the Emerging Issues Task Force reached a consensus to rescind EITF 98-10. The effective date for the full rescission is for fiscal periods beginning after December 15, 2002. With the recession of EITF No. 98-10, energy trading contracts that do not also meet the definition of a derivative under SFAS No. 133 must be accounted for as executory contracts. Contracts previously recorded at fair value under EITF No. 98-10 that are not also derivatives under SFAS No. 133 must be restated to historical cost through a cumulative effect adjustment. LG&E does not expect the rescission of this standard to have a material impact on financial position or results of operations.

In January 2003, the Financial Accounting Standards Board issued Financial Accounting Standards Board Interpretation No. 46, *Consolidation of Variable Interest Entities*, an Interpretation of ARB No. 51 (FIN 46). FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 is effective immediately for all new variable interest entities created or acquired after January 31, 2003. For variable interest entities created or acquired prior to February 1, 2003, the provisions of FIN 46 must be applied for the first interim or annual period beginning after June 15, 2003. LG&E does not expect the adoption of this standard to have any impact on the financial position or results of operations.

Note 2 – Mergers and Acquisitions

On July 1, 2002, E.ON completed its acquisition of Powergen, including LG&E Energy, for approximately £5.1 billion ($7.3 billion). As a result of the acquisition, LG&E Energy became a wholly owned subsidiary (through Powergen) of E.ON and, as a result, LG&E also became an indirect subsidiary of E.ON. LG&E has continued its separate identity and serves customers in Kentucky under its existing name. The preferred stock and debt securities of LG&E were not affected by this transaction and the utilities continue to file SEC reports. Following the acquisition, E.ON became, and Powergen remained, a registered holding company under PUHCA. LG&E, as a subsidiary of a registered holding company, is subject to additional regulations under PUHCA. As contemplated in their regulatory filings in connection with the E.ON acquisition, E.ON, Powergen and LG&E Energy completed an administrative reorganization to move the LG&E Energy group from an indirect Powergen subsidiary to an indirect E.ON subsidiary. This reorganization was effective in March 2003.

LG&E Energy and KU Energy merged on May 4, 1998, with LG&E Energy as the surviving corporation. Management accounted for the merger as a pooling of interests and as a tax-free reorganization under the Internal Revenue Code. Following the acquisition, LG&E has continued to maintain its separate corporate identity and serve customers in Kentucky under its present name.

Note 3 - Rates and Regulatory Matters

Accounting for the regulated utility business conforms with generally accepted accounting principles as applied to regulated public utilities and as prescribed by FERC and the Kentucky Commission. LG&E is subject to SFAS No. 71, *Accounting for the Effects of Certain Types of Regulation*, under which certain costs that would otherwise be charged to expense are deferred as regulatory assets based on expected recovery from customers in future rates. Likewise, certain 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 generally based on specific ratemaking decisions or precedent for each item. The following regulatory assets and liabilities were included in LG&E's balance sheets as of December 31 (in thousands of $):

	2002	2001
VDT Costs	$ 98,044	$127,529
Gas supply adjustments due from customers	13,714	30,135
Unamortized loss on bonds	18,843	17,902
ESM provision	12,500	-
LGE/KU merger costs	1,815	5,444
Manufactured gas sites	1,757	2,062
One utility costs	954	3,643
Other	5,819	10,427
Total regulatory assets	153,446	197,142
Deferred income taxes - net	(45,536)	(48,703)
Gas supply adjustments due to customers	(3,154)	(15,702)
Other	(3,734)	(944)
Total regulatory liabilities	(52,424)	(65,349)
Regulatory assets – net	$101,022	$131,793

Kentucky Commission Settlement - VDT Costs. During the first quarter 2001, LG&E recorded a $144 million charge for a workforce reduction program. Primary components of the charge were separation benefits, enhanced early retirement benefits, and health care benefits. The result of this workforce reduction was the elimination of approximately 700 positions, accomplished primarily through a voluntary enhanced severance program.

On June 1, 2001, LG&E filed an application (VDT case) with the Kentucky Commission to create a regulatory asset relating to these first quarter 2001 charges. The application requested permission to amortize these costs over a four-year period. The Kentucky Commission also opened a case to review a new depreciation study and resulting depreciation rates implemented in 2001.

LG&E reached a settlement in the VDT case as well as the other cases involving depreciation rates and ESM with all intervening parties. The settlement agreement was approved by the Kentucky Commission on December 3, 2001. The order allowed LG&E to set up a regulatory asset of $141 million for the workforce reduction costs and begin amortizing these costs over a five year period startir in April 2001. The first quarter 2001 charge of $144 million represented all employees who had accepted a voluntary enhanced severance program. Some employees rescinded their participation in the voluntary enhanced severance program, thereby decreasing the original charge from $144 million to $141 million. The settlement will also reduce revenues approximately $26 million through a surcredit on future bills to customers over the same five year period. The surcredit represents net savings stipulated by LG&E. The agreement also established LG&E's new depreciation rates in effect December 2001, retroactive to January 1, 2001. The new depreciation rates decreased depreciation expense by $5.6 million in 2001.

PUHCA. LG&E Energy was purchased by Powergen on December 11, 2000. Effective July 1, 2002, Powergen was acquired by E.ON, which became a registered holding company under PUHCA. As a result, E.ON, its utility subsidiaries, including LG&E, and certain of its non-utility subsidiaries are subject to extensive regulation by the SEC under PUHCA with respect to issuances and sales of securities, acquisitions and sales of certain utility properties, and intra-system sales of certain goods and services. In addition, PUHCA generally limits the ability of registered holding companies to acquire additional public utility systems and to acquire and retain businesses unrelated to the utility operations of the holding company. LG&E believes that it has adequate authority (including financing authority) under existing SEC orders and regulations to conduct its business. LG&E will seek additional authorization when necessary.

Environmental Cost Recovery. In June 2000, the Kentucky Commission approved LG&E's application for a CCN to construct up to three SCR NOx reduction facilities. The construction and subsequent operation of the SCRs is intended to reduce NOx emission levels to meet the EPA's mandated NOx emission level of 0.15 lbs./ Mmbtu by May 2004. In its order, the Kentucky Commission ruled that LG&E's proposed plan for construction was "reasonable, cost-effective and will not result in the wasteful duplication of facilities." In October 2000, LG&E filed an application with the Kentucky Commission to amend its Environmental Compliance Plan to reflect the addition of the proposed NOx reduction technology projects and to amend its ECR Tariff to include an overall rate of return on capital investments. Approval of LG&E's application in April 2001 allowed LG&E to begin to recover the costs associated with these new projects, subject to Kentucky Commission oversight during normal six-month and two-year reviews.

In August 2002, LG&E filed an application with the Kentucky Commission to amend its compliance plan to allow recovery of the cost of new and additional environmental compliance facilities. The estimated capital cost of the additional facilities is $71.1 million. The Kentucky Commission conducted a public hearing on the case on December 20, 2002, final briefs were filed on January 15, 2003, and a final order was issued February 11, 2003. The final order approved recovery of four new environmental compliance facilities totaling $43.1 million. A fifth project, expansion of the land fill facility at the Mill Creek Station, was denied without prejudice with an invitation to reapply for recovery when required construction permits are approved. Cost recovery through the environmental surcharge of the four approved projects will begin with the bills rendered in April 2003.

ESM. LG&E's electric rates are subject to an ESM. The ESM, initially in place for three years beginning in 2000, sets an upper and lower point for rate of return on equity, whereby if LG&E's rate of return for the calendar year falls within the range of 10.5% to 12.5%, no action is necessary. If earnings are above the upper limit, the excess earnings are shared 40% with ratepayers and 60% with shareholders; if earnings are below the lower limit, the earnings deficiency is recovered 40% from ratepayers and 60% from shareholders. By order of the Kentucky Commission, rate changes prompted by the ESM filing go into effect in April of each year subject to a balancing adjustment in successive periods. LG&E made its second ESM filing on March 1, 2002 for the calendar year 2001 reporting period. LG&E is in the process of refunding $441,000 to customers for the 2001 reporting period. LG&E estimated that the rate of return will fall below the lower limit, subject to Kentucky Commission approval, for the year ended December 31, 2002. The 2002 financial statements include an accrual to reflect the earnings deficiency of $12.5 million to be recovered from customers commencing in April 2003.

On November 27, 2002, LG&E filed a revised ESM tariff which proposed continuance of the existing ESM through December 2005. The Kentucky Commission issued an Order suspending the ESM tariff one day making the effective date January 2, 2003. In addition, the Kentucky Commission is conducting a management audit to review the ESM plan and reassess its reasonableness in 2003. LG&E and interested parties will have the opportunity to provide recommendations for modification and continuance of the ESM or other forms of alternative or incentive regulation.

DSM. LG&E's rates contain a DSM provision. The provision includes a rate mechanism that provides concurrent recovery of DSM costs and provides an incentive for implementing DSM programs. This program had allowed LG&E to recover revenues from lost sales associated with the DSM program. In May 2001, the Kentucky Commission approved LG&E's plan to continue DSM programs. This filing called for the expansion of the DSM programs into the service territory served by KU and proposed a mechanism to recover revenues from lost sales associated with DSM programs based on program planning engineering estimates and post-implementation evaluation.

Gas PBR. Since November 1, 1997, LG&E has operated under an experimental PBR mechanism related to its gas procurement activities. For each of the last five years, LG&E's rates have been adjusted to recover its portion of the savings (or expenses) incurred during each of the five 12-month periods beginning November 1 and ending October 31. Since its implementation on November 1, 1997, through October 31, 2001, LG&E has achieved $38.1 million in savings. Of the total savings, LG&E has retained $16.5 million, and the remaining portion of $21.6 million has been distributed to customers. In December 2000, LG&E filed an application reporting on the operation of the experimental PBR and requested the Kentucky Commission to extend the PBR as a result of the benefits provided to both LG&E and its customers during the experimental period. Following the discovery and hearing process, the Kentucky Commission issued an order effective November 1, 2001, extending the experimental PBR program for an additional four years, and making other modifications, including changes to the sharing levels applicable to savings or expenses incurred under the PBR. Specifically, the Kentucky Commission modified the savings mechanism to a 25%/75% Company/Customer sharing for all savings (and expenses) up to 4.5% of the benchmarked gas costs. Savings (and expenses) in excess of 4.5% of the benchmarked gas costs are shared at a 50%/50% level.

FAC. Prior to implementation of the electric PBR in July 1999, and following its termination in March 2000, LG&E employed an FAC mechanism, which under Kentucky law allowed LG&E to recover from customers the actual fuel costs associated with retail electric sales. In February 1999, LG&E received orders from the Kentucky Commission requiring a refund to retail electric customers of approximately $3.9 million resulting from reviews of the FAC from November 1994, through April 1998. While legal challenges to the Kentucky Commission order were pending, a comprehensive settlement was reached by all parties and approved by the Kentucky Commission on May 17, 2002. Thereunder, LG&E agreed to credit its fuel clause in the amount of $720,000 (such credit provided over the course of June and July 2002), and the parties agreed on a prospective interpretation of the state's FAC regulation to ensure consistent and mutually acceptable application on a going-forward basis.

In December 2002, the Kentucky Commission initiated a two year review of the operation of LG&E's FAC for the period November 2000 through October 2002. Testimony in the review case was filed on January 20, 2003 and a public hearing was held February 18, 2003. Issues addressed at that time included the establishment of the current base fuel factor to be included in LG&E's base rates, verification of proper treatment of purchased power costs during unit outages, and compliance with fuel procurement policies and practices.

Gas Rate Case. In March 2000, LG&E filed an application with the Kentucky Commission requesting an adjustment in LG&E's gas rates. In September 2000, the Kentucky Commission granted LG&E an annual increase in its base gas revenues of $20.2 million effective September 28, 2000. The Kentucky Commission authorized a return on equity of 11.25%. The Kentucky Commission approved LG&E's proposal for a weather normalization billing adjustment mechanism that will normalize the effect of weather on base gas revenues from gas sales.

Wholesale Natural Gas Prices. On September 12, 2000, the Kentucky Commission issued an order establishing Administrative Case No. 384 – "An Investigation of Increasing Wholesale Natural Gas Prices and the Impacts of such Increase on the Retail Customers Served by Kentucky's Jurisdictional Natural Gas Distribution Companies". The impetus for this administrative proceeding was the escalation of wholesale natural gas prices during the summer of 2000.

The Kentucky Commission directed Kentucky's natural gas distribution companies, including LG&E, to file selected information regarding the individual companies' natural gas purchasing practices, expectations for the then-approaching winter heating season of 2000-2001, and potential actions which these companies might take to mitigate price volatility. On July 17, 2001, the Kentucky Commission issued an order encouraging the natural gas distribution companies in Kentucky to take various actions, among them to propose a natural gas hedge plan, consider performance-based ratemaking mechanisms, and to increase the use of storage.

In April 2002, in Case No. 2002-00136, LG&E proposed a hedging plan for the 2002/2003 winter heating season with three alternatives, the first two using a combination of storage and financial hedge instruments and the third relying upon storage alone. LG&E and the Attorney General, who represents Kentucky consumers, entered into a settlement which selected the third option. In August 2002, the Kentucky Commission approved the plan contemplated in the settlement. The Kentucky Commission validated the effectiveness of storage to mitigate potentially high winter gas prices by approving this natural gas hedging plan.

The Kentucky Commission also decided in Administrative Case No. 384 to engage a consultant to conduct a forward-looking audit of the gas procurement and supply procedures of Kentucky's largest natural gas distribution companies. The Kentucky Commission completed its audit in late 2002. The audit recognized LG&E as "efficient and effective [in the] procurement and management of significant quantities of natural gas supplies." The auditors also recognized that "the Company's residential gas prices have long been below averages for the U. S. and for the Commonwealth of Kentucky" which "demonstrates [LG&E's] effectiveness in [the] procurement and management of natural gas supplies." The audit also stated that the "Company's very impressive record in keeping its rates down provides sound evidence on the excellent job done in the area of gas supply procurement and management."

Kentucky Commission Administrative Case for Affiliate Transactions. In December 1997, the Kentucky Commission opened Administrative Case No. 369 to consider Kentucky Commission policy regarding cost allocations, affiliate transactions and codes of conduct governing the relationship between utilities and their non-utility operations and affiliates. The Kentucky Commission intended to address two major areas in the proceedings: the tools and conditions needed to prevent cost shifting and cross-subsidization between regulated and non-utility operations; and whether a code of conduct should be established to assure that non-utility segments of the holding company are not engaged in practices that could result in unfair competition caused by cost shifting from the non-utility affiliate to the utility. During the period September 1998 to February 2000, the Kentucky Commission issued draft codes of conduct and cost allocation guidelines. In early 2000, the Kentucky General Assembly enacted legislation, House Bill 897, which authorized the Kentucky Commission to require utilities that provide nonregulated activities to keep separate accounts and allocate costs in accordance with procedures established by the Kentucky Commission. In the same bill, the General Assembly set forth provisions to govern a utility's activities related to the sharing of information, databases, and resources between its employees or an affiliate involved in the marketing or the provision of nonregulated activities and its employees or an affiliate involved in the provision of regulated services. The legislation became law in July 2000 and LG&E has been operating pursuant thereto since that time. On February 14, 2001, the Kentucky Commission published notice of its intent to promulgate new administrative regulations under the auspices of this new law. This effort is still on going.

Kentucky Commission Administrative Case for System Adequacy. On June 19, 2001, Kentucky Governor Paul E. Patton issued Executive Order 2001-771, which directed the Kentucky Commission to review and study issues relating to the need for and development of new electric generating capacity in Kentucky. The issues to be considered included the impact of new power plants on the electric supply grid, facility citing issues, and economic development matters, with the goal of ensuring a continued, reliable source of supply of electricity for the citizens of Kentucky and the continued environmental and economic vitality of Kentucky and its communities. In response to that Executive Order, in July 2001 the Kentucky Commission opened Administrative Case No. 387 to review the adequacy of Kentucky's generation capacity and transmission system. Specifically, the items reviewed were the appropriate level of reliance on purchased power, the appropriate reserve margins to meet existing and future electric demand, the impact of spikes in natural gas prices on electric utility planning strategies, and the adequacy of Kentucky's electric transmission facilities. LG&E, as a party to this proceeding, filed written testimony and responded to two requests for information. Public hearings were held and in October 2001, LG&E filed a final brief in the case. In December 2001, the Kentucky Commission issued an order in which it noted that LG&E is responsibly addressing the long-term supply needs of native load customers and that current reserve margins are appropriate. However, due to the rapid pace of change in the industry, the order also requires LG&E to provide an annual assessment of supply resources, future demand, reserve margin, and the need for new resources.

Regarding the transmission system, the Kentucky Commission concluded that the transmission system within Kentucky can reliably serve native load and a significant portion of the proposed new unregulated power plants. However, it will not be able to handle the volume of transactions envisioned by FERC without future upgrades, the costs of which should be borne by those for whom the upgrades are required.

The Kentucky Commission pledged to continue to monitor all relevant issues and advocate Kentucky's interests at all opportunities.

FERC SMD NOPR. On July 31, 2002, FERC issued a NOPR in Docket No. RM01-12-000 which would substantially alter the regulations governing the nation's wholesale electricity markets by establishing a common set of rules -- SMD. The SMD NOPR would require each public utility that owns, operates, or controls interstate transmission facilities to become an Independent Transmission Provider (ITP), belong to an RTO that is an ITP, or contract with an ITP for operation of its transmission assets. It would also establish a standardized congestion management system, real-time and day-ahead energy markets, and a single transmission service for network and point-to-point transmission customers. Review of the proposed rulemaking is underway and a final rule is expected during 2003. While it is expected that the SMD final rule will affect LG&E revenues and expenses, the specific impact of the rulemaking is not known at this time.

MISO. LG&E is a member of the MISO, which began commercial operations on February 1, 2002. MISO now has operational control over LG&E's high-voltage transmission facilities (100 kV and greater), while LG&E continues to control and operate the lower voltage transmission subject to the terms and conditions of the MISO OATT. As a transmission-owning member of MISO, LG&E also incurs administrative costs of MISO pursuant to Schedule 10 of the MISO OATT.

MISO also proposed to implement a congestion management system. FERC directed the MISO to coordinate its efforts with FERC's Rulemaking on SMD. On September 24, 2002, the MISO filed new rate schedules designated as Schedules 16 and 17, which provide for the collection of costs incurred by the MISO to establish day-ahead and real-time energy markets. The MISO proposed to recover these costs under Schedules 16 and 17 once service commences. If approved by FERC, these schedules will cause LG&E to incur additional costs. LG&E opposes the establishment of Schedules 16 and 17. This effort is still on-going and the ultimate impact of the two schedules, if approved, is not known at this time.

ARO. In 2003, LG&E expects to record approximately $6.0 million in regulatory assets and approximately $60,000 in regulatory liabilities related to SFAS No. 143, *Accounting for Asset Retirement Obligations*.

Merger Surcredit. As part of the LG&E Energy merger with KU Energy in 1998, LG&E Energy estimated non-fuel savings over a ten–year period following the merger. Costs to achieve these savings for LG&E of $50.2 million were recorded in the second quarter of 1998, $18.1 million of which was deferred and amortized over a five-year period pursuant to regulatory orders. Primary components of the merger costs were separation benefits, relocation costs, and transaction fees, the majority of which were paid by December 31, 1998. LG&E expensed the remaining costs associated with the merger ($32.1 million) in the second quarter of 1998.

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 the Companies, over a five-year period. The surcredit was allocated 53% to KU and 47% to LG&E. In that same order, the Commission required LG&E and KU, after the end of the five-year period, to present a plan for sharing with customers the then-projected non-fuel savings associated with the merger. The Companies submitted this filing on January 13, 2003, proposing to continue to share with customers, on a 50%/50% basis, the estimated fifth-year gross level of non-fuel savings associated with the merger. The filing is currently under review.

Any fuel cost savings are passed to Kentucky customers through the fuel adjustment clause. See FAC above.

Note 4 - Financial Instruments

The cost and estimated fair values of LG&E's non-trading financial instruments as of December 31, 2002, and 2001 follow (in thousands of $):

	2002		2001	
	Cost	Fair Value	Cost	Fair Value
Preferred stock subject to mandatory redemption	$ 25,000	$ 25,188	$ 25,000	$ 25,125
Long-term debt (including current portion)	616,904	623,325	616,904	620,504
Interest-rate swaps	-	(17,115)	-	(8,604)

All of the above valuations reflect prices quoted by exchanges except for the swaps. The fair values of the swaps reflect price quotes from dealers or amounts calculated using accepted pricing models.

Interest Rate Swaps. LG&E uses interest rate swaps to hedge exposure to market fluctuations in certain of its debt instruments. Pursuant to policy, use of these financial instruments is intended to mitigate risk and earnings 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. To the extent a financial instrument or the underlying item being hedged is prematurely terminated or the hedge becomes ineffective, the resulting gains or losses are reclassified from other comprehensive income to net income. Financial instruments designated as fair value hedges are periodically marked to market with the resulting gains and losses recorded directly into net income to correspond with income or expense recognized from changes in market value of the items being hedged.

As of December 31, 2002 and 2001, LG&E was party to various interest rate swap agreements with aggregate notional amounts of $117.3 million. Under these swap agreements, LG&E paid fixed rates averaging 5.13% and received variable rates based on the Bond Market Association's municipal swap index averaging 1.52% and 1.61% at December 31, 2002 and 2001, respectively. The swap agreements in effect at December 31, 2002 have been designated as cash flow hedges and mature on dates ranging from 2003 to 2020.

The hedges have been deemed to be fully effective resulting in a pretax loss of $8.5 million for 2002, recorded in other comprehensive income. Upon expiration of these hedges, the amount recorded in other comprehensive income will be reclassified into earnings. The amounts expected to be reclassified from other comprehensive income to earnings in the next twelve months is immaterial.

Energy Trading & Risk Management Activities. LG&E conducts energy trading and risk management activities to maximize the value of power sales from physical assets it owns, in addition to the wholesale sale of excess asset capacity. Certain energy trading activities are accounted for on a mark-to-market basis in accordance with EITF 98-10, *Accounting for Contracts Involved in Energy Trading and Risk Management Activities*, SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, and SFAS No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities*. Wholesale sales of excess asset capacity and wholesale purchases are treated as normal sales and purchases under SFAS No. 133 and SFAS No. 138 and are not marked-to-market.

The rescission of EITF 98-10, effective for fiscal years after December 15, 2002, will have no impact on LG&E's energy trading and risk management reporting as all contracts marked to market under EITF 98-10 are also within the scope of SFAS No. 133.

The table below summarizes LG&E's energy trading and risk management activities for 2002 and 2001 (in thousands of $).

	2002	2001
Fair value of contracts at beginning of period, net liability	$ (186)	$ (17)
Fair value of contracts when entered into during the period	(65)	3,441
Contracts realized or otherwise settled during the period	448	(2,894)
Changes in fair values due to changes in assumptions	(353)	(716)
Fair value of contracts at end of period, net liability	$ (156)	$ (186)

No changes to valuation techniques for energy trading and risk management activities occurred during 2002. Changes in market pricing, interest rate and volatility assumptions were made during both years. All contracts outstanding at December 31, 2002, 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, 2002, 86% of the trading and risk management commitments were with counterparties rated BBB- equivalent or better.

Note 5 - 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 gas and electric revenues arise from deliveries of natural gas to approximately 310,000 customers and electricity to approximately 382,000 customers in Louisville and adjacent areas in Kentucky. For the year ended December 31, 2002, 74% of total revenue was derived from electric operations and 26% from gas operations.

In November 2001, LG&E and IBEW Local 2100 employees, which represent approximately 70% of LG&E's workforce, entered into a four-year collective bargaining agreement.

Note 6 - Pension Plans and Retirement Benefits

LG&E sponsors several qualified and non-qualified pension plans and other postretirement benefit plans for its employees. 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, 2002, and a statement of the funded status as of December 31 for each of the last three years (in thousands of $):

	2002	2001	2000
Pension Plans:			
Change in benefit obligation			
Benefit obligation at beginning of year	$ 356,293	$ 310,822	$ 283,267
Service cost	1,484	1,311	3,408
Interest cost	24,512	25,361	22,698
Plan amendments	576	1,550	17,042
Curtailment loss	-	24,563	-
Special termination benefits	-	53,610	-
Benefits paid	(34,823)	(53,292)	(16,656)
Actuarial (gain) or loss and other	16,752	(7,632)	1,063
Benefit obligation at end of year	$ 364,794	$ 356,293	$ 310,822
Change in plan assets			
Fair value of plan assets at beginning of year	$ 233,944	$ 333,378	$ 360,095
Actual return on plan assets	(15,648)	(27,589)	(6,150)
Employer contributions and plan transfers	14,150	(17,134)	(1,804)
Benefits paid	(34,824)	(53,292)	(16,656)
Administrative expenses	(1,308)	(1,419)	(2,107)
Fair value of plan assets at end of year	$ 196,314	$ 233,944	$ 333,378
Reconciliation of funded status			
Funded status	$(168,480)	$(122,349)	$ 22,556
Unrecognized actuarial (gain) or loss	60,313	18,800	(74,086)
Unrecognized transition (asset) or obligation	(3,199)	(4,215)	(5,853)
Unrecognized prior service cost	32,265	35,435	47,984
Net amount recognized at end of year	$ (79,101)	$ (72,329)	$ (9,399)
Other Benefits:			
Change in benefit obligation			
Benefit obligation at beginning of year	$ 89,946	$ 56,981	$ 44,997
Service cost	444	358	822
Interest cost	5,956	5,865	4,225
Plan amendments	-	1,487	5,826
Curtailment loss	-	8,645	-
Special termination benefits	-	18,089	-
Benefits paid	(4,988)	(4,877)	(4,889)
Actuarial (gain) or loss	1,875	3,398	6,000
Benefit obligation at end of year	$ 93,233	$ 89,946	$ 56,981

Change in plan assets			
Fair value of plan assets at beginning of year	$ 2,802	$ 7,166	$ 10,526
Actual return on plan assets	(533)	(765)	(92)
Employer contributions and plan transfers	4,213	1,282	1,621
Benefits paid	(5,004)	(4,881)	(4,889)
Fair value of plan assets at end of year	$ 1,478	$ 2,802	$ 7,166
Reconciliation of funded status			
Funded status	$(91,755)	$(87,144)	$(49,815)
Unrecognized actuarial (gain) or loss	16,971	15,947	5,623
Unrecognized transition (asset) or obligation	6,697	7,346	13,374
Unrecognized prior service cost	5,995	5,302	8,960
Net amount recognized at end of year	$(62,092)	$(58,549)	$(21,858)

There are no plan assets in the nonqualified plans due to the nature of the plans.

LG&E made a contribution to the pension plan of $83.1 million in January 2003.

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, 2002, 2001 and 2000 (in thousands of $):

	2002	2001	2000
Pension Plans:			
Amounts recognized in the balance sheet consisted of:			
Prepaid benefits cost	$ -	$ -	$ 18,880
Accrued benefit liability	(162,611)	(108,977)	(28,279)
Intangible asset	32,799	11,936	-
Accumulated other comprehensive income	50,711	24,712	-
Net amount recognized at year-end	$ (79,101)	$ (72,329)	$ (9,399)
Additional year-end information for plans with accumulated benefit obligations in excess of plan assets (1):			
Projected benefit obligation	$ 364,794	$ 356,293	$ 4,088
Accumulated benefit obligation	358,956	352,477	3,501
Fair value of plan assets	196,314	233,944	-

(1) 2002 and 2001 includes all plans. 2000 includes SERPs only.

	2002	2001	2000
Other Benefits:			
Amounts recognized in the balance sheet consisted of:			
Accrued benefit liability	$ (62,092)	$ (58,549)	$ (21,858)

Additional year-end information for plans with benefit obligations in excess of plan assets:			
Projected benefit obligation	$ 93,233	$ 89,946	$ 56,981
Fair value of plan assets	1,478	2,802	7,166

The following table provides the components of net periodic benefit cost for the plans for 2002, 2001 and 2000 (in thousands of $):

	2002	2001	2000
Pension Plans:			
Components of net periodic benefit cost			
Service cost	$ 1,484	$ 1,311	$ 3,408
Interest cost	24,512	25,361	22,698
Expected return on plan assets	(21,639)	(26,360)	(33,025)
Amortization of prior service cost	3,777	3,861	4,646
Amortization of transition (asset) or obligation	(1,016)	(1,000)	(1,112)
Recognized actuarial (gain) or loss	21	(777)	(6,856)
Net periodic benefit cost	$ 7,139	$ 2,396	$(10,241)
Special charges			
Prior service cost recognized	$ -	$ 10,237	$ -
Special termination benefits	-	53,610	-
Settlement loss	-	(2,244)	-
Total charges	$ -	$ 61,603	$ -
Other Benefits:			
Components of net periodic benefit cost			
Service cost	$ 444	$ 358	$ 822
Interest cost	5,956	5,865	4,225
Expected return on plan assets	(204)	(420)	(683)
Amortization of prior service cost	920	951	1,158
Amortization of transition (asset) or obligation	650	719	1,114
Recognized actuarial (gain) or loss	116	(32)	(485)
Net periodic benefit cost	$ 7,882	$ 7,441	$ 6,151
Special charges			
Curtailment loss	$ -	$ 6,671	$ -
Prior service cost recognized	-	2,391	-
Transition obligation recognized	-	4,743	-
Special termination benefits	-	18,089	-
Total charges	$ -	$ 31,894	$ -

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

	2002	2001	2000
Weighted-average assumptions as of December 31:			
Discount rate	6.75%	7.25%	7.75%
Expected long-term rate of return on plan assets	9.00%	9.50%	9.50%
Rate of compensation increase	3.75%	4.25%	4.75%

For measurement purposes, a 12.00% annual increase in the per capita cost of covered health care benefits was assumed for 2003. The rate was assumed to decrease gradually to 5.00% for 2014 and remain at that level thereafter.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A 1% change in assumed health care cost trend rates would have the following effects (in thousands of $):

	1% Decrease	1% Increase
Effect on total of service and interest cost components for 2002	(201)	227
Effect on year-end 2002 postretirement benefit obligations	(3,001)	3,347

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 approximately $1.7 million for 2002, $1.2 million for 2001 and $2.7 million for 2000.

Note 7 - Income Taxes

Components of income tax expense are shown in the table below (in thousands of $):

		2002	2001	2000
Included in operating expenses:				
Current	- federal	$26,231	$42,997	$32,612
	- state	8,083	8,668	5,018
Deferred	- federal – net	20,464	12,310	24,272
	- state – net	4,410	3,767	6,797
Amortization of investment tax credit		(4,153)	(4,290)	(4,274)
Total		55,035	63,452	64,425
Included in other income - net:				
Current	- federal	(1,667)	(1,870)	(2,187)
	- state	(430)	(483)	(568)
Deferred	- federal - net	(206)	285	(39)
	- state – net	(53)	73	(10)
Total		(2,356)	(1,995)	(2,804)
Total income tax expense		$52,679	$61,457	$61,621

Components of net deferred tax liabilities included in the balance sheet are shown below (in thousands of $):

	2002	2001
Deferred tax liabilities:		
Depreciation and other plant-related items	$346,737	$334,914
Other liabilities	64,734	77,611
	411,471	412,525
Deferred tax assets:		
Investment tax credit	22,012	23,713
Income taxes due to customers	18,431	19,709
Pensions	21,056	6,621
Accrued liabilities not currently deductible and other	36,747	64,339
	98,246	114,382
Net deferred income tax liability	$313,225	$298,143

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

	2002	2001	2000
Statutory federal income tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal benefit	5.6	4.7	4.3
Amortization of investment tax credit	(2.9)	(2.6)	(2.6)
Other differences – net	(0.5)	(0.6)	(0.9)
Effective income tax rate	37.2%	36.5%	35.8%

Note 8 - Other Income - net

Other income – net consisted of the following at December 31 (in thousands of $):

	2002	2001	2000
Interest and dividend income	$457	$ 748	$3,103
Gains on fixed asset disposals	421	1,217	1,014
Income taxes and other	(58)	965	804
Other income – net	$820	$2,930	$4,921

Note 9 - First Mortgage Bonds and Pollution Control Bonds

Long-term debt and the current portion of long-term debt, summarized below (in thousands of $), consists primarily of first mortgage bonds and pollution control bonds. Interest rates and maturities in the table below are for the amounts outstanding at December 31, 2002.

	Stated Interest Rates	Weighted Average Interest Rate	Maturities	Principal Amounts
Noncurrent portion	Variable - 5.90%	3.53%	2019-2032	$ 328,104
Current portion	Variable - 6.00%	2.08%	2003-2027	288,800

Under the provisions for some 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 consolidated balance sheets. The average annualized interest rate for these bonds during 2002 was 1.61%.

LG&E's First Mortgage Bond, 6% Series of $42.6 million is scheduled to mature in 2003. There are no other scheduled maturities of pollution control bonds for the five years subsequent to December 31,2002.

In October 2002, LG&E issued $41.7 million variable rate pollution bonds due October 1, 2032, and exercised its call option on $41.7 million, 6.55% pollution control bonds due November 1, 2020.

In March 2002, LG&E refinanced four unsecured pollution control bonds with an aggregate principal balance of $120 million and replaced them with secured pollution control bonds. The new bonds and the previous bonds were all variable rate bonds, and the maturity dates remained unchanged.

In September 2001, LG&E issued $10.1 million variable rate tax-exempt environmental facility revenue bonds due September 1, 2027.

In January 2000, LG&E exercised its call option on its $20 million 7.50% First Mortgage Bonds due July 1, 2002. The bonds were redeemed utilizing proceeds from issuance of commercial paper.

In May 2000, LG&E issued $25 million variable rate pollution control bonds due May 1, 2027 and exercised its call option on $25 million, 7.45%, pollution control bonds due June 15, 2015. In August 2000, LG&E issued $83 million in variable rate pollution control bonds due August 1, 2030 and exercised its call option on its $83 million, 7.625%, pollution control bonds due November 1, 2020.

Annual requirements for the sinking funds of LG&E's First Mortgage Bonds (other than the First Mortgage Bonds issued in connection with certain 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.

Substantially all of LG&E's utility plants are pledged as security for its first mortgage bonds. LG&E's 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 is restricted by this provision as of December 31, 2002.

Note 10 - Notes Payable

LG&E participates in an intercompany money pool agreement wherein LG&E Energy can make funds available to LG&E at market based rates up to $400 million. The balance of the money pool loan from LG&E Energy was $193.1 million at a rate of 1.61% and $64.2 million at an average rate of 2.37%, at December 31, 2002 and 2001, respectively. LG&E also had outstanding commercial paper of $30 million at an average rate of 2.54% at December 31, 2001. The remaining money pool availability at December 31, 2002, was $206.9 million. LG&E Energy maintains facilities of $450 million with affiliates to ensure funding availability for the money pool. The outstanding balance under these facilities as of December 31, 2002 was $230 million, and availability of $220 million remained.

Note 11 - Commitments and Contingencies

Construction Program. LG&E had approximately $15.1 million of commitments in connection with its construction program at December 31, 2002. Construction expenditures for the years 2003 and 2004 are estimated to total approximately $340.0 million, although all of this amount is not currently committed, including the purchase of four jointly owned CTs, $89.0 million, and construction of NOx equipment, $34.0 million.

Operating Lease. LG&E leases office space and accounts for its office space lease as an operating lease. Total lease expense for 2002, 2001, and 2000, less amounts contributed by the parent company, was $1.6 million, $1.1 million, and $0.9 million, respectively. The future minimum annual lease payments under this lease agreement for years subsequent to December 31, 2002, are as follows (in thousands of $):

2003	$ 3,371
2004	3,399
2005	3,467
2006	3,536
2007	3,607
Thereafter	29,794
Total	$47,174

In December 1999, LG&E and KU entered into an 18-year cross-border lease of its two jointly owned combustion turbines recently installed at KU's Brown facility (Units 6 and 7). LG&E's obligation was defeased upon consummation of the cross-border lease. The transaction produced a pre-tax gain of approximately $1.2 million which was recorded in other income on the income statement in 2000, pursuant to a Kentucky Commission order.

Environmental. The Clean Air Act imposed stringent new SO_2 and NOx emission limits on electric generating units. LG&E previously had installed scrubbers on all of its generating units. LG&E's strategy for Phase II SO_2 reductions, which commenced January 1, 2000, is to increase scrubber removal efficiency to delay additional capital expenditures and may also include fuel switching or upgrading scrubbers. LG&E met the NOx emission requirements of the Act through installation of low-NOx burner systems. LG&E's compliance plans are subject to many factors including developments in the emission allowance and fuel markets, future regulatory and legislative initiatives, and advances in clean air control 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.

In September 1998, the EPA announced its final "NOx SIP Call" rule requiring states to impose significant additional reductions in NOx emissions by May 2003, in order to mitigate alleged ozone transport impacts on the Northeast region. The Commonwealth of Kentucky is currently in the process of revising its SIP to require reductions in NOx emissions from coal-fired generating units to the 0.15 lb./Mmbtu level on a system-wide basis. In related proceedings in response to petitions filed by various Northeast states, in December 1999, EPA issued a final rule pursuant to Section 126 of the Clean Air Act directing similar NOx reductions from a number of specifically targeted generating units including all LG&E units. As a result of appeals to both rules, the compliance date was extended to May 2004. All LG&E generating units are subject to the May 2004 compliance date under these NOx emissions reduction rules.

LG&E is currently implementing a plan for adding significant additional NOx controls to its generating units. Installation of additional NOx controls will proceed on a phased basis, with installation of controls commencing in late 2000 and continuing through the final compliance date. In addition, LG&E will incur additional operation and maintenance costs in operating new NOx controls. LG&E believes its costs in this regard to be comparable to those of similarly situated utilities with like generation assets. LG&E had anticipated that such capital and operating costs are the type of costs that are eligible for recovery from customers under its environmental surcharge mechanism and believed that a significant portion of such costs could be recovered. In April 2001, the Kentucky Commission granted recovery of these costs for LG&E.

LG&E is also monitoring several other air quality issues which may potentially impact coal-fired power plants, including the appeal of the D.C. Circuit's remand of the EPA's revised air quality standards for ozone and particulate matter, measures to implement EPA's regional haze rule, and EPA's December 2000 determination to regulate mercury emissions from power plants. In addition, LG&E is currently working with local regulatory authorities to review the effectiveness of remedial measures aimed at controlling particulate matter emissions from its Mill Creek Station. LG&E previously settled a number of property damage claims from adjacent residents and completed significant remedial measures as part of its ongoing capital construction program. LG&E is in the process of converting the Mill Creek Station to wet stack operation in an effort to resolve all outstanding issues related to particulate matter emissions.

LG&E owns or formerly owned three properties which are the location of past MGP operations. Various contaminants are typically found at such former MGP sites and environmental remediation measures are frequently required. With respect to the sites, LG&E has completed cleanups, obtained regulatory approval of site management plans, or reached agreements for other parties to assume responsibility for cleanup. Based on currently available information, management estimates that it will incur additional costs of $400,000. Accordingly, an accrual of $400,000 has been recorded in the accompanying financial statements at December 31, 2002 and 2001.

Purchased Power. LG&E has a contract for purchased power with OVEC for various Mw capacities. The estimated future minimum annual payments under purchased power agreements for the years subsequent to December 31, 2002, are as follows (in thousands of $):

2003	$10,773
2004	10,116
2005	10,152
2006	10,816
2007	10,816
Thereafter	184,544
Total	$237,217

Note 12 - 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			
	LG&E	IMPA	IMEA	Total
Ownership interest	75%	12.88%	12.12%	100%
Mw capacity	386.2	66.4	62.4	515.0

LG&E's 75% ownership (in thousands of $):	
Cost	$595,747
Accumulated depreciation	182,711
Net book value	$413,036
Construction work in progress (included above)	$12,867

LG&E and KU jointly own the following combustion turbines (in thousands of $):

		LG&E	KU	Total
Paddy's Run 13	Ownership %	53%	47%	100%
	Mw capacity	84	74	158
	Cost	$33,919	$29,973	$63,892
	Depreciation	1,711	1,499	3,210
	Net book value	$32,208	$28,474	$60,682
E.W. Brown 5	Ownership %	53%	47%	100%
	Mw capacity	71	63	134
	Cost	$23,973	$21,106	$45,079
	Depreciation	1,206	1,052	2,258
	Net book value	$22,767	$20,054	$42,821
E.W. Brown 6	Ownership %	38%	62%	100%
	Mw capacity	59	95	154
	Cost	$23,696	$36,957	$60,653
	Depreciation	1,770	4,201	5,971
	Net book value	$21,926	$32,756	$54,682

E.W. Brown 7	Ownership %	38%	62%	100%
	Mw capacity	59	95	154
	Cost	$23,607	$44,792	$68,399
	Depreciation	4,054	4,502	8,556
	Net book value	$19,553	$40,290	$59,843
Trimble 5	Ownership %	29%	71%	100%
	Mw capacity	45	110	155
	Cost	$15,970	$39,045	$55,015
	Depreciation	251	614	865
	Net book value	$15,719	$38,431	$54,150
Trimble 6	Ownership %	29%	71%	100%
	Mw capacity	45	110	155
	Cost	$15,961	$39,025	$54,986
	Depreciation	251	614	865
	Net book value	$15,710	$38,411	$54,121
Trimble CT Pipeline	Ownership %	29%	71%	100%
	Cost	$1,835	$4,475	$6,310
	Depreciation	39	96	135
	Net book value	$1,796	$4,379	$6,175

See also Note 11, Construction Program, for LG&E's planned purchase of four jointly owned CTs in 2004.

Note 13 - Segments of Business and Related Information

Effective December 31, 1998, LG&E adopted SFAS No. 131, *Disclosure About Segments of an Enterprise 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. Financial data for business segments, follow (in thousands of $):

2002	Electric	Gas	Total
Operating revenues	$758,491(a)	$267,693	$1,026,184
Depreciation and amortization	90,248	15,658	105,906
Interest income	381	76	457
Interest expense	24,837	4,968	29,805
Operating income taxes	49,010	6,025	55,035
Net income	79,246	9,683	88,929
Total assets	2,105,956	455,122	2,561,078
Construction expenditures	195,662	24,754	220,416

2001			
Operating revenues	$705,925(b)	$290,775	$996,700
Depreciation and amortization	85,572	14,784	100,356
Interest income	616	132	748
Interest expense	31,295	6,627	37,922
Operating income taxes	55,527	7,925	63,452
Net income	95,103	11,768	106,781
Total assets	1,985,252	463,102	2,448,354
Construction expenditures	227,107	25,851	252,958
Operating revenues	$710,958(c)	$272,489	$983,447
Depreciation and amortization	84,761	13,530	98,291
Interest income	2,551	552	3,103
Interest expense	35,604	7,614	43,218
Operating income taxes	57,869	6,556	64,425
Net income	100,395	10,178	110,573
Total assets	1,760,305	465,779	2,226,084
Construction expenditures	109,798	34,418	144,216

(a) Net of provision for rate collections of $12.3 million.
(b) Net of provision for rate refunds of $.7 million.
(c) Net of provision for rate refunds of $2.5 million.

Note 14 - Notes to Statement of Cash Flows

Supplemental Disclosures of Cash Flow Information	2002	2001
Cash paid during the year for:		
Income taxes	$51,539,779	$35,546,026
Interest on borrowed money	$25,672,843	$30,988,987

Note 15 - Notes to Statement of Income for the Year

See page 115, line 6 column (e). Electric Utility Depreciation Expense includes $8,356,691 applicable to Common Utility Plant apportioned to Electric Operations.

See page 115, line 6 column (g). Gas Utility Depreciation Expense includes $2,785,986 applicable to Common Utility Plant apportioned to Gas Operations.

See page 115, line 7 column (e). Electric Utility Amortization and Depletion of Utility Plant includes $3,638,318 applicable to Common Utility Plant apportioned to Electric Operations.

See page 115, line 7 column (g). Gas Utility Amortization and Depletion of Utility Plan includes $1,212,773 applicable to Common Utility Plant apportioned to Gas Operations.

Note 16 - Subsequent Events

LG&E made a contribution to the pension plan of $83.1 million in January 2003.

On March 18, 2003, the Kentucky Commission approved LG&E and KU's joint application for the acquisition of four CTs from an unregulated affiliate, LG&E Capital Corp. The total projected construction cost for the turbines, expected to be available for June 2004 in-service, is $227.4 million. The requested ownership share of the turbines is 63% for KU and 37% for LG&E.

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

1. Report in columns (b) (c) 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 Preceeding Year				
2	Preceding yr. Reclassification from Account 219 Net Income				
3	Preceding Year Changes in Fair Value		(14,737,668)		(3,599,009)
4	Total (lines 2 and 3)		(14,737,668)		(3,599,009)
5	Balance of Account 219 at End of Preceding Yr/Beginning of Current Yr		(14,737,668)		(3,599,009)
6	Current Year Reclassification From Account 219 to Net Income				
7	Current Year Changes in Fair Value		(15,505,235)		
8	Total (lines 6 and 7)		(15,505,235)		
9	Balance of Account 219 at End of Current Year		(30,242,903)		(3,599,009)

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

Line No.	Other Cash Flow Hedges [Specify] (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 72) (i)	Total Comprehensive Income (j)
1					
2			(19,899,973)		
3	(1,563,296)		(19,899,973)	106,763,635	86,863,661
4	(1,563,296)		(19,899,973)		
5	(1,563,296)				
6			(20,612,194)		
7	(5,106,959)		(20,612,194)	88,931,532	68,319,338
8	(5,106,959)		(40,512,167)		
9	(6,670,255)				

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Schedule Page: 122(a)(b) Line No.: 3 Column: e

Cumulative effect of change in accounting principle -- Accounting for derivative instruments and hedging activities.

Schedule Page: 122(a)(b) Line No.: 3 Column: f

Losses on derivative instruments and hedging activities.

Schedule Page: 122(a)(b) Line No.: 7 Column: f

Losses on derivative instruments and hedging activities.

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

Line No.	Classification (a)	Total (b)	Electric (c)
1	Utility Plant		
2	In Service		
3	Plant in Service (Classified)	3,319,162,140	2,716,490,632
4	Property Under Capital Leases		
5	Plant Purchased or Sold		
6	Completed Construction not Classified		
7	Experimental Plant Unclassified		
8	Total (3 thru 7)	3,319,162,140	2,716,490,632
9	Leased to Others		
10	Held for Future Use	696,772	696,772
11	Construction Work in Progress	300,986,392	261,760,776
12	Acquisition Adjustments		
13	Total Utility Plant (8 thru 12)	3,620,845,304	2,978,948,180
14	Accum Prov for Depr, Amort, & Depl	1,463,673,942	1,230,855,030
15	Net Utility Plant (13 less 14)	2,157,171,362	1,748,093,150
16	Detail of Accum Prov for Depr, Amort & Depl		
17	In Service:		
18	Depreciation	1,444,997,694	1,230,854,930
19	Amort & Depl of Producing Nat Gas Land/Land Right		
20	Amort of Underground Storage Land/Land Rights	573,394	
21	Amort of Other Utility Plant	18,102,854	100
22	Total In Service (18 thru 21)	1,463,673,942	1,230,855,030
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)	1,463,673,942	1,230,855,030

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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.
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	1
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	2
433,094,648				169,576,860	3
					4
					5
					6
					7
433,094,648				169,576,860	8
					9
					10
25,501,849				13,723,767	11
					12
458,596,497				183,300,627	13
159,806,708				73,012,204	14
298,789,789				110,288,423	15
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	16
					17
159,232,514				54,910,250	18
	[redacted]	[redacted]	[redacted]	[redacted]	19
573,394	[redacted]	[redacted]	[redacted]	[redacted]	20
800				18,101,954	21
159,806,708				73,012,204	22
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	23
					24
					25
					26
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	27
					28
					29
					30
	[redacted]	[redacted]	[redacted]	[redacted]	31
					32
159,806,708				73,012,204	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) 03/28/2003	Year of Report Dec. 31, 2002

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		

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GAS PLANT IN SERVICE (Accounts 101, 102, 103, and 106) (Continued)

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

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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)
40	3. NATURAL GAS STORAGE AND PROCESSING PLANT		
41	Underground Storage Plant		
42	350.1 Land	32,865	
43	350.2 Rights-of-Way	60,021	3,657
44	351 Structures and Improvements	2,091,540	79,808
45	352 Wells	7,326,959	260,685
46	352.1 Storage Leaseholds and Rights	552,045	
47	352.2 Reservoirs	400,511	
48	352.3 Non-recoverable Natural Gas	9,648,855	
49	353 Lines	10,227,829	153,290
50	354 Compressor Station Equipment	13,120,551	551,902
51	355 Measuring and Reg. Equipment	333,431	36,890
52	356 Purification Equipment	8,629,507	744,603
53	357 Other Equipment	612,683	349,160
54	TOTAL Underground Storage Plant	53,036,797	2,179,995
55	Other Storage Plant		
56	360 Land and Land Rights		
57	361 Structures and Improvements		
58	362 Gas Holders		
59	363 Purification Equipment		
60	363.1 Liquefaction Equipment		
61	363.2 Vaporizing Equipment		
62	363.3 Compressor Equipment		
63	363.4 Meas. and Reg. Equipment		
64	363.5 Other Equipment		
65	TOTAL Other Storage Plant		
66	Base Load Liquefied Natural Gas Terminating and Processing Plant		
67	364.1 Land and Land Rights		
68	364.2 Structures and Improvements		
69	364.3 LNG Processing Terminal Equipment		
70	364.4 LNG Transportation Equipment		
71	364.5 Measuring and Regulating Equipment		
72	364.6 Compressor Station Equipment		
73	364.7 Communications Equipment		
74	364.8 Other Equipment		
75	TOTAL Base Load Liquefied Natural Gas,		
76	Terminating and Processing Plant		
77	TOTAL Nat. Gas Storage and Proc. Plant	53,036,797	2,179,995
78	4. TRANSMISSION PLANT		
79	365.1 Land and Land Rights		
80	365.2 Rights-of-Way	220,660	
81	366 Structures and Improvements		
82	367 Mains	12,193,974	
83	368 Compressor Station Equipment		
84	369 Measuring and Reg. Sta. Equipment		
85	370 Communication Equipment		
86	371 Other Equipment		
87	TOTAL Transmission Plant	12,414,634	
88			
89			
90			
91			
92			
93			

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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
			2,171,348	351	44
			7,587,644	352	45
			552,045	352.1	46
			400,511	352.2	47
			9,648,855	352.3	48
			10,381,119	353	49
268,374			13,404,079	354	50
			370,321	355	51
59,534			9,314,576	356	52
563			961,280	357	53
328,471			54,888,321		54
					55
				360	56
				361	57
				362	58
				363	59
				363.1	60
				363.2	61
				363.3	62
				363.4	63
				363.5	64
					65
					66
				364.1	67
				364.2	68
				364.3	69
				364.4	70
				364.5	71
				364.6	72
				364.7	73
				364.8	74
					75
					76
328,471			54,888,321		77
					78
				365.1	79
			220,660	365.2	80
				366	81
			12,193,974	367	82
				368	83
				369	84
				370	85
				371	86
			12,414,634		87
					88
					89
					90
					91
					92
					93

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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)
88	5. DISTRIBUTION PLANT		
89	374 Land and Land Rights	136,061	
90	375 Structures and Improvements	914,361	7,827
91	376 Mains	193,030,970	20,721,082
92	377 Compressor Station Equipment		
93	378 Meas. and Reg. Sta. Equip. - General	4,475,520	124,197
94	379 Meas. and Reg. Sta. Equip. - City Gate	3,022,846	8,901
95	380 Services	99,310,873	5,967,371
96	381 Meters	19,343,564	249,919
97	382 Meter Installations	7,468,665	21,764
98	383 House Regulators	3,145,155	
99	384 House Reg. Installations	1,006,639	
100	385 Industrial Meas. and Reg. Sta. Equipment	142,801	
101	386 Other Prop. on Customers' Premises		
102	387 Other Equipment	61,644	3,408
103	TOTAL Distribution Plant	332,059,099	27,104,469
104	6. GENERAL PLANT		
105	389 Land and Land Rights		
106	390 Structures and Improvements		
107	391 Office Furniture and Equipment		
108	392 Transportation Equipment	4,709,428	246,522
109	393 Stores Equipment		
110	394 Tools, Shop, and Garage Equipment	2,694,521	201,841
111	395 Laboratory Equipment	444,139	
112	396 Power Operated Equipment	2,494,122	58,876
113	397 Communication Equipment		
114	398 Miscellaneous Equipment		
115	Subtotal	10,342,210	507,239
116	399 Other Tangible Property		
117	TOTAL General Plant	10,342,210	507,239
118	TOTAL (Accounts 101 and 106)	407,853,927	29,791,702
119	Gas Plant Purchased (See Instr. 8)		
120	(Less) Gas Plant Sold (See Instr. 8)		
121	Experimental Gas Plant Unclassified		
122	TOTAL Gas Plant in Service	407,853,927	29,791,702

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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.
						88
				136,061	374	89
60				922,128	375	90
749,343				213,002,709	376	91
					377	92
8,998				4,590,719	378	93
				3,031,747	379	94
1,598,106				103,680,138	380	95
				19,593,483	381	96
				7,490,429	382	97
				3,145,155	383	98
				1,006,639	384	99
				142,801	385	100
					386	101
				65,052	387	102
2,356,507				356,807,061		103
						104
					389	105
					390	106
					391	107
1,391,961				3,563,989	392	108
					393	109
				2,896,362	394	110
9,070				435,069	395	111
464,971				2,088,027	396	112
					397	113
					398	114
1,866,002				8,983,447		115
					399	116
1,866,002				8,983,447		117
4,550,981				433,094,648		118
						119
						120
						121
4,550,981				433,094,648		122

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CONSTRUCTION WORK IN PROGRESS-GAS (ACCOUNT 107)

1. Report below descriptions and balancesat end of year of projects in process of construction (107).
2. Show items relating to "research, development, and demonstration" projects last, under a captionh 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	506,818	
3	Magnolia replacement of 5,000 feet of 20" pipe	1,087,858	
4	Minor Projects		
5			
6			
7			
8	Transmission		
9		277,132	
10	Minor Projects		
11			
12			
13			
14			
15	Distribution		
16		6,943,494	
17	West Louisville main replacement project	1,334,766	
18	South Louisville main replacement project	1,126,911	
19	National Turnpike	1,395,571	
20	Gas Central SCADA system	1,017,569	
21	New Company Service - Joint Trenching	11,811,730	
22	Minor Projects		
23		25,501,849	
25	Total		
26			
27			
28			
29			
30			
31			
32			
33			
34			
35			
36			
37			
39			
40			
41			
42			

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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 employee 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.

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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	151,913,803	151,913,803		
2					
3	Depreciation Provisions for Year, Charged to :				
4	(403) Depreciation Expense	11,659,080	11,659,080		
5	(413) Exp. of Gas Plt. Leas. to Others				
6	Transportation Expenses- Clearing	640,273	640,273		
7	Other Clearing Accounts				
8	Other Accounts (Specify):				
9	TOTAL Deprec. Prov. for Year (Enter Total of lines 4 thru 8)	12,299,353	12,299,353		
10	Net Changes for Plant Retired:				
11	Book Cost of Plant Retired	4,550,981	4,550,981		
12	Cost of Removal	598,140	598,140		
13	Salvage (Credit)	156,100	156,100		
14	TOTAL Net Chrgs. for Plant Retired (Enter Total of lines 11 thru 13)	4,993,021	4,993,021		
15	Other Debit or Credit Items (Describe):				
16		12,379	12,379	(1)	
17	Balance End of Year (Enter Total of lines 1, 9, 14, and 16)	159,232,514	159,232,514		

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

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)
18	Production- Manufactured Gas				
19	Prod. and Gathering - Natural Gas				
20	Products Extraction - Natural Gas				
21	Underground Gas Storage	29,283,508	29,283,508		
22	Other Storage Plant				
23	Base Load LNG Term. and Proc. Plt.				
24	Transmission	10,966,378	10,966,378		
25	Distribution	113,994,740	113,994,740		
26	General	4,987,888	4,987,888		
27					
39	TOTAL (Enter Total of lines 18 thru 26)	159,232,514	159,232,514		
40					

NOTE:

(1) Customer payments related to construction projects.

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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	46,394,603			48,534,593
2	Gas Delivered to Storage (contra Account)		53,378,264			53,378,264
3	Gas Withdrawn from Storage (contra Account)		49,506,859			49,506,859
4	Other Debits or Credits (Net)					
5	Balance at End of Year	2,139,990	50,266,008			52,405,998
6	Mcf	2,930,000	12,550,581			15,480,581
7	Amount Per Mcf	73.04¢	400.51¢			338.53¢

8 State basis of segregation of inventory between current and noncurrent portions:

NOTE:
Line 3, Column C includes $1,016,157 for 261,878 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)	490,000	-
3			
4			
5		490,000	-
6			
7			
8			
9			
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27	Notes:		
28	(1) Acquired 1952-53.		
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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) 03/28/2003	Year of Report Dec. 31, 2002

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
-	4,900 Shs	490,000	102,900		2
		-			3
		490,000	102,900		4
-					5
					6
					7
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INVESTMENTS IN SUBSIDIARY COMPANIES (Account 123.1)

1. Report below investments in Accounts 123.1, investments in Subsidiary Companies.
2. Provide a subheading for each company and List there under the information called for below. Sub - TOTAL by company and give a TOTAL in columns (e),(f),(g) and (h)
(a) Investment in Securities - List and describe each security owned. For bonds give also principal amount, date of issue, maturity and interest rate.
(b) Investment Advances - Report separately the amounts of loans or investment advances which are subject to repayment, but which are not subject to current settlement. With respect to each advance show whether the advance is a note or open account. List each note giving date of issuance, maturity date, and specifying whether note is a renewal.
3. Report separately the equity in undistributed subsidiary earnings since acquisition. The TOTAL in column (e) should equal the amount entered for Account 418.1.

Line No.	Description of Investment (a)	Date Acquired (b)	Date Of Maturity (c)	Amount of Investment at Beginning of Year (d)
1	LGE Receivables LLC	09/2000		5,000,000
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
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41				
42	Total Cost of Account 123.1 $ 0		TOTAL	5,000,000

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INVESTMENTS IN SUBSIDIARY COMPANIES (Account 123.1) (Continued)

4. For any securities, notes, or accounts that were pledged designate such securities, notes, or accounts in a footnote, and state the name of pledgee and purpose of the pledge.
5. 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.
6. Report column (f) interest and dividend revenues form investments, including such revenues form securities disposed of during the year.
7. 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 difference from cost) and the selling price thereof, not including interest adjustment includible in column (f).
8. Report on Line 42, column (a) the TOTAL cost of Account 123.1

Equity in Subsidiary Earnings of Year (e)	Revenues for Year (f)	Amount of Investment at End of Year (g)	Gain or Loss from Investment Disposed of (h)	Line No.
		5,000,000		1
				2
				3
				4
				5
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				9
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				41
		5,000,000		42

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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	4,646,304
2	Prepaid Rents	
3	Prepaid Taxes (262-263)	
4	Prepaid Interest	
5	Gas Prepayments (226-227)	
6	Miscellaneous Prepayments: Permit Fees $133,506, Real Est Com $42,586, Rights of Way $346,668	522,760
7	TOTAL	5,169,064

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						
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22						
23						
24						
25						
26						
27						
28						
29						
30	TOTAL					

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OTHER REGULATORY ASSETS (Account 182.3)

1. Report below the particulars (details) called for concerning other regulatory assets which are created through the rate making actions of regulatory agencies (and not includable in other accounts)
2. For regulatory assets being amortized, show period of amortization in column (a)
3. Minor items (5% of the Balance at End of Year for Account 182.3 or amounts less than $50,000, whichever is less) may be grouped by classes.

Line No.	Description and Purpose of Other Regulatory Assets (a)	Debits (b)	CREDITS Account Charged (c)	CREDITS Amount (d)	Balance at End of Year (e)
1					
2	SFAS 109 - Income Taxes				1,797,488
3					
4	Cost to Achieve Merger with KU		930.2)	3,629,340	1,814,670
5					
6	VDT Workforce Reduction Cost	514,331	930.2)	30,000,000	98,043,607
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
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39					
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41					
42					
43					
44	TOTAL	514,331		33,629,340	101,655,765

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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	2,062,106		930.2	305,400	1,756,706
2						
3	Minimum Pension Asset	11,935,962	20,862,478			32,798,440
4						
5	One Utility Costs	3,642,770		930.2	2,688,413	954,357
6						
7	Gas Supply Adjustment -					
8	Underbilled and collectible					
9	from customers	30,134,858	8,220,341	803	24,640,835	13,714,364
10						
11	Demand Side Management-					
12	Collectible from Customers	2,718,935	1,874,134	142	3,015,946	1,577,123
13						
14	Gas Performance Based Ratemakng	7,708,518	7,364,646	803	10,830,341	4,242,823
15						
16	Financing Expense	78,614	4,435,332	181	4,513,946	
17						
18	Earnings Sharing Mechanism					
19	Underbilled and collectible					
20	from customers		12,500,000			12,500,000
21						
22						
23						
24						
25						
26						
27						
28						
29						
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42						
43						
44						
45						
46						
47	Misc. Work in Progress					
48	Deferred Regulatory Comm. Expenses (See pages 350 - 351)					
49	TOTAL	58,281,763				67,543,813

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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)	CHANGES DURING YEAR Amounts Credited to Account 411.1 (d)
1	Electric			
2	Pensions	6,309,991	25,025,369	19,691,999
3	Workers compensation	1,095,734	192,581	131,075
4	Bad debt reserves	455,991		95,659
5	Vacation pay	606,759		796,693
6	Prepaid Transmission Fees	84,876	8,393	
7	Other - See Electric below	117,477,680	34,195,705	15,993,364
8	TOTAL Electric (Enter Total of lines 2 thru 7)	126,031,031	59,422,048	36,708,790
9	Gas			
10	Pensions	311,253	5,451,032	4,958,370
11	Workers compensation	339,321	48,145	32,769
12	Bad debt reserves	169,470		25,428
13	Vacation pay	246,228		199,172
14	Capitalized inventory	630,513		263,818
15	Other - See Gas below	18,600,684	8,506,984	4,431,601
16	TOTAL Gas (Enter Total of lines 10 thru 15)	20,297,469	14,006,161	9,911,158
17	Other (Specify)			
18	TOTAL (Acct 190) Total of lines 8, 16 and 17)	146,328,500	73,428,209	46,619,948
	Electric (Con't)	Notes		
	Environmental Cost Recovery	0	290,711	887,686
	FAS 106	7,734,170		11,380,252
	RAR interest reserve	(782,891)		
	Public liability reserve	152,624	128,099	813,175
	Non-qualified thrift	166,261		
	State Tax Adjustment	(415,760)	1,524,438	609,694
	FAS 109 adjustment	70,304,230		
	Contingent liabilities	0		359,088
	FAS 112 post employment	665,109	2,513	89,171
	Medical Plan	145,305		254,122
	Property tax adjustment	(24,168)		24,168
	Unclaimed Checks	268,208		
	VDT Severance & Other	31,782,108	31,782,108	
	African American Venture	139		69,750
	Demand side management	30,745		41,361
	FAS 33 Other Comp Income	2,826,190		
	Minimum Pension Liability	7,979,532		
	Prepaid Insurance	(1,309,280)	267,786	
	Merger Expenses Ratepayer Portion	(2,197,338)		1,464,892
	Mark to Market	75,125	12,333	
	Standiford Substation Land	0	5	5
	Non-qualified Stock Options	0	187,571	
	Earnings Sharing Mechanism	77,371	141	
	TOTAL	117,477,680	34,195,705	15,993,364
	Gas (Con't)			
	FAS 106	2,132,470		3,254,200
	RAR interest reserve	(153,809)		
	Public liability reserve	0		
	Non-qualified thrift	43,207		
	State Tax Adjustment	977,604	480,145	734,476
	FAS 109 adjustment	4,587,050		
	Contingent liabilities	0		
	FAS 112 post employment	177,248		27,274
	Medical Plan	36,327		63,531
	Property tax adjustment	(5,701)		5,701
	Unclaimed Checks	67,052		
	African American Venture	(133)		11,355
	Demand side management	272,818		334,647
	VDT Severance & Other	7,945,528	7,945,528	
	Prepaid Insurance	(307,115)	62,814	
	FAS 33 Other Comp Income	706,547		
	Line pack	90,211	18,497	
	Gas franchise	36,498		417
	Minimum Pension Liability	1,994,882		
	TOTAL	18,600,684	8,506,984	4,431,601

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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
250,175	268,128			146.1	213,378	781,196	2
						1,034,228	3
						551,650	4
				146.1	644,113	759,339	5
						76,483	6
50,236	299,154		11,199,773		2,249,654	108,474,376	7
300,411	567,282		11,199,773		3,107,145	111,677,272	8
							9
20,935	76,431			146.1	67,401	(193,314)	10
						323,945	11
						194,898	12
				146.1	161,028	284,372	13
						894,331	14
10,730	76,837		2,884,648		1,217,474	16,258,582	15
31,665	153,268		2,884,648		1,445,903	17,762,814	16
							17
332,076	720,550		14,084,421		4,553,048	129,440,086	18

NOTES (Continued)

(e)	(f)	(g)	(h)	(i)	(j)	(k)
						596,975
						19,114,422
50,236	51,397					(781,730)
						837,700
	247,757			146.1	236,888	177,130
						(1,330,504)
				254.0	2,012,766	68,291,464
						359,088
						751,767
						399,427
						0
						268,208
						0
						69,889
						72,106
		211.2	2,723,711			5,549,901
		211.2	8,290,183			16,269,715
						(1,577,066)
						(732,446)
						62,792
						0
		234.1	185,879			(1,692)
						77,230
50,236	299,154		11,199,773		2,249,654	108,474,376

(e)	(f)	(g)	(h)	(i)	(j)	(k)
						5,386,670
10,730	10,978					(153,561)
						0
	65,859			146.1	62,970	46,096
						1,231,935
				254.0	1,154,504	3,432,546
						0
						204,522
						99,858
						0
						67,052
						11,222
						607,465
						0
						(369,929)
		211.2	680,929			1,387,476
						71,714
						36,915
		211.2	2,203,719			4,198,601
10,730	76,837		2,884,648		1,217,474	16,258,582

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	03/28/2003	Dec. 31, 2002

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	$5.875 Series		100.00	101.18
11	Total Preferred	8,470,000		
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	LG&E Energy Corp.			
22				
23	The Preferred Stock is traded in the			
24	over-the-counter-market			
25				
26				
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41				
42				

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	03/28/2003	Dec. 31, 2002

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 AS REACQUIRED STOCK (Account 217)		HELD BY RESPONDENT IN SINKING AND OTHER FUNDS		Line No.
Shares (e)	Amount (f)	Shares (g)	Cost (h)	Shares (i)	Amount (j)	
						1
						2
21,294,223	425,170,424					3
21,294,223	425,170,424					4
						5
						6
						7
860,287	21,519,300	485	12,125			8
						9
500,000	50,000,000					10
250,000	25,000,000					11
1,610,287	96,519,300	485	12,125			12
						13
						14
						15
						16
						17
						18
						19
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						42

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	03/28/2003	Dec. 31, 2002

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		
2	Accounts 210:	
3	Gain on Required Preferred Stock, Cumulative 5% Series, $25 Par Value	5,699
4		
5		
6	Accounts 211:	
7	Contributed Capital - Misc.	40,000,000
8		
9		
10		
11		
12		
13		
14		
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39		
40	TOTAL	40,005,699

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	03/28/2003	Dec. 31, 2002

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 $5.875 Preferred Stock, Cumulative	284,247
3	Expenses on Common Stock	835,889
4		
5		
6		
7		
8		
9		
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12		
13		
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19		
20		
21		
22	TOTAL	2,208,416

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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) 03/28/2003	Year of Report Dec. 31, 2002

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

$22,500,000 Pollution Control Bonds, Variable Rate, Maturity Date 09/01/2026, Issued 03/06/2002
$27,500,000 Pollution Control Bonds, Variable Rate, Maturity Date 09/01/2026, Issued 03/06/2002
$35,000,000 Pollution Control Bonds, Variable Rate, Maturity Date 11/01/2027, Issued 03/22/2002
$35,000,000 Pollution Control Bonds, Variable Rate, Maturity Date 11/01/2027, Issued 03/22/2002
$41,665,000 Pollution Control Bonds, Variable Rate, Maturity Date 10/01/2032, Issued 10/23/2002

Securities Retired During The Year

$30,000,000 Commercial Paper (discounted $56,250), Variable Rates, Issued 12/20/2001, Maturity date 01/28/2002.

$22,500,000 Pollution Control Bonds, Variable Rate, Maturity Date 09/01/2026, Defeased 03/06/2002
$27,500,000 Pollution Control Bonds, Variable Rate, Maturity Date 09/01/2026, Defeased 03/06/2002
$35,000,000 Pollution Control Bonds, Variable Rate, Maturity Date 11/01/2027, Defeased 03/22/2002
$35,000,000 Pollution Control Bonds, Variable Rate, Maturity Date 11/01/2027, Defeased 03/22/2002
$41,665,000 Pollution Control Bonds, 6.55% Rate, Maturity Date 11/01/2020, Defeased 10/23/2002

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	03/28/2003	Dec. 31, 2002

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			
3	First Mortgage Bonds		
4	6% Series, due 08/15/2003	42,600,000	401,905
5			
6	Pollution Control Bonds (2)		
7	Series R, due 11/01/2020, 6.55% (3) (6)	50,000,000	960,963
8	Series S, due 09/01/2017, Variable	31,000,000	312,946
9	Series T, due 09/01/2017, Variable	60,000,000	418,276
10	Series AA, due 09/01/2027, Variable	10,104,000	514,039
11	Series U, due 08/15/2013, Variable	35,200,000	234,448
12	Series V, due 08/15/2019, 5.625%	102,000,000	1,167,309
13	Series W, due 10/15/2020, 5.45%	26,000,000	515,059
14	Series X, due 04/15/2023, 5.9%	40,000,000	924,608
15	1996 Series A JC, due 09/01/2026 (6)	22,500,000	196,143
16	1996 Series A TC, due 09/01/2026 (6)	27,500,000	211,080
17	1997 Series A JC, due 11/01/2027 (6)	35,000,000	113,163
18	1997 Series A TC, due 11/01/2027 (6)	35,000,000	110,413
19	Series Y, due 05/01/2027	25,000,000	645,041
20	Series Z, due 08/01/2030	83,335,000	1,145,612
21	Series BB, due 9/1/2026, Variable (6)	22,500,000	239,101
22	Series CC, due 9/1/2026, Variable (6)	27,500,000	259,415
23	Series DD, due 11/1/2027, Variable (6)	35,000,000	275,472
24	Series EE, due 11/1/2027, Variable (6)	35,000,000	275,512
25	Series FF, due 10/1/2032, Variable (6)	41,665,000	1,071,759
26			
27	TOTAL ACCOUNT 221	786,904,000	9,992,264
28			
29			
30	INTEREST RATE SWAPS (4)		
31			
32			
33	TOTAL	786,904,000	9,992,264

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	03/28/2003	Dec. 31, 2002

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
						3
				42,600,000	2,556,000	4
8/31/1993	8/15/2003	8/31/1993	8/15/2003			5
						6
					2,376,964	7
11/1/1990	11/1/2020	11/1/1990	10/22/2002		434,530	8
9/17/1992	9/1/2017	9/17/1992	9/1/2017	31,000,000	904,658	9
9/17/1992	9/1/2017	9/17/1992	9/1/2017	60,000,000	150,071	10
9/11/2001	9/1/2027	9/1/2001	9/1/2027	10,104,000	539,664	11
8/15/1993	8/15/2013	8/15/1993	8/15/2013	35,200,000	5,737,505	12
8/15/1993	8/15/2019	8/15/1993	8/15/2019	102,000,000	1,417,000	13
10/15/1993	10/15/2020	10/15/1993	10/15/2020	26,000,000	2,360,000	14
4/15/1995	4/15/2023	4/15/1995	4/15/2023	40,000,000	79,006	15
10/1/1996	9/1/2026	10/1/1996	03/05/2002		110,904	16
10/1/1996	9/1/2026	10/1/1996	03/05/2002		158,253	17
11/1/1997	11/1/2027	11/1/1997	03/21/2002		183,343	18
11/1/1997	11/1/2027	11/1/1997	03/21/2002	25,000,000	363,854	19
5/19/2000	5/1/2027	5/19/2000	5/1/2027	83,335,000	1,206,300	20
8/9/2000	8/1/2030	8/9/2000	8/1/2030	22,500,000	271,147	21
03/06/2002	09/01/2026	03/06/2002	09/01/2026	27,500,000	331,015	22
03/06/2002	09/01/2026	03/06/2002	09/01/2026	35,000,000	418,112	23
03/22/2002	11/01/2027	03/22/2002	11/01/2027	35,000,000	417,808	24
03/22/2002	11/01/2027	03/22/2002	11/01/2027	41,665,000	117,861	25
10/23/2002	10/01/2032	10/23/2002	10/01/2032			26
				616,904,000	20,133,995	27
						28
						29
					4,406,542	30
						31
						32
				616,904,000	24,540,537	33

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

Notes to FERC Form No.1 page 256:

(1) 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) In March 1993, the Company defeased $8,335,000 from an issue of its Trimble County Pollution Control Bonds, Series due November 1, 2020.

(4) As of December 31, 2002, the Company had in effect three 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. The specifics for each swap agreement related to notional amounts, maturity dates, payable and receivable positions are as follows:

Notional Amount	Maturity	Payable	Receivable
$17,000,000	02/3/2003	Fixed 4.184%	BMA Index
$17,000,000	02/3/2005	Fixed 4.309%	BMA Index
$83,335,000	11/2/2020	Fixed 5.495%	BMA Index

(5) 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.

(6) During 2002, the Company executed the following refinancings of Pollution Control Bonds for their full face value:

Issued	Redeemed
Series BB, due 9/1/2026	1996 Series A JC, due 9/1/2026
Series CC, due 9/1/2026	1996 Series A TC, due 9/1/2026
Series DD, due 11/1/2027	1997 Series A JC, due 11/1/2027
Series EE, due 11/1/2027	1997 Series A TC, due 11/1/2027
Series FF, due 10/1/2032	Series R, due 11/1/2020

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [x] An Original (2) [ ] A Resubmission	Date of Report (Mo,Da,Yr) 03/28/2003	Year of Report Dec. 31, 2002

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)	AMORTIZATION PERIOD Date To (e)
1	Unamortized Debt Expense - Account 181				
2					
3	First Mortgage Bonds				
4	6% Series due 08/15/2003	42,600,000	401,905	08/31/1993	08/15/2003
5					
6	Pollution Control Bonds:				
7	Series R, due 11/01/2020 (2)	50,000,000	960,963	11/01/1990	11/01/2020
8	Series S, due 09/01/2017	31,000,000	312,946	09/17/1992	09/1/2017
9	Series T, due 09/01/2017	60,000,000	418,276	09/17/1992	09/01/2017
10	Series AA, due 09/01/2027	10,104,000	517,681	09/01/2001	09/01/2027
11	Series U, due 08/15/2013	35,200,000	234,448	08/15/1993	08/15/2013
12	Series V, due 08/15/2019	102,000,000	1,167,309	08/15/1993	08/15/2019
13	Series W, due 10/15/2020	26,000,000	515,059	10/15/1993	10/15/2020
14	Series X, due 04/15/2023	40,000,000	924,608	04/15/1995	04/15/2023
15	1996 Series A JC, due 09/01/2026	22,500,000	196,143	10/01/1996	09/01/2026
16	1996 Series A TC, due 09/01/2026	27,500,000	211,080	10/01/1996	09/01/2026
17	1997 Series A JC, due 11/012027	35,000,000	113,163	11/01/1997	11/01/2027
18	1997 Series A TC, due 11/01/2027	35,000,000	110,413	11/01/1997	11/01/2027
19	Series Y, due 05/01/2027	25,000,000	645,041	05/19/2000	05/01/2027
20	Series Z, due 08/01/2030	83,335,000	1,145,612	08/09/2000	08/01/2030
21	Series BB, due 09/01/2026	22,500,000	239,140	03/06/2002	09/01/2026
22	Series CC, due 09/01/2026	27,500,000	259,415	03/06/2002	09/01/2026
23	Series DD, due 11/01/2027	35,000,000	275,472	03/22/2002	11/01/2027
24	Series EE, due 11/01/2027	35,000,000	275,512	03/22/2002	11/01/2027
25	Series FF, due 10/01/2032	41,665,000	1,071,759	10/23/2002	10/01/2032
26					
27	Total				
28					
29					
30					
31					
32					
33					
34					
35	Note: (1) See Note 1 - Page 257 footnotes				
36	(2) See Note 3 - Page 257 footnotes				
37	(3) Total credits in column (h) relating to amortization of debt expense charged to Account 428 is $418,580. The				
38	remaining debits and credits in columns (g) and (h) represent transfers-in and transfers-out of new and old				
39	unamortized debt expense balances related to the refinancings discussed in Note (6) of Pages 256-257.				

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	03/28/2003	Dec. 31, 2002

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. (3)

Balance at Beginning of Year (f)	Debits During Year (g)	Credits During Year (h)	Balance at End of Year (i)	Line No.
				1
				2
				3
65,750		40,966	24,784	4
				5
				6
627,037		627,037	-	7
196,682		12,552	184,130	8
260,135		16,608	243,527	9
435,555	77,076	21,497	491,134	10
135,491		11,700	123,791	11
787,186		44,772	742,414	12
359,536		19,134	340,402	13
704,566		32,899	671,667	14
161,916		161,916	-	15
173,917		173,917	-	16
159,515		159,515	-	17
154,753		154,753	-	18
605,050		23,808	581,242	19
1,094,111		38,280	1,055,831	20
-	239,139	12,471	226,668	21
-	259,415	12,471	246,944	22
-	275,472	8,205	267,267	23
-	275,512	8,205	267,307	24
-	1,970,162	905,415	1,064,747	25
				26
5,921,200	3,096,776	2,486,121	6,531,855	27
				28
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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) 03/28/2003	Year of Report Dec. 31, 2002

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	8/90	25,000,000	787,340	425,215	393,714
5						
6	First Mortgage Bonds					
7	due March 1, 2005	12/90	25,000,000	1,226,882	274,246	187,642
8	due October 1, 2009	12/90	25,000,000	1,787,442	738,803	643,475
9						
10	Pollution Control Bonds					
11	1976 Series A, due September 1, 2006	8/93	35,200,000	439,383	253,842	231,930
12	1975 Series A, due September 1, 2000	10/92	31,000,000	286,757	179,717	168,245
13	1987 Series A, due August 1, 1997	10/92	60,000,000	2,574,187	1,613,298	1,510,326
14	1990 Series B, due November 1, 2020	3/93	8,335,000	364,075	248,455	-
15						
16	First Mortgage Bonds					
17	due August 1, 2001	8/93	19,700,000	540,446	85,523	31,510
18	due November 1, 2006	8/93	21,362,000	971,865	153,872	56,690
19						
20	Pollution Control Bonds, 1978 Series A					
21	due June 1, 1998	8/93	7,000,000			
22	due June 1, 2008	8/93	35,000,000	656,441	443,817	418,580
23						
24	Pollution Control Bonds, 1979 Series A					
25	due October 1, 2004	8/93	20,000,000			
26	due October 1, 2009	8/93	40,000,000	1,329,060	895,516	844,588
27						
28	Pollution Control Bonds					
29	1984 Series A, due February 15, 2011	11/93	26,000,000	1,448,853	1,002,148	948,700
30	1990 Series A JC, due December 1, 2016	12/96	22,500,000	2,109,912	1,748,320	-
31	1990 Series A TC, due December 1, 2016	12/96	27,500,000	1,737,247	1,439,530	-
32	1986 Series A, due February 1, 2019	11/97	35,000,000	1,287,027	1,107,827	-
33	1986 Series A TC, due February 1, 2019	11/97	35,000,000	1,287,027	1,107,827	-
34						
35	First Mortgage Bonds					
36	Series D, due July 1, 2002	1/00	20,000,000	124,000	25,653	-
37						
38	Pollution Control Bonds					
39	1990 Series A, due June 15, 2015	6/00	25,000,000	2,171,404	2,051,146	1,970,974
40	1990 Series TC, due November 1, 2020	8/00	83,335,000	4,298,037	4,107,011	3,963,564
41	1996 Series A, JC due September 1, 2026	3/02	22,500,000	1,896,244	-	1,832,617
42	1996 Series A TC, due September 1, 2026	3/02	27,500,000	1,601,630	-	1,547,885
43	1997 Series A JC, due November 1, 2027	3/02	35,000,000	1,256,362	-	1,218,167
44	1997 Series A TC, due November 1, 2027	3/02	35,000,000	1,251,639	-	1,213,591
45	1990 Series B TC, due November 1, 2020	10/02	41,665,000	1,671,182	-	1,660,530
46						
47	Total Account 189				17,901,766	18,842,728

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
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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)	88,931,532
2		
3		
4	Taxable Income Not Reported on Books	
5	See Footnotes	13,635,738
6		
7		
8		
9	Deductions Recorded on Books Not Deducted for Return	
10	See Footnotes	205,763,695
11		
12		
13		
14	Income Recorded on Books Not Included in Return	
15	See Footnotes	16,705,031
16		
17		
18		
19	Deductions on Return Not Charged Against Book Income	
20	See Footnotes	224,872,347
21		
22		
23		
24		
25		
26		
27	Federal Tax Net Income	66,753,587
28	Show Computation of Tax:	
29		
30	Federal Tax Net Income	66,753,587
31	35% - Rounded	23,363,755
32	Add: Adjustment of Prior Years Taxes to Actual	1,202,088
33		
34		
35	Total	24,565,843
36		
37		
38		
39		
40		
41		
42		
43		
44		

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	03/28/2003	Dec 31, 2002

FOOTNOTE DATA

Schedule Page: 261 Line No.: 5 Column: b

Contributions in Aid of Construction	3,005,330
Demand Side Management	931,576
Weatherization (DSM)	1,141,812
Purchased Gas Adjustment	7,337,401
Environmental Cost Recovery	758,783
Other	460,836

	13,635,738
	==========

Schedule Page: 261 Line No.: 10 Column: b

Federal Income Taxes:	
Utility Operating Income	26,232,677
Other Income and Deductions	(1,666,834)
Provision for Deferred Income Taxes-Net	24,613,839
Fas 106 Cost Write-Off (Postretirement)	4,363,750
Book Depreciation	106,100,000
Public Liability	2,000,000
Capitalized Interest	8,000,000
Amortization Merger Exp. Ratepayer Portion	3,629,340
One Utility Costs	2,688,414
VDT - Powergen Merger Amortization	27,166,568
Vacation Pay	600,250
Medical Plan	787,000
Other	1,248,691

	205,763,695
	============

Schedule Page: 261 Line No.: 15 Column: b

Investment Tax Credit	4,152,179
Earnings Sharing Mechanism	12,500,000
Other	52,852

	16,705,031
	===========

Schedule Page: 261 Line No.: 20 Column: b

Loss on Reacquired Debt-Amortization	940,289
Cost of Removal Charged to Book Depre Reserve	4,500,000
Pensions	73,523,940
Tax Depreciation	145,080,109
Prepaid Insurance	788,943
State Income Tax Deduction	(478,492)
Other	517,558

	224,872,347
	============

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	03/28/2003	Dec. 31, 2002

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	8,065,457		24,565,846	37,372,286	
3	Unemployment Insurance	3,631		76,805	62,785	
4	FICA	6,750		4,488,624	4,279,754	
5	Highway Use	-1,614		550	-1,064	
6	Excise Tax	316		109	425	
7	IFTA			4,525	4,525	
8						
9	Kentucky:					
10	Income	10,901,516		7,252,682	14,041,493	
11	Unemployment Insurance	615		63,104	52,950	
12	Regulatory Commission Fee			1,558,789	1,558,789	
13	6% Use	270,144		1,987,985	1,811,567	
14	Auto License	-75		71,423	71,348	
15	Excise Tax	1,053		118	1,171	
16	Weight Distance	1,614		464	2,078	
17	Coal Tax	-1,294		19,808	18,514	
18	Hazardous Waste					
19						
20	Indiana:					
21	Motor Carrier Tax					
22	5% Use	161			308	
23	Gross Receipts	912,782		400,000	126,000	
24						
25	Local:					
26	Occupational			15,413	16,137	
27						
28	Kentucky & Local					
29	Property Taxes	83,941		11,799,980	11,692,854	
30						
31						
32						
33						
34						
35						
36						
37						
38						
39						
40						
41	TOTAL	20,244,997		52,306,225	71,111,920	

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
-4,740,983		20,859,460			3,706,386	2
17,651		136,373			-59,568	3
215,620		3,219,851			1,268,773	4
					550	5
					109	6
					4,525	7
						8
						9
4,112,705		6,498,002			754,680	10
10,769		84,265			-21,161	11
		1,169,091			389,698	12
446,562					1,987,985	13
					71,423	14
					118	15
					464	16
		19,808				17
						18
						19
						20
						21
-147						22
1,186,782					400,000	23
						24
						25
-724		12,488			2,925	26
						27
						28
191,067		8,755,386			3,044,594	29
						30
						31
						32
						33
						34
						35
						36
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						39
						40
1,439,302		40,754,724			11,551,501	41

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Schedule Page: 262 Line No.: 1 Column: a

Louisville Gas and Electric Company
Taxes Accrued, Prepaid and Charged During the Year

Segregation of Other	Other	Gas Accounts 408.1-409.1	Other Accounts (1)
Federal:			
Income	3,706,386	5,373,216	(1,666,830)
Unemp Ins	(59,568)	31,491	(91,059)
FICA	1,268,773	743,525	525,248
Highway Use	550	0	550
Excise Tax	109	(25,989)	26,098
IFTA	4,525	0	4,525
Kentucky:			
Income	754,680	1,584,757	(830,077)
Unemp Ins	(21,161)	19,458	(40,619)
Reg Commission Fee	389,698	389,698	0
6% Use	1,987,985	0	1,987,985
Auto License	71,423	0	71,423
Excise Tax	118	118	0
Weight Distance	464	0	464
Indiana:			
Gross Receipts	400,000	0	400,000
Local:			
Occupational	2,925	2,925	0
Kentucky & Local Property Taxes	3,044,594	2,899,869	144,725
Total	11,551,501	11,019,068	532,433

(1) Other Accounts include Other Income and Deductions and Balance Sheet accounts.

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	03/28/2003	Dec. 31, 2002

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		
2	Vested Vacation Pay Accrued	3,526,985
3	Revenue Subject to Refund	34,679
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
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42		
43		
44	TOTAL	3,561,664

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
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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 Supply Adjustments -					
2	overbilled and refundable					
3	to customers	15,702,359	803	12,548,786		3,153,573
4						
5	Demand Side Management -					
6	revenues refundable to					
7	customers due to decoupling	752,096	142		931,575	1,683,671
8						
9	Prepaid transmission					
10	system use fee:					
11	MCI Telecommunications	159,872	454	22,292		137,580
12	East Kentucky Power Coop	65,602	454	161,904	161,900	65,598
13						
14	Revenue Subject to Refund	191,341	449	182,102	1,712,309	1,721,548
15						
16	Long-Term Derivative Liability	8,603,844			8,511,599	17,115,443
17						
18						
19	Texas Gas Transmission Refund		803	8,401	336,906	328,505
20	to customers					
21						
22						
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	25,475,114		12,923,485	11,654,289	24,205,918

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	03/28/2003	Dec. 31, 2002

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)	CHANGES DURING YEAR Amounts Credited to Account 411.1 (d)
1	Account 282			
2	Electric	318,422,376	29,027,565	20,279,889
3	Gas	40,615,512	4,539,237	2,035,092
4				
5	TOTAL (Enter Total of lines 2 thru 4)	359,037,888	33,566,802	22,314,981
6				
7				
8				
9	TOTAL Account 282 (Enter Total of lines 5 thru	359,037,888	33,566,802	22,314,981
10	Classification of TOTAL			
11	Federal Income Tax	289,715,380	27,723,137	18,238,472
12	State Income Tax	69,322,508	5,843,665	4,076,509
13	Local Income Tax			

NOTES

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
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ACCUMULATED DEFERRED INCOME TAXES - OTHER PROPERTY (Account 282) (Continued)

3. Use footnotes as required.

CHANGES DURING YEAR		ADJUSTMENTS				Balance at End of Year	Line No.
		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)	(k)	
							1
				282	1,566,702	328,736,754	2
		282	1,566,704			41,552,953	3
							4
			1,566,704		1,566,702	370,289,707	5
							6
							7
							8
			1,566,704		1,566,702	370,289,707	9
							10
			1,100,459		1,100,458	299,200,044	11
			466,245		466,244	71,089,663	12
							13

NOTES (Continued)

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	03/28/2003	Dec. 31, 2002

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	5,957,827	704,209	445,700
4	Unamortized Loss on Bonds	824,418		
5	Fas 109 Adjustment	7,631,902		
6	Realized Gain/Loss	-104,004		
7	Performance Based Ratemaking			
8	Other	42,455,515	5,062,974	11,176,560
9	TOTAL Electric (Total of lines 3 thru 8)	56,765,658	5,767,183	11,622,260
10	Gas			
11	Loss on Reacquired Debt	338,019	135,134	109,099
12	Unamortized Loss on Bonds	206,104		
13	Fas 109 Adjustment	141,336		
14	Realized Gain/Loss	-25,416		
15	Purchased Gas Adjustment	16,449,128		4,137,186
16	Other	11,558,572	82,168	3,303,129
17	TOTAL Gas (Total of lines 11 thru 16)	28,667,743	217,302	7,549,414
18				
19	TOTAL (Acct 283) (Enter Total of lines 9, 17 and 18)	85,433,401	5,984,485	19,171,674
20	Classification of TOTAL			
21	Federal Income Tax	68,985,027	4,761,270	15,249,320
22	State Income Tax	16,448,374	1,223,215	3,922,354
23	Local Income Tax			

NOTES

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
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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.
		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)	(k)	
[redacted]							1
							2
				283	824,418	7,040,754	3
		283	824,418				4
						7,631,902	5
104,004							6
							7
						36,341,929	8
104,004			824,418		824,418	51,014,585	9
[redacted]							10
				283	206,104	570,158	11
		283	206,104				12
						141,336	13
25,416							14
						12,311,942	15
						8,337,611	16
25,416			206,104		206,104	21,361,047	17
							18
129,420			1,030,522		1,030,522	72,375,632	19
[redacted]							20
102,966			746,926		819,886	58,672,903	21
26,454			283,596		210,636	13,702,729	22
							23

NOTES (Continued)

Schedule Page: 276 Line No.: 8 Column: b

IRS Rollover-Amort Cap Legal Costs	(19,436)
Weatherization - DSM	110,863
One Utility Cost	1,111,925
Fas 133 Other Comp Income	72,960
VDT - Powergen Merger Amortization	41,179,203

	42,455,515
	============

Schedule Page: 276 Line No.: 8 Column: c

IRS Rollover-Amort Cap Legal Costs	4,780
Weatherization - DSM	9,854
One Utility Cost	3,028
Earnings Sharing Mechanism	5,045,312

	5,062,974
	=========

Schedule Page: 276 Line No.: 8 Column: d

Weatherization - DSM	29,926
One Utility Cost	813,833
VDT - Powergen Merger Amortization	10,332,801

	11,176,560
	===========

Schedule Page: 276 Line No.: 8 Column: k

IRS Rollover-Amort Cap Legal Costs	(14,656)
Weatherization - DSM	90,791
One Utility Cost	301,120
FAS 133 Other Comp Income	72,960
VDT - Powergen Merger Amortization	30,846,402
Earnings Sharing Mechanism	5,045,312

	36,341,929
	==========

Schedule Page: 276 Line No.: 16 Column: b

IRS Rollover-Amort Cap Legal Costs	(5,803)
Weatherization - DSM	896,981
One Utility Cost	354,353
Fas 133 Other Comp Inc.	18,240
VDT - Powergen Merger Amortization	10,294,801

	11,558,572
	============

Schedule Page: 276 Line No.: 16 Column: c

IRS Rollover-Amort Legal Costs	1,428

Weatherization - DSM	79,731
One Utility Cost	1,009

	82,168
	=======

Schedule Page: 276 Line No.: 16 Column: d

Weatherization - DSM	448,651
One Utility Cost	271,278
VDT - Powergen Merger Amortization	2,583,200

	3,303,129
	===========

Schedule Page: 276 Line No.: 16 Column: k

IRS Rollover-Amort Cap Legal Costs	(4,375)
Weatherization - DSM	528,061
One Utility Cost	84,084
Fas 133 Other Comp Income	18,240
VDT - Powergen Merger Amortization	7,711,601

	8,337,611
	===========

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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
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OTHER REGULATORY LIABILITIES (Account 254)

1. Reporting below the particulars (Details) called for concerning other regulatory liabilities which are created through the rate-making actions of regulatory agencies (and not includable in other amounts)
2. For regulatory Liabilities being amortized show period of amortization in column (a).
3. Minor items (5% of the Balance at End of Year for Account 254 or amounts less than $50,000, whichever is Less) may be grouped by classes.

Line No.	Description and Purpose of Other Regulatory Liabilities (a)	DEBITS		Credits (d)	Balance at End of Year (e)
		Account Credited (b)	Amount (c)		
1					
2					
3	FASB 109 - Income Taxes	190)	3,167,270		47,333,336
4					
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40					
41	TOTAL		3,167,270		47,333,336

Name of Respondent	This Report Is:	Date of Report (Mo,Da,Yr)	Year of Report
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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	160,733,047	177,386,713
3	481 Commercial & Industrial Sales		
4	Small (or Comm.) (See Instr. 6)	61,035,702	70,295,765
5	Large (or Ind.) (See Instr. 6)	10,231,803	15,750,257
6	482 Other Sales to Public Authorities	11,197,495	13,222,868
7	484 Interdepartmental Sales		
8	TOTAL Sales to Ultimate Consumers	243,198,047	276,655,603
9	483 Sales for Resale	16,384,262	5,701,548
10	TOTAL Natural Gas Service Revenues	259,582,309	282,357,151
11	Revenues from Manufactured Gas		
12	TOTAL Gas Service Revenues	259,582,309	282,357,151
13	OTHER OPERATING REVENUES		
14	485 Intracompany Transfers		
15	487 Forfeited Discounts	1,361,541	1,707,088
16	488 Miscellaneous Service Revenues	49,016	27,855
17	489 Revenue from Transportation of Gas of Others	6,231,544	6,042,451
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	249,361	386,847
22	494 Interdepartmental Rents	107,268	107,268
23	495 Other Gas Revenues	112,116	146,703
24	TOTAL Other Operating Revenues	8,110,846	8,418,212
25	TOTAL Gas Operating Revenues	267,693,155	290,775,363
26	496 (Less) Provision for Rate Refunds		
27	TOTAL Gas Operating Revenues Net of Provision for Refunds	267,693,155	290,775,363
28	Distribution Type Sales by States (Include Main Line Sales to Residential and Commercial Customers)	232,000,552	263,432,735
29	Main Line Industrial Sales (Include Main Line Sales to Public Authorities)		
30	Sales for Resale	16,384,262	5,701,548
31	Other Sales to Public Authorities (Local Distribution Only)	11,197,495	13,222,868
32	Interdepartmental Sales		
33	TOTAL (Same as Line 10, Columns (b) and (d))	259,582,309	282,357,151

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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
22,123,964	20,429,016	283,980	279,519	2
				3
9,073,513	8,586,523	22,817	22,175	4
1,783,502	2,159,617	310	314	5
1,747,221	1,681,464	1,044	1,041	6
				7
34,728,200	32,856,620	308,151	303,049	8
5,344,590	1,881,947			9
40,072,790	34,738,567	308,151	303,049	10
		NOTES		11
				12
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				22
128	1,650	Compressed Natural Gas Sales		23
128	1,650			24
40,072,918	34,740,217			25
				26
40,072,918	34,740,217			27
				28
32,980,979	31,175,156			29
5,344,590	1,881,947			30
1,747,221	1,681,464			31
				32
40,072,790	34,738,567			33

Name of Respondent	This Report Is:	Date of Report	Year of Report
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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	112,116
3		
4		
5		
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22		
23		
24		
25	Total	112,116

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [x] An Original (2) [ ] A Resubmission	Date of Report (Mo,Da,Yr) 03/28/2003	Year of Report Dec. 31, 2002

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)	-	-

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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)	-	-

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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	194,881,631	203,381,767
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)	194,881,631	203,381,767
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	26,272	23,660
84	807.5 Other Purchased Gas Expenses	519,489	538,109
85	TOTAL Purchased Gas Expenses (Enter Total of lines 80 thru 84)	545,761	561,769

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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	48,490,703	56,062,750
87	808.2 (Less) Gas Delivered to Storage--Credit	53,378,264	49,207,889
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	442,045	416,091
92	811 Gas Used for Products Extraction--Credit		
93	812 Gas Used for Other Utility Operations--Credit	8,095,397	4,261,687
94	TOTAL Gas Used in Utility Operations--Credit (Total of lines 91 thru 93)	8,537,442	4,677,778
95	813 Other Gas Supply Expenses	105,869	44,516
96	TOTAL Other Gas Supply Exp. (Total of lines 77, 78, 85, 86 thru 89, 94, & 95)	182,108,258	206,165,135
97	TOTAL Production Expenses (Enter Total of lines 3, 30, 58, 65, and 96)	182,108,258	206,165,135
98	2. NATURAL GAS STORAGE, TERMINALING AND PROCESSING EXPENSES		
99	A. Underground Storage Expenses		
100	Operation		
101	814 Operation Supervision and Engineering	357,106	367,714
102	815 Maps and Records		
103	816 Wells Expenses		
104	817 Lines Expenses	469,605	446,604
105	818 Compressor Station Expenses	811,986	830,419
106	819 Compressor Station Fuel and Power	403,325	388,937
107	820 Measuring and Regulating Station Expenses		
108	821 Purification Expenses	929,544	967,605
109	822 Exploration and Development		
110	823 Gas Losses	1,016,156	1,191,739
111	824 Other Expenses	3,478	2,371
112	825 Storage Well Royalties	55,794	46,347
113	826 Rents	38,949	38,909
114	TOTAL Operation (Enter Total of lines 101 thru 113)	4,085,943	4,280,645

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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	304,538	356,976
117	831 Maintenance of Structures and Improvements		
118	832 Maintenance of Reservoirs and Wells	256,007	330,464
119	833 Maintenance of Lines	7,680	13,465
120	834 Maintenance of Compressor Station Equipment	494,892	332,922
121	835 Maintenance of Measuring and Regulating Station Equipment	24,649	20,837
122	836 Maintenance of Purification Equipment	234,463	349,527
123	837 Maintenance of Other Equipment	55,584	28,245
124	TOTAL Maintenance (Enter Total of lines 116 thru 123)	1,377,813	1,432,436
125	TOTAL Underground Storage Expenses (Total of lines 114 and 124)	5,463,756	5,713,081
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)	-	-

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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)	5,463,756	5,713,081

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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	10,327	24,516
181	851 System Control and Load Dispatching	230,492	206,327
182	852 Communication System Expenses		
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	160,845	190,257
187	857 Measuring and Regulating Station Expenses		
188	858 Transmission and Compression of Gas by Others		
189	859 Other Expenses	36,097	44,593
190	860 Rents	3,089	8,690
191	TOTAL Operation (Enter Total of lines 180 thru 190)	440,850	474,383
	3 TRANSMISSION EXPENSES (Continued)		
192	Maintenance		
193	861 Maintenance Supervision and Engineering		
194	862 Maintenance of Structures and Improvements	-	-
195	863 Maintenance of Mains	3,833	15,142
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)	3,833	15,142
201	TOTAL Transmission Expenses (Enter Total of lines 191 and 200)	444,683	489,525
202	4. DISTRIBUTION EXPENSES		
203	Operation		
204	870 Operation Supervision and Engineering	85,943	241,370
205	871 Distribution Load Dispatching	323,517	296,721
206	872 Compressor Station Labor and Expenses		
207	873 Compressor Station Fuel and Power		

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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	2,121,387	1,986,773
209	875 Measuring and Regulating Station Expenses--General	512,313	600,336
210	876 Measuring and Regulating Station Expenses--Industrial	288,097	281,012
211	877 Measuring and Regulating Station Expenses--City Gate Check Station	384,601	363,994
212	878 Meter and House Regulator Expenses	106,480	835,274
213	879 Customer Installations Expenses	309,525	1,478,115
214	880 Other Expenses	2,302,437	2,336,006
215	881 Rents	96,421	99,331
216	TOTAL Operation (Enter Total of lines 204 thru 215)	6,530,721	8,518,932
217	Maintenance		
218	885 Maintenance Supervision and Engineering	10,071	84,740
219	886 Maintenance of Structures and Improvements	178,082	253,494
220	887 Maintenance of Mains	4,983,159	2,477,887
221	888 Maintenance of Compressor Station Equipment		
222	889 Maintenance of Meas. and Reg. Station Equipment--General	35,002	54,269
223	890 Maintenance of Meas. and Reg. Station Equipment--Industrial	97,014	100,412
224	891 Maintenance of Meas. and Reg. Station Equipment--City Gate Check Station	47,055	105,652
225	892 Maintenance of Services	595,947	525,277
226	893 Maintenance of Meters and House Regulators	19,776	75,172
227	894 Maintenance of Other Equipment	102,421	52,320
228	TOTAL Maintenance (Enter Total of lines 218 thru 227)	6,068,527	3,729,223
229	TOTAL Distribution Expenses (Enter Total of lines 216 and 228)	12,599,248	12,248,155
230	5. CUSTOMER ACCOUNTS EXPENSE		
231	Operation		
232	901 Supervision	36,585	36,708
233	902 Meter Reading Expenses	1,693,580	1,439,222
234	903 Customer Records and Collection Expenses	1,594,241	1,167,158
235	904 Uncollectible Accounts	1,380,990	1,458,144
236	905 Miscellaneous Customer Accounts Expenses	194,435	113,026
237	TOTAL Customer Accounts Expenses (Enter Total of lines 232 thru 236)	4,899,831	4,214,258

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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		
241	908 Customer Assistance Expenses	1,145,698	130,601
242	909 Informational and Instructional Expenses	21,244	183,645
243	910 Miscellaneous Customer Service and Informational Expenses		
244	TOTAL Customer Service and Information Expense (Lines 240 thru 243)	1,166,942	314,246
245	7. SALES EXPENSE		
246	Operation		
247	911 Supervision		
248	912 Demonstrating and Selling Expenses	-	12,291
249	913 Advertising Expenses	668	(27)
250	916 Miscellaneous Sales Expenses	-	1,328
251	TOTAL Sales Expense (Enter Total of lines 247 thru 250)	668	13,592
252	8. ADMINISTRATIVE AND GENERAL EXPENSES		
253	Operation		
254	920 Administrative and General Salaries	300,184	370,819
255	921 Office Supplies and Expenses	113,987	166,255
256	922 (Less) Administrative Expenses Transferred--Cr.	268,066	303,551
257	923 Outside Services Employed	8,397,210	7,897,126
258	924 Property Insurance	65,519	56,562
259	925 Injuries and Damages	354,333	323,911
260	926 Employee Pensions and Benefits	3,888,346	3,191,099
261	927 Franchise Requirements	454,101	440,041
262	928 Regulatory Commission Expenses		
263	929 (Less) Duplicate Charges--Cr.	377,585	525,344
264	930.1 General Advertising Expenses	204,069	19,350
265	930.2 Miscellaneous General Expenses	7,032,066	4,042,127
266	931 Rents	3,702	6,989
267	TOTAL Operation (Enter Total of lines 254 thru 266)	20,167,866	15,685,384
268	Maintenance		
269	935 Maintenance of General Plant	36,141	1,163,520
270	TOTAL Administrative and General Exp. (Total of lines 267 and 269)	20,204,007	16,848,904
271	TOTAL GAS Oper. & Maint. Exp. (Lines 97, 177, 201, 229, 237, 244, 251 and 270)	226,887,393	246,006,896

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [x] An Original (2) [ ] A Resubmission	Date of Report (Mo,Da,Yr) 03/28/2003	Year of Report Dec. 31, 2002

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	126,817	442,045	348.6		
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	12,222	47,072	385.1		
7	Gas used for burner ignition and stabilization at electric generating stations	501	708,142	3,744,913	528.8		
8	Gas used in electric generation	547	1,106,550	4,127,359	373.0		
9	Various	Various	45,729	176,053	385.0		
10							
11	Total 812		1,872,643	8,095,397	432.3		
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25	TOTAL		1,999,460	8,537,442	427.0		

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [x] An Original (2) [ ] A Resubmission	Date of Report (Mo,Da,Yr) 03/28/2003	Year of Report Dec. 31, 2002

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.	105,869
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50	TOTAL	105,869

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		15,300
2	Experimental and general research expenses		
	a. Gas Research Institute		-
	b. Other		-
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 One Utility Costs		564,567
9	Amortization of Manufactured Gas Plant		305,400
10	Amortization of Value Delivery Team Workforce Reductions		6,100,000
11	Miscellaneous Debits and Credits	VARIOUS	46,799
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47	TOTAL		7,032,066

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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	1,231,506		
6	Other storage plant			
7	Base load LNG terminating and			
8	processing plant			
9	Transmission plant	208,566		
10	Distribution plant	10,083,111		
11	General plant	135,897		
12	Common plant - gas	2,785,986		
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25	TOTAL	14,445,066		-

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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
		1,231,506	Underground gas storage plant	5
			Other storeage plant	6
			Base load LNG terminating and	7
			processing plant	8
		208,566	Transmission plant	9
		10,083,111	Distribution plant	10
		135,897	General plant	11
1,212,773		3,998,759	Common plant - gas	12
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1,212,773		15,657,839	TOTAL	25

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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	54,240	3.86%
5	Transmission Plant		
6	Offshore	N/A	N/A
7	Onshore	12,194	2.34%
8	General Plant	3,744	3.44%
9	Distribution Plant	356,671	2.87%
10			

Notes to Depreciation, Depletion, and Amortization of Gas Plant

Notes:

Account 404.2

Rates by functional classifications:
Underground gas storage plant 3.86%

Account 404.3

In case of limited - term investments,
a reserve equal to the cost of the franchises
and consents has been provided.

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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	Various	64,347
3	Total Account 426.1	64,347
4		
5	Account 426.3 - Penalties	
6	Various	10,019
7	Total Account 426.3	10,019
8		
9	Account 426.4 - Civic, Political and Related Activity	
10	Related Activities	243,952
11	Total Account 426.4	243,952
12		
13	Account 426.5 - Other Deductions	
14	Supplemental Retirement Income Plan	853,661
15	Incentive Awards	865,217
16	Other Miscellaneous Deductions	413,528
17	Total Account 426.5	2,132,406
18		
19	Account 430 - Interest on Debt to Associated Company	
20	LGE Energy Corp.	2,114,580
21	Kentucky Utilities Company	61,133
22	Total Account 430	2,175,713
23		
24	Account 431 - Other Interest Expense	
25	Accounts Receivable Securitization	995,980
26	Customer Deposits - 6% Interest Rate	417,243
27	Various	114,618
28	Total Account 431	1,527,841
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
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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	15,610,248		
4	Transmission	223,137		
5	Distribution	3,091,226		
6	Customer Accounts	1,607,304		
7	Customer Service and Informational	50,688		
8	Sales			
9	Administrative and General	729,654		
10	TOTAL Operation (Enter Total of lines 3 thru 9)	21,312,257		
11	Maintenance			
12	Production	5,507,084		
13	Transmission	131,047		
14	Distribution	2,446,843		
15	Administrative and General	46,910		
16	TOTAL Maint. (Total of lines 12 thru 15)	8,131,884		
17	Total Operation and Maintenance			
18	Production (Enter Total of lines 3 and 12)	21,117,332		
19	Transmission (Enter Total of lines 4 and 13)	354,184		
20	Distribution (Enter Total of lines 5 and 14)	5,538,069		
21	Customer Accounts (Transcribe from line 6)	1,607,304		
22	Customer Service and Informational (Transcribe from line 7)	50,688		
23	Sales (Transcribe from line 8)			
24	Administrative and General (Enter Total of lines 9 and 15)	776,564		
25	TOTAL Oper. and Maint. (Total of lines 18 thru 24)	29,444,141	3,224,676	32,668,817
26	Gas			
27	Operation			
28	Production-Manufactured Gas			
29	Production-Nat. Gas (Including Expl. and Dev.)			
30	Other Gas Supply	375,874		
31	Storage, LNG Terminaling and Processing	1,099,702		
32	Transmission	273,500		
33	Distribution	1,947,090		
34	Customer Accounts	478,802		
35	Customer Service and Informational			
36	Sales			
37	Administrative and General	218,537		
38	TOTAL Operation (Enter Total of lines 28 thru 37)	4,393,505		
39	Maintenance			
40	Production-Manufactured Gas			
41	Production-Natural Gas			
42	Other Gas Supply			
43	Storage, LNG Terminaling and Processing	654,441		
44	Transmission	1,165		
45	Distribution	2,186,550		
46	Administrative and General	10,946		
47	TOTAL Maint. (Enter Total of lines 40 thru 46)	2,853,102		

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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	Total Operation and Maintenance			
49	Production-Manufactured Gas (Enter Total of lines 28 and 40)			
50	Production-Natural Gas (Including Expl. and Dev.) (Total lines 29,			
51	Other Gas Supply (Enter Total of lines 30 and 42)	375,874		
52	Storage, LNG Terminaling and Processing (Total of lines 31 thru	1,754,143		
53	Transmission (Lines 32 and 44)	274,665		
54	Distribution (Lines 33 and 45)	4,133,640		
55	Customer Accounts (Line 34)	478,802		
56	Customer Service and Informational (Line 35)			
57	Sales (Line 36)			
58	Administrative and General (Lines 37 and 46)	229,483		
59	TOTAL Operation and Maint. (Total of lines 49 thru 58)	7,246,607	880,960	8,127,567
60	Other Utility Departments			
61	Operation and Maintenance			
62	TOTAL All Utility Dept. (Total of lines 25, 59, and 61)	36,690,748	4,105,636	40,796,384
63	Utility Plant			
64	Construction (By Utility Departments)			
65	Electric Plant	2,947,631	2,492,553	5,440,184
66	Gas Plant	1,747,662	1,001,853	2,749,515
67	Other (provide details in footnote):	102,775	25,802	128,577
68	TOTAL Construction (Total of lines 65 thru 67)	4,798,068	3,520,208	8,318,276
69	Plant Removal (By Utility Departments)			
70	Electric Plant	359,840	135,408	495,248
71	Gas Plant	152,662	32,290	184,952
72	Other (provide details in footnote):	198	124	322
73	TOTAL Plant Removal (Total of lines 70 thru 72)	512,700	167,822	680,522
74	Other Accounts (Specify, provide details in footnote):			
75	Accounts Receivable (work for others)	858,079	116,108	974,187
76	Deferred Debits	3,285	378	3,663
77	Certain Civil, Political and Realted Activites and Other	562,747	-34,307	528,440
78	Accounts Receivable (Non-Jurisdictional - Trimble County)	1,014,354	140,311	1,154,665
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95	TOTAL Other Accounts	2,438,465	222,490	2,660,955
96	TOTAL SALARIES AND WAGES	44,439,981	8,016,156	52,456,137

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FOOTNOTE DATA

Schedule Page: 354 Line No.: 67 Column: d

Common Utility Plant

Schedule Page: 354 Line No.: 72 Column: d

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	4SIGHT CORPORATION		255,187
2	JEFFERSONVILLE, IN 47130		
3			
4	ABEL CONSTRUCTION COMPANY INC		308,438
5	LOUISVILLE, KY 40218		
6			
7	AMERICAN EXPRESS CORP		446,487
8	CHICAGO, IL 30335		
9			
10	BANK ONE NA		1,035,485
11	CHICAGO, IL 60673		
12			
13	BRAY MARINE INC		577,857
14	VILLA HILLS, KY 41017		
15			
16	COMVERGE TECHNOLOGIES		393,179
17	FLORHAM PARK, NJ 07932		
18			
19	E MAX INC		400,500
20	LOUISVILLE, KY 40206		
21			
22	ECKEN TECHNICAL SERVICES		919,664
23	LOUISVILLE, KY 40272		
24			
25	ENERGY ECONOMICS INC		359,906
26	DODGE CENTER, MN 55927		
27			
28	ENERTOUCH INC		
29	STONE MOUNTAIN, GA 30087		748,084
30			
31	EVANS AETNA SERVICES LLC		761,225
32	LOUISVILLE, KY 40299		
33			
34	FISHEL CO		518,877
35	COLUMBUS, OH 43271-0746		
36			
37	HALL CONTRACTING OF KENTUCKY INC		392,344
38	LOUISVILLE, KY 40233-7270		
39			
40	HARSHAW TRANE SERVICE		477,891
41	LOUISVILLE, KY 40299-1975		
42			

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CHARGES FOR OUTSIDE PROFESSIONAL AND OTHER CONSULTATIVE SERVICES

Line No.	Description (a)	* (b)	Amount (in dollars) (c)
43	HENDERSON SERVICES LLC		306,061
44	LOUISVILLE, KY 40232		
45			
46	HIGHLAND ROOFING CO INC		380,308
47	LOUISVILLE, KY 40218		
48			
49	HONEYWELL DMC SERVICES INC		493,162
50	CHICAGO, IL 60675-1382		
51			
52	HYDROMAX INC		885,169
53	NEWBURGH, IN 47630		
54			
55	ICR		368,088
56	MOORESTOWN, NJ 08057-1050		
57			
58	IMSERV FIELDTECH		3,903,763
59	MILWAUKEE, WI 53202		
60			
61	KENNY INDUSTRIAL SERVICES LLC		300,935
62	CHICAGO, IL 60678-6482		
63			
64	KFORCE INC		269,531
65	ATLANTA, GA 30384-7997		
66			
67	LAKESHORE FINANCIAL STAFFING		475,954
68	CHICAGO, IL 60694-3100		
69			
70	MILLER PIPELINE CORP		8,568,508
71	INDIANAPOLIS, IN 46255-5313		
72			
73	OFF DUTY POLICE SERVICES INC		323,336
74	LOUISVILLE, KY 40245-2076		
75			
76	PIPE EYES LLC		1,316,280
77	PARIS, KY 40362		
78			
79	SCHNELL CONTRACTORS INC		304,490
80	LOUISVILLE, KY 40213		
81			
82	SERCO MANAGEMENT SERVICES INC		1,268,439
83	GIBBSBORO, NJ 08026		
84			
85	SOUTHERN CROSS/WEST CORP		383,064
86	BIGFORK, MT 59911		
87			
88	SOUTHERN PIPELINE CONST CO		3,409,514
89	LOUISVILLE, KY 40219		
90			
91	STOLL CONSTRUCTION AND PAVING CO INC		1,472,087
92	LOUISVILLE, KY 40206		
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CHARGES FOR OUTSIDE PROFESSIONAL AND OTHER CONSULTATIVE SERVICES

Line No.	Description (a)	* (b)	Amount (in dollars) (c)
96	STS INC		657,303
97	ORLANDO, FL 32886-0788		
98			
99	THE BANK OF NEW YORK		328,195
100			
101	TODAYS STAFFING INC		749,419
102	DALLAS, TX 75391-0270		
103			
104	TRU CHECK INC		330,034
105	SOMERSET, KY 42502		
106			
107	XEROX CORP		727,337
108	DALLAS, TX 75265-0361		
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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	12	9,596,638
4			
5	Muldraugh		
6	Muldraugh, KY	14	14,994,183
7			
8	Flint Hill (2)		
9	Flint Hill, KY		273,275
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16			
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19			
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27	Notes:		
28	(1) Exclusive of supervision and engineering.		
29	(2) The gas field at this location has been retired.		
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31			
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36			
37			
38			

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	03/28/2003	Dec. 31, 2002

COMPRESSOR STATION

has 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
403,324	987,422	116,300	10,458	5	1/2/2002	3
						4
						5
38,721	1,332,213	10,517	1,893	8	3/3/2002	6
						7
						8
						9
						10
442,045		126,817				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) 03/28/2003	Year of Report Dec. 31, 2002

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	196,603	-	196,603
4	February	-	-	-
5	March	-	-	-
6	April	-	-	-
7	May	2,246	-	2,246
8	June	1,780,545	-	1,780,545
9	July	2,987,895	-	2,987,895
10	August	3,158,733	-	3,158,733
11	September	2,742,706	-	2,742,706
12	October	1,979,979	-	1,979,979
13	November	146,212	-	146,212
14	December	256,028	-	256,028
15	TOTAL (Enter Total of Lines 2 Thru 13)	13,250,947	-	13,250,947
16	Gas Withdrawn from Storage			
17	January	1,954,130	-	1,954,130
18	February	3,431,209	-	3,431,209
19	March	2,877,449	-	2,877,449
20	April	1,375,905	-	1,375,905
21	May	238,929	-	238,929
22	June	1,277	-	1,277
23	July	940	-	940
24	August	785	-	785
25	September	1,748	-	1,748
26	October	17,612	-	17,612
27	November	796,630	-	796,630
28	December	1,867,725	-	1,867,725
29	TOTAL (Enter Total of Lines 16 Thru 27)	12,564,339	-	12,564,339

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [x] An Original (2) [ ] A Resubmission	Date of Report (Mo,Da,Yr) 03/28/2003	Year of Report Dec. 31, 2002

GAS STORAGE PROJECTS

Line No.	Item (a)	Total Amount (b)
	Storage Operations (In Mcf)	
42	Top or Working Gas End of Year	12,550,581
43	Cushion Gas (Including Native Gas) (1)	10,810,000
44	Total Gas in Reservoir (Enter Total of Line 42 and Line 43)	23,360,581
45	Certificated Storage Capacity	25,645,657
46	Number of Injection -- Withdrawal Wells	395
47	Number of Observation Wells	151
48	Maximum Day's Withdrawal from Storage	228,887
49	Date of Maximum Days' Withdrawal	3-Mar-02
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 Louisville Gas and Electric Company	This Report Is: (1) [x] An Original (2) [ ] A Resubmission	Date of Report (Mo,Da,Yr) 03/28/2003	Year of Report Dec. 31, 2002

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	49.6
2	Fort Knox Line	6.3
3	Magnolia Line	90.3
4	Center Kentucky Line	19.3
5	Flint Hill Line	11.2
6	Eastern Kentucky Line	1.5
7	Calvary Line	34.1
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43		
44	TOTAL	212.3

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	03/28/2003	Dec. 31, 2002

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: January 22, 2003			
2	Volumes of Gas Transported			
3	No-Notice Transportation		143,000	143,000
4	Other Firm Transportation		67,000	67,000
5	Interruptible Transporation			-
6	Other - End-Use Transport		85,000	85,000
6.01				
7	TOTAL	-	295,000	295,000
8	Volumes of gas Withdrawn from Storage under Storage Contracts			
9	No-Notice Storage		30,000	30,000
10	Other Firm Storage			-
11	Interruptible Storage			-
12	Other (Describe) - On-System Storage		-	-
12.01				-
13	TOTAL	-	30,000	30,000
14	Other Operational Activities			
15	Gas Withdrawn from Storage for System Operations		200,000	200,000
16	Reduction in Line Pack			-
17	Other (Describe)			-
18	TOTAL	-	200,000	200,000
19	Section B: CONSECUTIVE THREE-DAY PEAK DELIVERIES			
20	Dates: January 22, 23, 24, 2003			
21	Volumes of Gas Transported			
22	No-Notice Transportation		398,000	398,000
23	Other Firm Transportation		202,000	202,000
24	Interruptible Transportation			-
25	Other (Describe) - End-Use Transport		238,000	238,000
25.01				-
26	TOTAL	-	838,000	838,000
27	Volumes of Gas Withdrawn from Storage under Storage Contracts			
28	No-Notice Storage		99,000	99,000
29	Other Firm Storage			-
30	Interruptible Storage			-
31	Other (Describe)			-
31.01				-
32	TOTAL	-	99,000	99,000
33	Other Operational Activities			
34	Gas Withdrawn from Storage for System Operations		490,000	490,000
35	Reduction in Line Pack			-
36	Other (Describe)			-
37	TOTAL	-	490,000	490,000

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	03/28/2003	Dec. 31, 2002

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 -		@ 01-01-2003			
2	Meade County, Ky.	Underground Storage	220,000	16,833,237	x	
3						
4	Doe Run -					
5	Meade County, Ky. and					
6	Harrison County, Ind.	Underground Storage	55,000	6,431,569	x	
7						
8	Magnolia -					
9	Green, Hart and					
10	LaRue Counties, Ky.	Underground Storage	90,200	24,652,316	x	
11						
12	Center -					
13	Metcalfe, Green and					
14	Barren Counties, Ky.	Underground Storage	12,600	6,438,925	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)	377,800	54,888,318		
25						
26						
27						
28						

Notes:

(1) Gas fields at these locations have been retired. These facilities are currently used in other gas-system operations.

(2) Due to pipeline and compressor capacity and multiple fields discharging into one pipeline, overall system deliverability has been established 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.

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	03/28/2003	Dec. 31, 2002

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)		44,621,732
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	13,894,759
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)		12,564,339
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)		71,080,830
16	GAS DELIVERED		
17	Gas Sales (Accounts 480-484)		40,072,790
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	13,939,356
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)		13,250,947
26	Gas Used for Compressor Station Fuel	509	126,817
27	Other Deliveries (Specify): Duplicate Charges (Gas Department)		1,968,097
28	Total Deliveries (Total of lines 17 thru 27)		69,358,007
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)		1,722,823
36	Total Unaccounted For (Total of lines 30 thru 35)		1,722,823
37	Total Deliveries and Unaccounted For (Total of lines 28 and 36)		71,080,830

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) 3/28/2003	Dec. 31, 2002

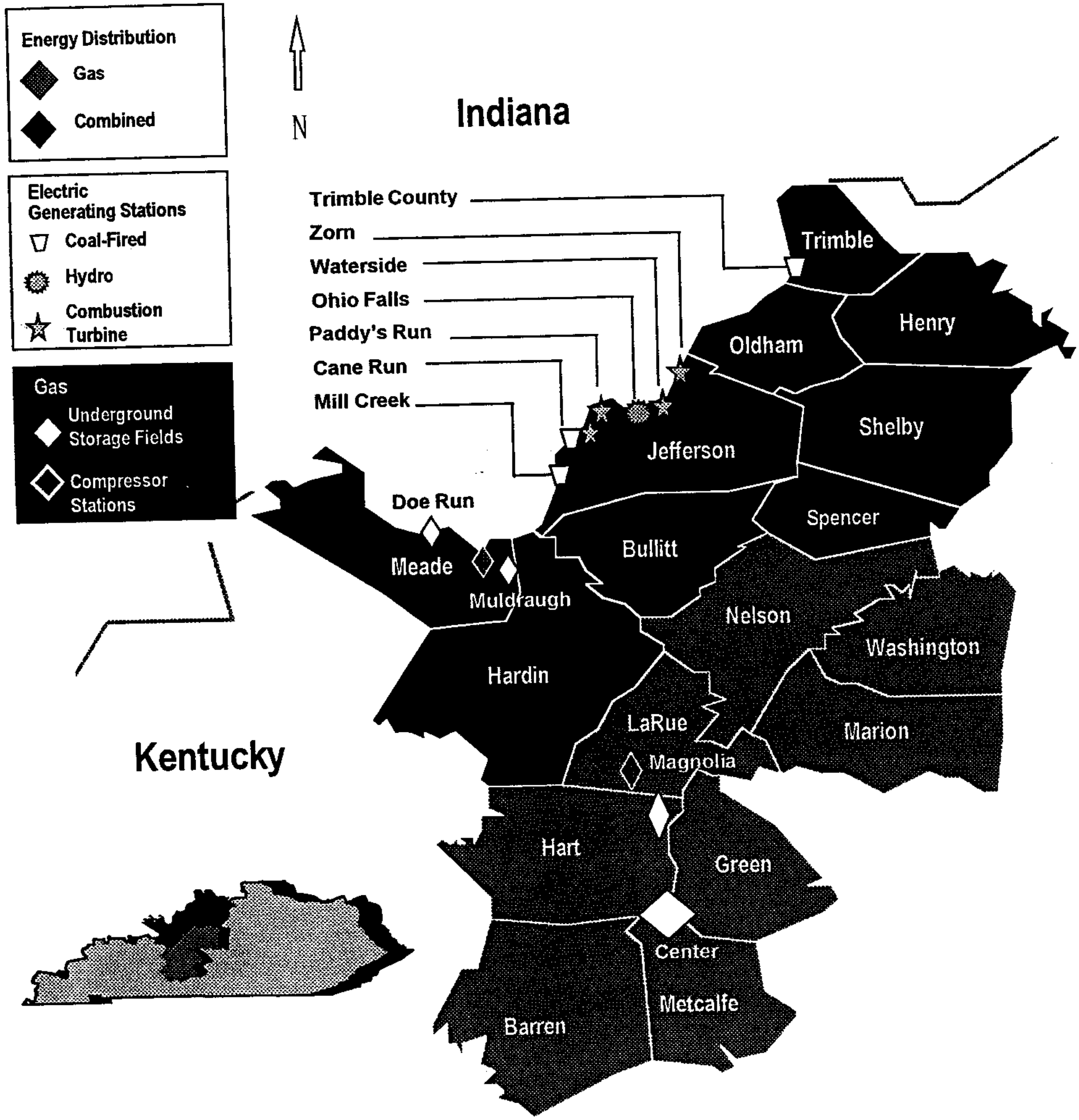
SYSTEM MAPS

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.

Louisville Gas and Electric Company (LG&E)

System Service Map



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807 KAR 5:001 Sec 10(6)(n)

Louisville Gas and Electric Company
Case No. 2003-00433
Historical Test Period Filing Requirements

Filing Requirement
807 KAR 5:001 Section 10(6)(n)
Sponsoring Witness: Valerie L. Scott/Earl Robinson

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:

Please refer to Volume 4, the testimony of Earl Robinson. Also, please refer to Volume 6 for Mr. Robinson's Appendix C, and to Volume 7 for Mr. Robinson's Appendix D and Appendix E.

Louisville Gas and Electric Company
Case No. 2003-00433
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 Excel 2000 and 2002. These Applications were used to prepare the spreadsheet documents utilized in this filing.
  - Personal or multimedia computer with a 486 or higher processor
  - Microsoft Office XP, Microsoft Windows 95 or higher operating system

- Microsoft Word 2000 and 2002. These Applications were the word processors used to prepare the majority of this filing.
  - Personal or multimedia computer with a 486 or higher processor
  - Microsoft Office XP, Microsoft Windows 95 or higher operating system

- Word Perfect 10 and Office XP-Word. These Applications were the word processors used to prepare the depreciation study reports and testimony.
  - Personal or multimedia computer with a 486 or higher processor
  - Microsoft Office XP operating system

- Microsoft PowerPoint 97 and 2000. These applications were the presentation applications used to prepare some of the graphs in the testimony.
  - Personal or multimedia computer with a 486 or higher processor
  - Microsoft Office XP, Microsoft Windows 95 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

- PCD&VS – Proprietary Depreciation Analysis System prepared by AUS Consultant-WFW Division. This model was used to prepare certain depreciation study reports.
  - Personal or multimedia computer with a 486 or higher processor
  - Operates with Microsoft Access 2000 / Visual Basic
  - Microsoft Office XP operating system

Louisville Gas and Electric Company
Case No. 2003-00433
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 – Pollution Control Revenues Bonds

Prospectus Dated: November 13, 2003

NEW ISSUE—BOOK-ENTRY-ONLY

$128,000,000
LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT, KENTUCKY POLLUTION CONTROL REVENUE BONDS,
2003 SERIES A, DUE OCTOBER 1, 2033
(LOUISVILLE GAS AND ELECTRIC COMPANY PROJECT)
DATED: Date of Original Issuance

The Pollution Control Revenue Bonds, 2003 Series A (Louisville Gas and Electric Company Project) (the "Bonds") will be special and limited obligations of 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 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.

Until the Release Date (generally, the date upon which the Bond Insurer consents to the release of first mortgage bond collateral of the Company as security for the Bonds, provided that in no event shall that date be later than the date that all of the prior first mortgage bonds of the Company (other than the First Mortgage Bonds securing the Bonds and the First Mortgage Bonds, Pollution Control Series Y, Z, AA, BB, CC, DD, EE and FF) have been retired), principal of, and interest on, the Bonds will be further secured by the delivery to the Trustee of First Mortgage Bonds of the Company. See "SUMMARY OF THE BONDS—Security; Release Date; Limitation on Liens" and "SUMMARY OF THE FIRST MORTGAGE BONDS" for a description of the circumstances in which the First Mortgage Bonds will be released. ***On the Release Date, the Bonds will cease to be secured by First Mortgage Bonds and will be secured solely by payments to be made by the Company under the Loan Agreement, which will become unsecured general obligations of the Company, and will rank on a parity with other unsecured indebtedness of the Company. From and after the Release Date, the Company will covenant not to incur, assume or guarantee any secured indebtedness other than as permitted in the Loan Agreement. See "SUMMARY OF THE BONDS—Security; Release Date; Limitation on Liens."***

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 XL Capital Assurance Inc. simultaneously with the delivery of the Bonds.

XL CAPITAL ASSURANCE

The Bonds will accrue interest from the date of original issuance and will initially bear interest at a Dutch Auction Rate determined pursuant to the Dutch Auction Procedures described in APPENDIX B hereto. The Bonds will continue to bear interest at the Dutch Auction Rate until their Conversion to a different Interest Rate Mode or until maturity. While the Bonds bear interest at the Dutch Auction Rate, the Bonds will not be subject to purchase on demand of the owners thereof. Prospective purchasers of the Bonds should carefully review the Dutch 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 a Dutch Auction Rate may be transferred only pursuant to a Bid or Sell Order placed in an Auction or to or through a Broker-Dealer.

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 Dutch 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 interest 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.

PRICE: 100%

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.

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 Harper, Ferguson & Davis, a division of Ogden Newell & Welch 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 November 20, 2003.

MORGAN STANLEY

BANC OF AMERICA SECURITIES LLC

BANC ONE CAPITAL MARKETS, INC.

WACHOVIA BANK, NATIONAL ASSOCIATION

November 13, 2003

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, 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.

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OFFICIAL STATEMENT

$128,000,000
LOUISVILLE/JEFFERSON COUNTY
METRO GOVERNMENT, KENTUCKY
POLLUTION CONTROL REVENUE BONDS,
2003 SERIES A, DUE OCTOBER 1, 2033
(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 its Pollution Control Revenue Bonds, 2003 Series A (Louisville Gas and Electric Company Project), in the aggregate principal amount of $128,000,000 (the "Bonds") to be issued pursuant to an Indenture of Trust dated as of October 1, 2003 (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 October 1, 2003 (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 (i) $102,000,000 in outstanding principal amount of "County of Jefferson, Kentucky, Pollution Control Revenue Bonds (Louisville Gas and Electric Company Project) 1993 Series B," dated August 15, 1993 (the "1993 Series B Bonds"), and (ii) $26,000,000 in outstanding principal amount of "County of Jefferson, Kentucky, Pollution Control Revenue Bonds (Louisville Gas and Electric Company Project) 1993 Series C," dated October 15, 1993 (the "1993 Series C Bonds," and together with the 1993 Series B Bonds, the "1993 Bonds"), in each case previously issued by the governmental predecessor of the Issuer to currently refinance certain prior pre-1986 bonds which financed a portion of the Project, consisting of certain air and water pollution control 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 1993 Bonds on or prior to the date of issuance of the Bonds, to call the 1993 Bonds for redemption.

The Company is an operating subsidiary of LG&E Energy Corp. 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 First Mortgage Bonds (as defined herein) 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.

For the purpose of further securing the Bonds, the Company will issue and deliver to the Trustee the Company's First Mortgage Bonds, Pollution Control Series GG (the "First Mortgage Bonds"). The principal amount, maturity date and interest rate (or method of determining interest rates) of the First Mortgage Bonds will be identical to the principal amount, maturity date and interest rate (or method of determining interest rates) of the Bonds. The First Mortgage Bonds will only be payable, and interest thereon will only accrue, as described herein. See "SUMMARY OF THE LOAN AGREEMENT — Issuance and Delivery of First Mortgage Bonds; Limitation on Liens" and "SUMMARY OF THE FIRST MORTGAGE BONDS." The First Mortgage Bonds will not provide a direct source of liquidity to pay the purchase price of Bonds tendered for purchase in accordance with the Indenture. On the Release Date (as defined herein), the Bonds will cease to be secured by the First Mortgage Bonds and will be secured solely by payments to be made by the Company under the Loan Agreement, which at that time will become an unsecured general obligation of the Company and will rank on a parity with other unsecured indebtedness of the Company. See "SUMMARY OF THE BONDS — Security; Release Date; Limitation on Liens" and "-- 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 Indenture pursuant to the Loan Agreement and amounts payable under the First Mortgage Bonds. 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.

XL Capital Assurance Inc. ("XLCA" or the "Bond Insurer") will, concurrently with the issuance of the Bonds, issue a 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 has 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 XLCA 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 APPENDIX D. 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, XLCA 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."

The Bonds initially will bear interest at a Dutch Auction Rate accruing from the date of original issuance of the Bonds (the "Issue Date"). Thereafter, while the Bonds bear interest at a Dutch Auction Rate, the rate of interest, subject to a maximum interest rate of 14% per annum, will be determined pursuant to the Dutch 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 Dutch Auction Rate will be established by the Underwriters on or prior to the Issue Date. The first Auction shall occur on January 6, 2004 and the first Interest Payment Date will be January 7, 2004. See "APPENDIX B — Dutch Auction Procedures."

Deutsche Bank Trust Company Americas will be appointed Auction Agent under the Indenture. Its principal 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 Indenture.

Morgan Stanley & Co. Incorporated, Banc of America Securities LLC, Banc One Capital Markets, Inc., and Wachovia Bank, National Association 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. Morgan Stanley & Co. Incorporated has also been appointed the initial Market Agent.

Morgan Stanley & Co. Incorporated, Banc of America Securities LLC, Banc One Capital Markets, Inc., and Wachovia Bank, National Association will each be appointed under the 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 Indenture and the Remarketing Agreement for the Bonds between the Remarketing Agents and the Company.

Brief descriptions of the Company, the Issuer, the Bonds, the Loan Agreement, the Indenture and the First Mortgage Bonds (including the First Mortgage 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 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. The First Mortgage Indenture (including the form of the First Mortgage Bonds) is available for inspection at the office of the Company in Louisville, Kentucky, and at the corporate trust office of BNY Midwest Trust Company (the "First Mortgage Trustee"), in Chicago, Illinois. 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 a description of the Dutch Auction Procedures. APPENDIX C 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 D to this Official Statement contains the proposed form of Bond Insurance Policy to be issued by XLCA 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 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 to pay and discharge 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 Agreement and the Indenture. 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 LOAN AGREEMENT AND OTHER AMOUNTS RECEIVED FROM PAYMENTS MADE UNDER THE FIRST MORTGAGE BONDS. 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, consisting of certain air and water pollution control and solid waste disposal facilities in connection with the Mill Creek and Cane Run Stations (each, a "Generating Station") of the Company situated in Jefferson County, Kentucky, portions of which were financed by the proceeds of both the 1993 Series B Bonds and 1993 Series C Bonds. Major components of the 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 Department for Natural Resources and Environmental Protection of the Commonwealth of Kentucky and the Air Pollution Control District of Jefferson County, the agencies exercising jurisdiction with respect to the Project, have each previously certified that the Project as designed is in furtherance of the purposes of abating and controlling atmospheric and water pollutants or contaminants.

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 102% of their respective outstanding principal amounts thereof plus accrued interest, the 1993 Series B Bonds and the 1993 Series C Bonds, on the date of issuance of the Bonds. The

1993 Series B Bonds bear interest at 5.625% per annum and mature on August 15, 2019. The 1993 Series C Bonds bear interest at 5.45% per annum and mature on October 15, 2020.

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 October 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 Dutch Auction Rate and will continue to bear interest at the Dutch 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 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 "Dutch Auction Rate." 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 and Changes of Long Term Rate Periods."

During each Rate Period for an Interest Rate Mode (other than a Dutch 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) 14% per annum.

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 or Long Term Rate will be computed on the basis of a 360-day year of twelve 30-day months. Interest on the Bonds which bear interest at a Dutch Auction Rate shall be computed on the basis of a 360-day year for the actual number of days elapsed. 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 a Daily Rate or Weekly Rate, will be the close of business on the Business Day immediately preceding each Interest Payment Date, in the case of interest accrued at a Dutch Auction Rate, will be the close of business on the second 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 Dutch 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 Daily Rate, the Weekly Rate, the Dutch Auction 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

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 "Summary of Certain Provisions of the Bonds." 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

Morgan Stanley & Co. Incorporated, Banc of America Securities LLC, Banc One Capital Markets, Inc. and Wachovia Bank, National Association will act as the Remarketing Agents with respect to the Bonds (the "Remarketing Agents"). The Remarketing Agents may be removed by the Issuer, if so directed by the Company, upon seven days' notice, and may resign in accordance with the Remarketing Agreement upon sixty days' notice.

Certain Definitions

As used herein, each of the following terms will have the meaning indicated:

"*Annual Rate 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.

"*Beneficial Owner*" means the person in whose name a Bond is recorded as such upon the systems of DTC and each Participant (as defined herein) or the registered holder of such Bonds 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.

"*Dutch Auction Rate Period*" means the period during which the Bonds bear interest at a Dutch Auction Rate determined in accordance with the Dutch Auction Procedures set forth in APPENDIX B.

"*Flexible Rate*" means the Interest Rate Mode for the Bonds in which the interest rate for each Bond is determined with respect to that 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, April 1 and October 1, and, in the case of the Long Term Rate, the effective date of a change to a new Long Term Rate Period; (iv) if the Interest Rate Mode is the Dutch Auction Rate Mode (a) for an Auction Period of 91 days or less, the Business Day immediately succeeding the last day of such Auction Period and (b) for an Auction Period of more than 91 days, each 13th Wednesday after the first day of such Auction Period and the Business Day immediately succeeding the last day of such Auction Period (in each case it being understood that in those instances where the immediately preceding Auction Date falls on a day that is not a Business Day, the Interest Payment Date with respect to the succeeding Auction Period shall be one Business Day immediately succeeding the next Auction Date); and (iv) any Conversion Date (including the date of a failed Conversion). 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 September 30, 2033.

"*Interest Rate Mode*" means the Dutch 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 "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.

"*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 the 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 Tuesday, and thereafter the period beginning on, and including, each Wednesday and ending on, and including, the earliest of the next Tuesday, the day preceding the Conversion to a different Interest Rate Mode or the maturity of the Bonds.

Summary of Certain Provisions of the Bonds

From and after the date of the issuance and delivery of the Bonds, the Bonds will bear interest at the Dutch Auction Rate and will continue to bear interest at the Dutch Auction Rate until a Conversion to another Interest Rate Mode is specified by the Company or until the maturity of the Bonds. For a summary of the Dutch Auction Procedures applicable to the Bonds bearing interest at the Dutch Auction Rate, see APPENDIX B.

The following table summarizes, for each of the permitted Interest Rate Modes (except the Dutch 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 under "SUMMARY OF THE BONDS — 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 Wednesday to and including the following Tuesday.
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 11:00 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.

* 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 "-- Book-Entry-Only System" below.

	SEMI-ANNUAL	ANNUAL	LONG TERM
Interest Payment Date	Each April 1 and October 1.	Each April 1 and October 1.	Each April 1 and October 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 April 1 and October 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 (April 1 and October 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.

* 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 "-- Book-Entry-Only System" below.

Determination of Interest Rates for Interest Rate Modes

From and after the date of the initial issuance and delivery of the Bonds, the Bonds will bear interest at the Dutch Auction Rate until the earlier of Conversion to another Interest Rate Mode or maturity. For a description of how the interest rate will be established during the Dutch Auction Rate Period, see APPENDIX B. For any Rate Period other than a Dutch Auction Rate Period, interest rates shall be established by the Remarketing Agents as follows:

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 does 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 an April 1 or October 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.

Failure to Determine Rate. If for any reason the interest rate for a Bond is not determined by the Remarketing Agents, except as described below under "Conversion of Interest Rate Modes and Changes of Long Term Rate Periods — *Change of Long Term Rate Period*" and "-- *Cancellation of Conversion of Interest Rate Mode*," 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.

Conversion of Interest Rate Modes and Changes of Long Term Rate Periods

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 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 Wednesday and, if the Conversion is to or from a Dutch Auction Rate Period, the Conversion Date must be the last Interest Payment Date in respect of that Dutch 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 Dutch Auction Rate to any other Interest Rate Mode, the Company must first obtain the written consent of the Bond Insurer to that Conversion.

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 "Redemptions — *Optional Redemption*" below 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 below under "-- *Cancellation of Conversion of Interest Rate Mode*."

Notice to Owners of Conversion of Interest Rate Mode or of Change of Long Term Rate Period. The Bond Registrar will notify each registered owner of the 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 Semi-Annual Rate, the Annual Rate or a 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 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 Dutch Auction Rate shall 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 Tuesday) 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 Tender Agent, the Company 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 Dutch 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 Dutch Auction Rate, the Bonds are subject to purchase on the demand of the owners thereof as described below. 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 "Book-Entry-Only System"). 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 the Tender Agent at its principal office not later than 11:00 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 "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.

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 Dutch 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.

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 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 First Mortgage Bonds and the Bond Insurance Policy are 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 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.

(ii) 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.

(iii) Whenever the Interest Rate Mode for the Bonds is the Dutch 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.

(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.

(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 11 years	First Interest Payment Date on or after the tenth anniversary of commencement of Long Term Rate Period	100%
Less than 11 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.

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 a 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 clean air or other air and water pollution control requirements or solid waste 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, the Company or the First Mortgage Trustee 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 Daily Rate, Weekly Rate, 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 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 Dutch 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. 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. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporations, (NSCC, GSCC, MBSCC, 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 Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of 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, but Beneficial Owners are 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 Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 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. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no 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 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 fewer 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. will consent or vote with respect to the Bonds. 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. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Issuer and 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, 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. 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 may give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Tender Agent, and will 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 remove DTC as the 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 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, the Company's obligations under the Loan Agreement and the First Mortgage Bonds, 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 Dutch 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." 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; Release Date; 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.

Until the Release Date, the payment of the principal of and interest and any premium on the Bonds will be further secured by a principal amount of First Mortgage Bonds of the Company which will equal the principal amount of the Bonds. In the event of a default under the Loan Agreement or default in payment of the principal of or interest or any premium on, or purchase price of, the Bonds, and upon receipt by the First Mortgage Trustee of a written demand from the Trustee for redemption of the First Mortgage Bonds, such First Mortgage Bonds will bear interest at the same interest rate or rates borne by the Bonds and the principal of such First Mortgage Bonds, together with interest accrued thereon from the last date or dates to which interest on the Bonds has been paid in full, will be payable in accordance with the Supplemental Indenture. See "SUMMARY OF THE FIRST MORTGAGE BONDS."

The First Mortgage Bonds are not intended to provide a direct source of liquidity to pay the purchase price of Bonds tendered for purchase in accordance with the Indenture. The Company is not required under the Loan Agreement or Indenture to provide any letter of credit or liquidity support for the Bonds. The First Mortgage Bonds are secured by a lien on certain property owned by the Company. In certain circumstances prior to the Release Date, the Company is permitted to reduce the aggregate principal amount of its First Mortgage Bonds held by the Trustee, but in no event to an amount lower than the aggregate outstanding principal amount of the Bonds. See "SUMMARY OF THE BONDS — Remarketing and Purchase of Bonds."

The Release Date will be the date that the Bond Insurer, at the request of the Company, consents to the release of the First Mortgage Bonds as security for the Bonds, provided that in no event shall that date be later than the date as of which all first mortgage bonds of the Company issued prior to the date of the Bonds (other than the First Mortgage Bonds and the First Mortgage

Bonds, Pollution Control Series Y, Z, AA, BB, CC, DD, EE and FF) have been retired through payment, redemption or otherwise (including those first mortgage bonds "deemed to be redeemed" within the meaning of that term as used in Article X of the First Mortgage Indenture). Excluding the First Mortgage Bonds and the First Mortgage Bonds, Pollution Control Series Y, Z, AA, BB, CC, DD, EE and FF as of August 15, 2003, six series of first mortgage bonds in an aggregate principal amount of $294.2 million currently are outstanding under the First Mortgage Indenture. As of the date of this Official Statement, the earliest date that all of such first mortgage bonds could be redeemed is April 15, 2005. The Bond Insurer's consent to a release of the First Mortgage Bonds may be given without the consent of any holder of Bonds.

On the Release Date, the Trustee will deliver to the Company for cancellation all First Mortgage Bonds and the Company will cause the Trustee to provide notice to all holders of Bonds of the occurrence of the Release Date. As a result, on the Release Date, such First Mortgage Bonds shall cease to secure the Bonds, and the obligations of the Company under the Loan Agreement will become unsecured general obligations of the Company.

In the Loan Agreement the Company will covenant that, from and after the Release Date and so long as any Bonds are outstanding, 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.

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

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

XLCA 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, XLCA will pay to the Trustee for the benefit of the Bondholders or, at the election of XLCA, to each Bondholder, that portion of the principal of and interest on the Bonds which shall become "Due for Payment" but shall be unpaid by reason of "Nonpayment" by the Issuer (as such terms are defined in the Bond Insurance Policy). XLCA will make such payments on the later of the date on which such principal and interest becomes "Due for Payment" or within one Business Day following the date on which XLCA shall have received notice of Nonpayment (provided that any such notice received after 10:00 a.m. on a Business Day will be deemed received on the next Business Day). The insurance will extend for the term of the Bonds and, once issued, cannot be cancelled by XLCA.

Under the Bond Insurance Policy, the definition of Due for Payment is expanded to include date of redemption pursuant to a final determination of taxability as described herein under "SUMMARY OF THE BONDS — Redemptions – *Mandatory Redemption; Determination of Taxability*."

The Bond Insurance Policy will insure payment only on the stated maturity date or upon special mandatory redemption on 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, XLCA 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.

In the event the Trustee has notice that any payment of principal of or interest on a Bond which has become Due for Payment and which is made to a Bondholder by or on behalf of the Issuer has been recovered from the Bondholder pursuant to a final judgment of a court of competent jurisdiction that such payment constitutes an avoidable preference within the meaning of any applicable bankruptcy law, such Bondholder will be entitled to payment from XLCA 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.

If it becomes necessary to call upon the Bond Insurance Policy, payment of principal or interest pursuant to the Bond Insurance Policy requires proof of entitlement to principal or interest payments and evidence, including any appropriate instruments of assignment, that all of the Bondholder's rights with respect to payment of such principal or interest that is Due for Payment shall vest in XLCA.

Upon payment of the insurance benefits, XLCA will become the owner of the Bonds or right to payment of principal or interest on such Bonds and will be fully subrogated to the surrendering Bondholder's rights to payment.

Insurance Agreement with Company

XLCA has agreed to issue the Bond Insurance Policy pursuant to the Insurance Agreement. Under the Insurance Agreement, the Company is obligated to reimburse XLCA, immediately and unconditionally upon demand, for all payments made by XLCA under the terms of the Bond Insurance Policy. The Company is also obligated to deliver certain collateral to XLCA 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 XLCA, 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, XLCA 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."

THE BOND INSURER

The information relating to XLCA contained herein has been furnished solely by XLCA. 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 XLCA subsequent to the date hereof.

XLCA accepts no responsibility for the accuracy or completeness of this Official Statement or any other information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding XLCA and its affiliates set forth under this heading. In addition, XLCA makes no representation regarding the Bonds or the advisability of investing in the Bonds.

General

XLCA is a monoline financial guaranty insurance company incorporated under the laws of the State of New York. XLCA is currently licensed to do insurance business in, and is subject to the insurance regulation and supervision by, the State of New York, forty-seven other states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands and Singapore. XLCA has license applications pending, or intends to file an application, in each of those states in which it is not currently licensed.

XLCA is an indirect wholly owned subsidiary of XLCA Ltd, a Cayman Islands corporation ("XLCA Ltd"). Through its subsidiaries, XLCA Ltd is a leading provider of insurance and reinsurance coverages and financial products to industrial, commercial and professional service firms, insurance companies and other enterprises on a worldwide basis. The common stock of XLCA Ltd is publicly traded in the United States and listed on the New York Stock Exchange (NYSE: XL). **XLCA Ltd is not obligated to pay the debts of or claims against XLCA.**

XLCA was formerly known as The London Assurance of America Inc. ("London"), which was incorporated on July 25, 1991 under the laws of the State of New York. On February 22, 2001, XL Reinsurance America Inc. ("XL Re") acquired 100% of the stock of London. XL Re merged its former financial guaranty subsidiary, known as XL Capital Assurance Inc. (formed September 13, 1999) with and into London, with London as the surviving entity. London immediately changed its name to XL Capital Assurance Inc. All previous business of London was 100% reinsured to Royal Indemnity Company, the previous owner at the time of acquisition.

Reinsurance

XLCA has entered into a facultative quota share reinsurance agreement with XL Financial Assurance Ltd ("XLFA"), an insurance company organized under the laws of Bermuda, and an affiliate of XLCA. Pursuant to this reinsurance agreement, XLCA expects to cede up to 90% of its business to XLFA. XLCA may also cede reinsurance to third parties on a transaction-specific basis, which cessions may be any or a combination of quota share, first loss or excess of loss. Such reinsurance is used by XLCA as a risk management device and to comply with statutory and rating agency requirements and does not alter or limit XLCA's obligations under any financial guaranty insurance policy. With respect to any transaction insured by XLCA, the percentage of risk ceded to XLFA may be less than 90% depending on certain factors including, without limitation, whether XLCA has obtained third party reinsurance covering the risk. As a result, there can be no assurance as to the percentage reinsured by XLFA of any given financial guaranty insurance policy issued by XLCA, including the Bond Insurance Policy.

Based on the audited financials of XLFA, as of December 31, 2002, XLFA had total assets, liabilities, redeemable preferred shares and shareholders' equity of $611,791,000, $245,750,000, $39,000,000 and $327,041,000, respectively, determined in accordance with generally accepted accounting principles in the United States. XLFA's insurance financial strength is rated "Aaa" by Moody's Investors Service, Inc. ("Moody's") and "AAA" by Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies ("Standard & Poor's" or "S&P"), and Fitch, Inc. ("Fitch"). In addition, XLFA has obtained a financial enhancement rating of "AAA" from S&P.

The obligations of XLFA to XLCA under the reinsurance agreement described above are unconditionally guaranteed by XL Insurance (Bermuda) Ltd ("XLI"), a Bermuda company and one of the world's leading excess commercial insurers. XLI is a wholly owned indirect subsidiary of XLCA Ltd. In addition to having an "A+" rating from A.M. Best, XLI's insurance financial strength rating is "Aa2" by Moody's and "AA" by Standard & Poor's and Fitch. The ratings of XLFA and XLI are not recommendations to buy, sell or hold securities, including the Bonds and are subject to revision or withdrawal at any time by Moody's, Standard & Poor's or Fitch.

Notwithstanding the capital support provided to XLCA described in this section, the Bondholders will have direct recourse against XLCA only, and neither XLFA nor XLI will be directly liable to the Bondholders.

Financial Strength and Financial Enhancement Ratings of XLCA

XLCA's insurance financial strength is rated "Aaa" by Moody's and "AAA" by Standard & Poor's and Fitch. In addition, XLCA has obtained a financial enhancement rating of "AAA" from Standard & Poor's. These ratings reflect Moody's, Standard & Poor's and Fitch's current assessment of XLCA's creditworthiness and claims-paying ability as well as the reinsurance arrangement with XLFA described under "Reinsurance" above.

The above ratings are not recommendations to buy, sell or hold securities, including the Bonds and are subject to revision or withdrawal at any time by Moody's, Standard & Poor's or Fitch. Any downward revision or withdrawal of these ratings may have an adverse effect on the market price of the Bonds. XLCA does not guaranty the market price of the Bonds nor does it guaranty that the ratings on the Bonds will not be revised or withdrawn.

Capitalization of XLCA

Based on the audited statutory financial statements for XLCA as of December 31, 2001, XLCA had total admitted assets of $158,442,157, total liabilities of $48,899,461 and total capital and surplus of $109,542,696 determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities ("SAP"). Based on the audited statutory financial statements for XLCA as of December 31, 2002 filed with the State of New York Insurance Department, XLCA has total admitted assets of $180,993,189, total liabilities of $58,685,217 and total capital and surplus of $122,307,972 determined in accordance with SAP.

For further information concerning XLCA and XLFA, see the financial statements of XLCA and XLFA, and the notes thereto, incorporated by reference in this Official Statement. The financial statements of XLCA and XLFA are included as exhibits to the periodic reports filed with the Securities and Exchange Commission (the "SEC") by XLCA Ltd and may be reviewed at the EDGAR website maintained by the SEC. All financial statements of XLCA and XLFA included in, or as exhibits to, documents filed by XLCA Ltd pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 on or prior to the date of this Official Statement, or after the date of this Official Statement but prior to termination of the offering of the Bonds, shall be deemed incorporated by reference in this Official Statement. Except for the financial statements of XLCA and XLFA, no other information contained in XLCA Ltd's reports filed with the SEC is incorporated by reference. Copies of the statutory quarterly and annual statements filed with the State of New York Insurance Department by XLCA are available upon request to the State of New York Insurance Department.

Regulation of XLCA

XLCA is regulated by the Superintendent of Insurance of the State of New York. In addition, XLCA is subject to regulation by the insurance laws and regulations of the other jurisdictions in which it is licensed. As a financial guaranty insurance company licensed in the State of New York, XLCA is subject to Article 69 of the New York Insurance Law, which, among other things, limits the business of each insurer to financial guaranty insurance and related lines, prescribes minimum standards of solvency, including minimum capital requirements, establishes contingency, loss and unearned premium reserve requirements, requires the maintenance of minimum surplus to policyholders and limits the aggregate amount of insurance which may be written and the maximum size of any single risk exposure which may be assumed. XLCA is also required to file detailed annual financial statements with the New York Insurance Department and similar supervisory agencies in each of the other jurisdictions in which it is licensed.

The extent of state insurance regulation and supervision varies by jurisdiction, but New York and most other jurisdictions have laws and regulations prescribing permitted investments and governing the payment of dividends, transactions with affiliates, mergers, consolidations, acquisitions or sales of assets and incurrence of liabilities for borrowings.

THE FINANCIAL GUARANTY INSURANCE POLICIES ISSUED BY XLCA, INCLUDING THE BOND INSURANCE POLICY, ARE NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

The principal executive offices of XLCA are located at 1221 Avenue of the Americas, New York, New York 10020 and its telephone number at this address is (212) 478-3400.

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. 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 October 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, any Tender Agent and any Paying Agent appointed 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 reasonable out-of-pocket expenses of the Issuer, the Trustee, the Paying Agent, the Bond Registrar, the Tender 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.

Issuance and Delivery of First Mortgage Bonds; Limitation on Liens

For the purpose of providing security for the Bonds until the Release Date, the Company will execute and deliver to the Trustee on the Issue Date the First Mortgage Bonds. The principal amount of the First Mortgage Bonds executed and delivered to the Trustee will be not less than the aggregate principal amount of the Bonds. Prior to the Release Date, in the event of a default under the Loan Agreement or default in payment of the principal of, premium, if any, or interest on the Bonds, and upon receipt by the First Mortgage Trustee of a written demand from the Trustee for redemption of the First Mortgage Bonds ("Redemption Demand"), the First Mortgage Bonds will bear interest at the same rate borne by the Bonds and the principal of the First Mortgage Bonds, together with interest accrued thereon from the last date to which interest on the Bonds shall have been paid in full, will be payable in accordance with the Supplemental Indenture for such First Mortgage Bonds. See, however, "SUMMARY OF THE INDENTURE — Waiver of Events of Default."

Prior to the Release Date, upon payment of the principal of, premium, if any, and interest on any of the Bonds, and the surrender to and cancellation thereof by the Trustee, or upon provision for the payment thereof having been made in accordance with the Indenture, First Mortgage Bonds with corresponding principal amounts equal to the aggregate principal amount of the Bonds so surrendered and canceled or for the payment of which provision has been made, will be surrendered by the Trustee to the First Mortgage Trustee and will be canceled by the First Mortgage Trustee. The First Mortgage Bonds will be registered in the name of the Trustee and will be non-transferable, except to effect transfers to any successor trustee under the Indenture. The Bond Insurer's consent to a release of the First Mortgage Bonds may be given without consent of any holder of Bonds. (See "SUMMARY OF THE BONDS — Security; Release Date; Limitation on Liens.")

The Company will covenant, from and after the Release Date, that it will not create, assume or guarantee debt for borrowed money secured by any mortgage, except as described above under "SUMMARY OF THE BONDS — Security; Release Date; 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, as applicable, under Section 103(b)(4)(E) and (F) of the Internal Revenue Code of 1954, as amended. 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 Internal Revenue Code of 1954, as amended.

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, the Company or the First Mortgage Trustee 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

For the period prior to the Release Date, the Company has agreed to insure the Project in accordance with the provisions of the First Mortgage Indenture. From and after the Release Date, 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 unless consented to by the

Bond Insurer. 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 organized and existing under the laws of one of the states of the United States of America, shall be qualified and admitted to do business in the Commonwealth of Kentucky, and shall assume in writing all of the obligations of the Company under the Loan Agreement.

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 being diligently pursued;

(3) all first mortgage bonds outstanding under the First Mortgage Indenture, if not already due, shall have become immediately due and payable, whether by declaration or otherwise, and such acceleration shall not have been rescinded by the First Mortgage Trustee; or

(4) certain events of bankruptcy, dissolution, liquidation, reorganization or insolvency of the Company.

Under the Loan Agreement, certain of the Company's obligations (other than the Company's obligation (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 execute and deliver the First Mortgage Bonds to the Trustee on the date of issuance of the Bonds in an aggregate principal amount not less than the aggregate principal amount of the Bonds; 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 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.

In the event of a default under the Loan Agreement or a default in payment of the principal of, premium, if any, or interest on the Bonds, the Trustee may, prior to the Release Date, demand redemption of the First Mortgage Bonds. See "SUMMARY OF THE FIRST MORTGAGE BONDS" and "SUMMARY OF THE INDENTURE — Defaults and Remedies." 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), 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 and the Bond Insurer. 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) in connection with any modification or change necessary to conform the Loan Agreement with changes and modifications in the Indenture 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, the Loan Agreement may be amended or modified only with the consent of the Bond Insurer and 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."

SUMMARY OF THE FIRST MORTGAGE BONDS

The following, in addition to the provisions contained elsewhere in this Official Statement, is a brief description of certain provisions of the First Mortgage Bonds and the First Mortgage Indenture. Reference is made to the First Mortgage Indenture and to the form of the First Mortgage Bonds for the detailed provisions thereof.

General

The First Mortgage Bonds will be issued as a new series of first mortgage bonds under the First Mortgage Indenture (see "SUMMARY OF THE LOAN AGREEMENT — Issuance and Delivery of First Mortgage Bonds; Limitation on Liens"). The First Mortgage Bonds will mature on the same date and bear interest at the same rate or rates as the Bonds. The statements herein made (being for the most part summaries of certain provisions of the First Mortgage Indenture) are subject to the detailed provisions of the First Mortgage Indenture, which is incorporated herein by this reference.

The First Mortgage Bonds will be issued under, and secured by, a Trust Indenture dated as of November 1, 1949, as amended and supplemented, and as to be further amended and supplemented by a Supplemental Indenture dated as of October 1, 2003 between the Company and BNY Midwest Trust Company, Chicago, Illinois, as trustee (the "First Mortgage Trustee") (the Trust Indenture, as so supplemented is referred to herein as the "First Mortgage Indenture").

The principal of and interest on the First Mortgage Bonds will not be payable other than upon the occurrence of an event of default under the Loan Agreement. Upon the occurrence of any of the events of default described under the caption "SUMMARY OF THE LOAN AGREEMENT — Events of Default", the First Mortgage Bonds will be redeemable within 120 days following receipt by the First Mortgage Trustee of a Redemption Demand from the Trustee for redemption, at a redemption price equal to the principal amount thereof plus accrued interest at the rates borne by the Bonds from the last date to which interest on the Bonds has been paid.

The First Mortgage Bonds at all times will be in fully registered form registered in the name of the Trustee, will be non-negotiable, and will be non-transferable except to any successor trustee under the Indenture. Upon payment and cancellation of Bonds by the Trustee or the Paying Agent (other than any Bond or portion thereof that was canceled by the Trustee or the Paying Agent and for which one or more Bonds were delivered and authenticated pursuant to the Indenture), whether at maturity, by redemption or otherwise, or upon provision for the payment of the Bonds having been made in accordance with the Indenture, an equal principal amount of First Mortgage Bonds will be deemed fully paid and the obligations of the Company thereunder will cease.

Security

In the opinion of counsel for the Company, the First Mortgage Bonds, when issued, will be secured by the First Mortgage Indenture which constitutes a first mortgage lien, subject only to permissible encumbrances, upon substantially all of the property of the Company (except as summarized in the following paragraph) for the equal pro-rata security of all first mortgage bonds issued or to be issued thereunder, subject to the provisions relating to any sinking fund or similar fund for the benefit of first mortgage bonds of any particular series. The opinion does not cover title to easements or rights-of-way.

There are excepted from the lien of the First Mortgage Indenture certain securities, cash, contracts, receivables, motor vehicles, merchandise, certain equipment and supplies, and certain non-utility properties.

The First Mortgage Indenture contains provisions for subjecting to the lien thereof (subject to certain limitations in the case of consolidation or merger) all property acquired after the date of the First Mortgage Indenture other than property of the kind mentioned in the preceding paragraph. Such provisions might not be effective as to property acquired during the ninety days preceding or subsequent to the filing of a case with respect to the Company under the United States Bankruptcy Code, state insolvency laws or other similar laws affecting the enforcement of creditors' rights.

Issuance of Additional First Mortgage Bonds

The First Mortgage Indenture does not fix an overall dollar limitation on the principal amount of first mortgage bonds that may be issued or outstanding thereunder. Additional first mortgage bonds secured by the First Mortgage Indenture may be issued on the basis of (i) 60% of the cost or fair value, whichever is less, of permanent additions, after making the required deductions on account of retired property, (ii) retired first mortgage bonds, the retirement whereof has not been otherwise used under the First Mortgage Indenture, and (iii) deposit of an equal amount of cash with the First Mortgage Trustee, which cash may be withdrawn by applying amounts of established permanent additions equal to 166 2/3% of such cash to be withdrawn or by retirements of first mortgage bonds. No additional first mortgage bonds may be issued on basis (i), basis (ii) under specified conditions, or basis (iii), unless the earnings applicable to bond interest for a specified twelve month period are equal to at least twice the annual interest requirement on the first mortgage bonds including those about to be issued. Additional first mortgage bonds may vary as to maturity, interest rate, redemption prices, sinking fund and in certain other respects. The First Mortgage Bonds will be issued under clause (ii) above. At December 31, 2002, the amount of permanent additions which could be used for the issuance of first mortgage bonds exceeded $1.75 billion.

Maintenance and Repair

As a Maintenance Fund, the Company covenants to pay to the First Mortgage Trustee annually on May 1 an amount equal to 2.25% of its depreciable property, including construction work in progress, as of the end of the preceding calendar year, after deducting credits at the Company's option for (a) maintenance, (b) retirements offset by permanent additions, (c) retirements of first mortgage bonds and (d) amounts of established permanent additions. Withdrawals from the Maintenance Fund may be made on the basis of retirements of first mortgage bonds and amounts of established permanent additions.

The Company has covenanted to maintain its properties in adequate repair, working order and condition. The First Mortgage Indenture contains provisions for periodic inspection of the Company's properties and reports by an independent engineer as to compliance with this covenant.

Sinking Fund

The First Mortgage Bonds will not provide for any sinking fund, and the outstanding first mortgage bonds of the Company do not provide for any sinking fund.

Provisions Limiting Dividends on Common Stock

The Company has covenanted that so long as any first mortgage bonds are outstanding, earned surplus (retained earnings) equal to the amount by which the aggregate of (i) charges to income to provide for retirements and depreciation and (ii) expenditures of the Company for maintenance of its property, for the period from January 1, 1978, to the end of the last preceding month for which a balance sheet of the Company is at the time available, is less than 2.25% of its depreciable property, including construction work in progress, as of the end of that period, shall not be available for the payment of dividends on Common Stock of the Company. No portion of retained earnings of the Company is presently restricted by this provision.

Release Provisions

The First Mortgage Indenture contains certain provisions permitting the release from its lien of any property upon depositing or pledging cash or certain other property of comparable fair value. The First Mortgage Indenture also contains provisions for the cancellation, change or alteration of leases, rights-of-way and casements, and for the surrender and modification of any franchise or governmental consent subject to certain restrictions, in each case without any release or consent by the First Mortgage Trustee or accountability thereto for any consideration received by the Company.

Modification of the First Mortgage Indenture

With the consent of the Company, the provisions of the First Mortgage Indenture may be changed by the affirmative vote of the holders of at least 70% in principal amount of the Company's outstanding first mortgage bonds except, among other things, the maturity may not be extended, the interest rate reduced, nor the terms of payment of principal or interest changed without the consent of the holders thereof.

Defaults

The following is a summary of events defined in the First Mortgage Indenture as "completed defaults":

(i) failure to pay principal of any first mortgage bond when due and payable, (ii) failure to pay interest within 30 days after the same becomes due and payable, (iii) failure to meet any payment to any sinking, maintenance or other analogous fund within 60 days after the same is payable, (iv) the expiration of 30 days after the entry of an order approving a petition filed against the Company seeking reorganization of the Company, unless during such period such adjudication or order is vacated, (v) the expiration of 90 days following the appointment, without the consent of the Company, of a receiver unless during such period such appointment is vacated, (vi) the filing by the Company of a voluntary petition in bankruptcy or the making of a general assignment for the benefit of creditors or the consent by the Company to the appointment of a receiver or the filing by the Company of a petition or answer seeking reorganization or the filing by the Company of a petition to take advantage of any insolvency act or the adjudication of the Company as a bankrupt on a petition filed against the Company, and (vii) failure to perform any other covenant or agreement contained in the First Mortgage Indenture or any first mortgage bond within 60 days following the mailing by the First Mortgage Trustee or by the holders of at least 15% in principal amount of the first mortgage bonds then outstanding of a written demand that such failure be cured.

The First Mortgage Trustee is required to give notice to first mortgage bondholders (i) within 90 days after the occurrence of a default known to the First Mortgage Trustee within such period, or (ii) if a default is not known to the First Mortgage Trustee within such period, within 30 days after such default shall be known to the First Mortgage Trustee, unless such default has been cured before the giving of such notice; provided that, except in the case of a default resulting from the failure to make any payment of principal of or interest on any first mortgage bonds or to make any sinking fund payment, the First Mortgage Trustee may withhold such notice upon determination in good faith by the board of directors, the executive committee or a trust committee of directors and/or responsible officers of the First Mortgage Trustee that the withholding of such notice is in the interest of the first mortgage bondholders.

In the case of a completed default, the First Mortgage Trustee may, and upon written request of the holders of a majority in principal amount of the first mortgage bonds then outstanding will, declare the principal of all first mortgage bonds then outstanding and the interest accrued thereon to be due and payable immediately, and the same will become due and payable subject to the right of the holders of the majority in principal amount of the first mortgage bonds then outstanding upon certain conditions to rescind and annul such declaration.

The First Mortgage Indenture further provides that in cases of a completed default the First Mortgage Trustee to the extent permitted by law (i) may enter possession, (ii) may, if requested so to do by the holders of a majority of the first mortgage bonds then outstanding, sell the mortgaged and pledged property, (iii) may cause the First Mortgage Indenture to be foreclosed, (iv) may proceed to protect and enforce the rights of the First Mortgage Trustee and the bondholders, (v) will be entitled to the appointment of a receiver and (vi) may sue for principal amount and interest due on the first mortgage bonds as trustee of an express trust.

The First Mortgage Indenture provides in substance that no holder of any first mortgage bond will have any right to institute any suit, action or proceeding in equity or at law for the foreclosure of the First Mortgage Indenture or for the appointment of a receiver or for any other remedy thereunder unless such holder has previously given to the First Mortgage Trustee written notice of default, nor unless also the holders of 25% in principal amount of the first mortgage bonds then outstanding thereunder have made written request to the First Mortgage Trustee to exercise the powers granted by the First Mortgage Indenture, but the right of action of holders of first mortgage bonds to enforce payment of the principal or interest may not be impaired.

The First Mortgage Indenture requires the First Mortgage Trustee to exercise in the case of a completed default such of the rights and powers vested in it by the First Mortgage Indenture, and to use the same degree of care and skill in their exercise as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

As a condition precedent to certain actions by the First Mortgage Trustee in the enforcement of the lien of the First Mortgage Indenture and institution of action on the first mortgage bonds, the First Mortgage Trustee may require adequate indemnity against cost, expenses and liabilities to be incurred thereby.

Miscellaneous

Whenever all indebtedness secured thereby has been paid, including all proper charges of the First Mortgage Trustee thereunder, the First Mortgage Trustee will, upon request of the Company, cancel and discharge the lien of the First Mortgage Indenture and execute and deliver to the Company such deeds and instruments as will be requisite to satisfy said lien and reconvey and transfer to the Company the mortgaged and pledged property. The Company is also required to furnish to the First Mortgage Trustee officers' certificates, certificates of an engineer, appraiser, or other expert and, in certain cases, accountant's certificates in connection with the authentication of first mortgage bonds, the release or release and substitution of property, compliance with all conditions and covenants under the First Mortgage Indenture, and certain other matters, and opinions of counsel as to the lien of the First Mortgage Indenture and certain other matters.

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. 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 be further secured by the First Mortgage Bonds delivered to the Trustee (see "SUMMARY OF THE LOAN AGREEMENT — Issuance and Delivery of First Mortgage Bonds; Limitation on Liens"). The First Mortgage Bonds will be registered in the name of the Trustee and will be nontransferable, except to effect a transfer to any successor trustee. The Bonds will not be directly secured by the Project (although the Project is subject to the lien of the First Mortgage Indenture).

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 give rise to any pecuniary liability of the Issuer or any charge upon 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 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 and necessary fees and expenses to which the Trustee, Paying Agent 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.

Surrender of First Mortgage Bonds

On the Release Date, the Trustee will deliver to the Company for cancellation all First Mortgage Bonds and the Company will cause the Trustee to provide notice to all holders of Bonds of the occurrence of the Release Date. As a result, on the Release Date, the First Mortgage Bonds shall cease to secure the Bonds, and the obligations of the Company under the Loan Agreement will become unsecured general obligations of the Company. After the Release Date, the Bond Insurance Policy will continue to provide security for the Bonds.

In addition, upon payment of any principal of, premium, if any, and interest on any of the Bonds which reduces the principal amount of Bonds outstanding, or upon provision for the payment thereof having been made in accordance with the Indenture (see "Discharge of Indenture" above), First Mortgage Bonds in a principal amount equal to the principal amount of the Bonds so paid, or for the payment of which such provision has been made, shall be surrendered by the Trustee to the First Mortgage Trustee. The First Mortgage Bonds so surrendered shall be deemed fully paid and the obligations of the Company thereunder terminated.

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 all 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, 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 being diligently pursued;

(d) The occurrence of an "event of default" under the Loan Agreement (see "SUMMARY OF THE LOAN AGREEMENT — Events of Default");

(e) Written notice from the Bond Insurer to the Trustee that an event of default has occurred and is continuing under the Insurance Agreement; or

(f) Prior to the Release Date, all first mortgage bonds outstanding under the First Mortgage Indenture, if not already due, shall have become immediately due and payable, whether by declaration or otherwise, and such acceleration shall not have been rescinded by the First Mortgage Trustee.

Upon the occurrence of an Event of Default under the Indenture, the Trustee may, and upon the written request of the registered owners holding not less than 25% in principal amount of Bonds then outstanding and upon receipt of indemnity satisfactory to it shall: (i) if prior to the Release Date, enforce each and every right granted to the Trustee as a holder of the First Mortgage Bonds (see "SUMMARY OF THE FIRST MORTGAGE BONDS"), (ii) declare the principal of all Bonds and interest accrued thereon to be immediately due and payable and (iii) 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 and, if prior to the Release Date, may also issue a Redemption Demand for such First Mortgage Bonds to the First Mortgage Trustee.

Prior to the Release Date, if an Event of Default under paragraph (a), (b), (d) or (f) above shall occur and be continuing, the Trustee may, and upon the written request of the registered owners holding not less than 25% in principal amount of all Bonds then outstanding and upon receipt of indemnity satisfactory to it shall, exercise such rights as it shall possess under the First Mortgage Indenture as a holder of the First Mortgage Bonds. In the event the First Mortgage Bonds become due and payable, the principal of and all accrued interest on the Bonds shall be deemed to be paid solely to the extent of the moneys realized on the First Mortgage Bonds and any other moneys realized by the Trustee pursuant to any remedy exercised by it.

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, (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.

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 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 within the applicable period.

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 entered, (i) the Company has caused 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 and the expenses of the Trustee in connection with such default (with interest thereon as provided in the Indenture) 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.

Upon any waiver or rescission as described above or any discontinuance or abandonment of proceedings under the Indenture, the Trustee shall immediately rescind in writing any Redemption Demand of First Mortgage Bonds previously given to the First Mortgage Trustee. The rescission under the First Mortgage Indenture of a declaration that all first mortgage bonds outstanding under the First Mortgage Indenture are immediately due and payable shall also constitute a waiver of an Event of Default described in paragraph (f) under the subcaption "Defaults and Remedies" above and a waiver and rescission of its consequences.

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.

Voting of First Mortgage Bonds Held by Trustee

The Trustee, as holder of the First Mortgage Bonds, shall attend any meeting of holders of first mortgage bonds outstanding under the First Mortgage Indenture as to which it receives due notice. The Trustee shall vote the First Mortgage Bonds held by it, or shall consent with respect thereto, proportionally in the way in which the Trustee reasonably believes will be the vote or consent of all other holders of first mortgage bonds outstanding under the First Mortgage Indenture then eligible to vote or consent.

Notwithstanding the foregoing, the Trustee may not vote the First Mortgage Bonds in favor of, or give consent to, any action which, in the Trustee's opinion, would materially adversely affect the First Mortgage Bonds in a manner not generally shared by all other series of first mortgage bonds, except upon notification by the Trustee to the registered owners of all Bonds then outstanding of such proposal and consent thereto of the registered owners of at least 66 2/3% in principal amount of all Bonds then outstanding.

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 the Trustee, as may lawfully be granted, additional rights 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 reserved to the Issuer, (vi) to make any modification or change to the Indenture which, in the sole judgment of the Trustee, does not adversely affect the Trustee or any Bondholder, (vii) to make amendments 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) 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.

Exclusive of supplemental indentures for the purposes set forth in the preceding paragraph, the consent of registered owners holding a majority in 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 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.

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, 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 thereof 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 and (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 and notification of any failure to provide any such document as required by the Indenture or the Loan Agreement.

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, the Indenture or the First Mortgage 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, the Indenture and the First Mortgage 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" 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 "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 is a division of the law firm of Ogden Newell & Welch PLLC, which 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.

RATINGS

It is expected that Standard & Poor's will assign the Bonds a rating of "AAA" and Moody's will assign the Bonds a rating of "Aaa" on the basis of the Bond Insurance Policy. Any desired further explanation of the significance of these ratings should be obtained from Moody's or Standard & Poor's, respectively. The Company has furnished the Bond Insurer, Standard & Poor's and Moody's with certain information and materials respecting the Bonds and the Company. Generally, rating agencies base their ratings on the information and materials so furnished to them and on their own investigations, studies and assumptions. There is no assurance that such ratings will continue for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Any such change in or withdrawal of such ratings could have an adverse effect on the market price of the Bonds. The Company has not applied for a rating with respect to the Bonds from any other credit rating agency.

UNDERWRITING

Morgan Stanley & Co. Incorporated, Banc of America Securities LLC, Banc One Capital Markets, Inc. and Wachovia Bank, National Association (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 $179,200, $89,600, $89,600 and $89,600, respectively. Also, the Underwriters will receive from the Company reimbursement for certain out-of-pocket expenses, including attorneys' fees.

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 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, or has 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 file with the SEC, with respect to each fiscal year ending after January 1, 2003, a report on Form 10-K required under Section 13 or 15(d) of the Exchange Act, including any successor provisions thereto (the "Form 10-K"), not later than the date required thereunder, and shall 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 either (i) a copy of such Form 10-K within 10 days thereof or (ii) notice on an annual basis that the Form 10-K constitutes the annual financial information with respect to the Company required under the Rule.

In the event that the Company is not required to file a Form 10-K under the Exchange Act at any time during the term of the Continuing Disclosure Agreement, then for any year for which a Form 10-K is not filed, the Company will provide to each Repository (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 Repository 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 NRMSIR or the Municipal Securities Rulemaking Board, and with the SID, if any, 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.

As described in Appendix A under the caption "AVAILABLE INFORMATION", the Company is subject to the information requirements of the Exchange Act and, accordingly, files reports, proxy or information statements and other information with the Securities and Exchange Commission.

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
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 services to approximately 386,000 customers and natural gas to approximately 312,000 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 1,000,000. Included in this area is the Fort Knox Military Reservation to which LG&E transports gas and provides electric service, but which maintains its own distribution systems.

For the twelve month period ended September 30, 2003, approximately 70% of LG&E's total operating revenues were derived from electric operations and approximately 30% from gas operations. Coal-fired generating units provided approximately 98% of LG&E's net kilowatt-hour generation for the twelve month period ended September 30, 2003. 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 LG&E Energy Corp. ("LG&E Energy"), 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. LG&E has one subsidiary, LG&E Receivables LLC.

In December 2000, LG&E Energy was acquired by Powergen plc. Subsequently, effective July 1, 2002, E.ON completed its acquisition of Powergen. As a result of the acquisition, LG&E Energy became a wholly owned subsidiary of E.ON. LG&E has maintained its separate identity and continues to serve customers in Kentucky under its present name. The preferred stock and debt securities of LG&E were not affected by these merger transactions. Also as a result of the merger, E.ON registered as a holding company under the Public Utility Holding Company Act of 1935 ("PUHCA") and, accordingly, LG&E is a subsidiary of a registered holding company.

LG&E's executive offices are located at 220 West Main Street, P.O. Box 32010, Louisville, Kentucky 40232, telephone: (502) 627-2000.

Selected Consolidated Financial Data

(Dollars in thousands)

	12 Months Ended September 30, 2003 (unaudited)	Year Ended December 31, 2002	2001	2000 (unaudited)(2)
Income Statement Information:				
Operating Revenues (1)	$1,071,542	$1,003,735	$964,547	$931,704
Net Income	$93,417	$88,929	$106,781	$110,573
Ratio of Earnings to Fixed Charges (3)	5.99x	5.71x	5.40x	4.85x

	September 30, 2003 (unaudited)	% of Capitalization
Capitalization:		
Long-Term Debt and Notes Payable (4) (including current portion)	$873,186	47.2%
Preferred Stock (5)	70,140	3.8
Common Stock Equity	906,321	49.0
Total Capitalization (including current portion)	$1,849,647	100.0%

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(1) The consolidated income statement information summarized above for 2000, 2001 and 2002 reflect reclassifications from amounts previously reported in the Company's Annual Report on Form 10-K for the year ended December 31, 2002. Operating revenues reported for previous periods have been reclassified as required by the adoption, effective January 1, 2003, by the Company of EITF No. 02-03, *Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities.* As a result, the Company has netted the power purchased expense for trading activities against electric operating revenue. For the years ended December 31, 2002, 2001 and 2000, the amount of revenues that were reclassified were $22,449,000, $32,153,000 and $51,743,000. This treatment had no impact on previously reported net income.

(2) The 2000 consolidated financial data was derived from financial statements audited by Arthur Andersen LLP, independent public accountants, who expressed an unqualified opinion on those financial statements in their report dated January 26, 2001, before the revisions described in footnote (1) above. Arthur Andersen LLP has ceased operations and, accordingly, the Company has been unable to obtain their consent to the use of their report for purposes of the reclassification adjustments. The amounts shown above for 2000, reclassified pursuant to the adoption of EITF No. 02-03, are unaudited.

(3) 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.

(4) Includes $275.1 million notes payable to associated companies. In the third quarter of 2003, the Company issued a $100 million note to an E.ON affiliate at the rate of 5.31% for a period of ten years. The loan is secured by a second lien on substantially all of the assets of the Company. The proceeds of the loan were used to repay a maturing first mortgage bond totaling $42.6 million and to repay debt to associated companies.

(5) On July 15, 2003, the Company redeemed $1.25 million of preferred stock pursuant to the sinking fund requirements of the $5.875 series. Also, effective September 30, 2003, the remaining $23.75 million of the $5.875 series was reclassified as debt pursuant to the requirements of FAS 150.

Certain information in the table above is derived from LG&E's financial statements for the years ended December 31, 2002, 2001 and 2000. PricewaterhouseCoopers LLP audited LG&E's financial statements for the years ended December 31, 2002 and 2001. Arthur Andersen LLP audited LG&E's financial statements for the year ended December 31, 2000, however, as explained in footnote (2) above, the 2000 amounts, as reclassified, are unaudited.

Recent Financial Results and Developments

For the nine months ended September 30, 2003, LG&E's operating revenues and net income were $805.0 million and $74.9 million, respectively, compared to $737.2 million and $70.4 million, for the same period in 2002. Primary factors driving LG&E's 2003 earnings included increased wholesale electric sales and gas retail sales partially offset by a decrease in retail electric sales.

LG&E's net income increased approximately $5.7 million for the quarter ended September 30, 2003, as compared to the quarter ended September 30, 2002, primarily due to increased wholesale electric sales partially offset by decreased sales to electric retail consumers due to milder weather experienced in 2003.

Available Information

LG&E 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 AG, on file can be inspected and copied at the public reference facilities of the SEC, currently at Room 1024, 450 Fifth Street, N.W., Washington, DC 20549; and copies of such material can be obtained from the Public Reference Section of the SEC at its principal office at 450 Fifth Street, N.W., 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.

Documents Incorporated By Reference

The following documents, as filed by LG&E with the SEC, are incorporated herein by reference:

1. Form 10-K, as amended, Annual Report of LG&E for the year ended December 31, 2002 except for Item 1 "Business", Item 6 "Selected Financial

Data", Item 7 "Management's Discussion and Analysis of Results of Operations and Financial Condition" and Item 8 "Financial Statements and Supplementary Data" (information concerning these items which reflects the reclassification of the consolidated financial data as explained in footnote (1) in the table above is contained in LG&E's Form 8-K dated November 13, 2003);

2. Form 10-Q Quarterly Reports of LG&E for the quarters ended March 31, 2003, June 30, 2003 and September 30, 2003; and

3. Form 8-K Current Reports of LG&E filed with the SEC on March 25, 2003, May 14, 2003 and November 13, 2003.

All documents filed by LG&E with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 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.

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

DUTCH AUCTION PROCEDURES

The following is a summary of definitions of certain terms relating to the Dutch Auction Procedures:

"*Agent Member*" shall mean a member of, or participant in, DTC.

"*Applicable Percentage*" shall mean, on any date of determination, the percentage of the Index (in effect on such Auction Date) determined in accordance with the Indenture, based on the Prevailing Rating of the Bonds in effect at the close of business on the Business Day immediately preceding such Auction Date:

Prevailing Rating	Applicable Percentage
AAA/Aaa	150%
AA/Aa	150%
A/A	200%
Below A/A	250%

"*Auction*" shall mean each periodic implementation of the Dutch Auction Procedures.

"*Auction Agent Agreement*" shall mean the Auction Agent Agreement dated as of October 1, 2003 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 during any period in which the Auction procedures described in this Appendix B are not suspended in accordance with the provisions of the Indenture, (i) if the Bonds are in a daily Auction Period, each Business Day, and (ii) 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 will 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 will be the earlier of (a) the Business Day next preceding the Interest Payment Date next preceding the Conversion Date for the Bonds and (b) 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 will be the earlier of (x) the Business Day next preceding the Conversion Date for the Bonds and (y) the Business Day next preceding the final maturity date for the Bonds. On the Business Day preceding the conversion from a daily Auction Period to another Auction Period, there will be two Auctions, one for the last daily Auction Period and one for the first Auction Period following the conversion. The first Auction Date for the Bonds is January 6, 2004.

"*Auction Period*" shall mean, (i) with respect to Bonds in a daily mode, a period beginning on each Business Day and extending to but not including the next succeeding Business Day, (ii) with respect to Bonds in a seven-day mode, a period of generally seven days beginning on a Wednesday (or the day following the last day of the prior Auction Period if the prior

Auction Period does not end on a Tuesday) and ending on the Tuesday thereafter (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), (iii) with respect to Bonds in a 28-day mode, a period of generally 28 days beginning on a Wednesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Tuesday) and ending on the fourth Tuesday thereafter (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) with respect to Bonds in a 35-day mode, a period of generally 35 days beginning on a Wednesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Tuesday) and ending on the fifth Tuesday thereafter (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), (v) with respect to Bonds in a three-month mode, 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 first day of the month that is the third calendar month following the beginning date of such Auction Period, and (vi) with respect to Bonds in a semiannual mode, 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 next succeeding April 1 or October 1; provided, however, that if there is a conversion of Bonds from a daily Auction Period to a seven-day Auction Period, the next Auction Period will begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and will end on the next succeeding 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), if there is a conversion from a daily Auction Period to a 28-day Auction Period, the next Auction Period will begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and will end on the 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) which is more than 21 days but not more than 28 days from such date of conversion, and, if there is a conversion from a daily Auction Period to a 35-day Auction Period, the next Auction Period will begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and will end on the 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) which is more than 28 days but not more than 35 days from such date of conversion.

"*Available Auction Bonds*" shall have the meaning set forth below under "Determination of Sufficient Clearing Bids, Winning Bid Rate and Dutch Auction Rate."

"*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 Dutch 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.

"*Broker-Dealer Agreement*" shall mean, if the Bonds are in the Dutch Auction Rate Mode, each agreement between a Broker-Dealer and the Auction Agent substantially in the form of Exhibit A to the Auction Agent Agreement pursuant to which a Broker-Dealer, among other things, agrees to participate in Auctions as set forth in the Dutch Auction Procedures, as from time to time amended and supplemented.

"*Commercial Paper Dealer*" shall mean Morgan Stanley & Co. Incorporated, Banc One Capital Markets, Inc., Banc of America Securities LLC and Wachovia Bank, National Association, or, in lieu thereof, their affiliates or successors which are commercial paper dealers or such other commercial paper dealers as may be selected from time to time by the Paying Agent, at the direction of the Company.

"*DTC*" shall mean The Depository Trust Company, New York, New York, its successors and their assigns 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 Market Agent.

"*Dutch Auction Procedures*" shall mean the procedures set forth in this APPENDIX B.

"*Dutch Auction Rate*" shall mean the interest rate to be determined for the Bonds pursuant to the Dutch Auction Procedures.

"*Dutch Auction Rate Period*" shall mean each period during which the Bonds bear interest at a Dutch Auction Rate.

"*Event of Default*" shall mean any of the events set forth in the body of this Official Statement under the caption "SUMMARY OF THE INDENTURE — Defaults and Remedies."

"*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.

"*Failure to Deposit*" shall mean any failure to make the deposits required (i) no later than 12:00 noon (New York City time) on each Interest Payment Date in funds available on such Interest Payment Date in New York, New York for the payment of principal of and interest on the Bonds, or (ii) no later than 12:00 noon (New York City time) on the second Business Day preceding each redemption date in funds available on the next Business Day in New York, New York for the redemption of any Bonds.

"*Hold Order*" shall have the meaning set forth below under "Orders by Existing Holders and Potential Holders."

"*Index*" shall mean on any Auction Date (i) with respect to Bonds in any Auction Period of 40 days or less, the Thirty-Day "AA" Composite Commercial Paper Rate on such date, (ii) with respect to Bonds in any Auction Period greater than 40 days but less than 95 days, the Three-Month Treasury Bill Rate, as last published in *The Wall Street Journal,* and (iii) with respect to Bonds in any Auction Period greater than 95 days, the rate on United States Treasury Securities having a maturity which most closely approximates the length of the Auction Period, as last published in *The Wall Street Journal*. If any such rate is unavailable, the Index will be an index or rate agreed to by all Broker-Dealers and consented to by the Company.

"*Market Agent*" shall mean the market agent appointed in accordance with the Indenture and its successors and their assigns.

"*Maximum Dutch Auction Rate*" shall mean on any date of determination, the lesser of (i) the product of the Index multiplied by the Applicable Percentage or (ii) 14%.

"*Minimum Dutch Auction Rate*" shall mean on any date of determination the interest rate per annum equal to the lesser of (i) 14% or (ii) 45% of the Index on such date.

"*No Auction Rate*" means, as of any Auction Date, the rate determined by multiplying the Percentage of Index set forth below, based on the Prevailing Rating of the Bonds in effect at the close of business on the Business Day immediately preceding such Auction Date, by the Index:

Prevailing Rating	**Percentage of Index**
AAA/Aaa	65%
AA/Aa	70%
A/A	85%
Below A/A	100%

provided, however that in no event will the No Auction Rate exceed the Maximum Dutch Auction Rate.

"*Order*" shall have the meaning set forth below under "Orders by Existing Holders and Potential Holders."

"*Overdue Rate*" shall mean, on any date of determination, the lesser of (i) 14% and (ii) the Applicable Percentage (determined as if the Bonds had a prevailing rating of Below A/A) of the Index on such date.

"*Potential Holder*" shall mean any person, including any Existing Holder, who may be interested in acquiring the beneficial ownership of Bonds during a Dutch Auction Rate Period or, in the case of an Existing Holder thereof, the beneficial ownership of an additional principal amount of Bonds during a Dutch Auction Rate Period.

"*Prevailing Rating*" means (a) AAA/Aaa, if the Bonds will have a rating of AAA or better by S&P and a rating of Aaa or better by Moody's, (b) if not AAA/Aaa, AA/Aa if the Bonds will have a rating of AA- or better by S&P and a rating of Aa3 or better by Moody's, (c) if not AAA/Aaa or AA/Aa, A/A if the Bonds will have a rating of A- or better by S&P and a rating of A3 or better by Moody's, and (d) if not AAA/Aaa, AA/Aa or A/A, then below A/A, whether or not the Bonds are rated by any securities rating agency. For purposes of this definition, S&P's rating categories of "AAA," "AA," and "A-" and Moody's rating categories of "Aaa," "Aa3" and "A3," will be deemed to refer to and include the respective rating categories correlative thereto in the event that any such Rating Agencies will have changed or modified their generic rating categories or if any successor thereto appointed in accordance with the definitions thereof will use different rating categories. If the Bonds are not rated by a Rating Agency, the requirement of a rating by such Rating Agency will be disregarded. If the ratings for the Bonds are split between two of the foregoing categories, the lower rating will determine the Prevailing Rating. If there is no rating, then the Dutch Auction Rate will be the Maximum Dutch Auction Rate.

"*Sell Order*" shall have the meaning set forth below under "Orders by Existing Holders and Potential Holders."

"*Standard Auction Period*" initially shall mean an Auction Period of 35 days and after the establishment of a different period as described below under "Change of Auction Period" shall mean such different period.

"*Submission Deadline*" shall mean 1:00 p.m. (New York City time) on any Auction Date or such other time on any Auction Date by which Broker-Dealers are required to submit Orders to the Auction Agent as specified by the Auction Agent from time to time.

"*Submitted Bid*" shall have the meaning set forth below under "Determination of Sufficient Clearing Bids, Winning Bid Rate and Dutch Auction Rate."

"*Submitted Hold Order*" shall have the meaning set forth below under "Determination of Sufficient Clearing Bids, Winning Bid Rate and Dutch Auction Rate."

"*Submitted Order*" shall have the meaning set forth below under "Determination of Sufficient Clearing Bids, Winning Bid Rate and Dutch Auction Rate."

"*Submitted Sell Order*" shall have the meaning set forth below under "Determination of Sufficient Clearing Bids, Winning Bid Rate and Dutch Auction Rate."

"*Substitute Commercial Paper Dealer*" shall mean J.P. Morgan Securities Inc. or its affiliates or successors if such person is a commercial paper dealer or such other commercial paper dealers selected by the Paying Agent (who shall be under no liability for such selection), at the direction of the Company, provided that neither such person nor any of its affiliates or successors shall be a Commercial Paper Dealer.

"*Sufficient Clearing Bids*" shall have the meaning set forth below under "Determination of Sufficient Clearing Bids, Winning Bid Rate and Dutch Auction Rate."

"*Thirty-Day 'AA' Composite Commercial Paper Rate*" on any date of determination, means the interest equivalent of the thirty-day rate on commercial paper placed on behalf of non-financial issuers whose corporate bonds are rated AA by S&P, or the equivalent of such rating by S&P, as made available on a discount basis or otherwise by the Federal Reserve Bank of New York for the Business Day immediately preceding such date of determination, or if the Federal Reserve Bank of New York does not make available any such rate, then the arithmetic average of such rates, as quoted on a discount basis or otherwise, by the Commercial Paper Dealers to the Auction Agent for the close of business on the Business Day immediately preceding such date of determination.

For purposes of this definition, the "interest equivalent" means the equivalent yield on a 360-day basis of a discount-basis security to an interest-bearing security. If any Commercial Paper Dealer does not quote a commercial paper rate required to determine the Thirty-Day "AA" Composite Commercial Paper Rate, the Thirty-Day "AA" Composite Commercial Paper Rate shall be determined on the basis of the quotation or quotations furnished by the remaining

Commercial Paper Dealer or Commercial Paper Dealers and any Substitute Commercial Paper Dealer not included within the definition of Commercial Paper Dealers above, or, if there are no Substitute Commercial Paper Dealers, by the remaining Commercial Paper Dealer or Commercial Paper Dealers.

"*Winning Bid Rate*" shall have the meaning set forth below under "Determination of Sufficient Clearing Bids, Winning Bid Rate and Dutch Auction Rate."

The following are the procedures to be used in conducting Dutch Auctions. As a summary, it does not purport to be complete and is qualified in its entirety by reference to the Dutch Auction Procedures set forth in the Indenture.

Auction Period — General

During any Dutch Auction Rate Period, the Bonds shall bear interest at the Dutch Auction Rate determined as set forth below. The Dutch Auction Rate for any initial Auction Period immediately after either any conversion to a Dutch 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 Market Agent 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 Market Agent, 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 14% per annum. Except for the initial Auction 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 Dutch Auction Rate shall be the rate of interest per annum that results from implementation of the Dutch Auction Procedures; provided that such interest rate shall not exceed 14% per annum. Except as provided below, if on any Auction Date for any reason an Auction is not held, the Dutch Auction Rate for the next succeeding Auction Period shall equal the No Auction Rate on and as of such Auction Date. Determination of the Dutch Auction Rate pursuant to the Dutch Auction Procedures shall be suspended upon the occurrence of a Failure to Deposit or an Event of Default described under clause (a) or (b) of "SUMMARY OF THE INDENTURE — Defaults and Remedies" in the body of this Official Statement. Upon the occurrence of a Failure to Deposit or an Event of Default described under clause (a) or (b) of "SUMMARY OF THE INDENTURE — Defaults and Remedies" in the body of this Official Statement, on any Auction Date, no Auction will be held, all Submitted Bids and Submitted Sell Orders shall be rejected, the existence of Sufficient Clearing Bids shall be of no effect and the Dutch Auction Rate shall be equal to the Overdue Rate as determined on and as of the immediately preceding Auction Date for each Auction Period commencing after the occurrence of such Failure to Deposit or Event of Default to and including the Auction Period, if any, during which or commencing less than two Business Days after the earlier of (A) such Failure to Deposit or Event of Default has been cured or waived and (B) the first date on which all of the following conditions shall have been satisfied:

(1) no default shall have occurred and be continuing under the Bond Insurance Policy (the satisfaction of such condition to be conclusively evidenced, absent manifest error, to each of the Trustee and the Auction Agent by a certificate of a duly authorized officer of the Bond Insurer to such effect delivered to such entity);

(2) the Bond Insurer shall have delivered to the Auction Agent an instrument, satisfactory in form and substance to the Auction Agent, containing (x) an unconditional agreement of the Bond Insurer to furnish to the Auction Agent amounts sufficient to pay all fees of the Broker-Dealers, as provided in the Broker-Dealer Agreements, and of the Auction Agent, (y) such other agreements and representations as the Auction Agent shall reasonably require and (z) a direction not to suspend, or resume, the implementation of the Dutch Auction Procedures, as the case may be; and

(3) the Auction Agent shall have advised the Trustee that the Auction Agent has been directed by the Bond Insurer not to suspend, or to resume, the implementation of the Dutch Auction Procedures.

The Dutch Auction Rate for any Auction Period commencing after certificates representing the Bonds have been distributed as described below under "DTC Required During Dutch Auction Rate Mode; Limitations on Transfer" shall be equal to the Maximum Dutch Auction Rate on each Auction Date.

Auction Periods may be changed at any time as described below under "Change of Auction Period" unless a Failure to Deposit or an Event of Default has occurred and has not been cured or waived. Each Auction Period shall be a Standard Auction Period unless a different Auction Period is established and each Auction Period which immediately succeeds an Auction Period that is not a Standard Auction Period shall be a Standard Auction Period unless a different Auction Period is established as described below under "Change of Auction Period."

The Market Agent shall from time to time increase any or all of the percentages set forth in the definition of "Applicable Percentage" or the percentage set forth in the definition of "Minimum Dutch Auction Rate" in order that such percentages take into account any amendment to the Code or other statute enacted by the Congress of the United States or any temporary, proposed or final regulation promulgated by the United States Treasury, after the date of the Indenture which (a) changes or would change any deduction, credit or other allowance allowable in computing liability for any federal tax with respect to, or (b) imposes, or would impose or increases or would increase any federal tax (including, but not limited to, preference or excise taxes) upon, any interest on a governmental obligation the interest on which is excluded from federal gross income under Section 103 of the Code. The Market Agent shall give notice of any such increase by means of a written notice delivered at least two Business Days prior to the Auction Date on which such increase is proposed to be effective to the Trustee, the Auction Agent, the Company and DTC.

Change of Auction Period

During a Dutch Auction Rate Period, the Company may change the length of the then applicable Auction Period by means of a written notice delivered at least 10 days prior to the Auction Date for such Auction Period to the Trustee, the Bond Insurer, the Auction Agent, the Issuer and DTC. Any Auction Period or Standard Auction Period established pursuant to the Dutch Auction Procedures may not exceed 364 days in duration. If such Auction Period will be less than 35 days, such notice shall be effective only if it is accompanied by a written statement of the Bond Registrar and Paying Agent, the Trustee, the Auction Agent and DTC to the effect that they are capable of performing their duties under the Indenture and the Auction Agent Agreement with respect to such Auction Period. The length of an Auction Period or the Standard Auction Period may not be changed as described herein unless Sufficient Clearing Bids existed at both the Auction immediately preceding the date the notice of such change was given and the Auction immediately preceding such changed Auction Period.

The change in length of an Auction Period or the Standard Auction Period shall take effect only if (i) the Trustee and the Auction Agent receive, by 11:00 a.m. (New York City time) on the Business Day immediately preceding the Auction Date for such Auction Period, a certificate from the Company by telecopy or similar means, authorizing the change in the Auction Period or the Standard Auction Period, which shall be specified in such certificate, (ii) the Trustee shall not have delivered to the Auction Agent by 12:00 noon (New York City time) on the Auction Date for such Auction Period notice that a Failure to Deposit has occurred, and (iii) Sufficient Clearing Bids exist at the Auction on the Auction Date for such Auction Period. If the condition referred to in (i) above is not met, the Dutch Auction Rate for the next succeeding Auction Period shall be determined pursuant to the Dutch Auction Procedures and the next succeeding Auction Period shall be an Auction Period of 35 days. If any of the conditions referred to in (ii) or (iii) above is not met, the Dutch Auction Rate for the next succeeding Auction Period shall equal the Maximum Dutch Auction Rate as determined as of the Auction Date for an Auction Period of 35 days.

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 a Dutch Auction Rate Period:

(i) each Existing Holder may submit to the Broker-Dealer information as to:

(A) the principal amount of Bonds, if any, held by such Existing Holder which such Existing Holder desires to continue to hold without regard to the Dutch Auction Rate for the next succeeding Auction Period;

(B) the principal amount of Bonds, if any, held by such Existing Holder which such Existing Holder offers to sell if the Dutch Auction Rate for the next succeeding Auction Period shall be less than the rate per annum specified by such Existing Holder; and

(C) the principal amount of Bonds, if any, held by such Existing Holder which such Existing Holder offers to sell without regard to the Dutch Auction Rate for the next succeeding Auction Period;

(ii) one or more Broker-Dealers may contact Potential Holders to determine the principal amount of Bonds which each such Potential Holder offers to purchase if the Dutch Auction Rate for the next succeeding Auction Period shall not be less than the interest rate per annum specified by such Potential Holder.

For the purposes of the Dutch Auction Procedures, the communication to a Broker-Dealer of information referred to in clause (i)(A), (i)(B) or (i)(C) or clause (ii) above is hereinafter referred to as an "Order" and each Existing Holder and Potential Holder placing an Order is hereinafter referred to as a "Bidder"; an Order containing the information referred to in clause (i)(A) above is hereinafter referred to as a "Hold Order"; an Order containing the information referred to in clause (i)(B) or clause (ii) above is hereinafter referred to as a "Bid"; and an Order containing the information referred to in clause (i)(C) above is hereinafter referred to as a "Sell Order":

(i) Subject to the provisions of "Submission of Orders by Broker-Dealers to Auction Agent" below, a Bid by an Existing Holder shall constitute an irrevocable offer to sell:

(A) the principal amount of Bonds specified in such Bid if the Dutch Auction Rate determined pursuant to the Dutch Auction Procedures on such Auction Date shall be less than the interest rate per annum specified therein; or

(B) such principal amount or a lesser principal amount of Bonds to be determined as set forth in clause (iv) below under "Acceptance and Rejection of Submitted Bids and Submitted Sell Orders and Allocation of Auction Bonds" below if the Dutch Auction Rate determined pursuant to the Dutch Auction Procedures on such Auction Date shall be equal to the interest rate per annum specified therein; or

(C) such principal amount if the interest rate per annum specified therein shall be higher than the Maximum Dutch Auction Rate or such principal amount or a lesser principal amount of Bonds to be determined in clause (iii) below under "Acceptance and Rejection of Submitted Bids and Submitted Sell Orders and Allocation of Auction Bonds" below if such specified rate shall be higher than the Maximum Dutch Auction Rate and Sufficient Clearing Bids do not exist.

(ii) Subject to the provisions set forth below under "Submission of Orders by Broker-Dealers to Auction Agent", a Sell Order by an Existing Holder shall constitute an irrevocable 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 set forth in clause (iii) below under "Acceptance and Rejection of Submitted Bids and Submitted Sell Orders and Allocation of Auction Bonds" if Sufficient Clearing Bids do not exist.

(iii) Subject to the provisions described in "Submission of Orders by Broker-Dealers to Auction Agent" below, a Bid by a Potential Holder shall constitute an irrevocable offer to purchase:

(A) the principal amount of Bonds specified in such Bid if the Dutch Auction Rate determined on such Auction Date shall be higher than the rate specified therein; or

(B) such principal amount or a lesser principal amount of Bonds as set forth in clause (v) below under "Acceptance and Rejection of Submitted Bids and Submitted Sell Orders and Allocation of Auction Bonds" if the Dutch Auction Rate determined on such Auction Date shall be equal to such specified rate.

Submission of Orders by Broker-Dealers to Auction Agent

During a Dutch Auction Rate Period each Broker-Dealer shall submit in writing or by such other method as shall be reasonably acceptable to the Auction Agent prior to the Submission Deadline on each Auction Date during the Dutch Auction Rate Period, all Orders obtained by such Broker-Dealer and shall specify with respect to each such Order:

(i) the aggregate principal amount of Bonds that are subject to such Order;

(ii) to the extent that such Bidder is an Existing Holder:

(A) the principal amount of Bonds, if any, subject to any Hold Order placed by such Existing Holder;

(B) the principal amount of Bonds, if any, subject to any Bid placed by such Existing Holder and the rate specified in such Bid; and

(C) the principal amount of Bonds, if any, subject to any Sell Order placed by such Existing Holder; and

(iii) to the extent such Bidder is a Potential Holder, the rate specified in such Potential Holder's Bid.

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 (.001) of 1%.

If an Order or Orders covering all Bonds held by an Existing Holder is not submitted to the Auction Agent prior to the Submission Deadline, the Auction Agent 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 the Auction Agent. None of the Issuer, the Company, the Trustee or the Auction Agent shall be responsible for any failure of a Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Holder or Potential Holder.

If any Existing Holder submits through a Broker-Dealer to the Auction Agent one or more Orders covering in the aggregate more than the principal amount of Bonds held by such Existing Holder, such Orders shall be considered valid as follows and in the following order of priority:

(i) all Hold Orders shall be considered valid, but only up to and including the principal amount of Bonds held by such Existing Holder, and, if the aggregate principal amount of Bonds subject to such Hold Orders exceeds the aggregate principal amount of Bonds held by such Existing Holder, the aggregate principal amount of Bonds subject to each such Hold Order shall be reduced pro rata so that such Hold Orders cover the aggregate principal amount of Bonds held by such Existing Holder;

(ii) (A) any Bid shall be considered valid up to and including the excess of the principal amount of Bonds held by such Existing Holder over the aggregate principal amount of Bonds subject to any Hold Orders referred to in paragraph (i) above;

(B) subject to clause (A) above, if more than one Bid with the same rate is submitted on behalf of such Existing Holder and the aggregate principal amount of Bonds subject to such Bids is greater than such excess, such Bids shall be considered valid up to and including the amount of such excess, and the principal amount of Bonds subject to each Bid with the same rate shall be reduced pro rata so that such Bids cover the principal amount of Bonds equal to such excess;

(C) subject to clauses (A) and (B) above, if more than one Bid with different rates is submitted on behalf of such Existing Holder, such Bids shall be considered valid in the ascending order of their respective rates until the highest rate is reached at which such excess exists and then at such rate up to and including the amount of such excess; and

(D) in any such event, the aggregate principal amount of Bonds, if any, subject to Bids not valid under this paragraph (ii) shall be treated as the subject of a Bid by a Potential Holder at the rate therein specified; and

(iii) all Sell Orders shall be considered valid up to and including the excess of the principal amount of Bonds held by such Existing Holder over the aggregate principal amount of Bonds subject to valid Hold Orders referred to in paragraph (i) and valid Bids referred to in paragraph (ii) above.

If more than one Bid for Bonds is submitted on behalf of any Potential Holder, each Bid submitted will be a separate Bid for Bonds with the rate and principal amount therein specified.

Any Bid or Sell Order submitted by an Existing Holder covering an aggregate principal amount of Bonds not equal to $25,000 or an integral multiple thereof shall be rejected and shall be deemed a Hold Order. Any Bid submitted by a Potential Holder covering an aggregate principal amount of Bonds not equal to $25,000 or an integral multiple thereof will be rejected.

Any Bid submitted by an Existing Holder or Potential Holder specifying a rate lower than the Minimum Dutch Auction Rate will be treated as a Bid specifying the Minimum Dutch Auction Rate.

Any Order submitted in an Auction by a Broker-Dealer to the Auction Agent prior to the Submission Deadline on any Auction Date shall be irrevocable.

Determination of Sufficient Clearing Bids, Winning Bid Rate and Dutch Auction Rate

Not earlier than the Submission Deadline on each Auction Date during the Dutch Auction Rate Period, the Auction Agent shall assemble all valid 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, or as a "Submitted Order") and shall determine:

(i) the excess of the total principal amount of Bonds over the aggregate principal amount of Bonds subject to Submitted Hold Orders (such excess being hereinafter referred to as the "Available Auction Bonds"); and

(ii) from the Submitted Orders whether the aggregate principal amount of Bonds subject to Submitted Bids by Potential Holders specifying one or more rates equal to or lower than the Maximum Dutch Auction Rate exceeds or is equal to the sum of:

(A) the aggregate principal amount of Bonds subject to Submitted Bids by Existing Holders specifying one or more rates higher than the Maximum Dutch Auction Rate; and

(B) the aggregate principal amount of Bonds subject to Submitted Sell Orders;

(in the event of such excess or such equality exists (other than because the sum of the principal amounts of Bonds in clauses (A) and (B) above is zero because all of the Bonds are subject to Submitted Hold Orders), such Submitted Bids in clause (ii) above are hereinafter referred to collectively as "Sufficient Clearing Bids"); and

(iii) if Sufficient Clearing Bids exist, the lowest rate specified in the Submitted Bids (the "Winning Bid Rate") which if:

(A)(y) each Submitted Bid from Existing Holders specifying such lowest rate and (z) all other Submitted Bids from Existing Holders specifying lower rates were rejected, thus entitling such Existing Holders to continue to hold the principal amount of Bonds subject to such Submitted Bids; and

(B)(y) each Submitted Bid from Potential Holders specifying such lowest rate and (z) all other Submitted Bids from Potential Holders specifying lower rates were accepted,

would result in such Existing Holders described in clause (A) above continuing to hold an aggregate principal amount of Bonds which, when added to the aggregate principal amount of Bonds to be purchased by such Potential Holders described in clause (B) above, would equal not less than the Available Auction Bonds.

Promptly after the Auction Agent has made the determinations pursuant to the first paragraph of this section, the Auction Agent by telecopy, confirmed in writing, shall advise the Company and the Trustee of the Maximum Dutch Auction Rate and the Minimum Dutch Auction Rate and the components thereof on the Auction Date and, based on such determinations, the Dutch Auction Rate for the next succeeding Auction Period as follows:

(i) if Sufficient Clearing Bids exist, that the Dutch Auction Rate for the next succeeding Auction Period therefor shall be equal to the Winning Bid Rate so determined;

(ii) if Sufficient Clearing Bids do not exist (other than because all of the Bonds are the subject of Submitted Hold Orders), that the Dutch Auction Rate for the next succeeding Auction Period therefor shall be equal to the Maximum Dutch Auction Rate; and

(iii) if all of the Bonds are subject to Submitted Hold Orders, that the Dutch Auction Rate for the next succeeding Auction Period therefor shall be equal to the Minimum Dutch Auction Rate.

Acceptance and Rejection of Submitted Bids and Submitted Sell Orders and Allocation of Auction Bonds

During a Dutch Auction Rate Period, Existing Holders shall continue to hold the principal amounts of Bonds that are subject to Submitted Hold Orders, and, based on the determinations made pursuant to the first paragraph of "Determination of Sufficient Clearing Bids, Winning Bid Rate and Dutch Auction Rate", the Submitted Bids and Submitted Sell Orders shall be accepted or rejected and the Auction Agent shall take such other actions as are set forth below:

If Sufficient Clearing Bids have been made, all Submitted Sell Orders shall be accepted and, subject to the provisions of the fifth and sixth paragraphs of this section, Submitted Bids shall be accepted or rejected as follows in the following order of priority and all other Submitted Bids shall be rejected:

(i) Existing Holders' Submitted Bids specifying any rate that is higher than the Winning Bid Rate shall be accepted, thus requiring each such Existing Holder to sell the aggregate principal amount of Bonds subject to such Submitted Bids;

(ii) Existing Holders' Submitted Bids specifying any rate that is lower than the Winning Bid Rate shall be rejected, thus entitling each such Existing Holder to continue to hold the aggregate principal amount of Bonds subject to such Submitted Bids;

(iii) Potential Holders' Submitted Bids specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Potential Holder to purchase the aggregate principal amount of Bonds subject to such Submitted Bids;

(iv) each Existing Holder's Submitted Bid specifying a rate that is equal to the Winning Bid Rate shall be rejected, thus entitling such Existing Holder to continue to hold the aggregate principal amount of Bonds subject to such Submitted Bid, unless the aggregate principal amount of Bonds subject to all such Submitted Bids shall be greater than the principal amount of Bonds (the "remaining principal amount") equal to the excess of the Available Auction Bonds over the aggregate principal amount of the Bonds subject to Submitted Bids described in paragraphs (ii) and (iii) immediately above, in which event such Submitted Bid of such Existing Holder shall be rejected in part, and such Existing Holder shall be entitled to continue to hold the principal amount of Bonds subject to such Submitted Bid, but only in an amount equal to the principal amount of Bonds obtained by multiplying the remaining principal amount by a fraction, the numerator of which shall be the principal amount of Bonds held by such Existing Holder subject to such Submitted Bid and the denominator of which shall be the sum of the principal amounts of Bonds subject to such Submitted Bids made by all such Existing Holders that specified a rate equal to the Winning Bid Rate; and

(v) each Potential Holder's Submitted Bid specifying a rate that is equal to the Winning Bid Rate shall be accepted but only in an amount equal to the principal amount of Bonds obtained by multiplying the excess of the Available Auction Bonds over the aggregate principal amount of Bonds subject to Submitted Bids described in paragraphs (ii), (iii) and (iv) immediately above, by a fraction the numerator of which shall be the aggregate principal amount of Bonds subject to such Submitted Bid of such Potential Holder and the denominator of which shall be the sum of the principal amount of Bonds subject to Submitted Bids made by all such Potential Holders that specified a rate equal to the Winning Bid Rate.

If Sufficient Clearing Bids have not been made (other than because all of the Bonds are subject to Submitted Hold Orders), subject to the provisions of the fifth paragraph of this section, Submitted Orders shall be accepted or rejected as follows in the following order of priority and all other Submitted Bids shall be rejected:

(i) Existing Holders' Submitted Bids specifying any rate that is equal to or lower than the Maximum Dutch Auction Rate shall be rejected, thus entitling each such Existing Holder to continue to hold the aggregate principal amount of Bonds subject to such Submitted Bids;

(ii) Potential Holders' Submitted Bids specifying any rate that is equal to or lower than the Maximum Dutch Auction Rate shall be accepted, thus requiring each such Potential Holder to purchase the aggregate principal amount of Bonds subject to such Submitted Bids; and

(iii) each Existing Holder's Submitted Bid specifying any rate that is higher than the Maximum Dutch Auction Rate and the Submitted Sell Orders of each Existing Holder shall be accepted, thus entitling each Existing Holder that submitted any such Submitted Bid or Submitted Sell Order to sell the Bonds subject to such Submitted Bid or Submitted Sell Order, but in both cases only in an amount equal to the aggregate principal amount of Bonds obtained by multiplying the aggregate principal amount of Bonds subject to Submitted Bids described above in subparagraph (ii) by a fraction, the numerator of which shall be the aggregate principal amount of Bonds held by such Existing Holder subject to such Submitted Bid or Submitted Sell Order and the denominator of which shall be the aggregate principal amount of Outstanding Auction Bonds subject to all such Submitted Bids and Submitted Sell Orders.

If all Bonds are subject to Submitted Hold Orders, all Submitted Bids shall be rejected.

If, as a result of the procedures described in the second or third paragraphs of this section, any Existing Holder would be required to sell, or any Potential Holder would be required to purchase, a principal amount of Bonds that is not equal to $25,000 or an integral multiple thereof, the Auction Agent shall, in such manner as, in its sole discretion, it shall determine, round up or down the principal amount of such Bonds to be purchased or sold by any Existing Holder or Potential Holder so that the principal amount purchased or sold by each Existing Holder or Potential Holder shall be equal to $25,000 or an integral multiple thereof.

If, as a result of the procedures described in the second paragraph of this section, any Potential Holder would be required to purchase less than $25,000 in aggregate principal amount of Bonds, the Auction Agent shall, in such manner as, in its sole discretion it shall determine, allocate Bonds for purchase among Potential Holders so that only Bonds in principal amounts of $25,000 or an integral multiple thereof are purchased by any Potential Holder, even if such allocation results in one or more of such Potential Holders not purchasing any Bonds.

Based on the results of each Auction, the Auction Agent shall determine the aggregate principal amounts of Bonds to be purchased and the aggregate principal amounts of Bonds to be sold by Potential Holders and Existing Holders on whose behalf each Broker-Dealer submitted

Bids or Sell Orders and, with respect to each Broker-Dealer, to the extent that such amounts differ, determine to which other Broker-Dealer or Broker-Dealers acting for one or more purchasers of Bonds such Broker-Dealer shall deliver, or from which other Broker-Dealer or Broker-Dealers acting for one or more sellers of Bonds such Broker-Dealer shall receive, as the case may be, Bonds.

None of the Issuer, the Company or any Affiliate thereof may submit an Order in any Auction except as set forth in the next sentence. Any Broker-Dealer that is an Affiliate of the Company or the Issuer may submit Orders in an Auction but only if such Orders are not for its own account, except that if such affiliated Broker-Dealer holds Bonds for its own account, it must submit a Sell Order on the next Auction Date with respect to such Bonds. The Auction Agent shall have no duty or liability with respect to monitoring or enforcing the provisions of this paragraph.

Settlement Procedures Set Forth in Exhibit A to the Broker Dealer Agreement

(a) Not later than 3:00 p.m. (New York City time) on each Auction Date, the Auction Agent shall notify by telephone each Broker-Dealer that participated in the Auction held on such Auction Date and submitted an Order on behalf of an Existing Holder or Potential Holder of:

(i) the Dutch Auction Rate fixed for the next Auction Period;

(ii) whether there were Sufficient Clearing Bids in such Auction;

(iii) if such Broker-Dealer submitted a Bid or a Sell Order on behalf of an Existing Holder (a "Seller's Broker-Dealer"), whether such Bid was accepted or rejected, in whole or in part, and the principal amount 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 (a "Buyer's Broker-Dealer"), whether such Bid was accepted or rejected, in whole or in part, and the principal amount of Bonds, if any, to be purchased by such Potential Holder;

(v) if the aggregate principal amount of Bonds to be sold by all Existing Holders on whose behalf such Broker-Dealer submitted a Bid or a Sell Order exceeds the aggregate principal amount 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 Buyer's Broker-Dealers (and the name of the Agent Member, if any, of each such Buyer's Broker-Dealer) acting for one or more purchasers of such excess principal amount of Bonds and the principal amount of Bonds to be purchased from one or more Existing Holders on whose behalf such Broker-Dealer acted by one or more Potential Holders on whose behalf each of such Buyer's Broker-Dealers acted;

(vi) if the principal amount of Bonds to be purchased by all Potential Holders on whose behalf such Broker-Dealer submitted a Bid exceeds the principal amount of Bonds to be sold by all Existing Holders on whose behalf such Broker-Dealer submitted a Bid or a Sell Order, the name or names of one or more Seller's Broker-Dealers (and the name of the Agent Member, if any, of each such Seller's Broker-Dealer) acting for one or more sellers of such excess principal amount of Bonds and the principal amount of Bonds to be sold to one or more Potential Holders on whose behalf such Broker-Dealer acted by one or more Existing Holders on whose behalf each of such Seller's Broker-Dealers acted; and

(vii) the Auction Date for the next succeeding Auction.

(b) On each Auction Date, each Broker-Dealer that submitted an Order on behalf of any Existing Holder or Potential Holder shall:

(i) advise each Existing Holder and Potential Holder on whose behalf such Broker-Dealer submitted a Bid or Sell Order in the Auction on such Auction Date whether such Bid or Sell Order was accepted or rejected, in whole or in part;

(ii) in the case of a Broker-Dealer that is a Buyer's Broker-Dealer, advise 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 principal amount of Bonds to be purchased pursuant to such Bid against receipt of such Bonds;

(iii) in the case of a Broker-Dealer that is a Seller's Broker-Dealer, instruct each Existing Holder on whose behalf such Broker-Dealer submitted a Sell Order that was accepted, in whole or in part, or a Bid that was accepted, 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 principal amount of Bonds to be sold pursuant to such Order against payment therefor;

(iv) advise each Existing Holder on whose behalf such Broker-Dealer submitted an Order and each Potential Holder on whose behalf such Broker-Dealer submitted a Bid of the Auction Rate for the next Auction Period;

(v) advise each Existing Holder on whose behalf such Broker-Dealer submitted an Order of the next Auction Date; and

(vi) advise each Potential Holder on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, of the next Dutch Auction Date.

(c) On the basis of the information provided to it pursuant to paragraph (a) above, each Broker-Dealer that submitted a Bid or Sell Order in an Auction is required to allocate any funds received by it in connection with such Auction pursuant to paragraph (b)(ii) above, and any Bonds received by it in connection with such Auction pursuant to paragraph(b)(iii) above among the Potential Holders, if any, on whose behalf such Broker-Dealer submitted Bids, the Existing Holders, if any, on whose behalf such Broker-Dealer submitted Bids or Sell Orders in such Auction, and any Broker-Dealer identified to it by the Auction Agent following such Auction pursuant to paragraph (a)(v) or (a)(vi) above.

(d) On each Auction Date:

(i) each Potential Holder and Existing Holder with an Order in the Auction on such Auction Dates shall instruct its Agent Member as provided in (b)(ii) or (iii) above, as the case may be;

(ii) each Sellers Broker-Dealer that is not an Agent Member of DTC shall instruct its Agent Member to (A) pay through DTC to the Agent Member of the Existing Holder delivering Bonds to such Broker-Dealer following such Auction pursuant to (b)(iii) above the amount necessary to purchase such Bonds against receipt of such Bonds, and (B) deliver such Bonds through DTC to a Buyer's Broker-Dealer (or its Agent Member) identified to such Seller's Broker-Dealer pursuant to (a)(v) above against payment therefor; and

(iii) each Buyer's Broker-Dealer that is not an Agent Member of DTC shall instruct its Agent Member to (A) pay through DTC to a Seller's Broker-Dealer (or its Agent Member) identified following such Auction pursuant to (a)(vi) above the amount necessary to purchase the Bonds to be purchased pursuant to (b)(ii) above against receipt of such Bonds, and (B) deliver such Bonds through DTC to the Agent Member of the purchaser thereof against payment therefor.

(e) On the Business Day following each Auction Date:

(i) each Agent Member for a Bidder in the Auction on such Auction Date referred to in (d)(i) above shall instruct DTC to execute the transactions described under (b)(ii) or (iii) above for such Auction, and DTC shall execute such transactions;

(ii) each Seller's Broker-Dealer or its Agent Member shall instruct DTC to execute the transactions described in (d)(ii) above for such Auction, and DTC shall execute such transactions; and

(iii) each Buyer's Broker-Dealer or its Agent Member shall instruct DTC to execute the transactions described in (d)(iii) above for such Auction, and DTC shall execute such transactions.

(f) If an Existing Holder selling Bonds in an Auction fails to deliver such Bonds (by authorized book-entry), a Broker-Dealer may deliver to the Potential Holder on behalf of which it submitted a Bid that was accepted a principal amount of Bonds that is less than the principal amount of Bonds that otherwise was to be purchased by such Potential Holder. In such event, the principal amount of Bonds to be delivered shall be determined solely by such Broker-Dealer. Delivery of such lesser principal amount of Bonds shall constitute good delivery. Notwithstanding the foregoing terms of this paragraph (f), any delivery or non-delivery of Bonds which shall represent any departure from the results of an Auction, as determined by the Auction Agent, shall be of no effect unless and until the Auction Agent shall have been notified of such delivery or non-delivery in accordance with the provisions of the Auction Agent Agreement and the Broker-Dealer Agreements.

DTC Required During Dutch Auction Rate Mode; Limitations on Transfer

Except as otherwise provided in the Indenture, the Bonds accruing interest at a Dutch Auction Rate shall be registered in the name of DTC or its nominee and ownership thereof shall be maintained in book-entry-only form by DTC for the account of the Agent Members thereof.

If at any time DTC notifies the Issuer and the Company that it is unwilling or unable to continue as owner of 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, the Trustee and the Auction Agent, within 90 days after the Issuer and the Company receive notice or become aware of such condition, as the case may be, the Issuer shall execute and the Trustee shall authenticate and deliver certificates representing the Bonds. Bonds issued as described herein 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. The Trustee shall deliver the Bonds to the persons in whose names such Bonds are so registered on the Business Day immediately preceding the first day of an Auction Period.

So long as the ownership of the Bonds is maintained in book-entry-only form by DTC, an Existing Holder may sell, transfer or otherwise dispose of Bonds only pursuant to a Bid or Sell Order placed in an Auction or to or through a Broker-Dealer, provided that, in the case of all transfers other than pursuant to Auctions, such Existing Holder, its Broker-Dealer or its Agent Member advises the Auction Agent of such transfer.

The Auction Agent shall calculate the Maximum Dutch Auction Rate and the Minimum Dutch Auction Rate on each Auction Date. If the ownership of the Bonds is no longer maintained in book-entry-only form by DTC, the Auction Agent shall calculate the Maximum Dutch Auction Rate on the Business Day immediately preceding the first day of each Auction Period commencing after the delivery of certificates representing the Bonds. If a Failure to Deposit or Event of Default shall have occurred, the Trustee, upon notice thereof, shall calculate the Overdue Rate on the first day of each Auction Period commencing after the occurrence of such Failure to Deposit or Event of Default to and including the Auction Period, if any, commencing less than two Business Days after all such Failure to Deposit and Events of Default are cured.

(FORM OF OPINION OF BOND COUNSEL)

November ____, 2003

Re: $128,000,000 Louisville/Jefferson County Metro Government, Kentucky, Pollution Control Revenue Bonds, 2003 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 to the County of Jefferson, Kentucky (the "Predecessor County"), acting by and through its Louisville Metro Council as its duly authorized governing body, preliminary to and in connection with the issuance by the Issuer of its Pollution Control Revenue Bonds, 2003 Series A (Louisville Gas and Electric Company Project), dated their date of issuance, in the aggregate principal amount of $128,000,000 (the "Bonds"). The Bonds are issued under the provisions of Chapter 67C and Sections 103.200 to 103.286, 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 (i) $102,000,000 aggregate principal amount of the Predecessor County's Pollution Control Revenue Bonds, 1993 Series B (Louisville Gas and Electric Company Project), dated August 15, 1993 and (ii) $26,000,000 aggregate principal amount of the Predecessor County's Pollution Control Revenue Bonds, 1993 Series C (Louisville Gas and Electric Company Project), dated October 15, 1993 (collectively, the "Prior Bonds"), which Prior Bonds were issued by the Predecessor County for the purpose of currently refunding a portion of the capital costs of facilities for the abatement and control of air and water pollution and 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 October 1, 2033 and bear interest initially at the Dutch 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 each of the Bonds. From such examination of the proceedings of the Louisville 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 October 1, 2003 (the "Loan Agreement"), between the Issuer and the Company and a certified copy of the proceedings of record of the Louisville 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 Louisville 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 October 1, 2003 (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 Louisville 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 Louisville 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 substantially all of the proceeds of the Prior Bonds were used to refinance air and water pollution control facilities and solid waste abatement, control and disposal facilities qualified for financing under Section 103(b)(4)(E) and (F) of the Internal Revenue Code of 1954, as amended, and permitted by Section 1312(a) of the Tax Reform Act of 1986. 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 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 and relied upon 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 chief legal officer of the Issuer, and relied upon said opinion with respect to the matters therein.

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 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.

HARPER, FERGUSON & DAVIS,
Division of Ogden Newell & Welch PLLC

By: ______________________________
SPENCER E. HARPER, JR.

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APPENDIX D

FORM OF BOND INSURANCE POLICY

XL CAPITAL ASSURANCE

1221 Avenue of the Americas
New York, New York 10020
Telephone: (212) 478-3400

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [ ] **Policy No:** [ ]

BONDS: [ ] **Effective Date:** [ ]

XL Capital Assurance Inc. (XLCA), a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy (which includes each endorsement attached hereto), hereby agrees unconditionally and irrevocably to pay to the trustee (the "Trustee") or the paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the benefit of the Owners of the Bonds or, at the election of XLCA, to each Owner, that portion of the principal and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment.

XLCA will pay such amounts to or for the benefit of the Owners on the later of the day on which such principal and interest becomes Due for Payment or one (1) Business Day following the Business Day on which XLCA shall have received Notice of Nonpayment (provided that Notice will be deemed received on a given Business Day if it is received prior to 10:00 a.m. New York time on such Business Day; otherwise it will be deemed received on the next Business Day), but only upon receipt by XLCA, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in XLCA. Upon such disbursement, XLCA shall become the owner of the Bond, any appurtenant coupon to the Bond or the right to receipt of payment of principal and interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by XLCA hereunder. Payment by XLCA to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of XLCA under this Policy.

In the event the Trustee or Paying Agent has notice that any payment of principal or interest on a Bond which has become Due for Payment and which is made to an Owner by or on behalf of the Issuer of the Bonds has been recovered from the Owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Owner within the meaning of any applicable bankruptcy law, such Owner will be entitled to payment from XLCA to the extent of such recovery if sufficient funds are not otherwise available.

The following terms shall have the meanings specified for all purposes of this Policy, except to the extent such terms are expressly modified by an endorsement to this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment", when referring to the principal of Bonds, is when the stated maturity date or a 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, unless XLCA shall elect, in its sole discretion, to pay such principal due upon such acceleration; and, when referring to interest on the Bonds, is when the stated date for payment of interest has been reached. "Nonpayment" means the failure of the Issuer to have provided sufficient funds to the Trustee or Paying Agent for payment in full of all principal and interest on the Bonds which are Due for Payment. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to XLCA which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

XLCA may, by giving written notice to the Trustee and the Paying Agent, appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy. From and after the date of receipt by the Trustee and the Paying Agent of such notice, which shall specify the name and notice address of the Insurer's Fiscal Agent, (a) copies of all notices required to be delivered to XLCA pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to XLCA and shall not be deemed received until received by both and (b) all payments required to be made by XLCA under this Policy may be made directly by XLCA or by the Insurer's Fiscal Agent on behalf of XLCA. The Insurer's Fiscal Agent is the agent of XLCA only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of XLCA to deposit or cause to be deposited sufficient funds to make payments due hereunder.

Except to the extent expressly modified by an endorsement hereto, (a) this Policy is non-cancelable by XLCA, and (b) the Premium on this Policy is not refundable for any reason. 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 Bond, other than at the sole option of XLCA, nor against any risk other than Nonpayment. This Policy sets forth the full undertaking of XLCA and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto.

THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, XLCA has caused this Policy to be executed on its behalf by its duly authorized officers.

Name:
Title:

Name:
Title:

XLCAP-005
Form of Municipal Policy [Specimen]

XL CAPITAL ASSURANCE

1221 Avenue of the Americas
New York, New York 10020
Telephone: (212) 478-3400

Issuer: Policy No.:

Bonds: Effective Date:

FORM OF ENDORSEMENT

Attached to Policy No. ______ (the "Policy") issued by XL Capital Assurance Inc. ("XLCA") to the Trustee referred to in the Policy with respect to the Bonds designated above (the "Bonds").

Notwithstanding the terms and conditions contained in the Policy, it is further understood that in the event all or a portion of the Bonds become subject to mandatory redemption pursuant to Section 4.01(1)(a) 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 Bonds 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 October 1, 2003 between the Issuer designated above 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 October 1, 2003 between the Issuer 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.

This endorsement forms a part of the Policy to which it is attached, effective on the inception date of the Policy.

IN WITNESS WHEREOF, XLCA has caused this endorsement to be executed and attested on its behalf by its duly authorized officers.

SPECIMEN
Name:
Title:

SPECIMEN
Name:
Title:

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Louisville Gas and Electric Company
Case No. 2003-00433
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:

The Annual Reports to Shareholders for the years ended December 200~~1~~2 and 2001 are attached. LG&E does not publish a statistical supplement.

LG&E Financial Report 2002

LOUISVILLE GAS AND ELECTRIC COMPANY

2002 FINANCIAL REPORT

LOUISVILLE GAS AND ELECTRIC COMPANY

2002 FINANCIAL REPORT

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STATEMENT REGARDING RECLASSIFICATION

In the Annual Report for the year ended December 31, 2002 on Form 10-K ("2002 Annual Report") Louisville Gas and Electric Company ("LG&E") reported revenues and related cost of sales in compliance with required accounting that was in effect at that time. LG&E was required to adopt the net reporting requirements of Emerging Issues Task Force Issue No. 02-03, *Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities* ("EITF 02-03") on January 1, 2003. Therefore, to comply with the net reporting requirements of EITF 02-03, LG&E has reclassified revenues and related expenses previously reported in the 2002 Annual Report.

EITF 02-03 rescinded EITF 98-10 and requires that revenue related to derivative instruments classified as trading, including certain energy sales transactions, be reported net of related cost of sales for all periods presented. EITF 02-03 also requires companies to retroactively reclassify previously reported revenues to conform with the new net reporting requirements.

LG&E provides this 2002 Financial Report to present reclassified financial statements and other related information in response to the requirements of EITF 02-03. This 2002 Financial Report contains information identical to the corresponding items of the 2002 Annual Report, except that the information contained herein been updated to the extent necessary to report energy- trading contracts net of related cost of sales in the income statements for all periods presented. Accordingly, information in the corresponding items in LG&E's 2002 Annual Report should be considered in light of the updated information provided here, which reflects the reclassification of financial data as explained above. No attempt has been made in this report to modify or update other disclosures except as required to reflect the effects of the reclassifications described above. These other disclosures are included in our annual, quarterly and current reports and other information filed with the SEC. Neither reported net operating income, net income, common equity, nor cash flows were impacted by the reclassification of revenue upon adoption of EITF 02-03.

Additionally, LG&E's 2000 consolidated financial statements were audited by Arthur Andersen LLP, independent public accountants, who expressed an unqualified opinion on those financial statements in their report dated January 26, 2001, excluding the revisions described above. Arthur Andersen LLP has ceased operations and, accordingly, LG&E has been unable to obtain their consent to the use of their report. Therefore, 2000 consolidated financial statements, as reclassified, are omitted. Certain unaudited financial information regarding year 2000, containing the reclassifications described above, has been provided in Appendix A to this 2002 Financial Report.

INDEX OF ABBREVIATIONS:

Abbreviation or Acronym	Definition
Capital Corp.	LG&E Capital Corp.
Clean Air Act	The Clean Air Act, as amended in 1990
CCN	Certificate of Public Convenience and Necessity
CT	Combustion Turbines
DSM	Demand Side Management
ECR	Environmental Cost Recovery
EEI	Electric Energy, Inc.
EITF	Emerging Issues Task Force Issue
E.ON	E.ON AG
EPA	U.S. Environmental Protection Agency
ESM	Earnings Sharing Mechanism
F	Fahrenheit
FAC	Fuel Adjustment Clause
FERC	Federal Energy Regulatory Commission
FPA	Federal Power Act
FT and FT-A	Firm Transportation
GSC	Gas Supply Clause
IBEW	International Brotherhood of Electrical Workers
IMEA	Illinois Municipal Electric Agency
IMPA	Indiana Municipal Power Agency
Kentucky Commission	Kentucky Public Service Commission
KIUC	Kentucky Industrial Utility Consumers, Inc.
KU	Kentucky Utilities Company
KU Energy	KU Energy Corporation
KU R	KU Receivables LLC
kV	Kilovolts
Kva	Kilovolt-ampere
KW	Kilowatts
Kwh	Kilowatt hours
LEM	LG&E Energy Marketing Inc.
LG&E	Louisville Gas and Electric Company
LG&E Energy	LG&E Energy Corp.
LG&E R	LG&E Receivables LLC
LG&E Services	LG&E Energy Services Inc.
Mcf	Thousand Cubic Feet
MGP	Manufactured Gas Plant
MISO	Midwest Independent System Operator
Mmbtu	Million British thermal units
Moody's	Moody's Investor Services, Inc.
Mw	Megawatts
Mwh	Megawatt hours
NNS	No-Notice Service
NOPR	Notice of Proposed Rulemaking
NOx	Nitrogen Oxide
OATT	Open Access Transmission Tariff
OMU	Owensboro Municipal Utilities
OVEC	Ohio Valley Electric Corporation
PBR	Performance-Based Ratemaking
PJM	Pennsylvania, New Jersey, Maryland Interconnection
Powergen	Powergen Limited (formerly Powergen plc)
PUHCA	Public Utility Holding Company Act of 1935

ROE	Return on Equity
RTO	Regional Transmission Organization
S&P	Standard & Poor's Rating Services
SCR	Selective Catalytic Reduction
SEC	Securities and Exchange Commission
SERP	Supplemental Employee Retirement Plan
SFAS	Statement of Financial Accounting Standards
SIP	State Implementation Plan
SMD	Standard Market Design
SO_2	Sulfur Dioxide
Tennessee Gas	Tennessee Gas Pipeline Company
Texas Gas	Texas Gas Transmission Corporation
TRA	Tennessee Regulatory Authority
Trimble County	LG&E's Trimble County Unit 1
USWA	United Steelworkers of America
Utility Operations	Operations of LG&E and KU
VDT	Value Delivery Team Process
Virginia Commission	Virginia State Corporation Commission
Virginia Staff	Virginia State Corporation Commission Staff

Louisville Gas and Electric Company and Subsidiary
Selected Financial Data

	Years Ended December 31 (Thousands of $)				
	2002	2001	2000	1999	1998
LG&E:					
Operating revenues:					
Revenues	$991,468	$965,267	$934,204	$847,879	$854,556
Provision for rate collections (refunds)	12,267	(720)	(2,500)	(1,735)	(4,500)
Total operating revenues	1,003,735	964,547	931,704	846,144	850,056
Net operating income	117,914	141,773	148,870	140,091	135,523
Net income	88,929	106,781	110,573	106,270	78,120
Net income available for common stock	84,683	102,042	105,363	101,769	73,552
Total assets	2,561,078	2,448,354	2,226,084	2,171,452	2,104,637
Long-term obligations (including amounts due within one year)	$ 616,904	$ 616,904	$ 606,800	$ 626,800	$ 626,800

LG&E's Management's Discussion and Analysis of Financial Condition and Results of Operation and LG&E's Notes to Financial Statements should be read in conjunction with the above information.

The 2000, 1999 and 1998 consolidated financial data were derived from financial statements audited by Arthur Andersen LLP, independent public accountants, who expressed an unqualified opinion on those financial statements in their report dated January 26, 2001, before the revisions described in the Statement Regarding Reclassification on page 2 above. Arthur Andersen LLP has ceased operations. The amounts shown below for such periods, reclassified pursuant to the adoption of EITF 02-03, are unaudited.

GENERAL

The following discussion and analysis by management focuses on those factors that had a material effect on LG&E's financial results of operations and financial condition during 2002, 2001, and 2000 and should be read in connection with the financial statements and notes thereto.

Some of the following discussion may contain forward-looking statements that are subject to certain risks, uncertainties and assumptions. Such forward-looking statements are intended to be identified in this document by the words "anticipate," "expect," "estimate," "objective," "possible," "potential" and similar expressions. Actual results may materially vary. Factors that could cause actual results to materially differ include; general economic conditions; business and competitive conditions in the energy industry; changes in federal or state legislation; unusual weather; actions by state or federal regulatory agencies; actions by credit rating agencies; and other factors described from time to time in LG&E's reports to the SEC, including Exhibit No. 99.01 to the Annual Report.

MERGERS and ACQUISITIONS

On December 11, 2000, LG&E Energy was acquired by Powergen for cash of approximately $3.2 billion or $24.85 per share and the assumption of all of LG&E Energy's debt. As a result of the acquisition, LG&E Energy became a wholly owned subsidiary of Powergen and, as a result, LG&E became an indirect subsidiary of Powergen. LG&E has continued its separate identity and serves customers in Kentucky under its existing name. The preferred stock and debt securities of LG&E were not affected by this transaction and LG&E continues to file SEC reports. Following the acquisition, Powergen became a registered holding company under PUHCA, and LG&E, as a subsidiary of a registered holding company, became subject to additional regulation under PUHCA. See "Rates and Regulation" under Item 1.

On July 1, 2002, E.ON, a German company, completed its acquisition of Powergen plc (now Powergen Limited). As a result, LG&E and KU became indirect subsidiaries of E.ON. E.ON had announced its pre-conditional cash offer of £5.1 billion ($7.3 billion) for Powergen on April 9, 2001. Following the acquisition, E.ON became a registered holding company under PUHCA.

As contemplated in their regulatory filings in connection with the E.ON acquisition, E.ON, Powergen and LG&E Energy completed an administrative reorganization to move the LG&E Energy group from an indirect Powergen subsidiary to an indirect E.ON subsidiary. This reorganization was effective in March 2003.

RESULTS OF OPERATIONS

Net Income

LG&E's net income in 2002 decreased $17.9 million as compared to 2001. The decrease resulted primarily from higher transmission operating expenses, an increase in amortization of VDT regulatory asset, and increased property insurance and pension expense, partially offset by an increase in electric sales to retail customers and lower interest expenses.

LG&E's net income decreased $3.8 million for 2001, as compared to 2000. This decrease is mainly due to higher pension related expenses and amortization of VDT regulatory asset, partially offset by increased electric and gas net revenues (operating revenues less fuel for electric generation, power purchased and gas supply expenses) and decreased interest expenses.

Revenues

A comparison of operating revenues for the years 2002 and 2001, excluding the provisions recorded for rate collections (refunds), with the immediately preceding year reflects both increases and decreases, which have been segregated by the following principal causes (in thousands of $):

	Increase (Decrease) From Prior Period			
	Electric Revenues		Gas Revenues	
Cause	2002	2001	2002	2001
Retail sales:				
Fuel and gas supply adjustments	$ 19,449	$ (394)	$(58,003)	$ 79,627
LG&E/KU Merger surcredit	(2,825)	(2,456)	-	-
Performance based rate	-	1,962	-	-
Environmental cost recovery surcharge	9,694	1,246	-	-
Demand side management	1,381	-	938	-
Electric rate reduction	-	(3,671)	-	-
VDT surcredit	(1,177)	(1,014)	(285)	(68)
Gas rate increase	-	-	-	15,265
Weather normalization	-	-	2,234	-
Variation in sales volumes and other	24,819	4,429	21,658	(64,817)
Total retail sales	51,341	102	(33,458)	30,007
Wholesale sales	(6,700)	13,916	10,683	(11,642)
Gas transportation-net	-	-	189	(880)
Other	4,642	(1,241)	(496)	801
Total	$ 49,283	$ 12,777	$(23,082)	$ 18,286

Electric revenues increased in 2002 primarily due to an increase in retail sales due to warmer summer weather, an increase in the recovery of fuel costs passed through the FAC, partially offset by a decrease in wholesale sales due to lower market prices as compared to 2001. Cooling degree days increased 20% compared to 2001. Electric revenues increased in 2001 primarily due to an increase in wholesale sales and retail sales volume, partially offset by the effects of an electric rate reduction ordered by the Kentucky Commission, and the LG&E/KU merger surcredit (See Note 2 of LG&E's Notes to Financial Statements under Item 8). In January 2000, the Kentucky Commission ordered an electric rate reduction and the termination of LG&E's proposed electric PBR mechanism.

Gas revenues in 2002 decreased due to a lower gas supply cost billed to customers through the gas supply clause offset partially by increased gas retail sales due to cooler winter weather and an increase in wholesale sales volume. Heating degree days increased 17% as compared to 2001. Gas revenues in 2001 increased primarily as a result of higher gas supply costs billed to customers through the gas supply clause and the effects of a gas rate increase ordered by the Kentucky Commission in September 2000. The gas revenue increase was partially offset by a decrease in retail and wholesale gas sales in 2001 due to warmer weather. Heating degree days decreased 10.2% compared to 2000.

Expenses

Fuel for electric generation and gas supply expenses comprise a large component of LG&E's total operating costs. The retail electric rates contain a FAC and gas rates contain a GSC, whereby increases or decreases in the cost of fuel and gas supply are reflected in the FAC and GSC factors, subject to approval by the Kentucky Commission, and passed through to LG&E's retail customers.

Fuel for electric generation increased $35.7 million (22.4%) in 2002 due to increased generation ($5.4 million) and higher cost of coal burned ($30.3 million). Fuel for electric generation decreased $0.2 million (.1%) in 2001 primarily due to decreased generation as a result of decreased electric sales ($2.2 million) partially offset by a higher cost of coal burned ($2.0 million). The average delivered cost per ton of coal purchased was $25.30 in 2002, $21.27 in 2001 and $20.96 in 2000.

Power purchased expense increased $12.6 million (25.5%) in 2002 due to an increase in purchases to meet requirements for native load partially offset by a decrease in purchase price. Power purchased increased $4.2 million (9.2%) in 2001 primarily due to an increase in purchases to meet requirements for native load partially offset by a lower unit cost of the purchases.

Gas supply expenses decreased $24.1 million (11.7%) in 2002 due to a decrease in cost of net gas supply ($36.6 million), partially offset by an increase in the volume of gas delivered to the distribution system ($12.5 million). Gas supply expenses increased $9.3 million (4.7%) in 2001 primarily due to an increase in cost of net gas supply ($36.2 million), partially offset by a decrease in the volume of gas delivered to the distribution system ($26.9 million). The average unit cost per Mcf of purchased gas was $4.19 in 2002, $5.27 in 2001 and $5.08 in 2000.

Other operation expenses increased $40.5 million (24.1%) in 2002 primarily due to a full year amortization in 2002 of a regulatory asset created as a result of the workforce reduction costs associated with LG&E's VDT ($17.0 million), higher costs for electric transmission primarily resulting from increased MISO costs ($13.9 million), an increase in property and other insurance costs ($3.9 million), an increase in pension costs due to change in pension assumptions to reflect current market conditions and change in market value of plan assets at the measurement date ($3.7 million), and an increase in steam production costs ($3.4 million). Other operation expenses increased $31.9 million (23.4%) in 2001 primarily due to amortization of a regulatory asset resulting from workforce reduction costs associated with LG&E's VDT ($13.0 million), an increase in pension expense ($10.3 million) and an increase in outside services ($8.5 million). Outside services increased in part due to the reclassification of expenses as a result of the formation of LG&E Services, as required by the SEC to comply with PUHCA.

Maintenance expenses for 2002 increased $1.5 million (2.6%) primarily due to gas distribution expenses for main remediation work ($2.2 million). Maintenance expenses for 2001 decreased $5.0 million (7.9%) primarily due to decreases in scheduled outages ($2.8 million), and a decrease in software and communication equipment maintenance ($2.8 million).

Depreciation and amortization increased $5.5 million (5.5%) in 2002 and $2.1 million (2.1%) in 2001 because of additional utility plant in service. The 2001 increase was offset by a decrease in depreciation rates resulting from a settlement order in December 2001 from the Kentucky Commission. Depreciation expenses decreased $5.6 million as a result of the settlement order.

Variations in income tax expenses are largely attributable to changes in pre-tax income. LG&E's 2002 effective income tax rate increased to 37.2% from the 36.5% rate in 2001. See Note 7 of LG&E's Notes to Financial Statements under Item 8.

Property and other taxes decreased $0.3 million (1.6%) in 2002. Property and other taxes decreased $1.2 million (6.5%) in 2001 primarily due to a reduction in payroll taxes related to fewer employees as a result of workforce reductions and transfers to LG&E Services.

Other income – net decreased $2.1 million (72.0%) in 2002 primarily due to increased costs for non-utility areas, $1.3 million and decreases in the gain on sale of property $0.8 million. Other income – net decreased $2.0 million (40.5%) in 2001 primarily due to lower interest and dividend income.

Interest charges for 2002 decreased $8.1 million (21.4%) primarily due to lower interest rates on variable rate debt ($5.6 million) a decrease in debt to associated companies ($0.8 million) and a decrease in interest associated with LG&E's accounts receivable securitization program ($1.5 million). Interest charges for 2001 decreased $5.3 million (12.2%) primarily due to lower interest rates on variable rate debt ($2.2 million) and the retirement of short-term borrowings ($8.1 million) partially offset by an increase in debt to associated companies ($2.5 million) and an increase in interest associated with LG&E's accounts receivable securitization program ($2.5 million). See Note 9 of LG&E's Notes to Financial Statements under Item 8.

LG&E's weighted average cost of long-term debt, including amortization of debt expense and interest rate swaps, was 3.87% at December 31, 2002 compared to 4.17% at December 31, 2001. See Note 9 of LG&E's Notes to Financial Statements under Item 8.

The rate of inflation may have a significant impact on LG&E's operations, its ability to control costs and the need to seek timely and adequate rate adjustments. However, relatively low rates of inflation in the past few years have moderated the impact on current operating results.

CRITICAL ACCOUNTING POLICIES/ESTIMATES

Preparation of financial statements and related disclosures in compliance with generally accepted accounting principles requires the application of appropriate technical accounting rules and guidance, as well as the use of estimates. The application of these policies necessarily involves judgments regarding future events, including legal and regulatory challenges and anticipated recovery of costs. These judgments, in and of themselves, could materially impact the financial statements and disclosures based on varying assumptions, which may be appropriate to use. In addition, the financial and operating environment also may have a significant effect, not only on the operation of the business, but on the results reported through the application of accounting measures used in preparing the financial statements and related disclosures, even if the nature of the accounting policies applied has not changed. Specific risks for these critical accounting policies are described in the following paragraphs. Each of these has a higher likelihood of resulting in materially different reported amounts under different conditions or using different assumptions. Events rarely develop exactly as forecast and the best estimates routinely require adjustment. See also Note 1 of LG&E's Notes to Financial Statements under Item 8.

Unbilled Revenue – At each month end LG&E prepares a financial estimate that projects electric and gas usage that has been used by customers, but not billed. The estimated usage is based on known weather and days not billed. At December 31, 2002, a 10% change in these estimated quantities would cause revenue and accounts receivable to change by approximately $5.0 million, including $2.3 million for electric usage and $2.7 million for gas usage. See also Note 1 of LG&E's Notes to Financial Statements under Item 8.

Benefit Plan Accounting - Judgments and uncertainties in benefit plan accounting include future rate of returns on pension plan assets, interest rates used in valuing benefit obligation, healthcare cost trend rates, and other actuarial assumptions.

LG&E's costs of providing defined-benefit pension retirement plans is dependent upon a number of factors, such as the rates of return on plan assets, discount rate, and contributions made to the plan. The market value of LG&E plan assets has been affected by declines in the equity market since the beginning of the fiscal year. As a result, at December 31, 2002, LG&E was required to recognize an additional minimum liability as prescribed by SFAS No. 87 *Employers' Accounting for Pensions*. The liability was recorded as a reduction to other comprehensive income, and did not affect net income for 2002. The amount of the liability depended upon the asset returns experienced in 2002 and contributions made by LG&E to the plan during 2002. Also, pension cost and cash contributions to the plan could increase in future years without a substantial recovery in the equity market. If the fair value of the plan assets exceeds the accumulated benefit obligation, the recorded liability will be reduced and other comprehensive income will be restored in the consolidated balance sheet.

The combination of poor market performance and a decrease in short-term corporate bond interest rates has created a divergence in the potential value of the pension liability and the actual value of the pension assets. These conditions could result in an increase in LG&E's funded accumulated benefit obligation and future pension expense. The primary assumptions that drive the value of the unfunded accumulated benefit obligation are the discount rate and expected return on plan assets.

LG&E made a contribution to the pension plan of $83.1 million in January 2003.

A 1% increase or decrease in the assumed discount rate could have an approximate $37.0 million positive or negative impact to the accumulated benefit obligation of LG&E.

See also Note 6 of LG&E's Notes to Financial Statements under Item 8.

Regulatory Mechanisms – Judgments and uncertainties include future regulatory decisions, impact of deregulation and competition on ratemaking process, and external regulator decisions.

Regulatory assets represent incurred costs that have been deferred because they are probable of future recovery in customer rates based upon Kentucky Commission orders. Regulatory liabilities generally represent obligations to make refunds to customers for previous collections based upon orders by the Kentucky Commission. Management believes, based on orders, the existing regulatory assets and liabilities are probable of recovery. This determination reflects the current regulatory climate in the state. If future recovery of costs ceases to be probable the assets would be required to be recognized in current period earnings.

LG&E has accrued in the financial statements an estimate of $12.5 million for 2002 ESM, with collection from customer commencing in April 2003. The ESM is subject to Kentucky Commission approval.

See also Note 3 of LG&E's Notes to Financial Statements under Item 8.

NEW ACCOUNTING PRONOUNCEMENTS

SFAS No. 143, *Accounting for Asset Retirement Obligations* was issued in 2001. SFAS No. 143 establishes accounting and reporting standards for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs.

The effective implementation date for SFAS No. 143 is January 1, 2003. Management has calculated the impact of SFAS No. 143 and the recently released FERC NOPR No. RM02-7, *Accounting, Financial*

Reporting, and Rate Filing Requirements for Asset Retirement Obligations. As of January 1, 2003, LG&E recorded asset retirement obligation (ARO) assets in the amount of $4.6 million and liabilities in the amount of $9.3 million. LG&E also recorded a cumulative effect adjustment in the amount of $5.3 million to reflect the accumulated depreciation and accretion of ARO assets at the transition date less amounts previously accrued under regulatory depreciation. LG&E recorded offsetting regulatory assets of $5.3 million, pursuant to regulatory treatment prescribed under SFAS No. 71, *Accounting for the Effects of Certain Types of Regulation.* Also pursuant to SFAS No. 71, LG&E recorded regulatory liabilities in the amount of $60,000 offsetting removal costs previously accrued under regulatory accounting in excess of amounts allowed under SFAS No. 143.

LG&E also expects to record ARO accretion expense of approximately $617,000, ARO depreciation expense of approximately $117,000 and an offsetting regulatory credit in the income statement of approximately $734,000 in 2003, pursuant to regulatory treatment prescribed under SFAS No. 71, *Accounting for the Effects of Certain Types of Regulation.* The accretion, depreciation and regulatory credit will be annual adjustments. SFAS No. 143 will have no impact on the results of the operation of LG&E.

LG&E asset retirement obligations are primarily related to the final retirement of generating units. 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 will be recorded for transmission and distribution assets.

LG&E adopted EITF No. 98-10, *Accounting for Energy Trading and Risk Management Activities*, effective January 1, 1999. This pronouncement required that energy trading contracts be marked to market on the balance sheet, with the gains and losses shown net in the income statement.

The EITF clarified accounting standards related to energy trading activities under EITF Issue 02-03, *Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities.* EITF No. 02-03 established the following:

- Rescinded EITF No. 98-10,
- Contracts that do not meet the definition of a derivative under SFAS No. 133 should not be marked to fair market value, and
- Revenues should be shown in the income statement net of costs associated with trading activities, whether or not the trades are physically settled.

With the rescission of EITF No. 98-10, energy trading contracts that do not also meet the definition of a derivative under SFAS No. 133 must be accounted for as executory contracts. Contracts previously recorded at fair value under EITF No. 98-10 that are not also derivatives under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, must be restated to historical cost through a cumulative effect adjustment. The rescission of this standard had no impact on financial position or results of operations of LG&E since all contracts marked to market under EITF No. 98-10 are also within the scope of SFAS No. 133.

As a result of EITF No. 02-03, LG&E has netted the power purchased expense for trading activities against electric operating revenue to reflect this accounting change. LG&E applied this guidance to all prior periods, which had no impact on previously reported net income or common equity.

	2002	2001
Gross electric operating revenues	$746,224	$706,645
Less costs reclassified from power purchased	22,449	32,153

Net electric operating revenues reported	$723,775	$674,492
Gross power purchased	$ 84,330	$ 81,475
Less costs reclassified to revenues	22,449	32,153
Net power purchased reported	$ 61,881	$ 49,332

In January 2003, the Financial Accounting Standards Board issued Financial Accounting Standards Board Interpretation No. 46, *Consolidation of Variable Interest Entities*, an Interpretation of ARB No. 51 (FIN 46). FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 is effective immediately for all new variable interest entities created or acquired after January 31, 2003. For variable interest entities created or acquired prior to February 1, 2003, the provisions of FIN 46 must be applied for the first interim or annual period beginning after June 15, 2003. LG&E does not expect the adoption of this standard to have any impact on the financial position or results of operations.

LIQUIDITY AND CAPITAL RESOURCES

LG&E uses net cash generated from its operations and external financing to fund construction of plant and equipment and the payment of dividends. LG&E believes that such sources of funds will be sufficient to meet the needs of its business in the foreseeable future.

Operating Activities

Cash provided by operations was $212.4 million, $287.1 million and $156.2 million in 2002, 2001, and 2000, respectively. The 2002 decrease compared to 2001 of $74.7 million resulted primarily from the change in accounts receivable balances, including the sale of accounts receivable through the accounts receivable securitization program and a decrease in accounts payable and accrued taxes. The 2001 increase of $130.9 million resulted primarily from an increase in accounts receivable, and a decrease in accrued taxes. See Note 1 of LG&E's Notes to Financial Statements under Item 8 for a discussion of accounts receivable securitization.

Investing Activities

LG&E's primary use of funds for investing activities continues to be for capital expenditures. Capital expenditures were $220.4 million, $253.0 million and $144.2 million in 2002, 2001, and 2000, respectively. LG&E expects its capital expenditures for 2003 and 2004 to total approximately $340.0 million, which consists primarily of construction estimates associated with installation of NOx equipment as described in the section titled "Environmental Matters," purchase of jointly owned CTs with KU and on-going construction for the distribution systems.

Net cash used for investment activities decreased $28.7 million in 2002 compared to 2001 primarily due to the level of construction expenditures. CT expenditures were approximately $35.9 million in 2002 and $57.8 million in 2001. The $107.9 million increase in net cash used in 2001 as compared to 2000 was due to NOx expenditures and the purchase of CTs.

Financing Activities

Net cash inflows for financing activities were $22.5 million in 2002 and outflows of $38.7 million and $67.7 million in 2001 and 2000, respectively. In 2002, short-term borrowings increased $98.9 million which were used in part for dividend payments of $73.3 million. During 2001, short-term borrowings decreased $20.4 million from 2000 and LG&E paid $28.0 million in dividends.

During 2001, LG&E issued $10.1 million of pollution control bonds resulting in net proceeds of $9.7 million after issuance costs.

On March 6, 2002, LG&E refinanced its $22.5 million and $27.5 million unsecured pollution control bonds, both due September 1, 2026. The replacement bonds, due September 1, 2026, are variable rate bonds and are secured by first mortgage bonds.

On March 22, 2002, LG&E refinanced its two $35 million unsecured pollution control bonds due November 1, 2027. The replacement variable rate bonds are secured by first mortgage bonds and will mature November 1, 2027.

In October 2002, LG&E issued $41.7 million variable rate pollution bonds due October 1, 2032, and exercised its call option on $41.7 million, 6.55% pollution control bonds due November 1, 2020.

Under the provisions for LG&E's variable-rate pollution control bonds totaling $246.2 million, 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.

Future Capital Requirements

Future capital requirements may be affected in varying degrees by factors such as load growth, changes in construction expenditure levels, rate actions by regulatory agencies, new legislation, market entry of competing electric power generators, changes in environmental regulations and other regulatory requirements. LG&E anticipates funding future capital requirements through operating cash flow, debt, and/or infusions of capital from its parent.

LG&E's debt ratings as of December 31, 2002, were:

	Moody's	S&P	Fitch
First mortgage bonds	A1	A	A+
Preferred stock	Baa1	BBB	A-
Commercial paper	P-1	A-2	F-1

These ratings reflect the views of Moody's, S&P and Fitch. A security rating is not a recommendation to buy, sell or hold securities and is subject to revision or withdrawal at any time by the rating agency.

Contractual Obligations

The following is provided to summarize LG&E's contractual cash obligations for periods after December 31, 2002 (in thousands of $):

	Payments Due by Period				
Contractual cash Obligations	2003	2004-2005	2006-2007	After 2007	Total
Short-term debt (a)	$193,053	$ -	$ -	$ -	$193,053
Long-term debt (b)	288,800	-	-	328,104	616,904
Operating lease (c)	3,371	6,866	7,143	29,794	47,174
Unconditional purchase obligations (d)	10,773	20,268	21,632	184,544	237,217
Other long-term obligations (e)	28,401	95,151	-	-	123,552
Total contractual cash obligations (f)	$524,398	$122,285	$28,775	$542,442	$1,217,900

(a) Represents borrowings from parent company due within one year.
(b) Includes long-term debt of $246.2 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 2017 to 2027.
(c) Operating lease represents the lease of LG&E's administrative office building.
(d) Represents future minimum payments under purchased power agreements through 2020.
(e) Represents construction commitments.
(f) LG&E does not expect to pay the $246.2 million of long-term debt classified as a current liability in the consolidated balance sheets in 2003 as explained in (b) above. LG&E anticipates cash from operations and external financing will be sufficient to fund future obligations. LG&E anticipates refinancing a portion of its short-term debt with long-term debt in 2003.

Market Risks

LG&E is exposed to market risks from changes in interest rates and commodity prices. To mitigate changes in cash flows attributable to these exposures, LG&E uses various financial instruments including derivatives. Derivative positions are monitored using techniques that include market value and sensitivity analysis. See Note 1 and 4 of LG&E's Notes to Financial Statements under Item 8.

Interest Rate Sensitivity

LG&E has short-term and long-term variable rate debt obligations outstanding. At December 31, 2002, the potential change in interest expense associated with a 1% change in base interest rates of LG&E's unhedged debt is estimated at $5.5 million after impact of interest rate swaps.

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. See Note 4 of LG&E's Notes to Financial Statements under Item 8.

As of December 31, 2002, LG&E had swaps with a combined notional value of $117.3 million. 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. The potential loss in fair value resulting from a hypothetical 1% adverse movement in base interest rates is estimated at $10.8 million as of December 31, 2002. This estimate is derived from third party valuations. Changes in the market value of these swaps if held to maturity, as LG&E intends to do, will have no effect on LG&E's net income or cash flow. See Note 4 of LG&E's Notes to Financial Statements under Item 8.

Commodity Price Sensitivity

LG&E has limited exposure to market price volatility in prices of fuel and electricity, since its retail tariffs include the FAC and GSC commodity price pass-through mechanisms. LG&E is exposed to market price volatility of fuel and electricity in its wholesale activities.

Energy Trading & Risk Management Activities

LG&E conducts energy trading and risk management activities to maximize the value of power sales from physical assets it owns, in addition to the wholesale sale of excess asset capacity. Certain energy trading activities are accounted for on a mark-to-market basis in accordance with EITF 98-10, *Accounting for Contracts Involved in Energy Trading and Risk Management Activities*, SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, and SFAS No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities*. Wholesale sales of excess asset capacity and wholesale purchases are treated as normal sales and purchases under SFAS No. 133 and SFAS No. 138 and are not marked-to-market.

The consensus reached by the EITF on EITF No. 02-03, *Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities*, to rescind EITF 98-10, effective for fiscal years after December 15, 2002, had no impact on LG&E's energy trading and risk management reporting as all contracts marked to market under EITF 98-10 are also within the scope of SFAS No. 133

The table below summarizes LG&E's energy trading and risk management activities for 2002 and 2001 (in thousands of $).

	2002	2001
Fair value of contracts at beginning of period, net liability	$ (186)	$ (17)
Fair value of contracts when entered into during the period	(65)	3,441
Contracts realized or otherwise settled during the period	448	(2,894)
Changes in fair values due to changes in assumptions	(353)	(716)
Fair value of contracts at end of period, net liability	$ (156)	$ (186)

No changes to valuation techniques for energy trading and risk management activities occurred during 2002. Changes in market pricing, interest rate and volatility assumptions were made during both years. All contracts outstanding at December 31, 2002, 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, 2002, 86% of the trading and risk management commitments were with counterparties rated BBB- equivalent or better.

Accounts Receivable Securitization

On February 6, 2001, LG&E implemented an accounts receivable securitization program. The purpose of this program is to enable LG&E to accelerate the receipt of cash from the collection of retail accounts receivable, thereby reducing dependence upon more costly sources of working capital. The securitization program allows for a percentage of eligible receivables to be sold. Eligible receivables are generally all receivables associated with retail sales that have standard terms and are not past due. LG&E is able to terminate the program at any time without penalty. If there is a significant deterioration in the payment record of the receivables by the retail customers or if LG&E fails to meet certain covenants regarding the program, the program may terminate at the election of the financial institutions. In this case, payments from retail customers would first be used to repay the financial institutions participating in the program, and would then be available for use by LG&E.

As part of the program, LG&E sold retail accounts receivables to a wholly owned subsidiary, LG&E R. Simultaneously, LG&E R entered into two separate three-year accounts receivable securitization facilities with two financial institutions and their affiliates whereby LG&E R can sell, on a revolving basis, an undivided interest in certain of its receivables and receive up to $75 million from an unrelated third party purchaser. The effective cost of the receivables programs is comparable to LG&E's lowest cost source of capital, and is based on prime rated commercial paper. LG&E retains servicing rights of the sold receivables through two separate servicing agreements with the third party purchaser. LG&E has obtained an opinion from independent legal counsel indicating these transactions qualify as a true sale of receivables. As of December 31, 2002, the outstanding program balance was $63.2 million. LG&E is considering unwinding its accounts receivable securitization arrangements involving LG&E R during 2003.

The allowance for doubtful accounts associated with the eligible securitized receivables was $2.1 million at December 31, 2002. This allowance is based on historical experience of LG&E. Each securitization facility contains a fully funded reserve for uncollectible receivables.

RATES AND REGULATION

Following the purchase of Powergen by E.ON, E.ON became a registered holding company under PUHCA. As a result, E.ON, its utility subsidiaries, including LG&E, and certain of its non-utility subsidiaries are subject to extensive regulation by the SEC under PUHCA with respect to issuances and sales of securities, acquisitions and sales of certain utility properties, and intra-system sales of certain goods and services. In addition, PUHCA generally limits the ability of registered holding companies to acquire additional public utility systems and to acquire and retain businesses unrelated to the utility operations of the holding company. LG&E believes that it has adequate authority (including financing authority) under existing SEC orders and regulations to conduct its business. LG&E will seek additional authorization when necessary.

LG&E is subject to the jurisdiction of the Kentucky Commission in virtually all matters related to electric and gas utility regulation, and as such, its accounting is subject to SFAS No. 71, *Accounting for the Effects of Certain Types of Regulation*. Given LG&E's competitive position in the marketplace and the status of regulation in the state of Kentucky, LG&E has no plans or intentions to discontinue its application of SFAS No. 71. See Note 3 of LG&E's Notes to Financial Statements under Item 8.

Kentucky Commission Settlement Order - VDT Costs, ESM and Depreciation

During the first quarter 2001, LG&E recorded a $144 million charge for a workforce reduction program. Primary components of the charge were separation benefits, enhanced early retirement benefits, and health care benefits. The result of this workforce reduction was the elimination of approximately 700 positions, accomplished primarily through a voluntary enhanced severance program.

On June 1, 2001, LG&E filed an application (VDT case) with the Kentucky Commission to create a regulatory asset relating to these first quarter 2001 charges. The application requested permission to amortize these costs over a four-year period. The Kentucky Commission also opened a case to review a new depreciation study and resulting depreciation rates implemented in 2001.

LG&E reached a settlement in the VDT case as well as the other cases involving depreciation rates and ESM with all intervening parties. The settlement agreement was approved by Kentucky Commission Order on December 3, 2001. The order allowed LG&E to set up a regulatory asset of $141 million for the workforce reduction costs and begin amortizing these costs over a five-year period starting in April 2001. The first quarter 2001 charge of $144 million represented all employees who had accepted a voluntary enhanced severance program. Some employees rescinded their participation in the voluntary enhanced severance program, thereby decreasing the original charge from $144 million to $141 million. The settlement will also reduce revenues approximately $26 million through a surcredit on future bills to customers over the same five-year period. The surcredit represents stipulated net savings LG&E is expected to realize from implementation of best practices through the VDT. The agreement also established LG&E's new depreciation rates in effect December 2001, retroactive to January 1, 2001. The new depreciation rates decreased depreciation expense by $5.6 million in 2001.

Environmental Cost Recovery

In June 2000, the Kentucky Commission approved LG&E's application for a CCN to construct up to three SCR NOx reduction facilities. The construction and subsequent operation of the SCRs is intended to reduce NOx emission levels to meet the EPA's mandated NOx emission level of 0.15 lbs./ Mmbtu by May 2004. In its order, the Kentucky Commission ruled that LG&E's proposed plan for construction was "reasonable, cost-effective and will not result in the wasteful duplication of facilities." In October 2000, LG&E filed an application with the Kentucky Commission to amend its Environmental Compliance Plan to reflect the addition of the proposed NOx reduction technology projects and to amend its Environmental Cost Recovery Tariff to include an overall rate of return on capital investments. Approval of LG&E's application in April 2001 allowed LG&E to begin to recover the costs associated with these new projects, subject to Kentucky Commission oversight during normal six-month and two-year reviews.

In May 2002, the Kentucky Commission initiated a periodic two-year review of LG&E's environmental surcharge. The review included the operation of the surcharge mechanism, determination of the appropriateness of costs included in the surcharge mechanism, recalculation of the cost of debt to reflect actual costs for the period under review, final determination of the amount of environmental revenues over-collected from customers, and a final determination of the amount of environmental costs and revenues to be "rolled-in" to base rates. A final order was issued on October 22, 2002, in which LG&E was ordered to refund $325,000 to customers over the four-month period beginning November 2002 and ending February 2003. Additionally, LG&E was ordered to roll $4.1 million into base rates and make corresponding adjustments to the monthly environmental surcharge filings to reflect that portion of environmental rate base now included in base rates on a going-forward basis.

In August 2002, LG&E filed an application with the Kentucky Commission to amend its compliance plan to allow recovery of the cost of new and additional environmental compliance facilities. The estimated capital cost of the additional facilities is $71.1 million. The Kentucky Commission conducted a public hearing on the case on December 20, 2002, final briefs were filed on January 15, 2003, and a final order was issued February

11, 2003. The final order approved recovery of four new environmental compliance facilities totaling $43.1 million. A fifth project, expansion of the land fill facility at the Mill Creek Station, was denied without prejudice with an invitation to reapply for recovery when required construction permits are approved. Cost recovery through the environmental surcharge of the four approved projects will begin with the bills rendered in April 2003.

ESM

LG&E's electric rates are subject to an ESM. The ESM, initially in place for three years beginning in 2000, sets an upper and lower point for rate of return on equity, whereby if LG&E's rate of return for the calendar year falls within the range of 10.5% to 12.5%, no action is necessary. If earnings are above the upper limit, the excess earnings are shared 40% with ratepayers and 60% with shareholders; if earnings are below the lower limit, the earnings deficiency is recovered 40% from ratepayers and 60% from shareholders. By order of the Kentucky Commission, rate changes prompted by the ESM filing go into effect in April of each year subject to a balancing adjustment in successive periods. LG&E made its second ESM filing on March 1, 2002, for the calendar year 2001 reporting period. LG&E is in the process of refunding $441,000 to customers for the 2001 reporting period. LG&E estimated that the rate of return will fall below the lower limit, subject to Kentucky Commission approval, for the year ended December 31, 2002. The 2002 financial statements include an accrual to reflect the earnings deficiency of $12.5 million to be recovered from customers commencing in April 2003.

On November 27, 2002, LG&E filed a revised ESM tariff which proposed continuance of the existing ESM through December 2005. The Kentucky Commission issued an Order suspending the ESM tariff one day making the effective date January 2, 2003. In addition, the Kentucky Commission is conducting a management audit to review the ESM plan and reassess its reasonableness in 2003. LG&E and interested parties will have the opportunity to provide recommendations for modification and continuance of the ESM or other forms of alternative or incentive regulation.

DSM

LG&E's rates contain a DSM provision. The provision includes a rate mechanism that provides concurrent recovery of DSM costs and provides an incentive for implementing DSM programs. This program had allowed LG&E to recover revenues from lost sales associated with the DSM program. In May 2001, the Kentucky Commission approved LG&E's plan to continue DSM programs. This filing called for the expansion of the DSM programs into the service territory served by KU and proposed a mechanism to recover revenues from lost sales associated with DSM programs based on program planning engineering estimates and post-implementation evaluation.

Gas PBR

Since November 1, 1997, LG&E has operated under an experimental PBR mechanism related to its gas procurement activities. For each of the last five years, LG&E's rates have been adjusted to recover its portion of the savings (or expenses) incurred during each of the five 12-month periods beginning November 1 and ending October 31. Since its implementation on November 1, 1997, through October 31, 2002, LG&E has achieved $38.1 million in savings. Of the total savings, LG&E has retained $16.5 million, and the remaining portion of $21.6 million has been distributed to customers. In December 2000, LG&E filed an application reporting on the operation of the experimental PBR and requested the Kentucky Commission to extend the PBR as a result of the benefits provided to both LG&E and its customers during the experimental period. Following the discovery and hearing process, the Kentucky Commission issued an order effective November 1, 2001, extending the experimental PBR program for an additional four years, and making other modifications, including changes to the sharing levels applicable to savings or expenses incurred under the PBR. Specifically, the Kentucky Commission modified the sharing mechanism to a 25%/75% Company/Customer sharing for all savings (and expenses) up to 4.5% of the benchmarked gas costs. Savings (and expenses) in excess of 4.5% of the benchmarked gas costs are shared at a 50%/50% level.

FAC

Prior to implementation of the electric PBR in July 1999, and following its termination in March 2000, LG&E employed an FAC mechanism, which under Kentucky law allowed LG&E to recover from customers the actual fuel costs associated with retail electric sales. In February 1999, LG&E received orders from the Kentucky Commission requiring a refund to retail electric customers of approximately $3.9 million resulting from reviews of the FAC from November 1994, through April 1998. While legal challenges to the Kentucky Commission order were pending a comprehensive settlement was reached by all parties and approved by the Kentucky Commission on May 17, 2002. Thereunder, LG&E agreed to credit its fuel clause in the amount of $720,000 (such credit provided over the course of June and July 2002), and the parties agreed on a prospective interpretation of the state's fuel adjustment clause regulation to ensure consistent and mutually acceptable application on a going-forward basis.

In December 2002, the Kentucky Commission initiated a two-year review of the operation of LG&E's FAC for the period November 2000 through October 2002. Testimony in the review case was filed on January 20, 2003 and a public hearing was held February 18, 2003. Issues addressed at that time included the establishment of the current base fuel factor to be included in LG&E's base rates, verification of proper treatment of purchased power costs during unit outages, and compliance with fuel procurement policies and practices.

Gas Rate Case

In March 2000, LG&E filed an application with the Kentucky Commission requesting an adjustment in LG&E's gas rates. In September 2000, the Kentucky Commission granted LG&E an annual increase in its base gas revenues of $20.2 million effective September 28, 2000. The Kentucky Commission authorized a return on equity of 11.25%. The Kentucky Commission approved LG&E's proposal for a weather normalization billing adjustment mechanism that will normalize the effect of weather on base gas revenues from gas sales.

Wholesale Natural Gas Prices

On September 12, 2000, the Kentucky Commission issued an order establishing Administrative Case No. 384 – "An Investigation of Increasing Wholesale Natural Gas Prices and the Impacts of such Increase on the Retail Customers Served by Kentucky's Jurisdictional Natural Gas Distribution Companies". The impetus for this administrative proceeding was the escalation of wholesale natural gas prices during the summer of 2000.

The Kentucky Commission directed Kentucky's natural gas distribution companies, including LG&E, to file selected information regarding the individual companies' natural gas purchasing practices, expectations for the then-approaching winter heating season of 2000-2001, and potential actions which these companies might take to mitigate price volatility. On July 17, 2001, the Kentucky Commission issued an order encouraging the natural gas distribution companies in Kentucky to take various actions, among them to propose a natural gas hedge plan, consider performance-based ratemaking mechanisms, and to increase the use of storage.

In April 2002, in Case No. 2002-00136, LG&E proposed a hedging plan for the 2002/2003 winter heating season with three alternatives, the first two using a combination of storage and financial hedge instruments and the third relying upon storage alone. LG&E and the Attorney General, who represents Kentucky consumers, entered into a settlement which selected the third option. In August 2002, the Kentucky Commission approved the plan contemplated in the settlement. The Kentucky Commission validated the effectiveness of storage to mitigate potentially high winter gas prices by approving this natural gas hedging plan.

The Kentucky Commission also decided in Administrative Case No. 384 to engage a consultant to conduct a forward-looking audit of the gas procurement and supply procedures of Kentucky's largest natural gas distribution companies. The Kentucky Commission completed its audit in late 2002. The audit recognized LG&E as "efficient and effective [in the] procurement and management of significant quantities of natural gas supplies." The auditors also recognized that "the Company's residential gas prices have long been below averages for the U. S. and for the Commonwealth of Kentucky" which "demonstrates [LG&E's] effectiveness in [the] procurement and management of natural gas supplies." The audit also stated that the "Company's very impressive record in keeping its rates down provides sound evidence on the excellent job done in the area of gas supply procurement and management."

Kentucky Commission Administrative Case for Affiliate Transactions

In December 1997, the Kentucky Commission opened Administrative Case No. 369 to consider Kentucky Commission policy regarding cost allocations, affiliate transactions and codes of conduct governing the relationship between utilities and their non-utility operations and affiliates. The Kentucky Commission intended to address two major areas in the proceedings: the tools and conditions needed to prevent cost shifting and cross-subsidization between regulated and non-utility operations; and whether a code of conduct should be established to assure that non-utility segments of the holding company are not engaged in practices that could result in unfair competition caused by cost shifting from the non-utility affiliate to the utility. During the period September 1998 to February 2000, the Kentucky Commission issued draft codes of conduct and cost allocation guidelines. In early 2000, the Kentucky General Assembly enacted legislation, House Bill 897, which authorized the Kentucky Commission to require utilities who provide nonregulated activities to keep separate accounts and allocate costs in accordance with procedures established by the Kentucky Commission. In the same bill, the General Assembly set forth provisions to govern a utility's activities related to the sharing of information, databases, and resources between its employees or an affiliate involved in the marketing or the provision of nonregulated activities and its employees or an affiliate involved in the provision of regulated services. The legislation became law in July 2000 and LG&E has been operating pursuant thereto since that time. On February 14, 2001, the Kentucky Commission published notice of their intent to promulgate new administrative regulations under the auspices of the new law. This effort is still on going.

Kentucky Commission Administrative Case for System Adequacy

On June 19, 2001, Kentucky Governor Paul E. Patton issued Executive Order 2001-771, which directed the Kentucky Commission to review and study issues relating to the need for and development of new electric generating capacity in Kentucky. The issues to be considered included the impact of new power plants on the electric supply grid, facility citing issues, and economic development matters, with the goal of ensuring a continued, reliable source of supply of electricity for the citizens of Kentucky and the continued environmental and economic vitality of Kentucky and its communities. In response to that Executive Order, in July 2001 the Kentucky Commission opened Administrative Case No. 387 to review the adequacy of Kentucky's generation capacity and transmission system. Specifically, the items reviewed were the appropriate level of reliance on purchased power, the appropriate reserve margins to meet existing and future electric demand, the impact of spikes in natural gas prices on electric utility planning strategies, and the adequacy of Kentucky's electric transmission facilities. LG&E, as a party to this proceeding, filed written testimony and responded to two requests for information. Public hearings were held and in October 2001, LG&E filed a final brief in the case. In December 2001, the Kentucky Commission issued an order in which it noted that LG&E is responsibly addressing the long-term supply needs of native load customers and that current reserve margins are appropriate. However, due to the rapid pace of change in the industry, the order also requires LG&E to provide an annual assessment of supply resources, future demand, reserve margin, and the need for new resources.

Regarding the transmission system, the Kentucky Commission concluded that the transmission system within Kentucky can reliably serve native load and a significant portion of the proposed new unregulated power plants. However, it will not be able to handle the volume of transactions envisioned by FERC without future upgrades, the costs of which should be borne by those for whom the upgrades are required.

The Kentucky Commission pledged to continue to monitor all relevant issues and advocate Kentucky's interests at all opportunities.

FERC SMD NOPR

On July 31, 2002, FERC issued a NOPR in Docket No. RM01-12-000 which would substantially alter the regulations governing the nation's wholesale electricity markets by establishing a common set of rules -- SMD. The SMD NOPR would require each public utility that owns, operates, or controls interstate transmission facilities to become an Independent Transmission Provider (ITP), belong to an RTO that is an ITP, or contract with an ITP for operation of its transmission assets. It would also establish a standardized congestion management system, real-time and day-ahead energy markets, and a single transmission service for network and point-to-point transmission customers. Review of the proposed rulemaking is underway and a final rule is expected during 2003. While it is expected that the SMD final rule will affect LG&E revenues and expenses, the specific impact of the rulemaking is not known at this time.

MISO

LG&E is a member of the MISO, which began commercial operations on February 1, 2002. MISO now has operational control over LG&E's high-voltage transmission facilities (100 kV and greater), while LG&E continues to control and operate the lower voltage transmission subject to the terms and conditions of the MISO OATT. As a transmission-owning member of MISO, LG&E also incurs administrative costs of MISO pursuant to Schedule 10 of the MISO OATT.

MISO also proposed to implement a congestion management system. FERC directed the MISO to coordinate its efforts with FERC's Rulemaking on SMD. On September 24, 2002, the MISO filed new rate schedules designated as Schedules 16 and 17, which provide for the collection of costs incurred by the MISO to establish day-ahead and real-time energy markets. The MISO proposed to recover these costs under Schedules 16 and 17 once service commences. If approved by FERC, these schedules will cause LG&E to incur additional costs. LG&E opposes the establishment of Schedules 16 and 17. This effort is still on-going and the ultimate impact of the two schedules, if approved, is not known at this time.

Merger Surcredit

As part of the LG&E Energy merger with KU Energy in 1998, LG&E Energy estimated non-fuel savings over a ten–year period following the merger. Costs to achieve these savings for LG&E of $50.2 million were recorded in the second quarter of 1998, $18.1 million of which was deferred and amortized over a five-year period pursuant to regulatory orders. Primary components of the merger costs were separation benefits, relocation costs, and transaction fees, the majority of which were paid by December 31, 1998. LG&E expensed the remaining costs associated with the merger ($32.1 million) in the second quarter of 1998.

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 the Companies, over a five-year period. The surcredit was allocated 53% to KU and 47% to LG&E. In that same order, the Commission required LG&E and KU, after the end of the five-year period, to present a plan for sharing with customers the then-projected non-fuel savings associated with the merger. The Companies submitted this filing on January 13, 2003, proposing to continue to share with customers, on a 50%/50% basis, the estimated fifth-year gross level of non-fuel savings associated with the merger. The filing is currently under review.

Any fuel cost savings are passed to Kentucky customers through the fuel adjustment clause. See FAC above.

Environmental Matters

The Clean Air Act imposed stringent new SO_2 and NOx emission limits on electric generating units. LG&E previously had installed scrubbers on all of its generating units. LG&E's strategy for Phase II SO_2 reductions, which commenced January 1, 2000, is to increase scrubber removal efficiency to delay additional capital expenditures and may also include fuel switching or upgrading scrubbers. LG&E met the NOx emission requirements of the Act through installation of low-NOx burner systems. LG&E's compliance plans are subject to many factors including developments in the emission allowance and fuel markets, future regulatory and legislative initiatives, and advances in clean air control 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.

In September 1998, the EPA announced its final "NOx SIP Call" rule requiring states to impose significant additional reductions in NOx emissions by May 2003, in order to mitigate alleged ozone transport impacts on the Northeast region. The Commonwealth of Kentucky is currently in the process of revising its SIP to require reductions in NOx emissions from coal-fired generating units to the 0.15 lb./Mmbtu level on a system-wide basis. In related proceedings in response to petitions filed by various Northeast states, in December 1999, EPA issued a final rule pursuant to Section 126 of the Clean Air Act directing similar NOx reductions from a number of specifically targeted generating units including all LG&E units. As a result of appeals to both rules, the compliance date was extended to May 2004. All LG&E generating units are subject to the May 2004 compliance date under these NOx emissions reduction rules.

LG&E is currently implementing a plan for adding significant additional NOx controls to its generating units. Installation of additional NOx controls will proceed on a phased basis, with installation of controls commencing in late 2000 and continuing through the final compliance date. LG&E estimates that it will incur total capital costs of approximately $178 million to reduce its NOx emissions to the 0.15 lb./Mmbtu level on a company-wide basis. In addition, LG&E will incur additional operating and maintenance costs in operating new NOx controls. LG&E believes its costs in this regard to be comparable to those of similarly situated utilities with like generation assets. LG&E had anticipated that such capital and operating costs are the type of costs that are eligible for recovery from customers under its environmental surcharge mechanism and believed that a significant portion of such costs could be recovered. In April 2001, the Kentucky Commission granted recovery of these costs for LG&E.

LG&E is also monitoring several other air quality issues which may potentially impact coal-fired power plants, including the appeal of the D.C. Circuit's remand of the EPA's revised air quality standards for ozone and particulate matter, measures to implement EPA's regional haze rule, and EPA's December 2000 determination to regulate mercury emissions from power plants. In addition, LG&E is currently working with local regulatory authorities to review the effectiveness of remedial measures aimed at controlling particulate matter emissions from its Mill Creek Station. LG&E previously settled a number of property damage claims from adjacent residents and completed significant remedial measures as part of its ongoing capital construction program. LG&E is in the process of converting the Mill Creek Station to wet stack operation in an effort to resolve all outstanding issues related to particulate matter emissions.

LG&E owns or formerly owned three properties which are the location of past MGP operations. Various contaminants are typically found at such former MGP sites and environmental remediation measures are frequently required. With respect to the sites, LG&E has completed cleanups, obtained regulatory approval of site management plans, or reached agreements for other parties to assume responsibility for cleanup. Based on currently available information, management estimates that it will incur additional costs of $400,000. Accordingly, an accrual of $400,000 has been recorded in the accompanying financial statements at December 31, 2002 and 2001.

See Note 11 of LG&E's Notes to Financial Statements under Item 8 for an additional discussion of environmental issues.

Deferred Income Taxes

LG&E expects to have adequate levels of taxable income to realize its recorded deferred tax assets. At December 31, 2002, deferred tax assets totaled $98.2 million and were principally related to expenses attributable to LG&E's pension plans and post retirement benefit obligations.

FUTURE OUTLOOK

Competition and Customer Choice

LG&E has moved aggressively over the past decade to be positioned for the energy industry's shift to customer choice and a competitive market for energy services. Specifically, LG&E has taken many steps to prepare for the expected increase in competition in its business, including support for PBR structures; aggressive cost reduction activities; strategic acquisitions, dispositions and growth initiatives; write-offs of previously deferred expenses; an increase in focus on commercial and industrial customers; an increase in employee training; and necessary corporate and business unit realignments.

In December 1997, the Kentucky Commission issued a set of principles which was intended to serve as its guide in consideration of issues relating to industry restructuring. Among the issues addressed by these principles are: consumer protection and benefit, system reliability, universal service, environmental responsibility, cost allocation, stranded costs and codes of conduct. During 1998, the Kentucky Commission and a task force of the Kentucky General Assembly had each initiated proceedings, including meetings with representatives of utilities, consumers, state agencies and other groups in Kentucky, to discuss the possible structure and effects of energy industry restructuring in Kentucky.

In November 1999, the task force issued a report to the Governor of Kentucky and a legislative agency recommending no general electric industry restructuring actions during the 2000 legislative session. No general restructuring actions have been taken to date by the legislature.

Thus, at the time of this report, neither the Kentucky General Assembly nor the Kentucky Commission has adopted or approved a plan or timetable for retail electric industry competition in Kentucky. The nature or timing of the ultimate legislative or regulatory actions regarding industry restructuring and their impact on LG&E, which may be significant, cannot currently be predicted.

While many states have moved forward in providing retail choice, many others have not. Some are reconsidering their initiatives and have even delayed implementation.

Market Price of and Dividends on LG&E's Common Stock

As discussed above, all of the outstanding LG&E Common Stock is owned by LG&E Energy Corp. and, accordingly, is not traded on any securities exchange. During 2002 and 2001, LG&E paid dividends of $69 million and $23 million on its common stock.

Louisville Gas and Electric Company and Subsidiary
Consolidated Statements of Income
(Thousands of $)

	Years Ended December 31 2002	2001
OPERATING REVENUES:		
Electric	$ 723,775	$ 674,492
Gas	267,693	290,775
Provision for rate collections (refunds) (Note 3)	12,267	(720)
Total operating revenues (Note 1)	1,003,735	964,547
OPERATING EXPENSES:		
Fuel for electric generation	194,900	159,231
Power purchased	61,881	49,322
Gas supply expenses	182,108	206,165
Other operation expenses	208,322	167,818
Maintenance	60,210	58,687
Depreciation and amortization (Note 1)	105,906	100,356
Federal and state income taxes (Note 7)	55,035	63,452
Property and other taxes	17,459	17,743
Total operating expenses	885,821	822,774
Net operating income	117,914	141,773
Other income - net (Note 8)	820	2,930
Interest charges	29,805	37,922
Net income	88,929	106,781
Preferred stock dividends	4,246	4,739
Net income available for common stock	$ 84,683	$ 102,042

Consolidated Statements of Retained Earnings
(Thousands of $)

	Years Ended December 31 2002	2001
Balance January 1	$393,636	$314,594
Add net income	88,929	106,781
	482,565	421,375
Deduct: Cash dividends declared on stock:		
5% cumulative preferred	1,075	1,075
Auction rate cumulative preferred	1,702	2,195
$5.875 cumulative preferred	1,469	1,469
Common	69,000	23,000
	73,246	27,739
Balance December 31	$409,319	$393,636

The accompanying notes are an integral part of these consolidated financial statements.

Louisville Gas and Electric Company and Subsidiary
Consolidated Statements of Comprehensive Income
(Thousands of $)

	Years Ended December 31	
	2002	2001
Net income	$88,929	$106,781
Cumulative effect of change in accounting principle – Accounting for derivative instruments and hedging activities	-	(5,998)
Losses on derivative instruments and hedging activities (Note 1)	(8,511)	(2,606)
Additional minimum pension liability adjustment (Note 6)	(25,999)	(24,712)
Income tax benefit related to items of other comprehensive income	13,898	13,416
Other comprehensive loss, net of tax	(20,612)	(19,900)
Comprehensive income	$68,317	$86,881

The accompanying notes are an integral part of these consolidated financial statements.

Louisville Gas and Electric Company and Subsidiary
Consolidated Balance Sheets
(Thousands of $)

	December 31 2002	December 31 2001
ASSETS:		
Utility plant, at original cost (Note 1):		
Electric	$2,717,187	$2,598,152
Gas	435,235	409,994
Common	169,577	159,817
	3,321,999	3,167,963
Less: reserve for depreciation	1,463,674	1,381,874
	1,858,325	1,786,089
Construction work in progress	300,986	255,074
	2,159,311	2,041,163
Other property and investments – less reserve of $63 in 2002 and 2001	764	1,176
Current assets:		
Cash	17,015	2,112
Accounts receivable - less reserve of $2,125 in 2002 and $1,575 in 2001	68,440	85,667
Materials and supplies - at average cost:		
Fuel (predominantly coal) (Note 1)	36,600	22,024
Gas stored underground (Note 1)	50,266	46,395
Other	25,651	29,050
Prepayments and other	5,298	4,688
	203,270	189,936
Deferred debits and other assets:		
Unamortized debt expense (Note 1)	6,532	5,921
Regulatory assets (Note 3)	153,446	197,142
Other	37,755	13,016
	197,733	216,079
	$2,561,078	$2,448,354
CAPITAL AND LIABILITIES:		
Capitalization (see statements of capitalization):		
Common equity	$ 833,141	$ 838,070
Cumulative preferred stock	95,140	95,140
Long-term debt (Note 9)	328,104	370,704
	1,256,385	1,303,914
Current liabilities:		
Current portion of long-term debt (Note 9)	288,800	246,200
Notes payable (Note 10)	193,053	94,197
Accounts payable	122,771	149,070
Accrued taxes	1,450	20,257
Other	19,536	18,658
	625,610	528,382
Deferred credits and other liabilities:		
Accumulated deferred income taxes (Notes 1 and 7)	313,225	298,143
Investment tax credit, in process of amortization	54,536	58,689
Accumulated provision for pensions and related benefits (Note 6)	224,703	167,526
Regulatory liabilities (Note 3)	52,424	65,349
Other	34,195	26,351
	679,083	616,058
Commitments and contingencies (Note 11)		
	$2,561,078	$2,448,354

The accompanying notes are an integral part of these consolidated financial statements.

Louisville Gas and Electric Company and Subsidiary
Consolidated Statements of Cash Flows
(Thousands of $)

	Years Ended December 31 2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 88,929	$ 106,781
Items not requiring cash currently:		
Depreciation and amortization	105,906	100,356
Deferred income taxes - net	11,915	3,021
Investment tax credit - net	(4,153)	(4,290)
Other	37,260	(528)
Change in certain net current assets:		
Accounts receivable	(3,973)	43,185
Materials and supplies	(15,048)	(2,018)
Accounts payable	(26,299)	14,678
Accrued taxes	(18,807)	12,184
Prepayments and other	321	(10,500)
Sale of accounts receivable (Note 1)	21,200	42,000
Other	15,130	(17,806)
Net cash flows from operating activities	212,381	287,063
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of securities	-	-
Proceeds from sales of securities	412	4,237
Construction expenditures	(220,416)	(252,958)
Net cash flows from investing activities	(220,004)	(248,721)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Short-term borrowings and repayments	98,856	(20,392)
Issuance of pollution control bonds	158,635	9,662
Retirement of first mortgage bonds and pollution control bonds	(161,665)	-
Additional paid-in capital	-	-
Payment of dividends	(73,300)	(27,995)
Net cash flows from financing activities	22,526	(38,725)
Change in cash and temporary cash investments	14,903	(383)
Cash and temporary cash investments at beginning of year	2,112	2,495
Cash and temporary cash investments at end of year	$ 17,015	$ 2,112
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Income taxes	$51,540	$ 35,546
Interest on borrowed money	25,673	30,989

The accompanying notes are an integral part of these consolidated financial statements.

Louisville Gas and Electric Company and Subsidiary
Consolidated Statements of Capitalization
(Thousands of $)

	Shares Outstanding	Current Redemption Price	December 31 2002	2001
COMMON EQUITY:				
Common stock, without par value - Authorized 75,000,000 shares, outstanding 21,294,223 shares			$ 425,170	$ 425,170
Common stock expense			(836)	(836)
Additional paid-in capital			40,000	40,000
Accumulated other comprehensive income			(40,512)	(19,900)
Retained earnings			409,319	393,636
			833,141	838,070
CUMULATIVE PREFERRED STOCK:				
$25 par value, 1,720,000 shares authorized - 5% series	860,287	$28.00	21,507	21,507
Without par value, 6,750,000 shares authorized - Auction rate	500,000	100.00	50,000	50,000
$5.875 series	250,000	101.18	25,000	25,000
Preferred stock expense			(1,367)	(1,367)
			95,140	95,140
LONG-TERM DEBT (Note 9):				
First mortgage bonds -				
Series due August 15, 2003, 6%			42,600	42,600
Pollution control series:				
R due November 1, 2020, 6.55 %			-	41,665
S due September 1, 2017, variable %			31,000	31,000
T due September 1, 2017, variable %			60,000	60,000
U due August 15, 2013, variable %			35,200	35,200
V due August 15, 2019, 5.625%			102,000	102,000
W due October 15, 2020, 5.45%			26,000	26,000
X due April 15, 2023, 5.90%			40,000	40,000
Y due May 1, 2027, variable %			25,000	25,000
Z due August 1, 2030, variable %			83,335	83,335
AA due September 1, 2027, variable %			10,104	10,104
BB due September 1, 2026, variable %			22,500	-
CC due September 1, 2026, variable %			27,500	-
DD due November 1, 2027, variable %			35,000	-
EE due November 1, 2027, variable %			35,000	-
FF due October 1, 2032, variable %			41,665	-
Total first mortgage bonds			616,904	496,904
Pollution control bonds (unsecured) -				
Series due September 1, 2026, variable %			-	22,500
Series due September 1, 2026, variable %			-	27,500
Series due November 1, 2027, variable %			-	35,000
Series due November 1, 2027, variable %			-	35,000
Total unsecured pollution control bonds			-	120,000
Total bonds outstanding			616,904	616,904
Less current portion of long-term debt			288,800	246,200
Long-term debt			328,104	370,704
Total capitalization			$1,256,385	$1,303,914

The accompanying notes are an integral part of these consolidated financial statements.

Note 1 - Summary of Significant Accounting Policies

LG&E, a subsidiary of LG&E Energy and an indirect subsidiary of Powergen and E.ON, 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 in Louisville and adjacent areas in Kentucky. LG&E Energy is an exempt public utility holding company with wholly owned subsidiaries including LG&E, KU, Capital Corp., LEM, and LG&E Services. All of LG&E's Common Stock is held by LG&E Energy. LG&E has one wholly owned consolidated subsidiary, LG&E R.

On December 11, 2000, LG&E Energy was acquired by Powergen. On July 1, 2002, E.ON, a German company, completed its acquisition of Powergen plc (now Powergen Limited). E.ON had announced its pre-conditional cash offer of £5.1 billion ($7.3 billion) for Powergen on April 9, 2001. E.ON and Powergen are registered public utility holding companies under PUHCA. No costs associated with these acquisitions nor any of the effects of purchase accounting have been reflected in the financial statements of LG&E.

Certain reclassification entries have been made to the previous year's financial statements to conform to the 2002 presentation with no impact on the balance sheet totals or previously reported income.

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.

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. Pursuant to a final order of the Kentucky Commission dated December 3, 2001, LG&E implemented new depreciation rates effective January 1, 2001. The amounts provided were approximately 3.1% in 2002 (2.9% electric, 2.8% gas and 6.6% common) and 3.0% for 2001 (2.9% electric, 2.9% gas and 5.7% common), of average depreciable plant. Of the amount provided for depreciation, at December 31, 2002 and 2001, respectively, approximately 0.4 % electric, 0.9 % gas and 0.04% common were related to the retirement, removal and disposal costs of long lived assets.

Fuel Inventory. Fuel inventories of $36.6 million and $22.0 million at December 31, 2002, and 2001, respectively, are included in Fuel in the balance sheet. The inventory is accounted for using the average-cost method.

Gas Stored Underground. Gas inventories of $50.3 million and $46.4 million at December 31, 2002, and 2001, respectively, are included in gas stored underground in the balance sheet. The inventory is accounted for using the average-cost method.

Financial Instruments. LG&E uses over-the-counter interest-rate swap agreements to hedge its exposure to fluctuations in the interest rates it pays on variable-rate debt. Gains and losses on interest-rate swaps used to hedge interest rate risk are reflected in other comprehensive income. See Note 4- Financial Instruments.

Unamortized Debt Expense. Debt expense is capitalized in deferred debits and amortized over the lives of the related bond issues, consistent with regulatory practices.

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 basis of assets and liabilities.

Investment Tax Credits. Investment tax credits resulted from provisions of the tax law that permitted a reduction of LG&E's tax liability based on credits for certain 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. The unbilled revenue estimates included in accounts receivable were approximately $40.7 million and $37.3 million, at December 31, 2002 and 2001, respectively. See Note 3, Rates and Regulatory Matters. LG&E recorded electric revenues that resulted from sales to a related party, KU, of $46.5 million and $28.5 million for years ended December 31, 2002 and 2001, respectively.

With the adoption of EITF 02-03, *Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities*, revenues on the income statement are shown net of cost associated with trading activities. As a result LG&E has netted the power purchased expense for trading activities against operating revenue for all years presented.

Fuel and Gas Costs. The cost of fuel for electric generation is charged to expense as used, and the cost of 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 gas procurement and off-system gas sales activity. See Note 3, 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. Actual results could differ from those estimates. See Note 11, Commitments and Contingencies, for a further discussion.

Accounts Receivable Securitization. SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, revises the standards for accounting for securitizations and other transfers of financial assets and collateral and requires certain disclosures, and provides accounting and reporting standards for transfers and servicing of financial assets and extinguishments of liabilities. SFAS No. 140 was adopted in the first quarter of 2001, when LG&E entered into an accounts receivable securitization transaction.

On February 6, 2001, LG&E implemented an accounts receivable securitization program. The purpose of this program is to enable LG&E to accelerate the receipt of cash from the collection of retail accounts receivable, thereby reducing dependence upon more costly sources of working capital. The securitization program allows for a percentage of eligible receivables to be sold. Eligible receivables are generally all receivables associated with retail sales that have standard terms and are not past due. LG&E is able to terminate this program at any time without penalty. If there is a significant deterioration in the payment record of the receivables by the retail customers or if LG&E fails to meet certain covenants regarding the program, the program may terminate at the election of the financial institutions. In this case, payments from retail customers would first be used to repay the financial institutions participating in the program, and would then be available for use by LG&E.

As part of the program, LG&E sold retail accounts receivables to a wholly owned subsidiary, LG&E R. Simultaneously, LG&E R entered into two separate three-year accounts receivable securitization facilities with two financial institutions and their affiliates whereby LG&E R can sell, on a revolving basis, an undivided interest in certain of its receivables and receive up to $75 million from an unrelated third party purchaser. The effective cost of the receivables programs is comparable to LG&E's lowest cost source of capital, and is based on prime rated commercial paper. LG&E retains servicing rights of the sold receivables through two separate servicing agreements with the third party purchaser. LG&E has obtained an opinion from independent legal counsel indicating these transactions qualify as true sale of receivables. As of December 31, 2002, the outstanding program balance was $63.2 million. LG&E is considering unwinding its accounts receivable securitization arrangements involving LG&E R during 2003.

The allowance for doubtful accounts associated with the eligible securitized receivables was $2.125 million at December 31, 2002. This allowance is based on historical experience of LG&E. Each securitization facility contains a fully funded reserve for uncollectible receivables.

New Accounting Pronouncements.

SFAS No. 143, *Accounting for Asset Retirement Obligations* was issued in 2001. SFAS No. 143 establishes accounting and reporting standards for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs.

The effective implementation date for SFAS No. 143 is January 1, 2003. Management has calculated the impact of SFAS No. 143 and the recently released FERC NOPR No. RM02-7, *Accounting, Financial Reporting, and Rate Filing Requirements for Asset Retirement Obligations*. As of January 1, 2003, LG&E recorded asset retirement obligation (ARO) assets in the amount of $4.6 million and liabilities in the amount of $9.3 million. LG&E also recorded a cumulative effect adjustment in the amount of $5.3 million to reflect the accumulated depreciation and accretion of ARO assets at the transition date less amounts previously accrued under regulatory depreciation. LG&E recorded offsetting regulatory assets of $5.3 million, pursuant to regulatory treatment prescribed under SFAS No. 71, *Accounting for the Effects of Certain Types of Regulation*. Also pursuant to SFAS No. 71, LG&E recorded regulatory liabilities in the amount of $60,000 offsetting removal costs previously accrued under regulatory accounting in excess of amounts allowed under SFAS No. 143.

LG&E also expects to record ARO accretion expense of approximately $617,000, ARO depreciation expense of approximately $117,000 and an offsetting regulatory credit in the income statement of approximately $734,000 in 2003, pursuant to regulatory treatment prescribed under SFAS No. 71, *Accounting for the Effects of Certain Types of Regulation*. The accretion, depreciation and regulatory credit will be annual adjustments. SFAS No. 143 will have no impact on the results of the operation of LG&E.

LG&E asset retirement obligations are primarily related to the final retirement of generating units. 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 will be recorded for transmission and distribution assets.

LG&E adopted EITF No. 98-10, *Accounting for Energy Trading and Risk Management Activities*, effective January 1, 1999. This pronouncement required that energy trading contracts be marked to market on the balance sheet, with the gains and losses shown net in the income statement.

The EITF clarified accounting standards related to energy trading activities under EITF Issue 02-03, *Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities*. EITF No. 02-03 established the following:

- Rescinded EITF No. 98-10,
- Contracts that do not meet the definition of a derivative under SFAS No. 133 should not be marked to fair market value, and
- Revenues should be shown in the income statement net of costs associated with trading activities, whether or not the trades are physically settled.

With the rescission of EITF No. 98-10, energy trading contracts that do not also meet the definition of a derivative under SFAS No. 133 must be accounted for as executory contracts. Contracts previously recorded at fair value under EITF No. 98-10 that are not also derivatives under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, must be restated to historical cost through a cumulative effect adjustment. The rescission of this standard had no impact on financial position or results of operations of LG&E since all contracts marked to market under EITF No. 98-10 are also within the scope of SFAS No. 133.

As a result of EITF No. 02-03, LG&E has netted the power purchased expense for trading activities against electric operating revenue to reflect this accounting change. LG&E applied this guidance to all prior periods, which had no impact on previously reported net income or common equity.

	2002	2001
Gross electric operating revenues	$746,224	$706,645
Less costs reclassified from power purchased	22,449	32,153
Net electric operating revenues reported	$723,775	$674,492
Gross power purchased	$ 84,330	$ 81,475
Less costs reclassified to revenues	22,449	32,153
Net power purchased reported	$ 61,881	$ 49,332

In January 2003, the Financial Accounting Standards Board issued Financial Accounting Standards Board Interpretation No. 46, *Consolidation of Variable Interest Entities*, an Interpretation of ARB No. 51 (FIN 46). FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 is effective immediately for all new variable interest entities created or acquired after January 31, 2003. For variable interest entities created or acquired prior to February 1, 2003, the provisions of FIN 46 must be applied for the first interim or annual period beginning after June 15, 2003. LG&E does not expect the adoption of this standard to have any impact on the financial position or results of operations.

Note 2 – Mergers and Acquisitions

On July 1, 2002, E.ON completed its acquisition of Powergen, including LG&E Energy, for approximately £5.1 billion ($7.3 billion). As a result of the acquisition, LG&E Energy became a wholly owned subsidiary (through Powergen) of E.ON and, as a result, LG&E also became an indirect subsidiary of E.ON. LG&E has continued its separate identity and serves customers in Kentucky under its existing name. The preferred stock and debt securities of LG&E were not affected by this transaction and the utilities continue to file SEC reports. Following the acquisition, E.ON became, and Powergen remained, a registered holding company under PUHCA. LG&E, as a subsidiary of a registered holding company, is subject to additional regulations under PUHCA. As contemplated in their regulatory filings in connection with the E.ON acquisition, E.ON, Powergen and LG&E Energy completed an administrative reorganization to move the LG&E Energy group from an indirect Powergen subsidiary to an indirect E.ON subsidiary. This reorganization was effective in March 2003.

LG&E Energy and KU Energy merged on May 4, 1998, with LG&E Energy as the surviving corporation. Management accounted for the merger as a pooling of interests and as a tax-free reorganization under the Internal Revenue Code. Following the acquisition, LG&E has continued to maintain its separate corporate identity and serve customers in Kentucky under its present name.

Note 3 - Rates and Regulatory Matters

Accounting for the regulated utility business conforms with generally accepted accounting principles as applied to regulated public utilities and as prescribed by FERC and the Kentucky Commission. LG&E is subject to SFAS No. 71, *Accounting for the Effects of Certain Types of Regulation*, under which certain costs that would otherwise be charged to expense are deferred as regulatory assets based on expected recovery from customers in future rates. Likewise, certain 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 generally based on specific ratemaking decisions or precedent for each item. The following regulatory assets and liabilities were included in LG&E's balance sheets as of December 31 (in thousands of $):

	2002	2001
VDT Costs	$ 98,044	$127,529
Gas supply adjustments due from customers	13,714	30,135
Unamortized loss on bonds	18,843	17,902
ESM provision	12,500	-
LGE/KU merger costs	1,815	5,444
Manufactured gas sites	1,757	2,062
One utility costs	954	3,643
Other	5,819	10,427
Total regulatory assets	153,446	197,142
Deferred income taxes - net	(45,536)	(48,703)
Gas supply adjustments due to customers	(3,154)	(15,702)
Other	(3,734)	(944)
Total regulatory liabilities	(52,424)	(65,349)
Regulatory assets – net	$101,022	$131,793

Kentucky Commission Settlement - VDT Costs. During the first quarter 2001, LG&E recorded a $144 million charge for a workforce reduction program. Primary components of the charge were separation benefits, enhanced early retirement benefits, and health care benefits. The result of this workforce reduction was the elimination of approximately 700 positions, accomplished primarily through a voluntary enhanced severance program.

On June 1, 2001, LG&E filed an application (VDT case) with the Kentucky Commission to create a regulatory asset relating to these first quarter 2001 charges. The application requested permission to amortize these costs over a four-year period. The Kentucky Commission also opened a case to review a new depreciation study and resulting depreciation rates implemented in 2001.

LG&E reached a settlement in the VDT case as well as the other cases involving depreciation rates and ESM with all intervening parties. The settlement agreement was approved by the Kentucky Commission on December 3, 2001. The order allowed LG&E to set up a regulatory asset of $141 million for the workforce reduction costs and begin amortizing these costs over a five year period starting in April 2001. The first quarter 2001 charge of $144 million represented all employees who had accepted a voluntary enhanced severance program. Some employees rescinded their participation in the voluntary enhanced severance program, thereby decreasing the original charge from $144 million to $141 million. The settlement will also reduce revenues approximately $26 million through a surcredit on future bills to customers over the same five year period. The surcredit represents net savings stipulated by LG&E. The agreement also established LG&E's new depreciation rates in effect December 2001, retroactive to January 1, 2001. The new depreciation rates decreased depreciation expense by $5.6 million in 2001.

PUHCA. LG&E Energy was purchased by Powergen on December 11, 2000. Effective July 1, 2002, Powergen was acquired by E.ON, which became a registered holding company under PUHCA. As a result, E.ON, its utility subsidiaries, including LG&E, and certain of its non-utility subsidiaries are subject to extensive regulation by the SEC under PUHCA with respect to issuances and sales of securities, acquisitions and sales of certain utility properties, and intra-system sales of certain goods and services. In addition, PUHCA generally limits the ability of registered holding companies to acquire additional public utility systems and to acquire and retain businesses unrelated to the utility operations of the holding company. LG&E believes that it has adequate authority (including financing authority) under existing SEC orders and regulations to conduct its business. LG&E will seek additional authorization when necessary.

Environmental Cost Recovery. In June 2000, the Kentucky Commission approved LG&E's application for a CCN to construct up to three SCR NOx reduction facilities. The construction and subsequent operation of the SCRs is intended to reduce NOx emission levels to meet the EPA's mandated NOx emission level of 0.15 lbs./ Mmbtu by May 2004. In its order, the Kentucky Commission ruled that LG&E's proposed plan for construction was "reasonable, cost-effective and will not result in the wasteful duplication of facilities." In October 2000, LG&E filed an application with the Kentucky Commission to amend its Environmental Compliance Plan to reflect the addition of the proposed NOx reduction technology projects and to amend its ECR Tariff to include an overall rate of return on capital investments. Approval of LG&E's application in April 2001 allowed LG&E to begin to recover the costs associated with these new projects, subject to Kentucky Commission oversight during normal six-month and two-year reviews.

In August 2002, LG&E filed an application with the Kentucky Commission to amend its compliance plan to allow recovery of the cost of new and additional environmental compliance facilities. The estimated capital cost of the additional facilities is $71.1 million. The Kentucky Commission conducted a public hearing on the case on December 20, 2002, final briefs were filed on January 15, 2003, and a final order was issued February 11, 2003. The final order approved recovery of four new environmental compliance facilities totaling $43.1 million. A fifth project, expansion of the land fill facility at the Mill Creek Station, was denied without prejudice with an invitation to reapply for recovery when required construction permits are approved. Cost recovery through the environmental surcharge of the four approved projects will begin with the bills rendered in April 2003.

ESM. LG&E's electric rates are subject to an ESM. The ESM, initially in place for three years beginning in 2000, sets an upper and lower point for rate of return on equity, whereby if LG&E's rate of return for the calendar year falls within the range of 10.5% to 12.5%, no action is necessary. If earnings are above the upper limit, the excess earnings are shared 40% with ratepayers and 60% with shareholders; if earnings are below the lower limit, the earnings deficiency is recovered 40% from ratepayers and 60% from shareholders. By order of the Kentucky Commission, rate changes prompted by the ESM filing go into effect in April of each year subject to a balancing adjustment in successive periods. LG&E made its second ESM filing on March 1, 2002 for the calendar year 2001 reporting period. LG&E is in the process of refunding $441,000 to customers for the 2001 reporting period. LG&E estimated that the rate of return will fall below the lower limit, subject to Kentucky Commission approval, for the year ended December 31, 2002. The 2002 financial statements include an accrual to reflect the earnings deficiency of $12.5 million to be recovered from customers commencing in April 2003.

On November 27, 2002, LG&E filed a revised ESM tariff which proposed continuance of the existing ESM through December 2005. The Kentucky Commission issued an Order suspending the ESM tariff one day making the effective date January 2, 2003. In addition, the Kentucky Commission is conducting a management audit to review the ESM plan and reassess its reasonableness in 2003. LG&E and interested parties will have the opportunity to provide recommendations for modification and continuance of the ESM or other forms of alternative or incentive regulation.

DSM. LG&E's rates contain a DSM provision. The provision includes a rate mechanism that provides concurrent recovery of DSM costs and provides an incentive for implementing DSM programs. This program had allowed LG&E to recover revenues from lost sales associated with the DSM program. In May 2001, the Kentucky Commission approved LG&E's plan to continue DSM programs. This filing called for the expansion of the DSM programs into the service territory served by KU and proposed a mechanism to recover revenues from lost sales associated with DSM programs based on program planning engineering estimates and post-implementation evaluation.

Gas PBR. Since November 1, 1997, LG&E has operated under an experimental PBR mechanism related to its gas procurement activities. For each of the last five years, LG&E's rates have been adjusted to recover its portion of the savings (or expenses) incurred during each of the five 12-month periods beginning November 1 and ending October 31. Since its implementation on November 1, 1997, through October 31, 2001, LG&E has achieved $38.1 million in savings. Of the total savings, LG&E has retained $16.5 million, and the remaining portion of $21.6 million has been distributed to customers. In December 2000, LG&E filed an application reporting on the operation of the experimental PBR and requested the Kentucky Commission to extend the PBR as a result of the benefits provided to both LG&E and its customers during the experimental period. Following the discovery and hearing process, the Kentucky Commission issued an order effective November 1, 2001, extending the experimental PBR program for an additional four years, and making other modifications, including changes to the sharing levels applicable to savings or expenses incurred under the PBR. Specifically, the Kentucky Commission modified the savings mechanism to a 25%/75% Company/Customer sharing for all savings (and expenses) up to 4.5% of the benchmarked gas costs. Savings (and expenses) in excess of 4.5% of the benchmarked gas costs are shared at a 50%/50% level.

FAC. Prior to implementation of the electric PBR in July 1999, and following its termination in March 2000, LG&E employed an FAC mechanism, which under Kentucky law allowed LG&E to recover from customers the actual fuel costs associated with retail electric sales. In February 1999, LG&E received orders from the Kentucky Commission requiring a refund to retail electric customers of approximately $3.9 million resulting from reviews of the FAC from November 1994, through April 1998. While legal challenges to the Kentucky Commission order were pending, a comprehensive settlement was reached by all parties and approved by the Kentucky Commission on May 17, 2002. Thereunder, LG&E agreed to credit its fuel clause in the amount of $720,000 (such credit provided over the course of June and July 2002), and the parties agreed on a prospective interpretation of the state's FAC regulation to ensure consistent and mutually acceptable application on a going-forward basis.

In December 2002, the Kentucky Commission initiated a two year review of the operation of LG&E's FAC for the period November 2000 through October 2002. Testimony in the review case was filed on January 20, 2003 and a public hearing was held February 18, 2003. Issues addressed at that time included the establishment of the current base fuel factor to be included in LG&E's base rates, verification of proper treatment of purchased power costs during unit outages, and compliance with fuel procurement policies and practices.

Gas Rate Case. In March 2000, LG&E filed an application with the Kentucky Commission requesting an adjustment in LG&E's gas rates. In September 2000, the Kentucky Commission granted LG&E an annual increase in its base gas revenues of $20.2 million effective September 28, 2000. The Kentucky Commission authorized a return on equity of 11.25%. The Kentucky Commission approved LG&E's proposal for a weather normalization billing adjustment mechanism that will normalize the effect of weather on base gas revenues from gas sales.

Wholesale Natural Gas Prices. On September 12, 2000, the Kentucky Commission issued an order establishing Administrative Case No. 384 – "An Investigation of Increasing Wholesale Natural Gas Prices and the Impacts of such Increase on the Retail Customers Served by Kentucky's Jurisdictional Natural Gas Distribution Companies". The impetus for this administrative proceeding was the escalation of wholesale natural gas prices during the summer of 2000.

The Kentucky Commission directed Kentucky's natural gas distribution companies, including LG&E, to file selected information regarding the individual companies' natural gas purchasing practices, expectations for the then-approaching winter heating season of 2000-2001, and potential actions which these companies might take to mitigate price volatility. On July 17, 2001, the Kentucky Commission issued an order encouraging the natural gas distribution companies in Kentucky to take various actions, among them to propose a natural gas hedge plan, consider performance-based ratemaking mechanisms, and to increase the use of storage.

In April 2002, in Case No. 2002-00136, LG&E proposed a hedging plan for the 2002/2003 winter heating season with three alternatives, the first two using a combination of storage and financial hedge instruments and the third relying upon storage alone. LG&E and the Attorney General, who represents Kentucky consumers, entered into a settlement which selected the third option. In August 2002, the Kentucky Commission approved the plan contemplated in the settlement. The Kentucky Commission validated the effectiveness of storage to mitigate potentially high winter gas prices by approving this natural gas hedging plan.

The Kentucky Commission also decided in Administrative Case No. 384 to engage a consultant to conduct a forward-looking audit of the gas procurement and supply procedures of Kentucky's largest natural gas distribution companies. The Kentucky Commission completed its audit in late 2002. The audit recognized LG&E as "efficient and effective [in the] procurement and management of significant quantities of natural gas supplies." The auditors also recognized that "the Company's residential gas prices have long been below averages for the U. S. and for the Commonwealth of Kentucky" which "demonstrates [LG&E's] effectiveness in [the] procurement and management of natural gas supplies." The audit also stated that the "Company's very impressive record in keeping its rates down provides sound evidence on the excellent job done in the area of gas supply procurement and management."

Kentucky Commission Administrative Case for Affiliate Transactions. In December 1997, the Kentucky Commission opened Administrative Case No. 369 to consider Kentucky Commission policy regarding cost allocations, affiliate transactions and codes of conduct governing the relationship between utilities and their non-utility operations and affiliates. The Kentucky Commission intended to address two major areas in the proceedings: the tools and conditions needed to prevent cost shifting and cross-subsidization between regulated and non-utility operations; and whether a code of conduct should be established to assure that non-utility segments of the holding company are not engaged in practices that could result in unfair competition caused by cost shifting from the non-utility affiliate to the utility. During the period September 1998 to February 2000, the Kentucky Commission issued draft codes of conduct and cost allocation guidelines. In early 2000, the Kentucky General Assembly enacted legislation, House Bill 897, which authorized the Kentucky Commission to require utilities that provide nonregulated activities to keep separate accounts and allocate costs in accordance with procedures established by the Kentucky Commission. In the same bill, the General Assembly set forth provisions to govern a utility's activities related to the sharing of information, databases, and resources between its employees or an affiliate involved in the marketing or the provision of nonregulated activities and its employees or an affiliate involved in the provision of regulated services. The legislation became law in July 2000 and LG&E has been operating pursuant thereto since that time. On February 14, 2001, the Kentucky Commission published notice of its intent to promulgate new administrative regulations under the auspices of this new law. This effort is still on going.

Kentucky Commission Administrative Case for System Adequacy. On June 19, 2001, Kentucky Governor Paul E. Patton issued Executive Order 2001-771, which directed the Kentucky Commission to review and study issues relating to the need for and development of new electric generating capacity in Kentucky. The issues to be considered included the impact of new power plants on the electric supply grid, facility citing issues, and economic development matters, with the goal of ensuring a continued, reliable source of supply of electricity for the citizens of Kentucky and the continued environmental and economic vitality of Kentucky and its communities. In response to that Executive Order, in July 2001 the Kentucky Commission opened Administrative Case No. 387 to review the adequacy of Kentucky's generation capacity and transmission system. Specifically, the items reviewed were the appropriate level of reliance on purchased power, the appropriate reserve margins to meet existing and future electric demand, the impact of spikes in natural gas prices on electric utility planning strategies, and the adequacy of Kentucky's electric transmission facilities. LG&E, as a party to this proceeding, filed written testimony and responded to two requests for information. Public hearings were held and in October 2001, LG&E filed a final brief in the case. In December 2001, the Kentucky Commission issued an order in which it noted that LG&E is responsibly addressing the long-term supply needs of native load customers and that current reserve margins are appropriate. However, due to the rapid pace of change in the industry, the order also requires LG&E to provide an annual assessment of supply resources, future demand, reserve margin, and the need for new resources.

Regarding the transmission system, the Kentucky Commission concluded that the transmission system within Kentucky can reliably serve native load and a significant portion of the proposed new unregulated power plants. However, it will not be able to handle the volume of transactions envisioned by FERC without future upgrades, the costs of which should be borne by those for whom the upgrades are required.

The Kentucky Commission pledged to continue to monitor all relevant issues and advocate Kentucky's interests at all opportunities.

FERC SMD NOPR. On July 31, 2002, FERC issued a NOPR in Docket No. RM01-12-000 which would substantially alter the regulations governing the nation's wholesale electricity markets by establishing a common set of rules -- SMD. The SMD NOPR would require each public utility that owns, operates, or controls interstate transmission facilities to become an Independent Transmission Provider (ITP), belong to an RTO that is an ITP, or contract with an ITP for operation of its transmission assets. It would also establish a standardized congestion management system, real-time and day-ahead energy markets, and a single transmission service for network and point-to-point transmission customers. Review of the proposed rulemaking is underway and a final rule is expected during 2003. While it is expected that the SMD final rule will affect LG&E revenues and expenses, the specific impact of the rulemaking is not known at this time.

MISO. LG&E is a member of the MISO, which began commercial operations on February 1, 2002. MISO now has operational control over LG&E's high-voltage transmission facilities (100 kV and greater), while LG&E continues to control and operate the lower voltage transmission subject to the terms and conditions of the MISO OATT. As a transmission-owning member of MISO, LG&E also incurs administrative costs of MISO pursuant to Schedule 10 of the MISO OATT.

MISO also proposed to implement a congestion management system. FERC directed the MISO to coordinate its efforts with FERC's Rulemaking on SMD. On September 24, 2002, the MISO filed new rate schedules designated as Schedules 16 and 17, which provide for the collection of costs incurred by the MISO to establish day-ahead and real-time energy markets. The MISO proposed to recover these costs under Schedules 16 and 17 once service commences. If approved by FERC, these schedules will cause LG&E to incur additional costs. LG&E opposes the establishment of Schedules 16 and 17. This effort is still on-going and the ultimate impact of the two schedules, if approved, is not known at this time.

ARO. In 2003, LG&E expects to record approximately $6.0 million in regulatory assets and approximately $60,000 in regulatory liabilities related to SFAS No. 143, *Accounting for Asset Retirement Obligations.*

Merger Surcredit. As part of the LG&E Energy merger with KU Energy in 1998, LG&E Energy estimated non-fuel savings over a ten–year period following the merger. Costs to achieve these savings for LG&E of $50.2 million were recorded in the second quarter of 1998, $18.1 million of which was deferred and amortized over a five-year period pursuant to regulatory orders. Primary components of the merger costs were separation benefits, relocation costs, and transaction fees, the majority of which were paid by December 31, 1998. LG&E expensed the remaining costs associated with the merger ($32.1 million) in the second quarter of 1998.

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 the Companies, over a five-year period. The surcredit was allocated 53% to KU and 47% to LG&E. In that same order, the Commission required LG&E and KU, after the end of the five-year period, to present a plan for sharing with customers the then-projected non-fuel savings associated with the merger. The Companies submitted this filing on January 13, 2003, proposing to continue to share with customers, on a 50%/50% basis, the estimated fifth-year gross level of non-fuel savings associated with the merger. The filing is currently under review.

Any fuel cost savings are passed to Kentucky customers through the fuel adjustment clause. See FAC above.

Note 4 - Financial Instruments

The cost and estimated fair values of LG&E's non-trading financial instruments as of December 31, 2002, and 2001 follow (in thousands of $):

	2002		2001	
	Cost	Fair Value	Cost	Fair Value
Preferred stock subject to mandatory redemption	$ 25,000	$ 25,188	$ 25,000	$ 25,125
Long-term debt (including current portion)	616,904	623,325	616,904	620,504
Interest-rate swaps	-	(17,115)	-	(8,604)

All of the above valuations reflect prices quoted by exchanges except for the swaps. The fair values of the swaps reflect price quotes from dealers or amounts calculated using accepted pricing models.

Interest Rate Swaps. LG&E uses interest rate swaps to hedge exposure to market fluctuations in certain of its debt instruments. Pursuant to policy, use of these financial instruments is intended to mitigate risk and earnings 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. To the extent a financial instrument or the underlying item being hedged is prematurely terminated or the hedge becomes ineffective, the resulting gains or losses are reclassified from other comprehensive income to net income. Financial instruments designated as fair value hedges are periodically marked to market with the resulting gains and losses recorded directly into net income to correspond with income or expense recognized from changes in market value of the items being hedged.

As of December 31, 2002 and 2001, LG&E was party to various interest rate swap agreements with aggregate notional amounts of $117.3 million. Under these swap agreements, LG&E paid fixed rates averaging 5.13% and received variable rates based on the Bond Market Association's municipal swap index averaging 1.52% and 1.61% at December 31, 2002 and 2001, respectively. The swap agreements in effect at December 31, 2002 have been designated as cash flow hedges and mature on dates ranging from 2003 to 2020. The hedges have been deemed to be fully effective resulting in a pretax loss of $8.5 million for 2002, recorded in other comprehensive income. Upon expiration of these hedges, the amount recorded in other comprehensive income will be reclassified into earnings. The amounts expected to be reclassified from other comprehensive income to earnings in the next twelve months is immaterial.

Energy Trading & Risk Management Activities. LG&E conducts energy trading and risk management activities to maximize the value of power sales from physical assets it owns, in addition to the wholesale sale of excess asset capacity. Certain energy trading activities are accounted for on a mark-to-market basis in accordance with EITF 98-10, *Accounting for Contracts Involved in Energy Trading and Risk Management Activities*, SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, and SFAS No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities*. Wholesale sales of excess asset capacity and wholesale purchases are treated as normal sales and purchases under SFAS No. 133 and SFAS No. 138 and are not marked-to-market.

The consensus reached by the EITF on EITF No. 02-03, *Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities*, to rescind

EITF 98-10, effective for fiscal years after December 15, 2002, had no impact on LG&E's energy trading and risk management reporting as all contracts marked to market under EITF 98-10 are also within the scope of SFAS No. 133.

The table below summarizes LG&E's energy trading and risk management activities for 2002 and 2001 (in thousands of $).

	2002	2001
Fair value of contracts at beginning of period, net liability	$ (186)	$ (17)
Fair value of contracts when entered into during the period	(65)	3,441
Contracts realized or otherwise settled during the period	448	(2,894)
Changes in fair values due to changes in assumptions	(353)	(716)
Fair value of contracts at end of period, net liability	$ (156)	$ (186)

No changes to valuation techniques for energy trading and risk management activities occurred during 2002. Changes in market pricing, interest rate and volatility assumptions were made during both years. All contracts outstanding at December 31, 2002, 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, 2002, 86% of the trading and risk management commitments were with counterparties rated BBB- equivalent or better.

Note 5 - 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 gas and electric revenues arise from deliveries of natural gas to approximately 310,000 customers and electricity to approximately 382,000 customers in Louisville and adjacent areas in Kentucky. For the year ended December 31, 2002, 73% of total revenue was derived from electric operations and 27% from gas operations.

In November 2001, LG&E and IBEW Local 2100 employees, which represent approximately 70% of LG&E's workforce, entered into a four-year collective bargaining agreement.

Note 6 - Pension Plans and Retirement Benefits

LG&E sponsors several qualified and non-qualified pension plans and other postretirement benefit plans for its employees. 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, 2002, and a statement of the funded status as of December 31 for each of the last two years (in thousands of $):

	2002	2001
Pension Plans:		
Change in benefit obligation		
Benefit obligation at beginning of year	$ 356,293	$ 310,822
Service cost	1,484	1,311
Interest cost	24,512	25,361
Plan amendments	576	1,550
Curtailment loss	-	24,563
Special termination benefits	-	53,610
Benefits paid	(34,823)	(53,292)
Actuarial (gain) or loss and other	16,752	(7,632)
Benefit obligation at end of year	$ 364,794	$ 356,293
Change in plan assets		
Fair value of plan assets at beginning of year	$ 233,944	$ 333,378
Actual return on plan assets	(15,648)	(27,589)
Employer contributions and plan transfers	14,150	(17,134)
Benefits paid	(34,824)	(53,292)
Administrative expenses	(1,308)	(1,419)
Fair value of plan assets at end of year	$ 196,314	$ 233,944
Reconciliation of funded status		
Funded status	$(168,480)	$(122,349)
Unrecognized actuarial (gain) or loss	60,313	18,800
Unrecognized transition (asset) or obligation	(3,199)	(4,215)
Unrecognized prior service cost	32,265	35,435
Net amount recognized at end of year	$ (79,101)	$ (72,329)
Other Benefits:		
Change in benefit obligation		
Benefit obligation at beginning of year	$ 89,946	$ 56,981
Service cost	444	358
Interest cost	5,956	5,865
Plan amendments	-	1,487
Curtailment loss	-	8,645
Special termination benefits	-	18,089
Benefits paid	(4,988)	(4,877)
Actuarial (gain) or loss	1,875	3,398
Benefit obligation at end of year	$ 93,233	$ 89,946
Change in plan assets		
Fair value of plan assets at beginning of year	$ 2,802	$ 7,166
Actual return on plan assets	(533)	(765)

Employer contributions and plan transfers	4,213	1,282
Benefits paid	(5,004)	(4,881)
Fair value of plan assets at end of year	$ 1,478	$ 2,802
Reconciliation of funded status		
Funded status	$(91,755)	$(87,144)
Unrecognized actuarial (gain) or loss	16,971	15,947
Unrecognized transition (asset) or obligation	6,697	7,346
Unrecognized prior service cost	5,995	5,302
Net amount recognized at end of year	$(62,092)	$(58,549)

There are no plan assets in the nonqualified plans due to the nature of the plans.

LG&E made a contribution to the pension plan of $83.1 million in January 2003.

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, 2002 and 2001 (in thousands of $):

	2002	2001
Pension Plans:		
Amounts recognized in the balance sheet consisted of:		
Prepaid benefits cost	$ -	$ -
Accrued benefit liability	(162,611)	(108,977)
Intangible asset	32,799	11,936
Accumulated other comprehensive income	50,711	24,712
Net amount recognized at year-end	$ (79,101)	$ (72,329)
Additional year-end information for plans with accumulated benefit obligations in excess of plan assets (1):		
Projected benefit obligation	$ 364,794	$ 356,293
Accumulated benefit obligation	358,956	352,477
Fair value of plan assets	196,314	233,944

(1) 2002 and 2001 includes all plans.

	2002	2001
Other Benefits:		
Amounts recognized in the balance sheet consisted of:		
Accrued benefit liability	$ (62,092)	$ (58,549)
Additional year-end information for plans with benefit obligations in excess of plan assets:		
Projected benefit obligation	$ 93,233	$ 89,946
Fair value of plan assets	1,478	2,802

The following table provides the components of net periodic benefit cost for the plans for 2002 and 2001 (in thousands of $):

	2002	2001
Pension Plans:		
Components of net periodic benefit cost		
Service cost	$ 1,484	$ 1,311

Interest cost	24,512	25,361
Expected return on plan assets	(21,639)	(26,360)
Amortization of prior service cost	3,777	3,861
Amortization of transition (asset) or obligation	(1,016)	(1,000)
Recognized actuarial (gain) or loss	21	(777)
Net periodic benefit cost	$ 7,139	$ 2,396
Special charges		
Prior service cost recognized	$ -	$ 10,237
Special termination benefits	-	53,610
Settlement loss	-	(2,244)
Total charges	$ -	$ 61,603
Other Benefits:		
Components of net periodic benefit cost		
Service cost	$ 444	$ 358
Interest cost	5,956	5,865
Expected return on plan assets	(204)	(420)
Amortization of prior service cost	920	951
Amortization of transition (asset) or obligation	650	719
Recognized actuarial (gain) or loss	116	(32)
Net periodic benefit cost	$ 7,882	$ 7,441
Special charges		
Curtailment loss	$ -	$ 6,671
Prior service cost recognized	-	2,391
Transition obligation recognized	-	4,743
Special termination benefits	-	18,089
Total charges	$ -	$ 31,894

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

	2002	2001
Weighted-average assumptions as of December 31:		
Discount rate	6.75%	7.25%
Expected long-term rate of return on plan assets	9.00%	9.50%
Rate of compensation increase	3.75%	4.25%

For measurement purposes, a 12.00% annual increase in the per capita cost of covered health care benefits was assumed for 2003. The rate was assumed to decrease gradually to 5.00% for 2014 and remain at that level thereafter.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A 1% change in assumed health care cost trend rates would have the following effects (in thousands of $):

	1% Decrease	1% Increase
Effect on total of service and interest cost components for 2002	(201)	227
Effect on year-end 2002 postretirement benefit obligations	(3,001)	3,347

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 approximately $1.7 million for 2002 and $1.2 million for 2001.

Note 7 - Income Taxes

Components of income tax expense are shown in the table below (in thousands of $):

		2002	2001
Included in operating expenses:			
Current	- federal	$26,231	$42,997
	- state	8,083	8,668
Deferred	- federal – net	20,464	12,310
	- state – net	4,410	3,767
Amortization of investment tax credit		(4,153)	(4,290)
Total		55,035	63,452
Included in other income - net:			
Current	- federal	(1,667)	(1,870)
	- state	(430)	(483)
Deferred	- federal - net	(206)	285
	- state – net	(53)	73
Total		(2,356)	(1,995)
Total income tax expense		$52,679	$61,457

Components of net deferred tax liabilities included in the balance sheet are shown below (in thousands of $):

	2002	2001
Deferred tax liabilities:		
Depreciation and other plant-related items	$346,737	$334,914
Other liabilities	64,734	77,611
	411,471	412,525
Deferred tax assets:		
Investment tax credit	22,012	23,713
Income taxes due to customers	18,431	19,709
Pensions	21,056	6,621
Accrued liabilities not currently deductible and other	36,747	64,339
	98,246	114,382
Net deferred income tax liability	$313,225	$298,143

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

	2002	2001
Statutory federal income tax rate	35.0%	35.0%
State income taxes, net of federal benefit	5.6	4.7
Amortization of investment tax credit	(2.9)	(2.6)
Other differences – net	(0.5)	(0.6)
Effective income tax rate	37.2%	36.5%

Note 8 - Other Income - net

Other income – net consisted of the following at December 31 (in thousands of $):

	2002	2001
Interest and dividend income	$457	$ 748
Gains on fixed asset disposals	421	1,217
Income taxes and other	(58)	965
Other income – net	$820	$2,930

Note 9 - First Mortgage Bonds and Pollution Control Bonds

Long-term debt and the current portion of long-term debt, summarized below (in thousands of $), consists primarily of first mortgage bonds and pollution control bonds. Interest rates and maturities in the table below are for the amounts outstanding at December 31, 2002.

	Stated Interest Rates	Weighted Average Interest Rate	Maturities	Principal Amounts
Noncurrent portion	Variable - 5.90%	3.53%	2019-2032	$ 328,104
Current portion	Variable - 6.00%	2.08%	2003-2027	288,800

Under the provisions for some 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 consolidated balance sheets. The average annualized interest rate for these bonds during 2002 was 1.61%.

LG&E's First Mortgage Bond, 6% Series of $42.6 million is scheduled to mature in 2003. There are no other scheduled maturities of pollution control bonds for the five years subsequent to December 31, 2002.

In October 2002, LG&E issued $41.7 million variable rate pollution bonds due October 1, 2032, and exercised its call option on $41.7 million, 6.55% pollution control bonds due November 1, 2020.

In March 2002, LG&E refinanced four unsecured pollution control bonds with an aggregate principal balance of $120 million and replaced them with secured pollution control bonds. The new bonds and the previous bonds were all variable rate bonds, and the maturity dates remained unchanged.

In September 2001, LG&E issued $10.1 million variable rate tax-exempt environmental facility revenue bonds due September 1, 2027.

Annual requirements for the sinking funds of LG&E's First Mortgage Bonds (other than the First Mortgage Bonds issued in connection with certain 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.

Substantially all of LG&E's utility plants are pledged as security for its first mortgage bonds. LG&E's 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 is restricted by this provision as of December 31, 2002.

Note 10 - Notes Payable

LG&E participates in an intercompany money pool agreement wherein LG&E Energy can make funds available to LG&E at market based rates up to $400 million. The balance of the money pool loan from LG&E Energy was $193.1 million at a rate of 1.61% and $64.2 million at an average rate of 2.37%, at December 31, 2002 and 2001, respectively. LG&E also had outstanding commercial paper of $30 million at an average rate of 2.54% at December 31, 2001. The remaining money pool availability at December 31, 2002, was $206.9 million. LG&E Energy maintains facilities of $450 million with affiliates to ensure funding availability for the money pool. The outstanding balance under these facilities as of December 31, 2002 was $230 million, and availability of $220 million remained.

Note 11 - Commitments and Contingencies

Construction Program. LG&E had approximately $15.1 million of commitments in connection with its construction program at December 31, 2002. Construction expenditures for the years 2003 and 2004 are estimated to total approximately $340.0 million, although all of this amount is not currently committed, including the purchase of four jointly owned CTs, $89.0 million, and construction of NOx equipment, $34.0 million.

Operating Lease. LG&E leases office space and accounts for its office space lease as an operating lease. Total lease expense for 2002 and 2001 less amounts contributed by the parent company, was $1.6 million and $1.1 million, respectively. The future minimum annual lease payments under this lease agreement for years subsequent to December 31, 2002, are as follows (in thousands of $):

2003	$ 3,371
2004	3,399
2005	3,467
2006	3,536
2007	3,607
Thereafter	29,794
Total	$47,174

Environmental. The Clean Air Act imposed stringent new SO_2 and NOx emission limits on electric generating units. LG&E previously had installed scrubbers on all of its generating units. LG&E's strategy for Phase II SO_2 reductions, which commenced January 1, 2000, is to increase scrubber removal efficiency to delay additional capital expenditures and may also include fuel switching or upgrading scrubbers. LG&E met the NOx emission requirements of the Act through installation of low-NOx burner systems. LG&E's compliance plans are subject to many factors including developments in the emission allowance and fuel markets, future regulatory and legislative initiatives, and advances in clean air control 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.

In September 1998, the EPA announced its final "NOx SIP Call" rule requiring states to impose significant additional reductions in NOx emissions by May 2003, in order to mitigate alleged ozone transport impacts on the Northeast region. The Commonwealth of Kentucky is currently in the process of revising its SIP to require reductions in NOx emissions from coal-fired generating units to the 0.15 lb./Mmbtu level on a system-wide basis. In related proceedings in response to petitions filed by various Northeast states, in December 1999, EPA issued a final rule pursuant to Section 126 of the Clean Air Act directing similar NOx reductions from a number of specifically targeted generating units including all LG&E units. As a result of appeals to both rules, the compliance date was extended to May 2004. All LG&E generating units are subject to the May 2004 compliance date under these NOx emissions reduction rules.

LG&E is currently implementing a plan for adding significant additional NOx controls to its generating units. Installation of additional NOx controls will proceed on a phased basis, with installation of controls commencing in late 2000 and continuing through the final compliance date. In addition, LG&E will incur additional operation and maintenance costs in operating new NOx controls. LG&E believes its costs in this regard to be comparable to those of similarly situated utilities with like generation assets. LG&E had anticipated that such capital and operating costs are the type of costs that are eligible for recovery from customers under its environmental surcharge mechanism and believed that a significant portion of such costs could be recovered. In April 2001, the Kentucky Commission granted recovery of these costs for LG&E.

LG&E is also monitoring several other air quality issues which may potentially impact coal-fired power plants, including the appeal of the D.C. Circuit's remand of the EPA's revised air quality standards for ozone and particulate matter, measures to implement EPA's regional haze rule, and EPA's December 2000 determination to regulate mercury emissions from power plants. In addition, LG&E is currently working with local regulatory authorities to review the effectiveness of remedial measures aimed at controlling particulate matter emissions from its Mill Creek Station. LG&E previously settled a number of property damage claims from adjacent residents and completed significant remedial measures as part of its ongoing capital construction program. LG&E is in the process of converting the Mill Creek Station to wet stack operation in an effort to resolve all outstanding issues related to particulate matter emissions.

LG&E owns or formerly owned three properties which are the location of past MGP operations. Various contaminants are typically found at such former MGP sites and environmental remediation measures are frequently required. With respect to the sites, LG&E has completed cleanups, obtained regulatory approval of site management plans, or reached agreements for other parties to assume responsibility for cleanup. Based on currently available information, management estimates that it will incur additional costs of $400,000. Accordingly, an accrual of $400,000 has been recorded in the accompanying financial statements at December 31, 2002 and 2001.

Purchased Power. LG&E has a contract for purchased power with OVEC for various Mw capacities. The estimated future minimum annual payments under purchased power agreements for the years subsequent to December 31, 2002, are as follows (in thousands of $):

2003	$10,773
2004	10,116
2005	10,152
2006	10,816
2007	10,816
Thereafter	184,544
Total	$237,217

Note 12 - 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			
	LG&E	IMPA	IMEA	Total
Ownership interest	75%	12.88%	12.12%	100%
Mw capacity	386.2	66.4	62.4	515.0

LG&E's 75% ownership (in thousands of $):	
Cost	$595,747
Accumulated depreciation	182,711
Net book value	$413,036
Construction work in progress (included above)	$12,867

LG&E and KU jointly own the following combustion turbines (in thousands of $):

		LG&E	KU	Total
Paddy's Run 13	Ownership %	53%	47%	100%
	Mw capacity	84	74	158
	Cost	$33,919	$29,973	$63,892
	Depreciation	1,711	1,499	3,210
	Net book value	$32,208	$28,474	$60,682
E.W. Brown 5	Ownership %	53%	47%	100%
	Mw capacity	71	63	134
	Cost	$23,973	$21,106	$45,079
	Depreciation	1,206	1,052	2,258
	Net book value	$22,767	$20,054	$42,821
E.W. Brown 6	Ownership %	38%	62%	100%
	Mw capacity	59	95	154
	Cost	$23,696	$36,957	$60,653
	Depreciation	1,770	4,201	5,971
	Net book value	$21,926	$32,756	$54,682
E.W. Brown 7	Ownership %	38%	62%	100%
	Mw capacity	59	95	154
	Cost	$23,607	$44,792	$68,399
	Depreciation	4,054	4,502	8,556
	Net book value	$19,553	$40,290	$59,843
Trimble 5	Ownership %	29%	71%	100%
	Mw capacity	45	110	155
	Cost	$15,970	$39,045	$55,015
	Depreciation	251	614	865
	Net book value	$15,719	$38,431	$54,150
Trimble 6	Ownership %	29%	71%	100%
	Mw capacity	45	110	155
	Cost	$15,961	$39,025	$54,986
	Depreciation	251	614	865
	Net book value	$15,710	$38,411	$54,121
Trimble CT Pipeline	Ownership %	29%	71%	100%
	Cost	$1,835	$4,475	$6,310
	Depreciation	39	96	135
	Net book value	$1,796	$4,379	$6,175

See also Note 11, Construction Program, for LG&E's planned purchase of four jointly owned CTs in 2004.

Note 13 - Segments of Business and Related Information

Effective December 31, 1998, LG&E adopted SFAS No. 131, *Disclosure About Segments of an Enterprise 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. Financial data for business segments, follow (in thousands of $):

	Electric	Gas	Total
2002			
Operating revenues	$736,042(a)	$267,693	$1,003,735
Depreciation and amortization	90,248	15,658	105,906
Interest income	381	76	457
Interest expense	24,837	4,968	29,805
Operating income taxes	49,010	6,025	55,035
Net income	79,246	9,683	88,929
Total assets	2,105,956	455,122	2,561,078
Construction expenditures	195,662	24,754	220,416
2001			
Operating revenues	$673,772(b)	$290,775	$964,547
Depreciation and amortization	85,572	14,784	100,356
Interest income	616	132	748
Interest expense	31,295	6,627	37,922
Operating income taxes	55,527	7,925	63,452
Net income	95,103	11,768	106,781
Total assets	1,985,252	463,102	2,448,354
Construction expenditures	227,107	25,851	252,958

(a) Net of provision for rate collections of $12.3 million.
(b) Net of provision for rate refunds of $.7 million.

Note 14 - Selected Quarterly Data (Unaudited)

Selected financial data for the four quarters of 2002 and 2001 are shown below. Because of seasonal fluctuations in temperature and other factors, results for quarters may fluctuate throughout the year.

	Quarters Ended			
	March	June	September	December
	(Thousands of $)			
2002				
Operating revenues	$278,005	$216,163	$243,074	$266,493
Net operating income	28,748	22,410	41,652	25,104
Net income	20,943	15,256	34,204	18,526
Net income available for common stock	19,878	14,207	33,129	17,469
2001				
Operating revenues	$308,929	$212,918	$229,848	$212,852
Net operating income (loss) (a)	(43,732)	37,624	49,092	98,789
Net income (loss) (a)	(54,115)	28,467	40,270	92,159
Net income (loss) available for common stock (a)	(55,413)	27,247	39,160	91,048

(a) Loss resulted from the VDT pre-tax charge of $144.0 million in March 2001, which was reversed in December 2001. See Note 3.

Note 15 - Subsequent Events

LG&E made a contribution to the pension plan of $83.1 million in January 2003.

On March 18, 2003, the Kentucky Commission approved LG&E and KU's joint application for the acquisition of four CTs from an unregulated affiliate, LG&E Capital Corp. The total projected construction cost for the turbines, expected to be available for June 2004 in-service, is $227.4 million. The requested ownership share of the turbines is 63% for KU and 37% for LG&E.

Louisville Gas and Electric Company
REPORT OF MANAGEMENT

The management of Louisville Gas and Electric Company is responsible for the preparation and integrity of the financial statements and related information. These statements have been prepared in accordance with accounting principles generally accepted in the United States applied on a consistent basis and, necessarily, include amounts that reflect the best estimates and judgment of management.

LG&E's 2002 and 2001 financial statements have been audited by PricewaterhouseCoopers LLP, independent accountants. Management made available to PricewaterhouseCoopers LLP all LG&E's financial records and related data as well as the minutes of shareholders' and directors' meetings.

Management has established and maintains a system of internal controls that provides reasonable assurance that transactions are completed in accordance with management's authorization, that assets are safeguarded and that financial statements are prepared in conformity with generally accepted accounting principles. Management believes that an adequate system of internal controls is maintained through the selection and training of personnel, appropriate division of responsibility, establishment and communication of policies and procedures and by regular reviews of internal accounting controls by LG&E's internal auditors. Management reviews and modifies its system of internal controls in light of changes in conditions and operations, as well as in response to recommendations from the internal and external auditors. These recommendations for the year ended December 31, 2002, did not identify any material weaknesses in the design and operation of LG&E's internal control structure.

In carrying out its oversight role for the financial reporting and internal controls of LG&E, the Board of Directors meets regularly with LG&E's independent public accountants, internal auditors and management. The Board of Directors reviews the results of the independent accountants' audit of the financial statements and their audit procedures, and discusses the adequacy of internal accounting controls. The Board of Directors also approves the annual internal auditing program and reviews the activities and results of the internal auditing function. Both the independent public accountants and the internal auditors have access to the Board of Directors at any time.

Louisville Gas and Electric Company maintains and internally communicates a written code of business conduct that addresses, among other items, potential conflicts of interest, compliance with laws, including those relating to financial disclosure, and the confidentiality of proprietary information.

S. Bradford Rives
Chief Financial Officer

Louisville Gas and Electric Company
Louisville, Kentucky
November 12, 2003

Louisville Gas and Electric Company and Subsidiary
REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders of Louisville Gas and Electric Company and Subsidiary:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of capitalization, income, retained earnings, cash flows and comprehensive income present fairly, in all material respects, the financial position of Louisville Gas and Electric Company and Subsidiary (the "Company"), a wholly-owned subsidiary of LG&E Energy Corp., at December 31, 2002 and 2001, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America. 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 of these statements in accordance with auditing standards generally accepted in the United States of America, which 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, 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.

As discussed in Note 1 to the financial statements, effective January 1, 2003, the Company adopted EITF No. 02-03, *Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities.*

/s/ PricewaterhouseCoopers LLP
Louisville, Kentucky
January 21, 2003, except for note 1 as to which the date is November 12, 2003

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APPENDIX A -- Certain Unaudited 2000 Financial Information

LG&E's 2000 consolidated financial statements were audited by Arthur Andersen LLP, independent public accountants, who expressed an unqualified opinion on those financial statements in their report dated January 26, 2001, excluding the revisions described above. Arthur Andersen LLP has ceased operations and, accordingly, LG&E has been unable to obtain their consent to the use of their report. Therefore, 2000 consolidated financial statements, as reclassified, are omitted.

For use in this 2002 Financial Report, this Appendix A provides certain unaudited income statement, retained earnings and cash flow information regarding year 2000, containing the reclassifications described in the Statement Regarding Reclassification on page 2 above. This information is shown in columns marked "2000 (Unaudited)" below. Information in columns marked "2002" and "2001" is repeated from LG&E's audited Consolidated Financial Statements.

Louisville Gas and Electric Company and Subsidiary
Consolidated Statements of Income
(Thousands of $)

	Years Ended December 31 2002	2001	2000 (Unaudited)
OPERATING REVENUES:			
Electric	$ 723,775	$ 674,492	$ 661,715
Gas	267,693	290,775	272,489
Provision for rate collections (refunds) (Note 3)	12,267	(720)	(2,500)
Total operating revenues (Note 1)	1,003,735	964,547	931,704
OPERATING EXPENSES:			
Fuel for electric generation	194,900	159,231	159,418
Power purchased	61,881	49,322	45,151
Gas supply expenses	182,108	206,165	196,912
Other operation expenses	208,322	167,818	135,943
Maintenance	60,210	58,687	63,709
Depreciation and amortization (Note 1)	105,906	100,356	98,291
Federal and state income taxes (Note 7)	55,035	63,452	64,425
Property and other taxes	17,459	17,743	18,985
Total operating expenses	885,821	822,774	834,577
Net operating income	117,914	141,773	148,870
Other income - net (Note 8)	820	2,930	4,921
Interest charges	29,805	37,922	43,218
Net income	88,929	106,781	110,573
Preferred stock dividends	4,246	4,739	5,210
Net income available for common stock	$ 84,683	$ 102,042	$ 105,363

Consolidated Statements of Retained Earnings
(Thousands of $)

	Years Ended December 31 2002	2001	2000 (Unaudited)
Balance January 1	$393,636	$314,594	$259,231
Add net income	88,929	106,781	110,573
	482,565	421,375	369,804
Deduct: Cash dividends declared on stock:			
5% cumulative preferred	1,075	1,075	1,075
Auction rate cumulative preferred	1,702	2,195	2,666
$5.875 cumulative preferred	1,469	1,469	1,469
Common	69,000	23,000	50,000
	73,246	27,739	55,210
Balance December 31	$409,319	$393,636	$314,594

Louisville Gas and Electric Company and Subsidiary
Consolidated Statements of Comprehensive Income
(Thousands of $)

	Years Ended December 31		
	2002	2001	2000 (Unaudited)
Net income	$88,929	$106,781	$110,573
Cumulative effect of change in accounting principle – Accounting for derivative instruments and hedging activities	-	(5,998)	-
Losses on derivative instruments and hedging activities (Note 1)	(8,511)	(2,606)	-
Additional minimum pension liability adjustment (Note 6)	(25,999)	(24,712)	-
Income tax benefit related to items of other comprehensive income	13,898	13,416	-
Other comprehensive loss, net of tax	(20,612)	(19,900)	-
Comprehensive income	$68,317	$86,881	$110,573

Louisville Gas and Electric Company and Subsidiary
Consolidated Statements of Cash Flows
(Thousands of $)

	Years Ended December 31 2002	2001	2000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 88,929	$ 106,781	$ 110,573
Items not requiring cash currently:			
Depreciation and amortization	105,906	100,356	98,291
Deferred income taxes - net	11,915	3,021	31,020
Investment tax credit - net	(4,153)	(4,290)	(4,274)
Other	37,260	(528)	8,481
Change in certain net current assets:			
Accounts receivable	(3,973)	43,185	(56,993)
Materials and supplies	(15,048)	(2,018)	(4,311)
Accounts payable	(26,299)	14,678	21,384
Accrued taxes	(18,807)	12,184	(15,686)
Prepayments and other	321	(10,500)	(7,816)
Sale of accounts receivable (Note 1)	21,200	42,000	-
Other	15,130	(17,806)	(24,431)
Net cash flows from operating activities	212,381	287,063	156,238
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of securities	-	-	(708)
Proceeds from sales of securities	412	4,237	4,089
Construction expenditures	(220,416)	(252,958)	(144,216)
Net cash flows from investing activities	(220,004)	(248,721)	(140,835)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Short-term borrowings and repayments	98,856	(20,392)	(5,508)
Issuance of pollution control bonds	158,635	9,662	106,545
Retirement of first mortgage bonds and pollution control bonds	(161,665)	-	(130,627)
Additional paid-in capital	-	-	40,000
Payment of dividends	(73,300)	(27,995)	(78,079)
Net cash flows from financing activities	22,526	(38,725)	(67,669)
Change in cash and temporary cash investments	14,903	(383)	(52,266)
Cash and temporary cash investments at beginning of year	2,112	2,495	54,761
Cash and temporary cash investments at end of year	$ 17,015	$ 2,112	$ 2,495
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Income taxes	$51,540	$ 35,546	$ 46,562
Interest on borrowed money	25,673	30,989	42,958

LG&E 2001 Financial Report

LOUISVILLE GAS AND ELECTRIC COMPANY

2001 FINANCIAL REPORT

LOUISVILLE GAS AND ELECTRIC COMPANY

2001 FINANCIAL REPORT

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Clean Air Act	The Clean Air Act, as amended in 1990
CCN	Certificate of Public Convenience and Necessity
CT	Combustion Turbines
DSM	Demand Side Management
ECR	Environmental Cost Recovery
EITF	Emerging Issues Task Force Issue
EPA	U.S. Environmental Protection Agency
ESM	Earnings Sharing Mechanism
FAC	Fuel Adjustment Clause
FERC	Federal Energy Regulatory Commission
FPA	Federal Power Act
FT and FT-A	Firm Transportation
GSC	Gas Supply Clause
Holding Company Act	Public Utility Holding Company Act of 1935
IBEW	International Brotherhood of Electrical Workers
IMEA	Illinois Municipal Electric Agency
IMPA	Indiana Municipal Power Agency
Kentucky Commission	Kentucky Public Service Commission
KIUC	Kentucky Industrial Utility Consumers, Inc.
KU	Kentucky Utilities Company
KU Energy	KU Energy Corporation
KU R	KU Receivables LLC
Kva	Kilovolt-ampere
LG&E	Louisville Gas and Electric Company
LG&E Energy	LG&E Energy Corp.
LG&E R	LG&E Receivables LLC
LG&E Services	LG&E Energy Services Inc.
Mcf	Thousand Cubic Feet
Merger Agreement	Agreement and Plan of Merger dated May 20, 1997
MGP	Manufactured Gas Plant
MISO	Midwest Independent System Operator
Mmbtu	Million British thermal units
Moody's	Moody's Investor Services, Inc.
Mw	Megawatts
Mwh	Megawatt hours
NNS	No-Notice Service
NOx	Nitrogen Oxide
OVEC	Ohio Valley Electric Corporation
PBR	Performance-Based Ratemaking
Powergen	Powergen plc
PUHCA	Public Utility Holding Company Act of 1935
S&P	Standard & Poor's Rating Services
SCR	Selective Catalytic Reduction
SEC	Securities And Exchange Commission
SERP	Supplemental Employee Retirement Plan
SFAS	Statement of Financial Accounting Standards
SIP	State Implementation Plan
SO_2	Sulfur Dioxide

Tennessee Gas	Tennessee Gas Pipeline Company
Texas Gas	Texas Gas Transmission Corporation
TRA	Tennessee Regulatory Authority
Trimble County	LG&E's Trimble County Unit 1
USWA	United Steelworkers of America
Utility Operations	Operations of LG&E and KU
VDT	Value Delivery Team Process

Louisville Gas and Electric Company and Subsidiary
Selected Financial Data

	Years Ended December 31 (Thousands of $)				
	2001	2000	1999	1998	1997
LG&E:					
Operating revenues:					
Revenues	$997,420	$985,947	$969,984	$854,556	$845,543
Provision for rate refunds	(720)	(2,500)	(1,735)	(4,500)	-
Total operating revenues	996,700	983,447	968,249	850,056	845,543
Net operating income	141,773	148,870	140,091	135,523	148,186
Net income:					
Before unusual items	106,781	110,573	106,270	101,697	113,273
Merger costs	-	-	-	(23,577)	-
Net income	106,781	110,573	106,270	78,120	113,273
Net income available for common stock	102,042	105,363	101,769	73,552	108,688
Total assets	2,448,354	2,226,084	2,171,452	2,104,637	2,055,641
Long-term obligations (including amounts due within one year)	$616,904	$606,800	$626,800	$626,800	$646,800

LG&E's Management's Discussion and Analysis of Financial Condition and Results of Operation and LG&E's Notes to Financial Statements should be read in conjunction with the above information.

Louisville Gas and Electric Company and Subsidiary
Management's Discussion and Analysis of Financial Condition and Results of Operation

GENERAL

The following discussion and analysis by management focuses on those factors that had a material effect on LG&E's financial results of operations and financial condition during 2001, 2000, and 1999 and should be read in connection with the financial statements and notes thereto.

Some of the following discussion may contain forward-looking statements that are subject to certain risks, uncertainties and assumptions. Such forward-looking statements are intended to be identified in this document by the words "anticipate," "expect," "estimate," "objective," "possible," "potential" and similar expressions. Actual results may vary materially. Factors that could cause actual results to differ materially include; general economic conditions; business and competitive conditions in the energy industry; changes in federal or state legislation; unusual weather; actions by state or federal regulatory agencies; and other factors described from time to time in LG&E's reports to the Securities and Exchange Commission, including Exhibit No. 99.01 to this report on Form 10-K.

MERGERS and ACQUISITIONS

On April 9, 2001, a German power company, E.ON AG, announced a preconditional cash offer of £5.1 billion ($7.3 billion) for Powergen. The offer is subject to a number of conditions, including the receipt of certain European and United States regulatory approvals. The Kentucky Public Service Commission, the Federal Energy Regulatory Commission, the Virginia State Corporation Commission, and the Tennessee Regulatory Authority have all approved the acquisition of Powergen and LG&E Energy by E.ON. The parties expect to obtain the remaining regulatory approvals and to complete the transaction in the first half of 2002. See Powergen's schedule 14D-9, and associated schedules to such filings, filed with the SEC on April 9, 2001.

On December 11, 2000, LG&E Energy Corp. was acquired by Powergen plc. for cash of approximately $3.2 billion or $24.85 per share and the assumption of all of LG&E Energy's debt. As a result of the acquisition, LG&E Energy became a wholly owned subsidiary of Powergen and, as a result, LG&E became an indirect subsidiary of Powergen. LG&E has continued its separate identity and serves customers in Kentucky under its existing name. The preferred stock and debt securities of LG&E were not affected by this transaction and LG&E continues to file SEC reports. Following the acquisition, Powergen became a registered holding company under PUHCA, and LG&E, as a subsidiary of a registered holding company, became subject to additional regulation under PUHCA.

RESULTS OF OPERATIONS

Net Income

LG&E's net income decreased $3.8 million for 2001, as compared to 2000. This decrease is mainly due to higher pension related expenses and amortization of regulatory assets, partially offset by increased electric and gas net revenues (operating revenues less fuel for electric generation, power purchased and gas supply expenses) and decreased interest expenses.

LG&E's net income increased $4.3 million for 2000, as compared to 1999. This increase is mainly due to higher gas sales resulting from the colder winter weather experienced in 2000, lower administrative costs and operating expenses at the electric generating stations, partially offset by decreased electric revenues due to a rate reduction ordered by the Kentucky Commission, higher maintenance and interest expenses.

Revenues

A comparison of operating revenues for the years 2001 and 2000, excluding the provisions recorded for refunds in 2001 and in 2000, with the immediately preceding year reflects both increases and decreases, which have been segregated by the following principal causes (in thousands of $):

	Increase (Decrease) From Prior Period			
	Electric Revenues		Gas Revenues	
Cause	2001	2000	2001	2000
Retail sales:				
Fuel and gas supply adjustments, etc.	$ (394)	$ (9,027)	$ 79,627	$ 57,156
LG&E/KU Merger surcredit	(2,456)	(2,331)	-	-
ESM/Performance based rate	1,962	4,114	-	-
Environmental cost recovery surcharge	1,246	(1,308)	-	-
Electric rate reduction	(3,671)	(20,727)	-	-
VDT surcredit	(1,014)	-	(68)	-
Gas rate increase	-	-	15,265	4,221
Variation in sales volumes, etc.	4,429	5,759	(64,817)	23,576
Total retail sales	102	(23,520)	30,007	84,953
Wholesale sales	(5,674)	(56,256)	(11,642)	9,226
Gas transportation-net	-	-	(880)	572
Other	(1,241)	829	801	159
Total	$ (6,813)	$ (78,947)	$ 18,286	$ 94,910

Electric revenues decreased in 2001 primarily due to a decrease in brokered activity in the wholesale electric sales market, an electric rate reduction ordered by the Kentucky Commission and the effects of the LG&E/KU merger surcredit (See Note 2 of LG&E's Notes to Financial Statements under Item 8) partially offset by an increase in electric retail sales. In January 2000, the Kentucky Commission ordered an electric rate reduction and the termination of LG&E's proposed electric PBR mechanism. Gas revenues in 2001 increased primarily as a result of higher gas supply costs billed to customers through the gas supply clause and the effects of a gas rate increase ordered by the Kentucky Commission in September 2000. The gas revenue increase was partially offset by a decrease in retail and wholesale gas sales in 2001 due to warmer weather; heating degree days decreased 10.2% as compared to 2000.

Electric revenues decreased in 2000 primarily due to a decrease in brokered activity in the wholesale electric sales market and the electric rate reduction ordered by the Kentucky Commission. In January 2000, the Kentucky Commission ordered an electric rate reduction and the termination of LG&E's proposed electric PBR mechanism. Gas revenues increased in 2000 primarily as a result of higher gas supply costs billed to customers through the gas supply clause, coupled with increased gas sales in 2000 due to colder weather, as heating degree days increased 15% over 1999. Increased wholesale gas sales, and the effects of a gas rate increase ordered by the Kentucky Commission in September 2000 also contributed to increased gas revenues.

Expenses

Fuel for electric generation and gas supply expenses comprises a large component of LG&E's total operating costs. LG&E's electric rates contain a FAC and gas rates contain a GSC, whereby increases or decreases in the cost of fuel and gas supply are reflected in the FAC and GSC factors, subject to approval by the Kentucky Commission. In July 1999, the Kentucky Commission implemented rates proposed in LG&E's PBR filing resulting in the discontinuance of the FAC. In January 2000, the Kentucky Commission rescinded the PBR rates and ordered the reinstatement of the FAC. See Note 3 of LG&E's Notes to Financial Statements under Item 8 for a further discussion of the PBR and the FAC.

Fuel for electric generation decreased $.2 million (.1%) in 2001 primarily due to decreased generation as a result of decreased electric sales ($2.2 million) partially offset by a higher cost of coal burned ($2.0 million). Fuel for electric generation increased $.3 million (.2%) in 2000 because of an increase in generation to support increased electric sales ($7.6 million), offset partially by a lower cost of coal burned ($7.3 million). The average delivered cost per ton of coal purchased was $21.27 in 2001, $20.96 in 2000, and $21.49 in 1999.

Power purchased decreased $15.4 million (15.9%) in 2001 primarily due to decreased brokered sales activity in the wholesale electric market and a lower unit cost of the purchases partially offset by an increase in purchases to meet requirements for native load and off-system sales. Power purchased decreased $72.7 million (42.9%) in 2000 primarily due to decreased brokered sales activity in the wholesale electric market.

Gas supply expenses increased $9.3 million (4.7%) in 2001 primarily due to an increase in cost of net gas supply ($36.2 million), partially offset by a decrease in the volume of gas delivered to the distribution system ($26.9 million). Gas supply expenses increased $82.2 million (71.6%) in 2000 primarily due to an increase in cost of net gas supply ($70.4 million), and due to an increase in the volume of gas delivered to the distribution system ($11.8 million). The average unit cost per Mcf of purchased gas was $5.26 in 2001, $5.08 in 2000, and $2.99 in 1999.

Other operation expenses increased $31.9 million (23.4%) in 2001 primarily due to amortization of a regulatory asset resulting from workforce reduction costs associated with LG&E's Value Delivery initiative ($13 million), an increase in pension expense ($10.3 million) and an increase in outside services ($8.5 million). Outside services increased in part due to the reclassification of expenses as a result of the formation of LG&E Services, as required by the SEC to comply with PUHCA. Operation expenses decreased $18.7 million (12.1%) in 2000 primarily due to lower administrative costs, $13.8 million, (due to decreases in pension expense, $5.4 million, year 2000 Information Technology expenses, $4.0 million, and decreased salaries due to fewer employees in 2000, $2.0 million) and a decrease in steam production costs primarily at the Mill Creek generating station ($5.0 million).

Maintenance expenses for 2001 decreased $5.0 million (7.9%) primarily due to decreases in scheduled outages ($2.8 million), and a decrease in software and communication equipment maintenance ($2.8 million). Maintenance expenses for 2000 increased $5.6 million (9.6%) primarily due to an increase in software maintenance agreements ($3.9 million), and maintenance of communications equipment ($1.5 million).

Depreciation and amortization increased $2.1 million (2.1%) in 2001 and increased $1.1 million (1.1%) in 2000 because of additional utility plant in service in both years. The 2001 increase was offset by a decrease in depreciation rates resulting from a settlement order in December 2001 from the Kentucky Commission. Depreciation expenses decreased by $5.6 million as a result of the settlement order.

Property and other taxes decreased $1.2 million (6.5%) in 2001 primarily due to a reduction in payroll taxes related to fewer employees as a result of workforce reductions and transfers to LG&E Services. Property and other taxes increased $2.1 million (12.1%) in 2000 primarily due to increased payroll and property taxes.

Other income – net decreased $2.0 million (40.5%) in 2001 primarily due to lower interest and dividend income. Other income – net increased $.8 million (18.9%) in 2000 primarily due to increased tax benefits recorded associated with increased non-debt related interest expenses.

Interest charges for 2001 decreased $5.3 million (12.2%) primarily due to lower interest rates on variable rate debt ($2.2 million) and the retirement of short-term borrowings ($8.1 million) partially offset by an increase in debt to associated companies ($2.5 million) and an increase in interest associated with LG&E's accounts receivable securitization program ($2.5 million). Interest charges for 2000 increased $5.3 million (13.9%) due to having short-term borrowings for entire 2000 as compared to two months in 1999 ($7.1 million), partially offset by a decrease in interest on debt to associated companies ($1.0 million) and lower interest rates on variable rate debt ($1.0 million). See Note 10 of LG&E's Notes to Financial Statements.

LG&E's weighted average cost of long-term debt was 4.17% at December 31, 2001. See Note 10 of LG&E's Notes to Financial Statements.

Variations in income tax expenses are largely attributable to changes in pre-tax income. The increase in LG&E's 2001 effective income tax rate to 36.5% from the 35.8% rate in 2000 was largely the result of lost tax benefits attributable to LG&E's Employee Stock Ownership Plan. These benefits ceased as a result of the December 2000 acquisition of LG&E Energy Corp. by Powergen.

The rate of inflation may have a significant impact on LG&E's operations, its ability to control costs and the need to seek timely and adequate rate adjustments. However, relatively low rates of inflation in the past few years have moderated the impact on current operating results.

CRITICAL ACCOUNTING POLICIES

Preparation of financial statements and related disclosures in compliance with generally accepted accounting principles (GAAP) requires the application of appropriate technical accounting rules and guidance, as well as the use of estimates. The application of these policies necessarily involves judgments regarding future events, including the likelihood of success of particular projects, legal and regulatory challenges and anticipated recovery of costs. These judgments, in and of themselves, could materially impact the financial statements and disclosures based on varying assumptions, which may be appropriate to use. In addition, the financial and operating environment also may have a significant effect, not only on the operation of the business, but on the results reported through the application of accounting measures used in preparing the financial statements and related disclosures, even if the nature of the accounting policies applied has not changed. The following list represents accounting policies that are most significant to LG&E's financial condition and results, and that require management judgments. Each of these has a higher likelihood of resulting in materially different reported amounts under different conditions or using different assumptions. See also Note 1 of LG&E's Notes to Financial Statements.

Accounting Policy	Judgment/Uncertainties	See Also
Unbilled Revenue	Projecting customer electric and gas usage Estimating impact of weather	Note 1
Benefit Plan Accounting	Future rate of returns on pension plan assets Interest rates used in valuing benefit obligation Health care cost trend rates Other actuarial assumptions	Note 7
Derivative Financial Instruments	Market conditions in energy industry Price volatility	Note 4
Income Tax	Application of tax statutes and regulations to transactions Future decisions of tax authorities	Note 8
Regulatory Mechanisms	Future regulatory decisions Impact of deregulation and competition on ratemaking process External regulator decisions	Note 3

NEW ACCOUNTING PRONOUNCEMENTS

During 2001 and 2000, the following accounting pronouncements were issued that affect LG&E:

SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, and SFAS No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities*, establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded on the balance sheet as either an asset or a liability measured at its fair value. SFAS No. 133 requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that LG&E must formally document, designate, and assess the effectiveness of transactions that receive hedge accounting. SFAS No. 133 could increase the volatility in earnings and other comprehensive income. SFAS No. 137, *Accounting for Derivative Instruments and Hedging Activities -- Deferral of the Effective Date of SFAS No. 133*, deferred the effective date of SFAS No. 133 until January 1, 2001. LG&E adopted SFAS No. 133 and SFAS No. 138 on January 1, 2001. The effect of adopting these statements resulted in a $3.6 million decrease in other comprehensive income from a cumulative effect of change in accounting principle (net of tax of $2.4 million).

The Financial Accounting Standards Board created the Derivatives Implementation Group (DIG) to provide guidance for implementation of SFAS No. 133. DIG Issue C15, *Normal Purchases and Normal Sales Exception for Option Type Contracts and Forward Contracts in Electricity* was adopted in 2001 and had no impact on results of operations and financial positions. DIG Issue C16, *Applying the Normal Purchases and Normal Sales Exception to Contracts that Combine a Forward Contract and a Purchased Option Contract*, was cleared in 2001 and stated that option contracts do not meet the normal purchases and normal sales exception and should follow SFAS No. 133. DIG C16 will be effective in the second quarter of 2002. LG&E has not determined the impact this issue will have on its results of operations and financial position.

SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, revises the standards for accounting for securitizations and other transfers of financial assets and collateral and requires certain disclosures, and provides accounting and reporting standards for transfers and servicing of financial assets and extinguishments of liabilities. SFAS No. 140 was adopted in the first quarter of 2001, when LG&E entered into an accounts receivable securitization transaction.

SFAS No. 141, *Business Combinations* and SFAS No. 142, *Goodwill and Other Intangible Assets* were issued in 2001. SFAS No. 141 requires all business combinations initiated after June 30, 2001, to be accounted for using the purchase method. SFAS No. 142 requires goodwill to be recorded, but not amortized. Further, goodwill will now be subject to a periodic assessment for impairment. The provisions of these new pronouncements were effective July 1, 2001, for LG&E. The adoption of these standards did not have a material impact on the results of operations or financial position of LG&E.

SFAS No. 143, *Accounting for Asset Retirement Obligations* and SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, were issued 2001. SFAS No. 143 establishes accounting and reporting standards for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS No. 144 supersedes SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of* and the accounting and reporting provisions of APB Opinion No. 30, *Reporting the Results of Operations – Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions*. SFAS No. 144, among other provisions, eliminates the requirement of SFAS No. 121 to allocate goodwill to long-lived assets to be tested for impairment. The effective implementation date for SFAS No. 144 is 2002 and SFAS No. 143 is 2003. Based on current regulatory accounting practices, management does not expect SFAS No. 143 or SFAS No. 144 to have a material impact on results of operations or financial position of LG&E.

LIQUIDITY AND CAPITAL RESOURCES

LG&E uses net cash generated from its operations and external financing to fund construction of plant and equipment and the payment of dividends. LG&E believes that such sources of funds will be sufficient to meet the needs of its business in the foreseeable future.

Operating Activities

Cash provided by operations was $287 million, $156 million and $180 million in 2001, 2000, and 1999, respectively. The 2001 increase resulted primarily from the change in accounts receivable including the sale of accounts receivable through the accounts receivable securitization program. See Note 1 of LG&E's Notes to Financial Statements under Item 8. The 2000 decrease resulted primarily from an increase in accounts receivable, and a decrease in accrued taxes. 1999 showed a lower level of non-cash income statement items and a net decrease in net current assets, primarily resulting from decreases in accounts payable and accrued taxes.

Investing Activities

LG&E's primary use of funds for investing activities continues to be for capital expenditures. Capital expenditures were $253 million, $144 million and $195 million in 2001, 2000, and 1999, respectively. LG&E expects its capital expenditures for 2002 and 2003 to total approximately $334 million, which consists primarily of construction estimates associated with installation of NOx equipment as described in the section titled "Environmental Matters," purchase of two jointly owned CTs with KU and on-going construction for the distribution systems.

Net cash used for investment activities increased $108 million in 2001 as compared to 2000, and decreased by $43 million in 2000 as compared to 1999, primarily due to the level of construction expenditures. NOx expenditures in 2001 were approximately $75 million.

Financing Activities

Net cash outflows for financing activities were $39 million and $68 million in 2001 and 2000, respectively. Net cash inflow from financing activities in 1999 was $26.7 million. During 2001, LG&E issued $10.1 million of pollution control bonds resulting in net proceeds of $9.7 million after issuance costs. Dividend payments also decreased in 2001. In 2000, total debt was reduced by $20 million to $606.8 million. LG&E also refinanced $108.3 million ($106.5 million net of issuance costs) of its pollution control bonds in 2000. LG&E received $40 million in contributed capital from its parent company in December 2000.

LG&E participates in an intercompany money pool agreement whereby LG&E Energy can make funds available to LG&E at market based rates up to $200 million. At December 31, 2001, the balance of the money pool loan from LG&E Energy was $64.2 million at an average rate of 2.37%, and LG&E had outstanding commercial paper of $30 million at an average rate of 2.54%. The resulting remaining money pool availability at December 31, 2001, was $105.8 million. LG&E Energy maintains a facility of $200 million with an affiliate to ensure funding availability for the money pool. There was no outstanding balance under this facility as of December 31, 2001, and availability of $170 million remains after considering the $30 million of commercial paper outstanding at LG&E.

At December 31, 2000, the money pool loan balance was $114.6 million at an average rate of 6.84% and LG&E had no commercial paper outstanding.

Under the provisions for LG&E's variable-rate pollution control bonds totaling $242.6 million, 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.

On March 6, 2002, LG&E refinanced its $22.5 million and $27.5 million unsecured pollution control bonds, both due September 1, 2026. The replacement bonds, due September 1, 2026, are variable rate bonds and are secured by first mortgage bonds.

On March 22, 2002, LG&E refinanced its two $35 million unsecured pollution control bonds due November 1, 2027. The replacement variable rate bonds are secured by first mortgage bonds and will mature November 1, 2027.

Future Capital Requirements

Future capital requirements may be affected in varying degrees by factors such as load growth, changes in construction expenditure levels, rate actions by regulatory agencies, new legislation, market entry of competing electric power generators, changes in environmental regulations and other regulatory requirements. LG&E anticipates funding future capital requirements through operating cash flow, debt, and/or infusions of capital from its parent.

LG&E's debt ratings as of January 31, 2002, were:

	Moody's	S&P	Fitch
First mortgage bonds	A1	A-	A+
Unsecured debt	A2	BBB	A
Preferred stock	a2	BBB-	A-
Commercial paper	P-1	A-2	F-1

The S&P ratings are on Credit Watch with positive implications. The Fitch ratings are on Credit Watch – Evolving status. These ratings reflect the views of Moody's, S & P and Fitch. A security rating is not a recommendation to buy, sell or hold securities and is subject to revision or withdrawal at any time by the rating agency.

Contractual Obligations

The following is provided to summarize LG&E's contractual cash obligations for periods after December 31, 2001 (in thousands of $):

Contractual cash Obligations	2002	2003-2004	2005-2006	After 2006	Total
	Payments Due by Period				
Long-term debt (a)	$246,200	$42,600	$ -	$328,104	$ 616,904
Operating leases	3,594	7,014	1,754	-	12,362
Unconditional Purchase obligations (b)	12,805	25,997	26,518	201,164	266,484
Other long-term Obligations (c)	112,900	10,000	-	-	122,900
Total contractual cash obligations	$375,499	$85,611	$28,272	$529,268	$1,018,650

(a) Long-term debt of $246.2 million is 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 2017 to 2027.

(b) Represents future minimum payments under purchased power agreements through 2020.

(c) Represents construction commitments.

Market Risks

LG&E is exposed to market risks from changes in interest rates and commodity prices. To mitigate changes in cash flows attributable to these exposures, LG&E uses various financial instruments including derivatives. Derivative positions are monitored using techniques that include market value and sensitivity analysis. See Note 1 and 4 of LG&E's Notes to Financial Statements.

Interest Rate Sensitivity

LG&E has short-term and long-term variable rate debt obligations outstanding. At December 31, 2001, the potential change in interest expense associated with a 1% change in base interest rates of LG&E's unhedged debt was estimated at $2.8 million.

Interest rate swaps are used to hedge LG&E's underlying variable-rate debt obligations. These swaps hedge specific debt issuance and, consistent with management's designation, are accorded hedge accounting treatment.

As of December 31, 2001, LG&E had swaps with a combined notional value of $117.3 million. The swaps exchange floating-rate interest payments for fixed interest payments to reduce the impact of interest rate changes on LG&E's Pollution Control Bonds. As of December 31, 2001, 30% of the outstanding variable interest rate borrowings were converted to fixed interest rates through swaps. The potential loss in fair value resulting from a hypothetical 1% adverse movement in base interest rates is estimated at $9.1 million as of December 31, 2001. This estimate is derived from third party valuations. Changes in the market value of these swaps if held to maturity, as LG&E intends to do, are not expected to have any effect on LG&E's net income or cash flow. See Note 4 of LG&E's Notes to Financial Statements under Item 8.

Energy Trading & Risk Management Activities

LG&E conducts energy trading and risk management activities to maximize the value of power sales from physical assets it owns, in addition to the wholesale sale of excess asset capacity. Certain energy trading activities are accounted for on a mark-to-market basis in accordance with *EITF 98-10 Accounting for Contracts Involved in Energy Trading and Risk Management Activities, SFAS No. 133 Accounting for Derivative Instruments and Hedging Activities,* and *SFAS No. 138 Accounting for Certain Derivative Instruments and Certain Hedging Activities*. Wholesale sales of excess asset capacity and wholesale purchases are treated as normal sales and purchases under *SFAS No. 133* and *SFAS No. 138* and are not marked to market.

The table below summarizes LG&E's energy trading and risk management activities in 2001 (in thousands of $).

Fair value of contracts at 12/31/00, net liability	$ (17)
Fair value of contracts when entered into during 2001	3,441
Contracts realized or otherwise settled during 2001	(2,894)
Changes in fair values due to changes in assumptions	(716)
Fair value of contracts at 12/31/01, net liability	$(186)

No changes to valuation techniques for energy trading and risk management activities occurred during 2001. All contracts outstanding at December 31, 2001 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. As December 31, 2001, 100% of the trading and risk management commitments were with counterparties rated BBB equivalent or better.

Commodity Price Sensitivity

LG&E has limited exposure to market price volatility in prices of fuel and electricity, since its retail tariffs include the FAC and GSC commodity price pass-through mechanisms. LG&E is exposed to market price volatility of fuel and electricity in its wholesale activities.

Accounts Receivable Securitization

On February 6, 2001, LG&E implemented an accounts receivable securitization program. The purpose of this program is to enable LG&E to accelerate the receipt of cash from the collection of retail accounts receivable, thereby reducing dependence upon more costly sources of working capital. The securitization program allows for a percentage of eligible receivables to be sold. Eligible receivables are generally all receivables associated with retail sales that have standard terms and are not past due. LG&E is able to terminate these programs at any time without penalty. If there is a significant deterioration in the payment record of the receivables by the retail customers or if LG&E fails to meet certain covenants regarding the program, the program may terminate at the election of the financial institutions. In this case, payments from retail customers would first be used to repay the financial institutions participating in the program, and would then be available for use by LG&E.

As part of the program, LG&E sold retail accounts receivables to a wholly owned subsidiary, LG&E R. Simultaneously, LG&E R entered into two separate three-year accounts receivable securitization facilities with two financial institutions and their affiliates whereby LG&E R can sell, on a revolving basis, an undivided interest in certain of their receivables and receive up to $75 million from an unrelated third party purchaser. The effective cost of the receivables programs is comparable to LG&E's lowest cost source of capital, and is based on prime rated commercial paper. LG&E retains servicing rights of the sold receivables through two separate servicing agreements with the third party purchaser. LG&E has obtained an opinion from independent legal counsel indicating these transactions qualify as true sale of receivables. As of December 31, 2001, the outstanding program balance was $42 million.

Management expects to renew these facilities when they expire.

The allowance for doubtful accounts associated with the eligible securitized receivables was $1.3 million at December 31, 2001. This allowance is based on historical experience of LG&E. Each securitization facility contains a fully funded reserve for uncollectible receivables.

RATES AND REGULATION

Following the purchase of LG&E Energy by Powergen, Powergen became a registered holding company under PUHCA. As a result, Powergen, its utility subsidiaries, including LG&E, and certain of its non-utility subsidiaries are subject to extensive regulation by the SEC under PUHCA with respect to issuances and sales of securities, acquisitions and sales of certain utility properties, and intra-system sales of certain goods and services. In addition, PUHCA generally limits the ability of registered holding companies to acquire additional public utility systems and to acquire and retain businesses unrelated to the utility operations of the holding company. Powergen believes that it has adequate authority (including financing authority) under existing SEC orders and regulations for it and its subsidiaries to conduct their businesses and will seek additional authorization when necessary.

LG&E is subject to the jurisdiction of the Kentucky Commission in virtually all matters related to electric and gas utility regulation, and as such, their accounting is subject to SFAS No. 71, *Accounting for the Effects of Certain Types of Regulation*. Given LG&E's competitive position in the marketplace and the status of regulation in the state of Kentucky, LG&E has no plans or intentions to discontinue its application of SFAS No. 71. See Note 3 of LG&E's Notes to Financial Statements.

Kentucky Commission Settlement Order - Value Delivery Costs, ESM and Depreciation

During the first quarter 2001, LG&E recorded a $144 million charge for a workforce reduction program. Primary components of the charge were separation benefits, enhanced early retirement benefits, and health care benefits. The result of this workforce reduction was the elimination of over 700 positions, accomplished primarily through a voluntary enhanced severance program.

On June 1, 2001, LG&E filed an application (VDT case) with the Kentucky Commission to create a regulatory asset relating to these first quarter 2001 charges. The application requested permission to amortize these costs over a four-year period. The Kentucky Commission also opened a case to review the new depreciation study and resulting depreciation rates implemented in 2001.

LG&E reached a settlement in the VDT case as well as the other cases involving depreciation rates and ESM with all intervening parties. The settlement agreement was approved by the Kentucky Commission on December 3, 2001.

The Kentucky Commission December 3, 2001, order allowed LG&E to set up a regulatory asset of $141 million for the workforce reduction costs and begin amortizing these costs over a five year period starting in April 2001. The first quarter charge of $144 million represented all employees who had accepted a voluntary enhanced severance program. Some employees rescinded their participation in the voluntary enhanced severance program, thereby decreasing the original charge from $144 million to $141 million. The settlement will also reduce revenues approximately $26 million through a surcredit on future bills to customers over the same five year period. The surcredit represents stipulated net savings LG&E is expected to realize from implementation of best practices through the value delivery process. The agreement also established LG&E's new depreciation rates in effect December 2001, retroactive to January 1, 2001. The new depreciation rates decreased depreciation expense by $5.6 million in 2001.

Environmental Cost Recovery

In August 1999, a final order of the Kentucky Commission approved LG&E's settlement agreement concerning the refund of the recovery of costs associated with pre-1993 environmental projects. LG&E began applying the refund to customers' bills in October 1999, and completed the refund process in November 2000. All aspects of the original litigation of this issue have now been resolved.

In June 2000, the Kentucky Commission approved LG&E's application for a CCN to construct up to three SCR NOx reduction facilities. The construction and subsequent operation of the SCRs is intended to reduce NOx emission levels to meet the EPA's mandated NOx emission level of 0.15 lbs./ Mmbtu by May 2004. In its order, the Kentucky Commission ruled that LG&E's proposed plan for construction was "reasonable, cost-effective and will not result in the wasteful duplication of facilities." In October 2000, LG&E filed an application with the Kentucky Commission to amend its Environmental Compliance Plan to reflect the addition of the proposed NOx reduction technology projects and to amend its Environmental Cost Recovery Tariff to include an overall rate of return on capital investments. Following the completion of hearings in March 2001, a ruling was issued in April 2001 granting LG&E's application. Such approval has allowed LG&E to begin to recover the costs associated with these new projects, subject to Kentucky Commission oversight during normal six-month and two-year reviews.

ESM

LG&E's electric rates are subject to an ESM. The ESM, in place for three years beginning in 2000, sets an upper and lower point for rate of return on equity, whereby if LG&E's rate of return for the calendar year falls within the range of 10.5% to 12.5%, no action is necessary. If earnings are above the upper limit, then excess earnings are shared 40% with ratepayers and 60% with shareholders; if earnings are below the lower limit, then earnings deficiency is recovered 40% from ratepayers and 60% from shareholders. The first ESM filing was made on March 1, 2001, for year ended December 31, 2000, which resulted in a refund to customers of $618,000. By order of the Kentucky Commission, rate changes prompted by the ESM filing go into effect in April of each year. LG&E estimated that the rate of return will fall within the deadband range, subject to Kentucky Commission approval, for the year ended December 31, 2001; therefore, no adjustment to the financial statements was made.

DSM

LG&E's rates contain a DSM provision. The provision includes a rate mechanism that provides concurrent recovery of DSM costs and provides an incentive for implementing DSM programs. This program had allowed LG&E to recover revenues from lost sales associated with the DSM program. In May 2001, the Kentucky Commission approved LG&E's plan to continue DSM programs. This filing called for the expansion of the DSM programs into the service territory served by KU and proposes a mechanism to recover revenues from lost sales associated with DSM programs based on program planning engineering estimates and post-implementation evaluation.

Gas PBR

Since November 1, 1997, LG&E has operated under an experimental performance-based ratemaking mechanism related to its gas procurement activities. For each of the last four years, LG&E's rates have been adjusted to recover its portion of the savings (or expenses) incurred during each of the four 12-month periods beginning November 1 and ending October 31. Since its implementation on November 1, 1997, through October 31, 2001, LG&E has achieved $32.1 million in savings. Of the total savings, LG&E has retained $15.0 million, and the remaining portion of $17.1 million has been distributed to customers. In December 2000, LG&E filed an Application reporting on the operation of the experimental PBR and requested the Kentucky Commission to extend the PBR as a result of the benefits provided to both LG&E and its customers during the experimental period. Following the discovery and hearing process, the Kentucky Commission issued an order effective November 1, 2001, extending the experimental PBR program for an additional four years, and making other modifications, including changes to the sharing levels applicable to savings or expenses incurred under the PBR. Specifically, the Kentucky Commission modified the sharing mechanism to a 25%/75% Company/Customer sharing for all savings (and expenses) up to 4.5% of the benchmarked gas costs. Savings (and expenses) in excess of 4.5% of the benchmarked gas costs are shared at the 50%/50% level.

FAC

Prior to implementation of the PBR in July 1999, and following its termination in March 2000, LG&E employed an FAC mechanism, which under Kentucky law allowed LG&E to recover from customers the actual fuel costs associated with retail electric sales. In February 1999, LG&E received orders from the Kentucky Commission requiring a refund to retail electric customers of approximately $3.9 million resulting from reviews of the FAC from November 1994, through April 1998, of which $1.9 million was refunded in April 1999, for the period beginning November 1994, and ending October 1996. The orders changed LG&E's method of computing fuel costs associated with electric line losses on wholesale sales appropriate for recovery through the FAC. Following rehearing in December 1999, the Kentucky Commission agreed with LG&E 's position on the appropriate loss factor to use in the FAC computation and issued an order reducing the refund level for the 18-month period under review to approximately $800,000. LG&E enacted the refund with billings in the month of January 2000. LG&E and KIUC each filed separate appeals from the Kentucky Commission's February 1999 orders with the Franklin County, Kentucky Circuit Court and in May 2000, the Court affirmed the Kentucky Commission's orders regarding the amounts disallowed and ordered the case remanded as to the Kentucky Commission's denial of interest, directing the Kentucky Commission to determine whether interest should be awarded to LG&E's ratepayers. In June 2000, LG&E appealed the Circuit Court's decision to the Kentucky Court of Appeals. Pending a decision on this appeal, a comprehensive settlement was reached by all parties, which settlement was filed with the Kentucky Commission on December 21, 2001. Thereunder, LG&E agreed to credit its fuel clause in the amount of $720,000 (such credit provided over the course of two monthly billing periods), and the parties agreed on a prospective interpretation of the state's fuel adjustment clause regulation to ensure consistent and mutually acceptable application on a going-forward basis. All pending FAC proceedings before the court were resolved by the parties to the agreement and all parties requested the Court of Appeals remand the case to the Kentucky Commission. The Kentucky Commission is expected to approve the settlement in 2002.

Gas Rate Case

In March 2000, LG&E filed an application with the Kentucky Commission requesting an adjustment in LG&E's gas rates. In September 2000, the Kentucky Commission granted LG&E an annual increase in its base gas revenues of $20.2 million effective September 28, 2000. The Kentucky Commission authorized a return on equity of 11.25%. The Kentucky Commission approved LG&E's proposal for a weather normalization billing adjustment mechanism that will normalize the effect of weather on revenues from gas sales.

Wholesale Natural Gas Prices

On September 12, 2000, the Kentucky Commission issued an order establishing Administrative Case No. 384 – "An Investigation of Increasing Wholesale Natural Gas Prices and the Impacts of such Increase on the Retail Customers Served by Kentucky's Jurisdictional Natural Gas Distribution Companies". The impetus for this administrative proceeding was the escalation of wholesale natural gas prices during the summer of 2000.

The Kentucky Commission directed Kentucky's natural gas distribution companies, including LG&E, to file selected information regarding the individual companies' natural gas purchasing practices, expectations for the then-approaching winter heating season of 2000-2001, and potential actions which these companies might take to mitigate price volatility. On July 17, 2001, the Kentucky Commission issued an order encouraging the natural gas distribution companies in Kentucky to take various actions, among them to propose a natural gas hedge plan, consider performance-based ratemaking mechanisms, and to increase the use of storage.

On August 12, 2001, LG&E submitted a natural gas hedge plan in Case No. 2001-253. However, due to significantly decreased wholesale natural gas prices during the Summer of 2001, the Kentucky Commission ultimately rejected LG&E's proposed gas hedging plan as "untimely" in its Order dated October 5, 2001. The Kentucky Commission encouraged LG&E to file another hedge plan for its consideration in 2002.

Another result from that Administrative Case was the Kentucky Commission's decision to engage a consultant to conduct a forward-looking audit of the gas procurement and supply procedures in order to assist both the Kentucky Commission and each of Kentucky's largest natural gas distribution companies. This audit is underway.

Kentucky Commission Administrative Case for Affiliate Transactions

In December 1997, the Kentucky Commission opened Administrative Case No. 369 to consider Kentucky Commission policy regarding cost allocations, affiliate transactions and codes of conduct governing the relationship between utilities and their non-utility operations and affiliates. The Kentucky Commission intended to address two major areas in the proceedings: the tools and conditions needed to prevent cost shifting and cross-subsidization between regulated and non-utility operations; and whether a code of conduct should be established to assure that non-utility segments of the holding company are not engaged in practices that could result in unfair competition caused by cost shifting from the non-utility affiliate to the utility. During the period September 1998 to February 2000, the Kentucky Commission issued draft codes of conduct and cost allocation guidelines. In early 2000, the Kentucky General Assembly enacted legislation, House Bill 897, which authorized the Kentucky Commission to require utilities who provide nonregulated activities to keep separate accounts and allocate costs in accordance with procedures established by the Kentucky Commission. In the same Bill, the General Assembly set forth provisions to govern a utilities activities related to the sharing of information, databases, and resources between its employees or an affiliate involved in the marketing or the provision of nonregulated activities and its employees or an affiliate involved in the provision of regulated services. The legislation became law in July 2000 and LG&E has been operating pursuant thereto since that time. On February 14, 2001, the Kentucky Commission published notice of their intent to promulgate new administrative regulations under the auspices of the new law. This effort is still on going.

Kentucky Commission Administrative Case for System Adequacy

On June 19, 2001, Kentucky Governor Paul E. Patton issued Executive Order 2001-771, which directed the Kentucky Commission to review and study issues relating to the need for and development of new electric generating capacity in Kentucky. The issues to be considered included the impact of new power plants on the electric supply grid, facility siting issues, and economic development matters, with the goal of ensuring a continued, reliable source of supply of electricity for the citizens of Kentucky and the continued environmental and economic vitality of the Commonwealth and its communities. In response to that Executive Order, in July 2001 the Kentucky Commission opened Administrative Case No. 387 to review the adequacy of Kentucky's generation capacity and transmission system. Specifically, the items reviewed were the appropriate level of reliance on purchased power, the appropriate reserve margins to meet existing and future electric demand, the impact of spikes in natural gas prices on electric utility planning strategies, and the adequacy of Kentucky's electric transmission facilities. LG&E, as a party to this proceeding, filed written testimony and responded to two requests for information. Public hearings were held in August, September, and October 2001. In October 2001, LG&E filed a final brief in the case. In December 2001 the Kentucky Commission issued an order in which they noted that LG&E is responsibly addressing the long-term supply needs of native load customers and that current reserve margins are appropriate. However, due to the rapid pace of change in the industry, the order also requires LG&E to provide an annual assessment of supply resources, future demand, reserve margin, and the need for new resources.

Regarding the transmission system, the Kentucky Commission concluded that the transmission system within the Commonwealth can reliably serve native load and a significant portion of the proposed new unregulated power plants. However, it will not be able to handle the volume of transactions envisioned by FERC without future upgrades, the costs of which should be borne by those for whom the upgrades are required.

The Kentucky Commission pledged to continue to monitor all relevant issues and advocate Kentucky's interests at all opportunities.

Environmental Matters

The Clean Air Act imposed stringent new SO_2 and NOx emission limits on electric generating units. LG&E previously had installed scrubbers on all of its generating units. LG&E's strategy for Phase II SO_2 reductions, which commenced January 1, 2000, is to increase scrubber removal efficiency to delay additional capital expenditures and may also include fuel switching or upgrading scrubbers. LG&E met the NOx emission requirements of the Act through installation of low-NOx burner systems. LG&E's compliance plans are subject to many factors including developments in the emission allowance and fuel markets, future regulatory and legislative initiatives, and advances in clean air control 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.

In September 1998, the EPA announced its final "NOx SIP Call" rule requiring states to impose significant additional reductions in NOx emissions by May 2003, in order to mitigate alleged ozone transport impacts on the Northeast region. The Commonwealth of Kentucky is currently in the process of revising its State Implementation Plan or "SIP" to require reductions in NOx emissions from coal-fired generating units to the 0.15 lb./Mmbtu level on a system-wide basis. In related proceedings in response to petitions filed by various Northeast states, in December 1999, EPA issued a final rule pursuant to Section 126 of the Clean Air Act directing similar NOx reductions from a number of specifically targeted generating units including all LG&E

units. As a result of appeals to both rules, the compliance date was extended to May 2004. All LG&E generating units are subject to the May 2004 compliance date under these NOx emissions reduction rules.

LG&E is currently implementing a plan for adding significant additional NOx controls to its generating units. Installation of additional NOx controls will proceed on a phased basis, with installation of controls commencing in late 2000 and continuing through the final compliance date. LG&E estimates that it will incur total capital costs of approximately $160 million to reduce its NOx emissions to the 0.15 lb./Mmbtu level on a company-wide basis. In addition, LG&E will incur additional operating and maintenance costs in operating new NOx controls. LG&E believes its costs in this regard to be comparable to those of similarly situated utilities with like generation assets. LG&E had anticipated that such capital and operating costs are the type of costs that are eligible for recovery from customers under its environmental surcharge mechanism and believed that a significant portion of such costs could be recovered. In April 2001, the Kentucky Commission granted recovery of these costs for LG&E.

LG&E is also monitoring several other air quality issues which may potentially impact coal-fired power plants, including the appeal of the D.C. Circuit's remand of the EPA's revised air quality standards for ozone and particulate matter, measures to implement EPA's regional haze rule, and EPA's December 2000 determination to regulate mercury emissions from power plants. In addition, LG&E is currently working with local regulatory authorities to review the effectiveness of remedial measures aimed at controlling particulate matter emissions from its Mill Creek Station. LG&E previously settled a number of property damage claims from adjacent residents and completed significant remedial measures as part of its ongoing capital construction program. LG&E is in the process of converting the Mill Creek Station to wet stack operation in an effort to resolve all outstanding issues related to particulate matter emissions.

LG&E owns or formerly owned three properties which are the location of past MGP operations. Various contaminants are typically found at such former MGP sites and environmental remediation measures are frequently required. With respect to the sites, LG&E has completed cleanups, obtained regulatory approval of site management plans, or reached agreements for other parties to assume responsibility for cleanup. Based on currently available information, management estimates that it will incur additional costs of $400,000. Accordingly, an accrual of $400,000 has been recorded in the accompanying financial statements at December 31, 2001 and 2000.

See Note 12 of LG&E's Notes to Financial Statements for an additional discussion of environmental issues.

Deferred Income Taxes

LG&E expects to have adequate levels of taxable income to realize its recorded deferred tax assets. At December 31, 2001, deferred tax assets totaled $114.4 million and were principally related to expenses attributable to LG&E's pension plans and post retirement benefit obligations.

FUTURE OUTLOOK

Competition and Customer Choice

LG&E has moved aggressively over the past decade to be positioned for, and to help promote, the energy industry's shift to customer choice and a competitive market for energy services. Specifically, LG&E has taken many steps to prepare for the expected increase in competition in its business, including support for performance-based ratemaking structures; aggressive cost reduction activities; strategic acquisitions, dispositions and growth initiatives; write-offs of previously deferred expenses; an increase in focus on commercial and industrial customers; an increase in employee training; and necessary corporate and business unit realignments. LG&E continues to be active in the national debate surrounding the restructuring of the energy industry and the move toward a competitive, market-based environment.

In December 1997, the Kentucky Commission issued a set of principles which was intended to serve as its guide in consideration of issues relating to industry restructuring. Among the issues addressed by these principles are: consumer protection and benefit, system reliability, universal service, environmental responsibility, cost allocation, stranded costs and codes of conduct. During 1998, the Kentucky Commission and a task force of the Kentucky General Assembly had each initiated proceedings, including meetings with representatives of utilities, consumers, state agencies and other groups in Kentucky, to discuss the possible structure and effects of energy industry restructuring in Kentucky.

In November 1999, the task force issued a report to the Governor of Kentucky and a legislative agency recommending no general electric industry restructuring actions during the 2000 legislative session. No general restructuring actions were taken during the 2001 legislative session.

Thus, at the time of this report, neither the Kentucky General Assembly nor the Kentucky Commission has adopted or approved a plan or timetable for retail electric industry competition in Kentucky. The nature or timing of the ultimate legislative or regulatory actions regarding industry restructuring and their impact on LG&E, which may be significant, cannot currently be predicted.

While many states have moved forward in providing retail choice, many others have not. Some are reconsidering their initiatives and have even delayed implementation. Recent activities in California that have resulted in extremely high wholesale (and in some cases, consumer) electric prices are becoming significant factors in the deliberations by other states.

Louisville Gas and Electric Company and Subsidiary
Consolidated Statements of Income
(Thousands of $)

	Years Ended December 31 2001	2000	1999
OPERATING REVENUES:			
Electric	$ 706,645	$ 713,458	$ 792,405
Gas	290,775	272,489	177,579
Provision for rate refunds (Note 3)	(720)	(2,500)	(1,735)
Total operating revenues (Note 1)	996,700	983,447	968,249
OPERATING EXPENSES:			
Fuel for electric generation	159,231	159,418	159,129
Power purchased	81,475	96,894	169,573
Gas supply expenses	206,165	196,912	114,745
Other operation expenses	167,818	135,943	154,667
Maintenance	58,687	63,709	58,119
Depreciation and amortization (Note 1)	100,356	98,291	97,221
Federal and state income taxes (Note 8)	63,452	64,425	57,774
Property and other taxes	17,743	18,985	16,930
Total operating expenses	854,927	834,577	828,158
Net operating income	141,773	148,870	140,091
Other income - net (Note 9)	2,930	4,921	4,141
Interest charges	37,922	43,218	37,962
Net income	106,781	110,573	106,270
Preferred stock dividends	4,739	5,210	4,501
Net income available for common stock	$ 102,042	$ 105,363	$ 101,769

Consolidated Statements of Retained Earnings
(Thousands of $)

	Years Ended December 31 2001	2000	1999
Balance January 1	$314,594	$259,231	$247,462
Add net income	106,781	110,573	106,270
	421,375	369,804	353,732
Deduct: Cash dividends declared on stock:			
5% cumulative preferred	1,075	1,075	1,075
Auction rate cumulative preferred	2,195	2,666	1,957
$5.875 cumulative preferred	1,469	1,469	1,469
Common	23,000	50,000	90,000
	27,739	55,210	94,501
Balance December 31	$393,636	$314,594	$259,231

The accompanying notes are an integral part of these consolidated financial statements.

Louisville Gas and Electric Company and Subsidiary
Consolidated Statements of Comprehensive Income
(Thousands of $)

	Years Ended December 31 2001	2000	1999
Net income	$106,781	$110,573	$106,270
Cumulative effect of change in accounting principle – Accounting for derivative instruments and hedging activities (Note 1)	(5,998)	-	-
Losses on derivative instruments and hedging activities (Note 1)	(2,606)		
Additional minimum pension liability adjustment (Note 7)	(24,712)	-	-
Unrealized holding losses on available-for-sale securities arising during the period	-	-	(402)
Income tax benefit related to items of other comprehensive income	13,416	-	163
Comprehensive income	$86,881	$110,573	$106,031

The accompanying notes are an integral part of these consolidated financial statements.

Louisville Gas and Electric Company and Subsidiary
Consolidated Balance Sheets
(Thousands of $)

	December 31 2001	2000
ASSETS:		
Utility plant, at original cost (Note 1):		
Electric	$2,598,152	$2,459,206
Gas	409,994	389,371
Common	159,817	148,530
	3,167,963	2,997,107
Less: reserve for depreciation	1,381,874	1,296,865
	1,786,089	1,700,242
Construction work in progress	255,074	189,218
	2,041,163	1,889,460
Other property and investments – less reserve	1,176	1,357
Current assets:		
Cash and temporary cash investments	2,112	2,495
Marketable securities (Note 6)	-	4,056
Accounts receivable - less reserve of $1,575 in 2001 and $1,286 in 2000	85,667	170,852
Materials and supplies - at average cost:		
Fuel (predominantly coal)	22,024	9,325
Gas stored underground (Note 1)	46,395	54,441
Other	29,050	31,685
Prepayments and other	4,688	1,317
	189,936	274,171
Deferred debits and other assets:		
Unamortized debt expense (Note 1)	5,921	5,784
Regulatory assets (Note 3)	197,142	54,439
Other	13,016	873
	216,079	61,096
	$2,448,354	$2,226,084
CAPITAL AND LIABILITIES:		
Capitalization (see statements of capitalization):		
Common equity	$ 838,070	$ 778,928
Cumulative preferred stock	95,140	95,140
Long-term debt (Note 10)	370,704	360,600
	1,303,914	1,234,668
Current liabilities:		
Current portion of long-term debt (Note 10)	246,200	246,200
Notes payable (Note 11)	94,197	114,589
Accounts payable	149,070	134,392
Accrued taxes	20,257	8,073
Accrued interest	5,818	6,350
Other	12,840	19,693
	528,382	529,297
Deferred credits and other liabilities:		
Accumulated deferred income taxes (Notes 1 and 8)	298,143	289,232
Investment tax credit, in process of amortization	58,689	62,979
Accumulated provision for pensions and related benefits (Note 7)	167,526	31,257
Customers' advances for construction	9,745	9,578
Regulatory liabilities (Note 3)	65,349	61,013
Other	16,606	8,060
	616,058	462,119
Commitments and contingencies (Note 12)		
	$2,448,354	$2,226,084

The accompanying notes are an integral part of these consolidated financial statements.

Louisville Gas and Electric Company and Subsidiary
Consolidated Statements of Cash Flows
(Thousands of $)

	Years Ended December 31 2001	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 106,781	$ 110,573	$ 106,270
Items not requiring cash currently:			
Depreciation and amortization	100,356	98,291	97,221
Deferred income taxes - net	3,021	31,020	(5,279)
Investment tax credit - net	(4,290)	(4,274)	(4,289)
Other	(528)	8,481	6,924
Change in certain net current assets:			
Accounts receivable	43,185	(56,993)	28,721
Materials and supplies	(2,018)	(4,311)	(559)
Accounts payable	14,678	21,384	(20,665)
Accrued taxes	12,184	(15,686)	(8,170)
Accrued interest	(532)	(2,915)	1,227
Prepayments and other	(9,968)	(4,901)	(4,306)
Sale of accounts receivable (Note 1)	42,000	-	-
Other	(17,806)	(24,431)	(16,602)
Net cash flows from operating activities	287,063	156,238	180,493
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of securities	-	(708)	(1,144)
Proceeds from sales of securities	4,237	4,089	11,662
Construction expenditures	(252,958)	(144,216)	(194,644)
Net cash flows used for investing activities	(248,721)	(140,835)	(184,126)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Short-term borrowings and repayments	(20,392)	(5,508)	120,097
Issuance of pollution control bonds	9,662	106,545	-
Retirement of first mortgage bonds and pollution control bonds	-	(130,627)	-
Additional paid-in capital	-	40,000	-
Payment of dividends	(27,995)	(78,079)	(93,433)
Net cash flows from financing activities	(38,725)	(67,669)	26,664
Change in cash and temporary cash investments	(383)	(52,266)	23,031
Cash and temporary cash investments at beginning of year	2,495	54,761	31,730
Cash and temporary cash investments at end of year	$ 2,112	$ 2,495	$ 54,761
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Income taxes	$ 35,546	$ 46,562	$ 76,761
Interest on borrowed money	30,989	42,958	33,507

The accompanying notes are an integral part of these consolidated financial statements.

Louisville Gas and Electric Company and Subsidiary
Consolidated Statements of Capitalization
(Thousands of $)

	Shares Outstanding	Current Redemption Price	December 31 2001	December 31 2000
COMMON EQUITY:				
Common stock, without par value - Authorized 75,000,000 shares, outstanding 21,294,223 shares			$ 425,170	$ 425,170
Common stock expense			(836)	(836)
Additional paid-in capital			40,000	40,000
Accumulated other comprehensive income			(19,900)	-
Retained earnings			393,636	314,594
			838,070	778,928
CUMULATIVE PREFERRED STOCK:				
Redeemable on 30 days notice by LG&E				
$25 par value, 1,720,000 shares authorized - 5% series	860,287	$28.00	21,507	21,507
Without par value, 6,750,000 shares authorized - Auction rate	500,000	100.00	50,000	50,000
$5.875 series	250,000	102.35	25,000	25,000
Preferred stock expense			(1,367)	(1,367)
			95,140	95,140
LONG-TERM DEBT (Note 10):				
First mortgage bonds - Series due August 15, 2003, 6%			42,600	42,600
Pollution control series:				
R due November 1, 2020, 6.55%			41,665	41,665
S due September 1, 2017, variable			31,000	31,000
T due September 1, 2017, variable			60,000	60,000
U due August 15, 2013, variable			35,200	35,200
V due August 15, 2019, 5 5/8%			102,000	102,000
W due October 15, 2020, 5.45%			26,000	26,000
X due April 15, 2023, 5.90%			40,000	40,000
Y due May 1, 2027, variable			25,000	25,000
Z due August 1, 2030, variable			83,335	83,335
AA due September 1, 2027, variable			10,104	-
Total first mortgage bonds			496,904	486,800
Pollution control bonds (unsecured) -				
Series due September 1, 2026, variable			22,500	22,500
Series due September 1, 2026, variable			27,500	27,500
Series due November 1, 2027, variable			35,000	35,000
Series due November 1, 2027, variable			35,000	35,000
Total unsecured pollution control bonds			120,000	120,000
Total bonds outstanding			616,904	606,800
Less current portion of long-term debt			246,200	246,200
Long-term debt			370,704	360,600
Total capitalization			$1,303,914	$1,234,668

The accompanying notes are an integral part of these consolidated financial statements.

Note 1 - Summary of Significant Accounting Policies

LG&E, a subsidiary of LG&E Energy and an indirect subsidiary of Powergen, 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 in Louisville and adjacent areas in Kentucky. LG&E Energy is an exempt public utility holding company with wholly owned subsidiaries including LG&E, KU, Capital Corp., LEM, and LG&E Services. All of the LG&E's Common Stock is held by LG&E Energy. LG&E has one wholly owned consolidated subsidiary, LG&E Receivable.

On December 11, 2000, LG&E Energy Corp.was acquired by Powergen. Powergen is a registered public utility holding company under PUHCA. No costs associated with the Powergen acquisition nor any of the effects of purchase accounting have been reflected in the financial statements of LG&E.

Certain reclassification entries have been made to the 2000 financial statements to conform to the 2001 presentation with no impact on the balance sheet totals or previously reported income.

Utility Plant. LG&E's 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.

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. Depreciation is provided on the straight-line method over the estimated service lives of depreciable plant. Pursuant to a final order of the Kentucky Commission dated December 3, 2001, LG&E implemented new depreciation rates effective as of January 1, 2001. The amounts provided for 2001 were 3.0% (2.9% electric, 2.9% gas and 5.7% common); for 2000 were 3.6% (3.3% electric, 3.8% gas and 7.3% common); and for 1999 were 3.4% (3.2% electric, 3.2% gas, and 7.1% common) of average depreciable plant.

Cash and Temporary Cash Investments. LG&E considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Temporary cash investments are carried at cost, which approximates fair value.

Gas Stored Underground. Gas inventories of $46.4 million and $54.4 million at December 31, 2001, and 2000, respectively, are included in gas stored underground in the balance sheet. The inventory is accounted for using the average-cost method.

Financial Instruments. LG&E uses over-the-counter interest-rate swap agreements to hedge its exposure to fluctuations in the interest rates it pays on variable-rate debt. Gains and losses on interest-rate swaps used to hedge interest rate risk are reflected in other comprehensive income. In 2000, LG&E used exchange traded U.S. Treasury note and bond futures to hedge its exposure to fluctuations in the value of its investments in the preferred stocks of other companies. Gains and losses on U.S. Treasury note and bond futures were charged or credited to other income-net. See Note 4 - Financial Instruments.

Debt Expense. Debt expense is capitalized in deferred debits and amortized over the lives of the related bond issues, consistent with regulatory practices.

Deferred Income Taxes. Deferred income taxes have been provided for all material book-tax temporary differences.

Investment Tax Credits. Investment tax credits resulted from provisions of the tax law that permitted a reduction of LG&E's tax liability based on credits for certain 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. The unbilled revenue estimates included in accounts receivable for LG&E at December 31, 2001 and 2000, were approximately \$37.3 million and \$62.8 million, respectively. See Note 3, Rates and Regulatory Matters. LG&E recorded electric revenues that resulted from sales to a related party, KU, of \$28.5 million, \$20.9 million and \$20.2 million for years ended December 31, 2001, 2000 and 1999, respectively.

Fuel and Gas Costs. The cost of fuel for electric generation is charged to expense as used, and the cost of 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 gas procurement and off-system gas sales activity. See Note 3, 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. Actual results could differ from those estimates. See Note 12, Commitments and Contingencies, for a further discussion.

Accounts Receivable Securitization. SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, revises the standards for accounting for securitizations and other transfers of financial assets and collateral and requires certain disclosures, and provides accounting and reporting standards for transfers and servicing of financial assets and extinguishments of liabilities. SFAS No. 140 was adopted in the first quarter of 2001, when LG&E entered into an accounts receivable securitization transaction.

On February 6, 2001, LG&E implemented an accounts receivable securitization program. The purpose of this program is to enable LG&E to accelerate the receipt of cash from the collection of retail accounts receivable, thereby reducing dependence upon more costly sources of working capital. The securitization program allows for a percentage of eligible receivables to be sold. Eligible receivables are generally all receivables associated with retail sales that have standard terms and are not past due. LG&E is able to terminate these programs at any time without penalty. If there is a significant deterioration in the payment record of the receivables by the retail customers or if LG&E fails to meet certain covenants regarding the program, the program may terminate at the election of the financial institutions. In this case, payments from retail customers would first be used to repay the financial institutions participating in the program, and would then be available for use by LG&E.

As part of the program, LG&E sold retail accounts receivables to a wholly owned subsidiary, LG&E R. Simultaneously, LG&E R entered into two separate three-year accounts receivable securitization facilities with two financial institutions and their affiliates whereby LG&E R can sell, on a revolving basis, an undivided interest in certain of their receivables and receive up to \$75 million from an unrelated third party purchaser.

The effective cost of the receivables programs is comparable to LG&E's lowest cost source of capital, and is based on prime rated commercial paper. LG&E retains servicing rights of the sold receivables through two separate servicing agreements with the third party purchaser. LG&E has obtained an opinion from independent legal counsel indicating these transactions qualify as true sale of receivables. As of December 31, 2001, the outstanding program balance was $42 million.

Management expects to renew these facilities when they expire.

The allowance for doubtful accounts associated with the eligible securitized receivables was $1.3 million at December 31, 2001. This allowance is based on historical experience of LG&E. Each securitization facility contains a fully funded reserve for uncollectible receivables.

New Accounting Pronouncements. During 2001 and 2000, the following accounting pronouncements were issued that affect LG&E:

SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, and SFAS No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities*, establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded on the balance sheet as either an asset or a liability measured at its fair value. SFAS No. 133 requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that LG&E must formally document, designate, and assess the effectiveness of transactions that receive hedge accounting. SFAS No. 133 could increase the volatility in earnings and other comprehensive income. SFAS No. 137, *Accounting for Derivative Instruments and Hedging Activities -- Deferral of the Effective Date of SFAS No. 133*, deferred the effective date of SFAS No. 133 until January 1, 2001. LG&E adopted SFAS No. 133 and SFAS No. 138 on January 1, 2001. The effect of adopting these statements resulted in a $3.6 million decrease in other comprehensive income from a cumulative effect of change in accounting principle (net of tax of $2.4 million).

The Financial Accounting Standards Board created the Derivatives Implementation Group (DIG) to provide guidance for implementation of SFAS No. 133. DIG Issue C15, *Normal Purchases and Normal Sales Exception for Option Type Contracts and Forward Contracts in Electricity* was adopted in 2001 and had no impact on results of operations and financial position. DIG Issue C16, *Applying the Normal Purchases and Normal Sales Exception to Contracts that Combine a Forward Contract and a Purchased Option Contract*, was cleared in 2001 and stated that option contracts do not meet the normal purchases and normal sales exception and should follow SFAS No. 133. DIG C16 will be effective in the second quarter of 2002. Management has not determined the impact this issue will have on its results of operations and financial position.

SFAS No. 141, *Business Combinations* and SFAS No. 142, *Goodwill and Other Intangible Assets* were issued in 2001. SFAS No. 141 requires all business combinations initiated after June 30, 2001, to be accounted for using the purchase method. SFAS No. 142 requires goodwill to be recorded, but not amortized. Further, goodwill will now be subject to a periodic assessment for impairment. The provisions of these new pronouncements were effective July 1, 2001, for LG&E. The adoption of these standards did not have a material impact on the results of operations or financial position of LG&E.

SFAS No. 143, *Accounting for Asset Retirement Obligations* and SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, were issued 2001. SFAS No. 143 establishes accounting and reporting standards for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS No. 144 supersedes SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of* and the accounting and reporting provisions of APB

Opinion No. 30, *Reporting the Results of Operations – Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions.* SFAS No. 144, among other provisions, eliminates the requirement of SFAS No. 121 to allocate goodwill to long-lived assets to be tested for impairment. The effective implementation date for SFAS No. 144 is 2002 and SFAS No. 143 is 2003. Based on current regulatory accounting practices, management does not expect SFAS No. 143 or SFAS No. 144 to have a material impact on results of operations or financial position of LG&E.

Note 2 – Mergers and Acquisitions

On December 11, 2000, LG&E Energy Corp. was acquired by Powergen plc. for cash of approximately $3.2 billion or $24.85 per share and the assumption of all of LG&E Energy's debt. As a result of the acquisition, LG&E Energy became a wholly owned subsidiary of Powergen and, as a result, LG&E became an indirect subsidiary of Powergen. LG&E has continued its separate identity and serves customers in Kentucky under its existing name. The preferred stock and debt securities of LG&E were not affected by this transaction resulting in the utility operations' obligation to continue to file SEC reports. Following the acquisition, Powergen became a registered holding company under PUHCA, and LG&E, as a subsidiary of a registered holding company, became subject to additional regulations under PUHCA.

LG&E Energy and KU Energy merged on May 4, 1998, with LG&E Energy as the surviving corporation. As a result of the merger, LG&E Energy, which is the parent of LG&E, became the parent company of KU. The operating utility subsidiaries (LG&E and KU) have continued to maintain their separate corporate identities and serve customers in Kentucky and Virginia under their present names. LG&E Energy estimated non-fuel savings over a ten year period following the merger. Costs to achieve these savings for LG&E of $50.2 million were recorded in the second quarter of 1998, $18.1 million of which were initially deferred and are being amortized over a five-year period pursuant to regulatory orders. Primary components of the merger costs were separation benefits, relocation costs, and transaction fees, the majority of which were paid by December 31, 1998. LG&E expensed the remaining costs associated with the merger ($32.1 million) in the second quarter of 1998. In regulatory filings associated with approval of the merger, LG&E committed not to seek increases in existing base rates and proposed reductions in their retail customers' bills in amounts based on one-half of the savings, net of the deferred and amortized amount, over a five-year period. The preferred stock and debt securities of LG&E were not affected by the merger.

Management has accounted for the KU/LG&E merger as a pooling of interests and as a tax-free reorganization under the Internal Revenue Code.

As part of its merger order, the Kentucky Commission approved a surcredit whereby 50% of the net non-fuel cost savings estimated to be achieved from the merger, less $18.1 million or 50% of the originally estimated costs to achieve such savings, be applied to reduce customer rates through a surcredit on customers' bills and the remaining 50% be retained by the companies. The surcredit is allocated 53% to KU and 47% to LG&E pursuant to Kentucky Commission order. The surcredit will be about 2% of customer bills through mid 2003 and will amount to approximately $55 million in net non-fuel savings to LG&E. Any fuel cost savings are passed to Kentucky customers through the companies' fuel adjustment clauses. See Note 3 for more information about LG&E's rates and regulatory matters.

Note 3 - Rates and Regulatory Matters

Accounting for the regulated utility business conforms with generally accepted accounting principles as applied to regulated public utilities and as prescribed by FERC and the Kentucky Commission. LG&E is subject to SFAS No. 71, *Accounting for the Effects of Certain Types of Regulation*, under which certain costs that would otherwise be charged to expense are deferred as regulatory assets based on expected recovery from customers in future rates. Likewise, certain 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 generally based on specific ratemaking decisions or precedent for each item. The following regulatory assets and liabilities were included in LG&E's balance sheets as of December 31 (in thousands of $):

	2001	2000
VDT Costs	$127,529	$ -
Gas supply adjustments due from customers	30,135	12,324
Unamortized loss on bonds	17,902	19,036
LGE/KU merger costs	5,444	9,073
Manufactured gas sites	2,062	2,368
One utility costs	3,643	6,331
Other	10,427	5,307
Total regulatory assets	197,142	54,439
Deferred income taxes - net	(48,703)	(54,593)
Gas supply adjustments due to customers	(15,702)	(2,209)
Other	(944)	(4,391)
Total regulatory liabilities	(65,349)	(61,013)
Regulatory assets (liabilities) – net	$131,793	$(6,574)

Kentucky Commission Settlement - Value Delivery Costs. During the first quarter 2001, LG&E recorded a $144 million charge for a workforce reduction program. Primary components of the charge were separation benefits, enhanced early retirement benefits, and health care benefits. The result of this workforce reduction was the elimination of over 700 positions, accomplished primarily through a voluntary enhanced severance program.

On June 1, 2001, LG&E filed an application (VDT case) with the Kentucky Commission to create a regulatory asset relating to these first quarter 2001 charges. The application requested permission to amortize these costs over a four-year period. The Kentucky Commission also opened a case to review the new depreciation study and resulting depreciation rates implemented in 2001.

LG&E reached a settlement in the VDT case as well as the other cases involving depreciation rates and ESM with all intervening parties. The settlement agreement was approved by the Kentucky Commission on December 3, 2001.

The Kentucky Commission December 3, 2001, order allowed LG&E to set up a regulatory asset of $141 million for the workforce reduction costs and begin amortizing these costs over a five year period starting in April 2001. The first quarter charge of $144 million represented all employees who had accepted a voluntary enhanced severance program. Some employees rescinded their participation in the voluntary enhanced severance program, thereby decreasing the original charge from $144 million to $141 million. The settlement will also reduce revenues approximately $26 million through a surcredit on future bills to customers over the same five year period. The surcredit represents net savings stipulated by LG&E. The agreement also established LG&E's new depreciation rates in effect December 2001, retroactive to January 1, 2001. The new depreciation rates decreased depreciation expense by $5.6 million in 2001.

PUHCA. Following the purchase of LG&E Energy by Powergen, Powergen became a registered holding company under PUHCA. As a result, Powergen, its utility subsidiaries, including LG&E, and certain of its non-utility subsidiaries are subject to extensive regulation by the SEC under PUHCA with respect to issuances and sales of securities, acquisitions and sales of certain utility properties, and intra-system sales of certain goods and services. In addition, PUHCA generally limits the ability of registered holding companies to acquire additional public utility systems and to acquire and retain businesses unrelated to the utility operations of the holding company. Powergen believes that it has adequate authority (including financing authority) under existing SEC orders and regulations for it and its subsidiaries to conduct their businesses and will seek additional authorization when necessary.

Environmental Cost Recovery. In June 2000, the Kentucky Commission approved LG&E's application for a CCN to construct up to three SCR NOx reduction facilities. The construction and subsequent operation of the SCRs is intended to reduce NOx emission levels to meet the EPA's mandated NOx emission level of 0.15 lbs./ Mmbtu by May 2004. In its order, the Kentucky Commission ruled that LG&E's proposed plan for construction was "reasonable, cost-effective and will not result in the wasteful duplication of facilities." In October 2000, LG&E filed an application with the Kentucky Commission to amend its Environmental Compliance Plan to reflect the addition of the proposed NOx reduction technology projects and to amend its Environmental Cost Recovery Tariff to include an overall rate of return on capital investments. Approval of LG&E's application will allow LG&E to begin to recover the costs associated with these new projects, subject to Kentucky Commission oversight during normal six-month and two-year reviews. Following the completion of hearings in March 2001, a ruling was issued in April 2001 approving LG&E's application.

ESM. LG&E's electric rates are subject to an ESM. The ESM, in place for three years beginning in 2000, sets an upper and lower point for rate of return on equity, whereby if LG&E's rate of return for the calendar year falls within the range of 10.5% to 12.5%, no action is necessary. If earnings are above the upper limit, then excess earnings are shared 40% with ratepayers and 60% with shareholders; if earnings are below the lower limit, then earnings deficiency is recovered 40% from ratepayers and 60% from shareholders. The first ESM filing was made on March 1, 2001, for year ended December 31, 2000 that resulted in a refund to customers of $618,000. By order of the Kentucky Commission, rate changes prompted by the ESM filing go into effect in April of each year. LG&E estimated that the rate of return will fall within the deadband range, subject to Kentucky Commission approval, for the year ended December 31, 2001; therefore, no adjustment to the financial statements was made.

DSM. LG&E's rates contain a DSM provision. The provision includes a rate mechanism that provides concurrent recovery of DSM costs and provides an incentive for implementing DSM programs. This program had allowed LG&E to recover revenues from lost sales associated with the DSM program. In May 2001, the Kentucky Commission approved LG&E's plan to continue DSM programs. This filing called for the expansion of the DSM programs into the service territory served by KU and proposes a mechanism to recover revenues from lost sales associated with DSM programs based on program planning engineering estimates and post-implementation evaluation.

Gas PBR. Since November 1, 1997, LG&E has operated under an experimental performance-based ratemaking mechanism related to its gas procurement activities. For each of the last four years, LG&E's rates have been adjusted to recover its portion of the savings (or expenses) incurred during each of the four 12-month periods beginning November 1 and ending October 31. Since its implementation on November 1, 1997, through October 31, 2001, LG&E has achieved $32.1 million in savings. Of the total savings, LG&E has retained $15.0 million, and the remaining portion of $17.1 million has been distributed to customers. In December 2000, LG&E filed an Application reporting on the operation of the experimental PBR and requested the Kentucky Commission to extend the PBR as a result of the benefits provided to both LG&E and its customers during the experimental period. Following the discovery and hearing process, the Kentucky Commission issued an order effective November 1, 2001, extending the experimental PBR program for an additional four years, and making other modifications, including changes to the sharing levels applicable to savings or expenses incurred under the PBR. Specifically, the Kentucky Commission substituted a 25%/75% Company/Customer sharing for all savings (and expenses) up to 4.5% of the benchmarked gas costs. Savings (and expenses) in excess of 4.5% of the benchmarked gas costs are shared at a 50%/50% level.

FAC. Prior to implementation of the PBR in July 1999, and following its termination in March 2000, LG&E employed an FAC mechanism, which under Kentucky law allowed LG&E to recover from customers the actual fuel costs associated with retail electric sales.

In February 1999, LG&E received orders from the Kentucky Commission requiring a refund to retail electric customers of approximately $3.9 million resulting from reviews of the FAC from November 1994, through April 1998, of which $1.9 million was refunded in April 1999, for the period beginning November 1994, and ending October 1996. The orders changed LG&E's method of computing fuel costs associated with electric line losses on wholesale sales appropriate for recovery through the FAC. Following rehearing in December 1999, the Kentucky Commission agreed with LG&E 's position on the appropriate loss factor to use in the FAC computation and issued an order reducing the refund level for the 18-month period under review to approximately $800,000 for the period November 1996 through April 1998. LG&E enacted the refund with billings in the month of January 2000. LG&E and KIUC each filed separate appeals from the Kentucky Commission's February 1999 orders with the Franklin County, Kentucky Circuit Court and in May 2000, the Court affirmed the Kentucky Commission's orders regarding the amounts disallowed and ordered the case remanded as to the Kentucky Commission's denial of interest, directing the Kentucky Commission to determine whether interest should be awarded to LG&E's ratepayers. In June 2000, LG&E appealed the Circuit Court's decision to the Kentucky Court of Appeals. Pending a decision on this appeal, a comprehensive settlement was reached by all parties, which settlement was filed with the Kentucky Commission on December 21, 2001. Thereunder, LG&E agreed to credit its fuel clause in the amount of $720,000 (such credit provided over the course of two monthly billing periods), and the parties agreed on a prospective interpretation of the state's fuel adjustment clause regulation to ensure consistent and mutually acceptable application on a going-forward basis. All pending FAC proceedings before the court were resolved by the parties to the agreement and all parties requested the Court of Appeals remand the case to the Kentucky Commission. The Kentucky Commission is expected to approve the settlement in 2002.

Gas Rate Case. In March 2000, LG&E filed an application with the Kentucky Commission requesting an adjustment in LG&E's gas rates. In September 2000, the Kentucky Commission granted LG&E an annual increase in its base gas revenues of $20.2 million effective September 28, 2000. The Kentucky Commission authorized a return on equity of 11.25%. The Kentucky Commission approved LG&E's proposal for a weather normalization billing adjustment mechanism that will normalize the effect of weather on revenues from gas sales.

Wholesale Natural Gas Prices. On September 12, 2000, the Kentucky Commission issued an order establishing Administrative Case No. 384 – "An Investigation of Increasing Wholesale Natural Gas Prices and the Impacts of such Increase on the Retail Customers Served by Kentucky's Jurisdictional Natural Gas Distribution Companies". The impetus for this administrative proceeding was the escalation of wholesale natural gas prices during the summer of 2000.

The Kentucky Commission directed Kentucky's natural gas distribution companies, including LG&E, to file selected information regarding the individual companies' natural gas purchasing practices, expectations for the then-approaching winter heating season of 2000-2001, and potential actions which these companies might take to mitigate price volatility. On July 17, 2001, the Kentucky Commission issued an Order encouraging the natural gas distribution companies in Kentucky to take various actions, among them to propose a natural gas hedge plan, consider performance-based ratemaking mechanisms, and to increase the use of storage.

On August 12, 2001, LG&E submitted a natural gas hedge plan in Case No. 2001-253. However, due to significantly decreased wholesale natural gas prices during the Summer of 2001, the Kentucky Commission ultimately rejected LG&E's proposed gas hedging plan as "untimely" in its order dated October 5, 2001.

Another result from that Administrative Case was the Kentucky Commission's decision to engage a consultant to conduct a forward-looking audit of the gas procurement and supply procedures in order to assist both the Kentucky Commission and each of Kentucky's largest natural gas distribution companies. This audit is underway.

Kentucky Commission Administrative Case for Affiliate Transactions. In December 1997, the Kentucky Commission opened Administrative Case No. 369 to consider Kentucky Commission policy regarding cost allocations, affiliate transactions and codes of conduct governing the relationship between utilities and their non-utility operations and affiliates. The Kentucky Commission intended to address two major areas in the proceedings: the tools and conditions needed to prevent cost shifting and cross-subsidization between regulated and non-utility operations; and whether a code of conduct should be established to assure that non-utility segments of the holding company are not engaged in practices that could result in unfair competition caused by cost shifting from the non-utility affiliate to the utility. During the period September 1998 to February 2000, the Kentucky Commission issued draft codes of conduct and cost allocation guidelines. In early 2000, the Kentucky General Assembly enacted legislation, House Bill 897, which authorized the Kentucky Commission to require utilities that provide nonregulated activities to keep separate accounts and allocate costs in accordance with procedures established by the Kentucky Commission. In the same Bill, the General Assembly set forth provisions to govern a utilities activities related to the sharing of information, databases, and resources between its employees or an affiliate involved in the marketing or the provision of nonregulated activities and its employees or an affiliate involved in the provision of regulated services. The legislation became law in July 2000 and LG&E has been operating pursuant thereto since that time. On February 14, 2001, the Kentucky Commission published notice of their intent to promulgate new administrative regulations under the auspices of this new law. This effort is still on going.

Note 4 - Financial Instruments

The cost and estimated fair values of LG&E's non-trading financial instruments as of December 31, 2001, and 2000 follow (in thousands of $):

	2001		2000	
	Cost	Fair Value	Cost	Fair Value
Marketable securities	$ -	$ -	$ 4,403	$ 4,056
Long-term investments - Not practicable to estimate fair value	490	490	564	564
Preferred stock subject to mandatory redemption	25,000	25,125	25,000	25,275
Long-term debt (including current portion)	616,904	620,504	606,800	606,236
Interest-rate swaps	-	(8,604)	-	(5,998)

All of the above valuations reflect prices quoted by exchanges except for the swaps and the long-term investments. The fair values of the swaps reflect price quotes from dealers or amounts calculated using accepted pricing models. The fair values of the long-term investments reflect cost, since LG&E cannot reasonably estimate fair value.

Interest Rate Swaps. LG&E uses interest rate swaps to hedge exposure to market fluctuations in certain of its debt instruments. Pursuant to policy, use of these financial instruments is intended to mitigate risk and earnings 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. To the extent a financial instrument or the underlying item being hedged is prematurely terminated or the hedge becomes ineffective, the resulting gains or losses are reclassified from other comprehensive income to net income. Financial instruments designated as fair value hedges are periodically marked to market with the resulting gains and losses recorded directly into net income to correspond with income or expense recognized from changes in market value of the items being hedged.

As of December 31, 2001 and 2000, LG&E was party to various interest rate swap agreements with aggregate notional amounts of $117.3 million and $234.3 million, respectively. Under these swap agreements, LG&E paid fixed rates averaging 5.13% and 4.40%, and received variable rates based on the Bond Market Association's municipal swap index averaging 1.61% and 4.84% at December 31, 2001 and 2000, respectively. The swap agreements in effect at December 31, 2001 have been designated as cash flow hedges and mature on dates ranging from 2003 to 2020. The hedges have been deemed to be fully effective resulting in a pretax loss of $2.6 million for 2001, recorded in other comprehension income. Upon expiration of these hedges, the amount recorded in other comprehension income will be reclassified into earnings. The amounts expected to be reclassified from other comprehension income to earnings in the next twelve months is immaterial.

Energy Trading. LG&E conducts energy trading and risk management activities to maximize the value of power sales from physical assets it owns, in addition to the wholesale sale of excess asset capacity. Certain energy trading activities are accounted for on a mark-to-market basis in accordance with *EITF 98-10 Accounting for Contracts Involved in Energy Trading and Risk Management Activities, SFAS No. 133 Accounting for Derivative Instruments and Hedging Activities,* and *SFAS No. 138 Accounting for Certain Derivative Instruments and Certain Hedging Activities.* Wholesale sales of excess asset capacity and wholesale purchases are treated as normal sales and purchases under *SFAS No. 133* and *SFAS No. 138* and are not marked to market.

LG&E has recorded a net liability of $186,000 and $17,000 at December 31, 2001 and 2000, respectively.

No changes to valuation techniques for energy trading and risk management activities occurred during 2001. All contracts outstanding at December 31, 2001 have a maturity of less than one year and are valued using prices actively quoted for proposed or executed transactions or quoted by brokers.

Note 5 - 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 gas and electric revenues arise from deliveries of natural gas to approximately 305,000 customers and electricity to approximately 378,000 customers in Louisville and adjacent areas in Kentucky. For the year ended December 31, 2001, 71% of total revenue was derived from electric operations and 29% from gas operations.

In November 2001, LG&E and IBEW Local 2100 employees, which represent approximately 70% of LG&E's workforce, entered into a four-year collective bargaining agreement.

Note 6 - Marketable Securities

In 2000, LG&E classified marketable securities as "trading securities" under the provisions of SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*. Prior to that, LG&E's marketable securities had been determined to be "available-for-sale." All unrealized holding gains and losses were immediately recognized in earnings on the date of transfer. Proceeds from sales of trading securities in 2000 were approximately $4.1 million. Proceeds from sales of available-for-sale securities in 1999 were approximately $11.7 million. Sales of securities resulted in immaterial net realized gains and losses, calculated using the specific identification method.

LG&E has no trading securities at December 31, 2001. Approximate cost, fair value, and other required information pertaining to LG&E's securities by major security type, as of December 31, 2000, follow (in thousands of $):

	Equity
2000:	
Cost	$4,403
Realized losses	(347)
Fair values	$4,056
Fair values:	
No maturity	$4,056
Total fair values	$4,056

Note 7 - Pension Plans and Retirement Benefits

Pension Plans. LG&E sponsors several qualified and non-qualified pension plans and other postretirement benefit plans for its employees. 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, 2001, and a statement of the funded status as of December 31 for each of the last three years (in thousands of $):

	2001	2000	1999
Pension Plans:			
Change in benefit obligation			
Benefit obligation at beginning of year	$310,822	$283,267	$311,935
Service cost	1,311	3,408	5,005
Interest cost	25,361	22,698	21,014
Plan amendments	1,550	17,042	(2,397)
Curtailment loss	24,563	-	-
Special termination benefits	53,610	-	-
Benefits paid	(53,292)	(16,656)	(15,471)
Actuarial (gain) or loss and other	(7,632)	1,063	(36,819)
Benefit obligation at end of year	$356,293	$310,822	$283,267
Change in plan assets			
Fair value of plan assets at beginning of year	$333,378	$360,095	$308,660
Actual return on plan assets	(27,589)	(6,150)	51,995
Employer contributions and plan transfers	(17,134)	(1,804)	16,142
Benefits paid	(53,292)	(16,656)	(15,471)
Administrative expenses	(1,419)	(2,107)	(1,231)
Fair value of plan assets at end of year	$233,944	$333,378	$360,095
Reconciliation of funded status			
Funded status	$(122,349)	$22,556	$ 76,828
Unrecognized actuarial (gain) or loss	18,800	(74,086)	(126,554)
Unrecognized transition (asset) or obligation	(4,215)	(5,853)	(6,965)
Unrecognized prior service cost	35,435	47,984	35,588
Net amount recognized at end of year	$ (72,329)	$ (9,399)	$ (21,103)

Other Benefits:			
Change in benefit obligation			
Benefit obligation at beginning of year	$56,981	$44,997	$44,964
Service cost	358	822	1,205
Interest cost	5,865	4,225	3,270
Plan amendments	1,487	5,826	2,377
Curtailment loss	8,645	-	-
Special termination benefits	18,089	-	-
Benefits paid	(4,877)	(4,889)	(3,050)
Actuarial (gain) or loss	3,398	6,000	(3,769)
Benefit obligation at end of year	$89,946	$56,981	$44,997
Change in plan assets			
Fair value of plan assets at beginning of year	$ 7,166	$10,526	$ 6,062
Actual return on plan assets	(765)	(92)	1,776
Employer contributions and plan transfers	1,282	1,621	4,681
Benefits paid	(4,881)	(4,889)	(1,993)
Fair value of plan assets at end of year	$ 2,802	$ 7,166	$10,526
Reconciliation of funded status			
Funded status	$(87,144)	$(49,815)	$(34,471)
Unrecognized actuarial (gain) or loss	15,947	5,623	(1,638)
Unrecognized transition (asset) or obligation	7,346	13,374	14,489
Unrecognized prior service cost	5,302	8,960	4,292
Net amount recognized at end of year	$(58,549)	$(21,858)	$(17,328)

There are no plan assets in the nonqualified plan due to the nature of the plan.

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, 2001, 2000 and 1999 (in thousands of $):

	2001	2000	1999
Pension Plans:			
Amounts recognized in the balance sheet consisted of:			
Prepaid benefits cost	$ -	$ 18,880	$ 6,466
Accrued benefit liability	(108,977)	(28,279)	(27,569)
Intangible asset	11,936	-	-
Accumulated other comprehensive income	24,712	-	-
Net amount recognized at year-end	$ (72,329)	$ (9,399)	$ (21,103)
Additional year-end information for plans with accumulated benefit obligations in excess of plan assets (1):			
Projected benefit obligation	$ 356,293	$ 4,088	$ 4,845
Accumulated benefit obligation	352,477	3,501	4,327
Fair value of plan assets	233,944	-	-

(1) 2001 includes all plans. 2000 and 1999 include SERPs only.

Other Benefits:			
Amounts recognized in the balance sheet consisted of:			
Accrued benefit liability	$ (58,549)	$ (21,858)	$ (17,328)
Additional year-end information for plans with benefit obligations in excess of plan assets:			
Projected benefit obligation	$89,946	$56,981	$44,997
Fair value of plan assets	2,802	7,166	10,526

The following table provides the components of net periodic benefit cost for the plans for 2001, 2000 and 1999 (in thousands of $):

	2001	2000	1999
Pension Plans:			
Components of net periodic benefit cost			
Service cost	$ 1,311	$ 3,408	$ 5,005
Interest cost	25,361	22,698	21,014
Expected return on plan assets	(26,360)	(33,025)	(28,946)
Amortization of prior service cost	3,861	4,646	3,462
Amortization of transition (asset) or obligation	(1,000)	(1,112)	(1,112)
Recognized actuarial (gain) or loss	(777)	(6,856)	(2,621)
Net periodic benefit cost	$ 2,396	$(10,241)	$ (3,198)
Special charges			
Prior service cost recognized	$10,237	$ -	$ -
Special termination benefits	53,610	-	-
Settlement loss	(2,244)	-	-
Total charges	$61,603	$ -	$ -
Other Benefits:			
Components of net periodic benefit cost			
Service cost	$ 358	$ 822	$ 1,205
Interest cost	5,865	4,225	3,270
Expected return on plan assets	(420)	(683)	(401)
Amortization of prior service cost	951	1,158	473
Amortization of transition (asset) or obligation	719	1,114	1,114
Recognized actuarial gain	(32)	(485)	(183)
Net periodic benefit cost	$ 7,441	$ 6,151	$ 5,478
Special charges			
Curtailment loss	$ 6,671	$ -	$ -
Prior service cost recognized	2,391	-	-
Transition obligation recognized	4,743	-	-
Special termination benefits	18,089	-	-
Total charges	$31,894	$ -	$ -

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

	2001	2000	1999
Weighted-average assumptions as of December 31:			
Discount rate	7.25%	7.75%	8.00%
Expected long-term rate of return on plan assets	9.50%	9.50%	9.50%
Rate of compensation increase	4.25%	4.75%	5.00%

For measurement purposes, a 10.00% annual increase in the per capita cost of covered health care benefits was assumed for 2002. The rate was assumed to decrease gradually to 5.00% for 2011 and remain at that level thereafter.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A 1% change in assumed health care cost trend rates would have the following effects (in thousands of $):

	1% Decrease	1% Increase
Effect on total of service and interest cost components for 2001	$ (189)	$ 212
Effect on year-end 2001 postretirement benefit obligations	(3,025)	3,073

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 were approximately $1.2 million for 2001, and $2.7 million for 2000 and 1999, respectively.

Note 8 - Income Taxes

Components of income tax expense are shown in the table below (in thousands of $):

		2001	2000	1999
Included in operating expenses:				
Current	- federal	$42,997	$32,612	$53,981
	- state	8,668	5,018	13,680
Deferred	- federal – net	12,310	24,272	(4,818)
	- state – net	3,767	6,797	(780)
Amortization of investment tax credit		(4,290)	(4,274)	(4,289)
Total		63,452	64,425	57,774
Included in other income - net:				
Current	- federal	(1,870)	(2,187)	217
	- state	(483)	(568)	(30)
Deferred	- federal - net	285	(39)	254
	- state – net	73	(10)	65
Total		(1,995)	(2,804)	506
Total income tax expense		$61,457	$61,621	$58,280

Net deferred tax liabilities resulting from book-tax temporary differences are shown below (in thousands of $):

	2001	2000
Deferred tax liabilities:		
Depreciation and other plant-related items	$334,914	$329,836
Other liabilities	77,611	22,621
	412,525	352,457
Deferred tax assets:		
Investment tax credit	23,713	25,444
Income taxes due to customers	19,709	22,086
Pension overfunding	6,621	5,595
Accrued liabilities not currently deductible and other	64,339	10,100
	114,382	63,225
Net deferred income tax liability	$298,143	$289,232

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

	2001	2000	1999
Statutory federal income tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal benefit	4.7	4.3	5.1
Amortization of investment tax credit	(2.6)	(2.6)	(2.8)
Other differences – net	(0.6)	(0.9)	(1.9)
Effective income tax rate	36.5%	35.8%	35.4%

Note 9 - Other Income - net

Other income – net consisted of the following at December 31 (in thousands of $):

	2001	2000	1999
Interest and dividend income	$ 748	$3,103	$ 4,086
Gains on fixed asset disposals	1,217	1,014	2,394
Income taxes and other	965	804	(2,339)
Other income – net	$2,930	$4,921	$ 4,141

Note 10 - First Mortgage Bonds and Pollution Control Bonds

Long-term debt and the current portion of long-term debt, summarized below (in thousands of $), consists primarily of first mortgage bonds and pollution control bonds. Interest rates and maturities in the table below are for the amounts outstanding at December 31, 2001.

	Stated Interest Rates	Weighted Average Interest Rate	Maturities	Principal Amounts
Noncurrent portion	Variable - 6.55%	5.40%	2003 - 2030	$370,704
Current portion (pollution control bonds)	Variable	2.33%	2013 - 2027	246,200

Under the provisions for 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. The average annualized interest rate for these bonds during 2001 was 4.00%.

LG&E's First Mortgage Bonds, 6% Series of $42.6 million is scheduled to mature in 2003. There are no other scheduled maturities of Pollution Control Bonds for the five years subsequent to December 31, 2001.

In September 2001, LG&E issued $10.1 million variable rate tax-exempt environmental facility revenue bonds due September 1, 2027.

In January 2000, LG&E exercised its call option on its $20 million 7.50% First Mortgage Bonds due July 1, 2002. The bonds were redeemed utilizing proceeds from issuance of commercial paper.

In May 2000, LG&E issued $25 million variable rate pollution control bonds due May 1, 2027 and exercised its call option on $25 million, 7.45%, pollution control bonds due June 15, 2015. In August 2000, LG&E issued $83 million in variable rate pollution control bonds due August 1, 2030 and exercised its call option on its $83 million, 7 5/8%, pollution control bonds due November 1, 2020.

Annual requirements for the sinking funds of LG&E's First Mortgage Bonds (other than the First Mortgage Bonds issued in connection with certain 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.

Substantially all of LG&E's utility plants are pledged as security for its first mortgage bonds. LG&E's 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 is presently restricted by this provision as of December 31, 2001.

Note 11 - Notes Payable

LG&E participates in an intercompany money pool agreement wherein LG&E Energy can make funds available to LG&E at market based rates up to $200 million. At December 31, 2001, the balance of the money pool loan from LG&E Energy was $64.2 million at an average rate of 2.37%, and LG&E had outstanding commercial paper of $30 million at an average rate of 2.54%. The resulting remaining money pool availability at December

31, 2001, was $105.8 million. LG&E Energy maintains a facility of $200 million with an affiliate to ensure funding availability for the money pool. There was no outstanding balance under this facility as of December 31, 2001, and availability of $170 million remains after considering the $30 million of commercial paper outstanding at LG&E.

At December 31, 2000, the money pool loan balance was $114.6 million at an average rate of 6.84% and LG&E had no commercial paper outstanding.

Note 12 - Commitments and Contingencies

Construction Program. LG&E had commitments in connection with its construction program aggregating approximately $22.3 million at December 31, 2001. Construction expenditures for the years 2002 and 2003 are estimated to total approximately $334 million, although all of this amount is not currently committed. Included in 2002 is $38 million for the purchase of 29% of two CTs currently under construction by LG&E Capital Corp. at LG&E's Trimble County location. KU will own 71% of the two CTs. LG&E is waiting for approval from the Kentucky Commission for the purchase of the CTs.

Operating Lease. LG&E leases office space and accounts for all of its office space leases as operating leases. Total lease expense for 2001, 2000, and 1999, less amounts contributed by the parent company, was $1.1 million, $.9 million, and $1.5 million, respectively. The future minimum annual lease payments under this lease agreement for years subsequent to December 31, 2001, are as follows (in thousands of $):

2002	$ 3,594
2003	3,507
2004	3,507
2005	1,754
Total	$12,362

In December 1999, LG&E and KU entered into an 18-year cross-border lease of its two jointly owned combustion turbines recently installed at KU's Brown facility (Units 6 and 7). LG&E's obligation was defeased upon consummation of the cross-border lease. The transaction produced a pre-tax gain of approximately $1.2 million which was recorded in other income on the income statement in 2000, pursuant to a Kentucky Commission order.

Environmental. The Clean Air Act imposed stringent new SO_2 and NOx emission limits on electric generating units. LG&E previously had installed scrubbers on all of its generating units. LG&E's strategy for Phase II SO_2 reductions, which commenced January 1, 2000, is to increase scrubber removal efficiency to delay additional capital expenditures and may also include fuel switching or upgrading scrubbers. LG&E met the NOx emission requirements of the Act through installation of low-NOx burner systems. LG&E's compliance plans are subject to many factors including developments in the emission allowance and fuel markets, future regulatory and legislative initiatives, and advances in clean air control 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.

In September 1998, the EPA announced its final "NOx SIP Call" rule requiring states to impose significant additional reductions in NOx emissions by May 2003, in order to mitigate alleged ozone transport impacts on the Northeast region. The Commonwealth of Kentucky is currently in the process of revising its State Implementation Plan or "SIP" to require reductions in NOx emissions from coal-fired generating units to the 0.15 lb./Mmbtu level on a system-wide basis. In related proceedings in response to petitions filed by various Northeast states, in December 1999, EPA issued a final rule pursuant to Section 126 of the Clean Air Act directing similar NOx reductions from a number of specifically targeted generating units including all LG&E units. As a result of appeals to both rules, the compliance date was extended to May 2004. All LG&E generating units are subject to the May 2004 compliance date under these NOx emissions reduction rules.

LG&E is currently implementing a plan for adding significant additional NOx controls to its generating units. Installation of additional NOx controls will proceed on a phased basis, with installation of controls commencing in late 2000 and continuing through the final compliance date. In addition, LG&E will incur additional operating and maintenance costs in operating new NOx controls. LG&E believes its costs in this regard to be comparable to those of similarly situated utilities with like generation assets. LG&E anticipated that such capital and operating costs are the type of costs that are eligible for recovery from customers under its environmental surcharge mechanism and believed that a significant portion of such costs could be recovered. In April 2001, the Kentucky Commission granted recovery of these costs.

LG&E is also monitoring several other air quality issues which may potentially impact coal-fired power plants, including the appeal of the D.C. Circuit's remand of the EPA's revised air quality standards for ozone and particulate matter, measures to implement EPA's regional haze rule, and EPA's December 2000 determination to regulate mercury emissions from power plants. In addition, LG&E is currently working with local regulatory authorities to review the effectiveness of remedial measures aimed at controlling particulate matter emissions from its Mill Creek Station. LG&E previously settled a number of property damage claims from adjacent residents and completed significant remedial measures as part of its ongoing capital construction program. LG&E is in the process of converting the Mill Creek Station to wet stack operation in an effort to resolve all outstanding issues related to particulate matter emissions.

LG&E owns or formerly owned three properties which are the location of past MGP operations. Various contaminants are typically found at such former MGP sites and environmental remediation measures are frequently required. With respect to the sites, LG&E has completed cleanups, obtained regulatory approval of site management plans, or reached agreements for other parties to assume responsibility for cleanup. Based on currently available information, management estimates that it will incur additional costs of $400,000. Accordingly, an accrual of $400,000 has been recorded in the accompanying financial statements at December 31, 2001 and 2000.

Purchased Power. LG&E has a contract for purchased power during 2002-2006 with OVEC for various MW capacities. The estimated future minimum annual payments under purchased power agreements for the five years ended December 31, 2006, are as follows (in thousands of $):

2002	$ 12,805
2003	12,934
2004	13,063
2005	13,193
2006	13,325
Total	$ 65,320

Note 13 - 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		
	LG&E	IMPA	IMEA	Total
Ownership interest	75%	12.88%	12.12%	100%
Mw capacity	371.25	63.75	60.00	495.00

LG&E's 75% ownership (in thousands of $):	
Cost	$560,381
Accumulated depreciation	170,875
Net book value	$389,506
Construction work in progress (included above)	$12,842

LG&E and KU jointly own the following combustion turbines (in thousands of $):

		LG&E	KU	Total
Paddy's Run 13	Ownership %	53%	47%	100%
	Mw capacity	84	74	158
	Cost	$33,844	$29,908	$63,752
	Depreciation	563	491	1,054
	Net book value	$33,281	$29,417	$62,698
E.W. Brown 5	Ownership %	53%	47%	100%
	Mw capacity	70	63	133
	Cost	$23,941	$21,078	$45,019
	Depreciation	394	342	736
	Net book value	$23,547	$20,736	$44,283
E.W. Brown 6	Ownership %	38%	62%	100%
	Mw capacity	62	102	164
	Cost	$23,696	$36,253	$59,949
	Depreciation	953	2,955	3,908
	Net book value	$22,743	$33,298	$56,041
E.W. Brown 7	Ownership %	38%	62%	100%
	Mw capacity	62	102	164
	Cost	$23,607	$44,785	$68,392
	Depreciation	3,268	3,033	6,301
	Net book value	$20,339	$41,752	$62,091

See also Note 12, Construction Program, for LG&E's planned purchase of two jointly owned CTs in 2002.

Note 14 - Segments of Business and Related Information

Effective December 31, 1998, LG&E adopted SFAS No. 131, *Disclosure About Segments of an Enterprise 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. Financial data for business segments, follow (in thousands of $):

	Electric	Gas	Total
2001			
Operating revenues	$705,925(a)	$290,775	$996,700
Depreciation and amortization	85,572	14,784	100,356
Interest income	616	132	748
Interest expense	31,295	6,627	37,922
Operating income taxes	55,527	7,925	63,452
Net income	94,996	11,768	106,764
Total assets	1,985,252	463,102	2,448,354
Construction expenditures	227,107	25,851	252,958
2000			
Operating revenues	$710,958(b)	$272,489	$983,447
Depreciation and amortization	84,761	13,530	98,291
Interest income	2,551	552	3,103
Interest expense	35,604	7,614	43,218
Operating income taxes	57,869	6,556	64,425
Net income	100,395	10,178	110,573
Total assets	1,760,305	465,779	2,226,084
Construction expenditures	109,798	34,418	144,216
1999			
Operating revenues	$ 790,670(c)	$177,579	$ 968,249
Depreciation and amortization	83,619	13,602	97,221
Interest income	3,435	651	4,086
Interest expense	31,558	6,404	37,962
Operating income taxes	56,883	891	57,774
Net income	104,853	1,417	106,270
Total assets	1,775,498	395,954	2,171,452
Construction expenditures	160,844	33,800	194,644

(a) Net of provision for rate refunds of $.7 million.
(b) Net of provision for rate refunds of $2.5 million.
(c) Net of provision for rate refunds of $1.7 million.

Note 15 - Selected Quarterly Data (Unaudited)

Selected financial data for the four quarters of 2001 and 2000 are shown below. Because of seasonal fluctuations in temperature and other factors, results for quarters may fluctuate throughout the year.

	Quarters Ended			
	March	June	September	December
	(Thousands of $)			
2001				
Operating revenues	$313,271	$228,841	$231,885	$222,703
Net operating income (loss)	(43,732)	37,624	49,092	98,789
Net income (loss)	(54,115)	28,467	40,270	92,159
Net income (loss) available for common stock	(55,413)	27,247	39,160	91,048
2000				
Operating revenues	$249,642	$209,731	$229,640	$294,434
Net operating income	26,592	37,285	48,161	36,832
Net income	17,421	28,009	38,117	27,026
Net income available for common stock	16,256	26,692	36,756	25,659

Note 16 – Subsequent Events

On April 9, 2001, a German power company, E.ON AG, announced a preconditional cash offer of £5.1 billion ($7.3 billion) for Powergen. The offer is subject to a number of conditions, including the receipt of certain European and United States regulatory approvals. The Kentucky Public Service Commission, the Federal Energy Regulatory Commission, the Virginia State Corporation Commission, and the Tennessee Regulatory Authority have all approved the acquisition of Powergen and LG&E Energy by E.ON. The parties expect to obtain the remaining regulatory approvals and to complete the transaction in the first half of 2002. See Powergen's schedule 14D-9, and associated schedules to such filings, filed with the SEC on April 9, 2001.

LG&E (along with KU) is a founding member of the MISO, such membership obtained in 1998 in response to and consistent with federal policy initiatives. As a MISO member, LG&E filed for and received authorization from FERC to transfer control of its transmission facilities (100 kV and above) to the MISO, the first step in allowing the latter to assume responsibility for all tariff-related transmission functions (*e.g.*, scheduling through and on LG&E's transmission system) as well as non-tariff related regional transmission activities (*e.g.*, operations planning, maintenance coordination, long-term regional planning and market monitoring). The FERC approved the MISO as the nation's first Regional Transmission Organization on December 19, 2001, after which LG&E submitted a filing at FERC to cancel all services under its Open Access Transmission Tariff except those that will not be provided by the MISO (certain ancillary services). The MISO became operational on February 1, 2002.

In October 2001, the FERC issued an order requiring that the bundled retail load and grandfathered wholesale load of each member transmission owner (including LG&E) be included in the current calculation of MISO's "cost-adder," a charge designed to recover MISO's costs of operation, including start-up capital (debt) costs. LG&E, along with several other transmission owners, opposed the FERC's ruling in this regard, which opposition the FERC rejected in an order on rehearing issued in 2002. As of the end of 2001, negotiations were continuing between MISO, its transmission owners and other interested industry segments regarding the level of cost responsibility properly borne by bundled and grandfathered load under these FERC rulings. Absent settlement, this issue is expected to go to hearing in 2002.

At the end of 2001, in response to an earlier FERC ruling, MISO and its transmission owning members (including LG&E) filed to increase MISO's rate of return on equity from 10.5% (a stipulated percentage agreed to in 1998) to 13.0%, to compensate MISO's transmission owners for the inherent risks and uncertainties associated with transferring control of their facilities to the MISO. This issue is expected to go to hearing in 2002.

Louisville Gas and Electric Company
REPORT OF MANAGEMENT

The management of Louisville Gas and Electric Company is responsible for the preparation and integrity of the financial statements and related information included in this Annual Report. These statements have been prepared in accordance with accounting principles generally accepted in the United States applied on a consistent basis and, necessarily, include amounts that reflect the best estimates and judgment of management.

LG&E's current year financial statements have been audited by PricewaterhouseCoopers LLP, independent accountants, and prior years financial statements were audited by Arthur Andersen LLP. Management made available to PricewaterhouseCoopers LLP and Arthur Andersen LLP (in prior years) all LG&E's financial records and related data as well as the minutes of shareholders' and directors' meetings.

Management has established and maintains a system of internal controls that provides reasonable assurance that transactions are completed in accordance with management's authorization, that assets are safeguarded and that financial statements are prepared in conformity with generally accepted accounting principles. Management believes that an adequate system of internal controls is maintained through the selection and training of personnel, appropriate division of responsibility, establishment and communication of policies and procedures and by regular reviews of internal accounting controls by LG&E's internal auditors. Management reviews and modifies its system of internal controls in light of changes in conditions and operations, as well as in response to recommendations from the internal auditors. These recommendations for the year ended December 31, 2001, did not identify any material weaknesses in the design and operation of LG&E's internal control structure.

The Audit Committee of the Board of Directors is composed entirely of outside directors. In carrying out its oversight role for the financial reporting and internal controls of LG&E, the Audit Committee meets regularly with LG&E's independent public accountants, internal auditors and management. The Audit Committee reviews the results of the independent accountants' audit of the financial statements and their audit procedures, and discusses the adequacy of internal accounting controls. The Audit Committee also approves the annual internal auditing program and reviews the activities and results of the internal auditing function. Both the independent public accountants and the internal auditors have access to the Audit Committee at any time.

Louisville Gas and Electric Company maintains and internally communicates a written code of business conduct that addresses, among other items, potential conflicts of interest, compliance with laws, including those relating to financial disclosure, and the confidentiality of proprietary information.

S. Bradford Rives
Senior Vice President-Finance and Controller

Louisville Gas and Electric Company
Louisville, Kentucky

Louisville Gas and Electric Company and Subsidiary
REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders of Louisville Gas and Electric Company and Subsidiary:

In our opinion, the accompanying consolidated balance sheet as of December 31, 2001 and the related consolidated statements of capitalization, income, retained earnings, cash flows and comprehensive income present fairly, in all material respects, the financial position of Louisville Gas and Electric Company and Subsidiary (the "Company"), a wholly-owned subsidiary of LG&E Energy Corp., at December 31, 2001, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. 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 audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP
January 25, 2002
Louisville, Kentucky

Louisville Gas and Electric Company
REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders of Louisville Gas and Electric Company:

We have audited the accompanying balance sheet and statement of capitalization of Louisville Gas and Electric Company (a Kentucky corporation and a wholly-owned subsidiary of LG&E Energy Corp.) as of December 31, 2000, and the related statements of income, retained earnings, cash flows and comprehensive income for each of the two years in the period ended December 31, 2000. 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. 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.

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, 2000, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed under Item 14(a)2 is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

Louisville, Kentucky
January 26, 2001

Arthur Andersen LLP

Louisville Gas and Electric Company
Case No. 2003-00433
Historical Test Period Filing Requirements

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

Description of Filing Requirement:

The monthly managerial reports providing financial results of operations for the twelve (12) months in the test period.

Response:

See attached.

LG&E Monthly Report to KPSC-September 30,2003

LOUISVILLE GAS AND ELECTRIC COMPANY
COMPARATIVE STATEMENT OF INCOME
SEPTEMBER 30, 2003

	CURRENT MONTH			
	THIS YEAR AMOUNT	LAST YEAR AMOUNT	INCREASE OR DECREASE AMOUNT	%
Electric Operating Revenues	69,533,049.31	62,735,799.97	6,797,249.34	10.83
Gas Operating Revenues	12,411,401.54	7,802,006.16	4,609,395.38	59.08
Rate Refunds	(1,239,265.06)	37,424.68	(1,276,689.74)	-
Total Operating Revenues	80,705,185.79	70,575,230.81	10,129,954.98	14.35
Fuel for Electric Generation	16,876,626.39	16,862,221.18	14,405.21	0.09
Power Purchased	6,566,982.43	4,513,241.04	2,053,741.39	45.50
Gas Supply Expenses	7,217,639.31	4,211,288.64	3,006,350.67	71.39
Other Operation Expenses	14,891,748.92	17,187,114.91	(2,295,365.99)	(13.36)
Maintenance	6,970,045.13	7,007,545.76	(37,500.63)	(0.54)
Depreciation	9,065,819.86	10,242,359.29	(1,176,539.43)	(11.49)
Amortization Expense	563,416.77	406,099.13	157,317.64	38.74
Regulatory Credits	(61,163.81)	-	(61,163.81)	-
Taxes				
Federal Income	9,560,540.05	17,713,298.86	(8,152,758.81)	(46.03)
State Income	3,686,749.88	4,288,232.64	(601,482.76)	(14.03)
Deferred Federal Income - Net	10,001,607.85	608,399.59	9,393,208.26	1,543.92
Deferred State Income - Net	1,509,202.31	465,783.20	1,043,419.11	224.01
Federal Income - Estimated	(15,908,981.50)	(15,847,781.97)	(61,199.53)	0.39
State Income - Estimated	(4,228,969.78)	(4,212,701.54)	(16,268.24)	0.39
Property and Other	1,550,623.76	1,479,589.63	71,034.13	4.80
Investment Tax Credit	-	-	-	-
Amortization of Investment Tax Credit	(1,050,940.61)	(289,305.56)	(761,635.05)	263.26
Gain from Disposition of Allowances	-	-	-	-
Accretion Expense	51,391.00	-	51,391.00	-
Total Operating Expenses	67,262,337.96	64,635,384.80	2,626,953.16	4.06
Net Operating Income	13,442,847.83	5,939,846.01	7,503,001.82	126.32
Other Income Less Deductions	528,197.67	258,321.17	269,876.50	-
Income Before Interest Charges	13,971,045.50	6,198,167.18	7,772,878.32	125.41
Interest on Long Term Debt	2,421,739.76	2,020,321.91	401,417.85	19.87
Amortization of Debt Expense - Net	109,100.46	121,356.62	(12,256.16)	(10.10)
Other Interest Expenses	201,571.07	190,726.15	10,844.92	5.69
Total Interest Charges	2,732,411.29	2,332,404.68	400,006.61	17.15
Net Inc Before Cumulative Effect of Acctg Chg	11,238,634.21	3,865,762.50	7,372,871.71	190.72
Cumulative Effect of Accounting Change Net of Tax	-	-	-	-
Net Income	11,238,634.21	3,865,762.50	7,372,871.71	190.72
Preferred Dividend Requirements	147,530.52	358,259.70	(210,729.18)	(58.82)
Earnings Available for Common	11,091,103.69	3,507,502.80	7,583,600.89	216.21

LOUISVILLE GAS AND ELECTRIC COMPANY
COMPARATIVE STATEMENT OF INCOME
SEPTEMBER 30, 2003

	YEAR TO DATE			
	THIS YEAR AMOUNT	LAST YEAR AMOUNT	INCREASE OR DECREASE AMOUNT	%
Electric Operating Revenues	594,721,202.98	580,180,837.19	14,540,365.79	2.51
Gas Operating Revenues	213,938,472.17	170,856,282.95	43,082,189.22	25.22
Rate Refunds	(3,609,984.08)	895,148.26	(4,505,132.34)	(503.28)
Total Operating Revenues	805,049,691.07	751,932,268.40	53,117,422.67	7.06
Fuel for Electric Generation	151,381,864.67	147,484,048.51	3,897,816.16	2.64
Power Purchased	60,245,540.62	60,966,622.23	(721,081.61)	(1.18)
Gas Supply Expenses	151,578,795.03	112,911,079.48	38,667,715.55	34.25
Other Operation Expenses	159,021,124.99	154,702,513.29	4,318,611.70	2.79
Maintenance	42,109,069.96	46,441,551.35	(4,332,481.39)	(9.33)
Depreciation	80,889,657.95	75,721,769.71	5,167,888.24	6.82
Amortization Expense	5,064,852.23	3,641,024.92	1,423,827.31	39.11
Regulatory Credits	(5,831,421.11)	-	(5,831,421.11)	-
Taxes				
Federal Income	16,554,250.33	27,961,790.05	(11,407,539.72)	(40.80)
State Income	6,870,449.50	7,238,857.23	(368,407.73)	(5.09)
Deferred Federal Income - Net	23,075,874.92	9,625,538.32	13,450,336.60	139.74
Deferred State Income - Net	3,852,974.16	1,927,559.03	1,925,415.13	99.89
Federal Income - Estimated	-	-	-	-
State Income - Estimated	-	-	-	-
Property and Other	12,848,357.56	13,815,407.87	(967,050.31)	(7.00)
Investment Tax Credit	-	-	-	-
Amortization of Investment Tax Credit	(3,156,217.02)	(3,099,549.29)	(56,667.73)	1.83
Gain from Disposition of Allowances	(223,920.96)	(216,947.35)	(6,973.61)	3.21
Accretion Expense	462,518.50	-	462,518.50	-
Total Operating Expenses	704,743,771.33	659,121,265.35	45,622,505.98	6.92
Net Operating Income	100,305,919.74	92,811,003.05	7,494,916.69	8.08
Other Income Less Deductions	(43,049.40)	90,290.87	(133,340.27)	(147.68)
Income Before Interest Charges	100,262,870.34	92,901,293.92	7,361,576.42	7.92
Interest on Long Term Debt	18,351,723.45	18,594,507.76	(242,784.31)	(1.31)
Amortization of Debt Expense - Net	1,080,244.92	1,184,264.77	(104,019.85)	(8.78)
Other Interest Expenses	2,785,917.38	2,720,689.79	65,227.59	2.40
Total Interest Charges	22,217,885.75	22,499,462.32	(281,576.57)	(1.25)
Net Inc Before Cumulative Effect of Acctg Chg	78,044,984.59	70,401,831.60	7,643,152.99	10.86
Cumulative Effect of Accounting Change Net of Tax	3,149,402.00	-	3,149,402.00	-
Net Income	74,895,582.59	70,401,831.60	4,493,750.99	6.38
Preferred Dividend Requirements	2,283,399.27	3,188,712.04	(905,312.77)	(28.39)
Earnings Available for Common	72,612,183.32	67,213,119.56	5,399,063.76	8.03

LOUISVILLE GAS AND ELECTRIC COMPANY
COMPARATIVE STATEMENT OF INCOME
SEPTEMBER 30, 2003

	YEAR ENDED CURRENT MONTH			
	THIS YEAR AMOUNT	LAST YEAR AMOUNT	INCREASE OR DECREASE AMOUNT	%
Electric Operating Revenues	761,375,552.79	726,933,707.49	34,441,845.30	4.74
Gas Operating Revenues	310,775,344.57	245,526,034.57	65,249,310.00	26.58
Rate Refunds	7,150,231.48	2,175,246.64	4,974,984.84	228.71
Total Operating Revenues	1,079,301,128.84	974,634,988.70	104,666,140.14	10.74
Fuel for Electric Generation	198,798,005.28	182,143,536.94	16,654,468.34	9.14
Power Purchased	83,608,925.97	82,790,780.11	818,145.86	0.99
Gas Supply Expenses	220,775,973.52	161,484,799.46	59,291,174.06	36.72
Other Operation Expenses	216,285,817.90	67,012,051.57	149,273,766.33	222.76
Maintenance	52,449,704.09	67,210,799.65	(14,761,095.56)	(21.96)
Depreciation	106,222,641.96	96,555,121.49	9,667,520.47	10.01
Amortization Expense	6,274,918.12	5,980,639.38	294,278.74	4.92
Regulatory Credits	(5,831,421.11)	-	(5,831,421.11)	-
Taxes				
Federal Income	14,825,137.18	30,582,113.19	(15,756,976.01)	(51.52)
State Income	7,714,350.97	6,071,898.38	1,642,452.59	27.05
Deferred Federal Income - Net	33,913,506.77	55,282,483.47	(21,368,976.70)	(38.65)
Deferred State Income - Net	6,335,137.38	13,773,113.99	(7,437,976.61)	(54.00)
Federal Income - Estimated	-	-	-	-
State Income - Estimated	-	-	-	-
Property and Other	16,491,306.78	18,605,313.23	(2,114,006.45)	(11.36)
Investment Tax Credit	-	-	-	-
Amortization of Investment Tax Credit	(4,208,846.67)	(4,204,312.83)	(4,533.84)	0.11
Gain from Disposition of Allowances	(223,920.96)	(216,947.35)	(6,973.61)	3.21
Accretion Expense	462,518.50	-	462,518.50	-
Total Operating Expenses	953,893,755.68	783,071,390.68	170,822,365.00	21.81
Net Operating Income	125,407,373.16	191,563,598.02	(66,156,224.86)	(34.53)
Other Income Less Deductions	686,957.15	1,301,722.62	(614,765.47)	(47.23)
Income Before Interest Charges	126,094,330.31	192,865,320.64	(66,770,990.33)	(34.62)
Interest on Long Term Debt	24,297,752.66	25,427,121.04	(1,129,368.38)	(4.44)
Amortization of Debt Expense - Net	1,453,110.65	1,547,783.00	(94,672.35)	(6.12)
Other Interest Expenses	3,768,781.90	3,276,048.13	492,733.77	15.04
Total Interest Charges	29,519,645.21	30,250,952.17	(731,306.96)	(2.42)
Net Inc Before Cumulative Effect of Acctg Chg	96,574,685.10	162,614,368.47	(66,039,683.37)	(40.61)
Cumulative Effect of Accounting Change Net of Tax	3,149,402.00	-	3,149,402.00	-
Net Income	93,425,283.10	162,614,368.47	(69,189,085.37)	(42.55)
Preferred Dividend Requirements	3,340,678.19	4,299,741.10	(959,062.91)	(22.31)
Earnings Available for Common	90,084,604.91	158,314,627.37	(68,230,022.46)	(43.10)

LOUISVILLE GAS AND ELECTRIC COMPANY
ANALYSIS OF RETAINED EARNINGS
SEPTEMBER 30, 2003

	CURRENT MONTH		YEAR TO DATE		YEAR ENDED CURRENT MONTH	
	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR
Balance at Beginning of Period	470,824,965.67	434,323,961.65	409,303,886.04	393,618,344.89	414,831,464.45	325,516,837.08
Add:						
Credits from Income	11,238,634.21	3,865,762.50	74,895,582.59	70,401,831.60	93,425,283.10	162,614,368.47
Deduct:						
Preferred Dividends						
$25 Par Value						
5% Series			806,524.31	806,524.54	1,075,365.60	1,075,366.09
Without Par Value						
Auction Rate			742,500.03	1,280,624.98	1,163,750.00	1,755,625.02
$5.875 Series			734,374.93	1,101,562.52	1,101,562.59	1,468,749.99
Preferred Dividends Accrued						
$25 Par Value						
5% Series	89,613.86	89,613.86				
Without Par Value						
Auction Rate	57,916.66	146,250.00				
$5.875 Series	-	122,395.84				
Common Dividends						
Common Stock Without Par Value		23,000,000.00		46,000,000.00	23,000,000.00	69,000,000.00
Balance at End of Period	481,916,069.36	414,831,464.45	481,916,069.36	414,831,464.45	481,916,069.36	414,831,464.45

LOUISVILLE GAS AND ELECTRIC COMPANY
COMPARATIVE BALANCE SHEETS AS OF SEPTEMBER 30, 2003 AND 2002

ASSETS AND OTHER DEBITS	THIS YEAR	LAST YEAR
Utility Plant		
Utility Plant at Original Cost	3,752,179,494.45	3,554,543,128.28
Less Reserves for Depreciation & Amortization	1,522,825,598.23	1,449,059,159.19
Total	2,229,353,896.22	2,105,483,969.09
Investments - At Cost		
Ohio Valley Electric Corporation	490,000.00	490,000.00
Investments in LG&E-R	5,000,000.00	5,000,000.00
Nonutility Property-Less Reserve	120,747.79	924,988.85
Other	-	-
Total	5,610,747.79	6,414,988.85
Current and Accrued Assets		
Cash	3,370,056.05	7,622,056.07
Special Deposits	30,152.76	7,526,299.87
Temporary Cash Investments	-	-
Accounts Receivable-Less Reserve	14,415,542.05	1,986,128.27
Notes Receivable from Assoc. Companies	-	-
Notes Receivable from LG&E-R	18,791,941.00	22,811,884.00
Accounts Receivable from Assoc Companies	17,017,142.57	12,546,069.56
Materials & Supplies-At Average Cost		
Fuel	25,098,858.29	35,056,924.53
Plant Materials & Operating Supplies	20,572,418.14	23,755,431.20
Stores Expense	3,770,198.73	3,830,875.16
Gas Stored Underground	69,634,028.38	49,515,427.12
Allowance Inventory	61,888.42	56,781.34
Prepayments	2,138,693.50	2,067,701.79
Miscellaneous Current & Accrued Assets	461,045.82	379,101.37
Total	175,361,965.71	167,154,680.28
Deferred Debits and Other		
Unamortized Debt Expense	6,333,943.60	6,146,418.67
Unamortized Loss on Bonds	18,003,964.59	17,694,781.73
Accumulated Deferred Income Taxes	111,978,882.68	128,519,971.31
Deferred Regulatory Assets	86,705,101.00	109,548,769.00
Other Deferred Debits	73,873,090.30	37,849,084.62
Total	296,894,982.17	299,759,025.33
Total Assets and Other Debits	2,707,221,591.89	2,578,812,663.55

LIABILITIES AND OTHER CREDITS	THIS YEAR	LAST YEAR
Capitalization		
Common Stock	425,170,424.09	425,170,424.09
Common Stock Expense	(835,888.64)	(835,888.64)
Paid-In Capital	40,000,000.00	40,000,000.00
Unrealized Gain (Loss) on Investment	-	-
Other Comprehensive Income	(39,818,069.70)	(25,972,243.80)
Retained Earnings	481,916,069.36	414,831,464.45
Total Common Equity	906,432,535.11	853,193,756.10
Preferred Stock	70,140,346.77	95,140,346.77
First Mortgage Bonds	574,304,000.00	616,904,000.00
Mandatory Redeemable Preferred Stock	22,500,000.00	-
LT Notes Payable to Associated Companies	200,000,000.00	-
Total Capitalization	1,773,376,881.88	1,565,238,102.87
Current and Accrued Liabilities		
Long-Term Debt Due in 1 Year	1,250,000.00	-
Notes Payable to Associated Companies	75,132,051.40	129,152,943.44
Notes Payable	-	-
Accounts Payable	60,894,608.98	61,099,339.22
Accounts Payable to Associated Companies	23,357,066.49	25,325,575.79
Customer Deposits	9,950,348.42	9,427,763.27
Taxes Accrued	12,933,270.07	21,105,414.63
Interest Accrued	6,087,809.18	4,045,050.30
Dividends Declared	442,591.59	1,074,779.12
Misc. Current & Accrued Liabilities	3,764,360.65	3,960,542.14
Total	193,812,106.78	255,191,407.91
Deferred Credits and Other		
Accumulated Deferred Income Taxes	456,138,439.45	436,009,021.45
Investment Tax Credit	51,380,227.61	55,589,074.28
Regulatory Liabilities	44,779,585.00	48,902,159.00
Customer Advances for Construction	9,700,499.39	10,350,370.72
Asset Retirement Obligations	9,792,528.50	-
Other Deferred Credits	34,398,680.98	36,081,629.58
Misc. Long-Term Liabilities	76,551,429.39	114,985,670.57
Misc. Long-Term Liab. Due to Assoc. Co.	-	-
Accum Provision for Post-Retirement Benefits	57,291,212.91	56,465,227.17
Total	740,032,603.23	758,383,152.77
Total Liabilities and Other Credits	2,707,221,591.89	2,578,812,663.55

LOUISVILLE GAS AND ELECTRIC COMPANY
STATEMENT OF CAPITALIZATION AND SHORT-TERM DEBT
SEPTEMBER 30, 2003

	AUTHORIZED SHARES	ISSUED & OUTSTANDING SHARES	ISSUED & OUTSTANDING AMOUNT	PERCENT OF TOTAL CAPITAL & S/T DEBT	PERCENT OF TOTAL CAPITAL
Common Equity					
Common Stock - Without Par	75,000,000	21,294,223	425,170,424.09		
Common Stock Expense			(835,888.64)		
Paid-In Capital			40,000,000.00		
Unrealized Gain (Loss) on Investment			-		
Other Comprehensive Income			(39,818,069.70)		
Retained Earnings			481,916,069.36		
Total Common Equity			906,432,535.11	49.00	51.11
Preferred Stock, Cumulative					
$25 Par Value	1,720,000				
5% Series		860,287	21,507,175.00		
Without Par Value ($100 Stated)	6,500,000				
NPV-Stated Value Auction Rate		500,000	50,000,000.00		
Subtotal			71,507,175.00		
Gain on Reacquired Preferred Stock			5,698.75		
Preferred Stock Expense			(1,372,526.98)		
Total Preferred Stock			70,140,346.77	3.79	3.96
Total Stockholder's Equity			976,572,881.88	52.79	55.07
Long-Term Debt					
First Mortgage Bonds	Not Limited				
PCB S JC 09/01/92 Due 09/01/17 VAR%			31,000,000.00		
PCB T TC 09/01/92 Due 09/01/17 VAR%			60,000,000.00		
PCB U JC 08/15/93 Due 08/15/13 VAR%			35,200,000.00		
PCB V JC 08/15/93 Due 08/15/19 5 5/8%			102,000,000.00		
PCB W JC 10/15/93 Due 10/15/20 5.45%			26,000,000.00		
PCB X JC 04/15/95 Due 04/15/23 5.90%			40,000,000.00		
PCB Y JC 05/01/00 Due 05/01/27 VAR%			25,000,000.00		
PCB Z JC 08/01/00 Due 08/01/30 VAR%			83,335,000.00		
PCB AA JC 09/11/01 Due 09/01/27 VAR%			10,104,000.00		
PCB BB JC 03/06/02 Due 09/01/26 VAR%			22,500,000.00		
PCB CC TC 03/06/02 Due 09/01/26 VAR%			27,500,000.00		
PCB DD JC 03/22/02 Due 11/01/27 VAR%			35,000,000.00		
PCB EE TC 03/22/02 Due 11/01/27 VAR%			35,000,000.00		
PCB FF TC 10/23/02 Due 10/01/32 VAR%			41,665,000.00		
Total First Mortgage Bonds			574,304,000.00	31.05	32.38
Mandatory Redeemable $5.875 Series Preferred Stock	237,500	225,000	22,500,000.00	1.22	1.27
LT Notes Payable to Associated Companies			200,000,000.00	10.81	11.28
Total Capitalization			1,773,376,881.88	95.87	100.00
Long-Term Debt Due in 1 Year	12,500	12,500	1,250,000.00	0.07	
Notes Payable to Associated Companies			75,132,051.40	4.06	
Total Capitalization and Short-Term Debt			1,849,758,933.28	100.00	

LOUISVILLE GAS AND ELECTRIC COMPANY
TRIAL BALANCE - GENERAL LEDGER
SEPTEMBER 30, 2003

Account - Subsidiary Account	Balance Subsidiary Account	Balance as Shown On Balance Sheet
UTILITY PLANT		
At Original Cost	3,752,179,494.45	3,752,179,494.45
Reserves for Depreciation and Amortization		(1,522,825,598.23)
Electric	(1,274,274,309.93)	
Gas	(161,072,659.17)	
Common	(63,737,528.85)	
Amortization of Plant		
Underground Storage Land and Land Rights	(573,293.92)	
Limited - Term Plant	(23,167,806.36)	
INVESTMENTS - AT COST		5,610,747.79
Nonutility Property - less reserve ($63,360.36)	17,337.47	
Coal for Resale 3,024 Tons @ $34.20	103,410.32	
Investments in LG&E-R	5,000,000.00	
Ohio Valley Electric Corporation	490,000.00	
CASH		3,370,056.05
PNC Bank	2,347,208.48	
Bank of Louisville	11,921.98	
Citibank	10,358.25	
Farmers Bank and Trust Company	42,913.97	
Firstar	783,449.16	
Farmers Bank of Milton	10,000.00	
Meade County Bank	164,204.21	
OTHER SPECIAL DEPOSITS		30,152.76
Other Special Deposits	30,152.76	
ACCOUNTS RECEIVABLE - LESS RESERVE		14,415,542.05
Working Funds	69,050.00	
Customers	64,153,283.14	
Customer Accounts Receivable Sold to LG&E-R	(62,555,000.00)	
Wholesale Sales	12,195,015.11	
Transmission Sales	767,417.77	
Unbilled Revenues	(9,117,000.00)	
Employee Computer Loans	508,175.49	
Damage Claims	661,194.34	
RAR Settlements	2,398,816.00	
Officers and Employees	6,506.94	
IMEA	836,060.34	
IMPA	904,740.55	
Other	2,769,422.11	
Reserves for Uncollectible Accounts		
Utility Customers		
Accrual	(4,668,921.15)	
Charged Off	5,015,640.15	
Recoveries	(1,761,719.00)	
Accrual Sold to LG&E-R	2,125,069.00	
Rents Receivable	107,791.26	
NOTES RECEIVABLE FROM LG&E-R		18,791,941.00
Notes Receivable from LG&E-R	18,791,941.00	
ACCOUNTS RECEIVABLE FROM ASSOCIATED COMPANIES		17,017,142.57
LG&E Energy Corp	16,973,270.71	
LG&E Energy Marketing Inc. (LEM)-Power Marketing	43,871.86	
FUEL		25,098,858.29
Coal 976,820 Tons @ $25.51; MMBTU 22,149,655 @ 112.49¢	24,917,174.52	
Fuel Oil 200,287 Gallons @ 82.42¢	165,073.61	
Gas Pipeline 1,152 MCF @ $14.42	16,610.16	
PLANT MATERIALS AND OPERATING SUPPLIES		20,572,418.14
Regular Materials and Supplies	20,451,741.04	
Limestone 22,479 Tons @ $5.37	120,677.10	

LOUISVILLE GAS AND ELECTRIC COMPANY
TRIAL BALANCE - GENERAL LEDGER
SEPTEMBER 30, 2003

Account - Subsidiary Account	Balance Subsidiary Account	Balance as Shown On Balance Sheet
STORES EXPENSE		3,770,198.73
Stores Expense Undistributed	3,770,198.73	
GAS STORED UNDERGROUND - CURRENT		69,634,028.38
Gas St. Underground*12,954,356 MCF (14.73 psia) @ 537.53¢	69,634,028.38	
ALLOWANCE INVENTORY		61,888.42
Allowance Inventory	61,888.42	
PREPAYMENTS		2,138,693.50
Unexpired Insurance	1,299,220.39	
Franchises	19,109.80	
Taxes	378,639.16	
Real Estate Commissions	28,390.80	
Rights of Way	333,333.35	
Risk Management and Workers Compensation	80,000.00	
MISCELLANEOUS CURRENT ASSETS		461,045.82
Derivative Asset - Non-Hedging	118,865.32	
Derivative Asset - Hedging	342,180.50	
UNAMORTIZED DEBT EXPENSE		6,333,943.60
Pollution Control Series S due Sept. 1, 2017	174,715.66	
Pollution Control Series T due Sept. 1, 2017	231,070.66	
Pollution Control Series U due Aug. 15, 2013	115,016.59	
Pollution Control Series V due Aug. 15, 2019	708,834.92	
Pollution Control Series W due Oct. 15, 2020	326,019.89	
Pollution Control Series X due Apr. 15, 2023	646,994.32	
Pollution Control Series Y due May 1, 2027	563,386.49	
Pollution Control Series Z due Aug. 1, 2030	1,027,120.99	
Pollution Control Series AA due Sept. 1, 2027	474,477.21	
Pollution Control Series BB due Sept. 1, 2026	226,248.07	
Pollution Control Series CC Sept. 1, 2026	246,090.99	
Pollution Control Series DD due Nov. 1, 2027	263,624.17	
Pollution Control Series EE due Nov. 1, 2027	263,661.31	
Pollution Control Series FF due Oct. 1, 2032	1,066,682.33	
UNAMORTIZED LOSS ON BONDS		18,003,964.59
Refinanced and Called Bonds	18,003,964.59	
OTHER DEFERRED DEBITS		73,873,090.30
Gas Supply Cost Adjustments	32,728,716.94	
Other	41,144,373.36	
DEFERRED REGULATORY ASSET		86,705,101.00
VDT Expenses	75,343,985.89	
Asset Retirement Obligations	5,831,421.11	
Deferred Taxes - FAS 109		
Federal		
Electric	4,210,535.00	
Gas	350,093.00	
State		
Electric	929,204.00	
Gas	39,862.00	
ACCUMULATED DEFERRED INCOME TAXES		111,978,882.68
Federal		
Electric	80,980,710.52	
Gas	12,002,512.19	
State		
Electric	16,352,713.99	
Gas	2,642,945.98	
Total Assets and Other Debits	2,707,221,591.89	2,707,221,591.89

* Excludes:

	$	MCF
Non-recoverable Base Gas	9,648,855.00	7,880,000
Recoverable Base Gas	2,139,990.00	2,930,000
	11,788,845.00	10,810,000

LOUISVILLE GAS AND ELECTRIC COMPANY
TRIAL BALANCE - GENERAL LEDGER
SEPTEMBER 30, 2003

Account - Subsidiary Account	Balance Subsidiary Account	Balance as Shown On Balance Sheet
COMMON EQUITY		906,432,535.11
Common Stock	425,170,424.09	
Retained Earnings	481,916,069.36	
Common Stock Expense	(835,888.64)	
Additional Paid-In Capital	40,000,000.00	
Other Comprehensive Income	(39,818,069.70)	
PREFERRED STOCK		70,140,346.77
5% Series	21,507,175.00	
Auction Rate	50,000,000.00	
Gain on Reacquired Preferred Stock	5,698.75	
Preferred Stock Expense		
Auction Rate	(1,088,279.70)	
$5.875 Series	(284,247.28)	
BONDS		574,304,000.00
First Mortgage Bonds	574,304,000.00	
Pollution Control Bonds (Unsecured)	0.00	
MANDATORY REDEEMABLE $5.875 SERIES PREFERRED STOCK	22,500,000.00	22,500,000.00
LT NOTES PAYABLE TO ASSOCIATED COMPANIES	200,000,000.00	200,000,000.00
LONG-TERM DEBT DUE WITHIN ONE YEAR		1,250,000.00
Mandatory Redeemable $5.875 Series Preferred Stock	1,250,000.00	
NOTES PAYABLE TO ASSOCIATED COMPANIES	75,132,051.40	75,132,051.40
ACCOUNTS PAYABLE		60,894,608.98
Regular	57,331,625.22	
Salaries and Wages Accrued	2,295,529.02	
Nonqualified Savings Plan	483,398.94	
Tax Collections - Payable	784,055.80	
ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES		23,357,066.49
LG&E Energy Corp	23,357,066.49	
CUSTOMERS' DEPOSITS		9,950,348.42
Customers' Deposits	9,950,348.42	
TAXES ACCRUED		12,933,270.07
Taxes Accrued	12,933,270.07	
INTEREST ACCRUED		6,087,809.18
Interest on Long-Term Debt		
First Mortgage Bonds		
Loan Agreement - Pol. Cont. Bonds 1992 Series A	28,692.64	
Loan Agreement - Pol. Cont. Bonds 1992 Series A-TC	81,065.81	
Loan Agreement - Pol. Cont. Bonds 1993 Series A	43,959.03	
Loan Agreement - Pol. Cont. Bonds 1993 Series B	717,184.89	
Loan Agreement - Pol. Cont. Bonds 1993 Series C	649,458.29	
Loan Agreement - Pol. Cont. Bonds 1995 Series A	1,081,666.61	
Loan Agreement - Pol. Cont. Bonds 2000 Series A	3,541.68	
Loan Agreement - Pol. Cont. Bonds 2000 Series A-TC	61,575.31	
Loan Agreement - Pol. Cont. Bonds 2001 Series A	266.59	
Loan Agreement - Pol. Cont. Bonds 2001 Series A	15,811.63	
Loan Agreement - Pol. Cont. Bonds 2001 Series A-TC	19,325.35	
Loan Agreement - Pol. Cont. Bonds 2001 Series B	25,890.40	
Loan Agreement - Pol. Cont. Bonds 2001 Series B-TC	25,890.41	
Loan Agreement - Pol. Cont. Bonds 2002 Series A-TC	25,569.71	
Interest Rate Swaps	399,499.36	
Interest Accrued on Other Liabilities		
Fidelia	2,559,583.35	
$5.875 Mandatory Redeemable Preferred Stock	348,828.12	

LOUISVILLE GAS AND ELECTRIC COMPANY
TRIAL BALANCE - GENERAL LEDGER
SEPTEMBER 30, 2003

Account - Subsidiary Account	Balance Subsidiary Account	Balance as Shown On Balance Sheet
DIVIDENDS DECLARED		442,591.59
Louisville Gas and Electric Company		
Preferred		
$25 par value		
5% Series	268,841.58	
Without par value		
Auction Rate	173,750.01	
MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES		3,764,360.65
Vacation Pay Accrued	3,650,049.48	
Revenue Subject to Refund	34,586.00	
Derivative Liabilities - Non-Hedging	38,526.67	
Derivative Liabilities - Hedging	41,198.50	
CUSTOMERS' ADVANCES FOR CONSTRUCTION		9,700,499.39
Line Extensions		
Electric	507,145.80	
Gas	9,193,353.59	
ASSET RETIREMENT OBLIGATIONS	9,792,528.50	9,792,528.50
OTHER DEFERRED CREDITS		34,398,680.98
Other Deferred Credits	21,338,267.88	
Clearing Accounts Transferred from Other Deferred Debits	13,060,413.10	
REGULATORY LIABILITIES		44,779,585.00
Asset Retirement Obligations	59,240.00	
Deferred Taxes		
Federal		
Electric	38,316,555.00	
Gas	2,620,689.00	
State		
Electric	3,936,186.00	
Gas	(153,085.00)	
INVESTMENT TAX CREDIT		51,380,227.61
Investment Tax Credit (prior law)		
Electric	3,943.18	
Job Development Credit		
Electric	49,460,583.26	
Gas	1,915,701.17	
ACCUMULATED DEFERRED INCOME TAXES		456,138,439.45
Federal		
Electric	314,805,865.34	
Gas	54,935,146.46	
State		
Electric	73,000,591.68	
Gas	13,396,835.97	
MISCELLANEOUS LONG-TERM LIABILITIES		76,551,429.39
Pension Payable	70,204,486.00	
Workers' Compensation	3,977,704.39	
Post Employment Benefits - FAS 112	2,369,239.00	
ACCUMULATED PROVISION FOR BENEFITS		57,291,212.91
Post Retirement Benefits - FAS 106	57,291,212.91	
Total Liabilities and Other Credits	2,707,221,591.89	2,707,221,591.89

LOUISVILLE GAS AND ELECTRIC COMPANY
STATEMENT OF CASH FLOWS
SEPTEMBER 30, 2003

	Year to Date	
	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	74,895,582.59	70,401,831.60
Items not requiring cash currently:		
Depreciation and amortization	85,954,510.18	79,362,794.63
Deferred income taxes - net	24,589,106.80	7,747,813.75
Investment tax credit - net	(3,156,217.02)	(3,099,549.29)
Other	30,124,166.91	33,595,061.72
(Increase) decrease in certain net current assets:		
Accounts receivable	13,189,704.91	43,293,626.03
Materials and supplies	(6,558,259.89)	(14,690,006.25)
Accounts payable	(38,519,197.16)	(62,645,050.01)
Accrued taxes	11,493,967.75	860,417.79
Accrued interest	1,148,168.52	(1,772,870.47)
Prepayments and other	2,813,001.30	3,843,747.35
Other	(91,966,110.02)	13,625,479.31
Net cash provided from operating activities	104,008,424.87	170,523,296.16
CASH FLOWS FROM INVESTING ACTIVITIES		
Long term investment in securities	153,296.84	(239,091.59)
Construction expenditures	(153,064,038.12)	(141,855,232.14)
Net cash used for investing activities	(152,910,741.28)	(142,094,323.73)
CASH FLOWS FROM FINANCING ACTIVITIES		
Short-term borrowings from parent company	(117,920,892.04)	34,956,250.00
Long-term borrowings from parent company	200,000,000.00	-
Retirement of preferred stock	(1,250,000.00)	-
Retirement of pollution control bonds	(42,600,000.00)	(120,000,000.00)
Net proceeds from issuance of pollution control bonds	(43,569.23)	118,876,115.28
Payment of dividends	(2,898,087.30)	(49,224,962.36)
Net cash used for financing activities	35,287,451.43	(15,392,597.08)
NET INCREASE (DECREASE) IN CASH AND TEMP. CASH INVESTMENTS	(13,614,864.98)	13,036,375.35
CASH AND TEMPORARY CASH INVESTMENTS AT BEGINNING OF PERIOD	17,015,073.79	2,111,980.59
CASH AND TEMPORARY CASH INVESTMENTS AT END OF PERIOD	3,400,208.81	15,148,355.94

LOUISVILLE GAS AND ELECTRIC COMPANY
ANALYSIS OF INTEREST CHARGES
SEPTEMBER 30, 2003

	CURRENT MONTH		YEAR TO DATE		YEAR ENDED CURRENT MONTH	
	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR
Interest On Long-Term Debt						
First Mortgage Bonds						
Series Due Aug. 15 2003, 6%	-	213,000.00	1,597,500.00	1,917,000.00	2,236,500.00	2,556,000.00
Loan Agreement - Poll. Control Bonds						
1990 Series B (6.55%) TC	-	227,421.46	(30.00)	2,046,793.17	330,140.48	2,729,057.55
1992 Series A Variable	24,117.28	38,705.49	266,383.04	315,012.93	385,899.48	482,054.02
1992 Series A Variable TC	51,653.71	74,421.37	551,798.38	643,924.84	812,531.80	1,019,848.15
1993 Series A Variable Rate	30,446.57	44,008.22	323,035.77	386,384.19	476,315.91	603,839.29
1993 Series B (5 5/8%)	478,125.01	478,125.01	4,303,125.09	4,303,130.01	5,737,500.12	5,737,505.01
1993 Series C (5.45%)	118,083.34	118,083.34	1,062,750.06	1,062,750.06	1,417,000.08	1,417,000.09
1995 Series A (5.90%)	196,666.66	196,666.66	1,769,999.94	1,769,999.94	2,359,999.92	2,359,999.91
2000 Series A Variable Rate	16,875.01	28,263.88	188,633.44	273,645.84	278,841.77	404,583.35
2000 Series A Variable TC	65,505.94	94,793.55	718,708.81	905,599.09	1,019,409.29	1,303,870.92
2001 Series A Variable Rate	12,663.68	11,907.29	86,928.07	112,966.94	124,032.21	161,438.08
2001 Series A Variable Rate	17,558.21	24,256.17	183,847.40	188,665.09	266,329.55	188,665.09
2001 Series A Variable Rate TC	21,924.66	30,513.70	228,819.76	233,637.50	326,197.28	233,637.50
2001 Series B Variable Rate	28,479.45	39,561.63	288,903.28	286,895.87	420,119.70	286,895.87
2001 Series B Variable Rate TC	28,479.45	39,698.62	287,305.46	287,205.47	417,908.20	287,205.47
2002 Series A Variable Rate TC	27,373.34	-	325,574.85	-	443,435.41	-
Loan Agreement - Unsecured Bonds						
1996 Series A Variable Rate	-	-	-	79,006.25	-	215,582.26
1996 Series A Variable Rate TC	-	-	-	110,904.09	-	283,657.54
1997 Series A Variable Rate	-	-	-	158,253.28	-	374,328.63
1997 Series A Variable Rate TC	-	-	-	183,342.64	-	410,986.48
Interest Rate Swaps	365,844.75	360,895.52	3,260,028.68	3,329,390.56	4,337,180.04	4,370,965.83
Marked to Market	-	-	-	-	-	-
Fidelia	821,666.66	-	2,559,583.30	-	2,559,583.30	-
$5.875 Mandatory Redeemable Preferred Stock	116,276.04	-	348,828.12	-	348,828.12	-
Total	2,421,739.76	2,020,321.91	18,351,723.45	18,594,507.76	24,297,752.66	25,427,121.04
Amortization of Debt Expense - Net						
Amortization of Debt Expense	25,711.44	28,917.62	241,480.85	332,354.74	327,706.63	412,309.98
Amortization of Premium on Debt - Cr.	-	-	-	-	-	-
Amort. of Loss on Reacquired Debt	83,389.02	92,439.00	838,764.07	851,910.03	1,125,404.02	1,135,473.02
Total	109,100.46	121,356.62	1,080,244.92	1,184,264.77	1,453,110.65	1,547,783.00
Other Interest Charges						
Note Payable	-	-	-	85,249.11	-	141,700.49
Customers' Deposits	33,889.67	27,507.48	355,168.82	312,616.16	459,795.80	412,563.37
Federal Income Tax Deficiencies	-	-	-	-	-	-
Other Tax Deficiencies	-	-	-	-	-	-
Gas Refunds	25.61	165.88	1,172.08	165.88	2,229.77	165.88
Interest on Dsm Cost Recovery	-	-	-	-	-	-
Deferred Compensation	6,274.06	7,169.50	19,292.75	20,729.60	26,708.32	17,946.03
Interest on Debt to Associated Companies	70,006.25	154,174.94	1,577,951.47	1,560,944.81	2,192,720.13	1,978,180.71
Interest Costs from A/R Securitization	91,375.48	1,708.35	829,605.54	740,984.23	1,084,601.16	725,491.65
Other	-	-	2,726.72	-	2,726.72	-
Total	201,571.07	190,726.15	2,785,917.38	2,720,689.79	3,768,781.90	3,276,048.13
Total Interest	2,732,411.29	2,332,404.68	22,217,885.75	22,499,462.32	29,519,645.21	30,250,952.17

LOUISVILLE GAS AND ELECTRIC COMPANY
ANALYSIS OF TAXES CHARGED
SEPTEMBER 30, 2003

Kind of Taxes	Current Month This Year	Current Month Last Year	Year To Date This Year	Year To Date Last Year
Taxes Charged to Accounts 408.1 and 409.1				
Property Taxes	978,656.00	1,003,620.00	7,574,282.00	8,632,580.00
State Unemployment	-	3,829.55	(0.48)	78,170.72
Federal Unemployment	40,948.22	8,291.88	370,192.52	119,584.80
Federal Old Age and Survivors Insurance	404,806.49	340,140.32	3,647,499.04	3,786,383.87
Public Service Commission Fee	126,213.05	122,684.07	1,254,852.20	1,190,736.28
Federal Income	(6,348,441.45)	1,865,516.89	16,554,250.33	27,961,790.05
State Income	(542,219.90)	75,531.10	6,870,449.50	7,238,857.23
Miscellaneous	-	1,023.81	1,532.28	7,952.20
Total Charged to Operating Expense	(5,340,037.59)	3,420,637.62	36,273,057.39	49,016,055.15
Taxes Charged to Other Accounts	(72,590.52)	(502,365.29)	(192,339.02)	115,768.33
Taxes Accrued on Intercompany Accounts	(132,916.44)	(122,664.53)	(1,201,918.90)	(1,346,103.72)
Total Taxes Charged	(5,545,544.55)	2,795,607.80	34,878,799.47	47,785,719.76

ANALYSIS OF TAXES ACCRUED - ACCOUNT 236

Kind of Taxes	Taxes Accrued At Beginning Of Year	Accruals To Date This Year	Payments To Date This Year	Taxes Accrued At End Of Month
Property Taxes	191,066.78	7,691,912.00	4,377,671.36	3,505,307.42
State Unemployment	10,768.97	103.04	29,363.37	(18,491.36)
Federal Unemployment	17,650.80	288,683.08	47,646.86	258,687.02
Federal Old Age and Survivors	215,620.04	3,430,114.22	3,099,877.36	545,856.90
Public Service Commission Fee	-	1,254,852.20	1,254,852.20	-
Federal Income	(4,740,983.04)	14,521,562.58	6,936,440.00	2,844,139.54
State Income	5,299,487.96	6,347,883.29	6,031,599.00	5,615,772.25
Kentucky Sales and Use Tax	446,561.55	1,273,638.85	1,534,393.59	185,806.81
Miscellaneous	(870.74)	70,050.21	72,987.98	(3,808.51)
Totals	1,439,302.32	34,878,799.47	23,384,831.72	12,933,270.07

LOUISVILLE GAS AND ELECTRIC COMPANY
SUMMARY OF UTILITY PLANT
SEPTEMBER 30, 2003

UTILITY PLANT IN SERVICE	NET BALANCE FIRST OF YEAR	DEBITS-GROSS	CREDITS FOR RETIREMENTS	ADJUSTMENTS	NET ADDITIONS	BALANCE TO DATE
Electric						
Intangible	2,340.29	-	-	-	-	2,340.29
Steam Production	1,665,684,137.81	55,903,728.08	(10,530,432.65)	-	45,373,295.43	1,711,057,433.24
Hydro	9,324,683.24	494,532.15	(16,963.65)	-	477,568.50	9,802,251.74
Other Production	152,479,851.71	2,075,165.91	(1,348,341.77)	-	726,824.14	153,206,675.85
Transmission	213,912,790.08	6,225,789.67	(142,460.70)	-	6,083,328.97	219,996,119.05
Distribution	656,405,005.49	27,615,272.98	(2,199,281.03)	-	25,415,991.95	681,820,997.44
General	19,378,595.64	218,452.53	(2,192,344.13)	-	(1,973,891.60)	17,404,704.04
Total Electric	2,717,187,404.26	92,532,941.32	(16,429,823.93)	-	76,103,117.39	2,793,290,521.65
Gas						
Intangible	553,232.59	-	-	-	-	553,232.59
Natural Gas Storage Plant Underground	54,336,273.67	1,931,741.95	(32,116.18)	-	1,899,625.77	56,235,899.44
Transmission	12,414,633.91	304,906.91	-	-	304,906.91	12,719,540.82
Distribution	356,807,061.42	24,724,040.46	(6,626,186.81)	-	18,097,853.65	374,904,915.07
General	8,983,446.29	175,524.87	(337,359.36)	-	(161,834.49)	8,821,611.80
Gas Stored Underground Non-Current	2,139,990.00	-	-	-	-	2,139,990.00
Total Gas	435,234,637.88	27,136,214.19	(6,995,662.35)	-	20,140,551.84	455,375,189.72
Common						
Intangible	24,532,730.28	7,804,303.84	-	-	7,804,303.84	32,337,034.12
General	145,044,129.61	14,071,292.44	(444,350.90)	-	13,626,941.54	158,671,071.15
Total Common	169,576,859.89	21,875,596.28	(444,350.90)	-	21,431,245.38	191,008,105.27
Total Plant in Service	3,321,998,902.03	141,544,751.79	(23,869,837.18)	-	117,674,914.61	3,439,673,816.64
Construction Work In Progress						
Electric	261,760,776.30	27,353,287.57	-		27,353,287.57	289,114,063.87
Gas	25,501,848.83	(11,077,734.14)	-		(11,077,734.14)	14,424,114.69
Common	13,723,766.35	(4,756,267.10)	-	-	(4,756,267.10)	8,967,499.25
Total Construction Work In Progress	300,986,391.48	11,519,286.33	-	-	11,519,286.33	312,505,677.81
Total Utility Plant at Original Cost	3,622,985,293.51	153,064,038.12	(23,869,837.18)	-	129,194,200.94	3,752,179,494.45

RESERVE FOR DEPRECIATION OF UTILITY	NET BALANCE FIRST OF YEAR	ACCRUALS	RETIREMENTS	COST OF REMOVAL	SALVAGE	OTHER CREDITS	BALANCE TO DATE
Plant In Service							
Electric	1,235,700,821.25	64,084,705.05	(16,429,823.93)	(2,698,494.76)	168,550.20	-	1,280,825,757.81
Gas	159,276,235.08	9,622,420.47	(6,995,662.35)	(627,087.59)	1,233.25	-	161,277,138.86
Common	55,289,741.92	9,056,704.45	(444,350.90)	(189,152.28)	-	-	63,712,943.19
Total Reserve For Depreciation Of Utility Plant In Service	1,450,266,798.25	82,763,829.97	(23,869,837.18)	(3,514,734.63)	169,783.45	-	1,505,815,839.86
Reserve For Amortization Of Utility Plant In Service							
Electric	100.00						100.00
Gas	574,193.92	-					574,193.92
Common	18,101,954.13	5,064,852.23	-	-	-	-	23,166,806.36
Total Reserve For Amortization Of Utility Plant In Service	18,676,248.05	5,064,852.23	-	-	-	-	23,741,100.28
Retirement Work In Progress							
Electric	(4,845,891.80)			(1,875,512.36)	(171,432.18)	341,388.46	(6,551,447.88)
Gas	(43,721.15)			(152,025.07)	(931.89)	(7,801.58)	(204,479.69)
Common	(379,491.56)	-	-	470,450.42	(23,187.00)	(43,186.20)	24,585.66
Total Retirement Work In Progress	(5,269,104.51)	-	-	(1,557,087.01)	(195,551.07)	290,400.68	(6,731,341.91)
Total Reserve For Depreciation and Amortization - Utility Plant In Service	1,463,673,941.79	87,828,682.20	(23,869,837.18)	(5,071,821.64)	(25,767.62)	290,400.68	1,522,825,598.23
Utility Plant at Original Cost Less Reserve For Depreciation and Amortization	2,159,311,351.72						2,229,353,896.22

LG&E Monthly Report to KPSC-August 31,2003

LOUISVILLE GAS AND ELECTRIC COMPANY
COMPARATIVE STATEMENT OF INCOME
AUGUST 31, 2003

	CURRENT MONTH			
	THIS YEAR AMOUNT	LAST YEAR AMOUNT	INCREASE OR DECREASE AMOUNT	%
Electric Operating Revenues	83,478,878.63	77,404,270.98	6,074,607.65	7.85
Gas Operating Revenues	10,450,774.18	8,349,634.67	2,101,139.51	25.16
Rate Refunds	(609,237.12)	-	(609,237.12)	-
Total Operating Revenues	93,320,415.69	85,753,905.65	7,566,510.04	8.82
Fuel for Electric Generation	20,192,280.25	17,324,048.86	2,868,231.39	16.56
Power Purchased	6,186,222.33	4,862,377.27	1,323,845.06	27.23
Gas Supply Expenses	6,702,970.18	3,866,400.56	2,836,569.62	73.36
Other Operation Expenses	17,009,649.29	17,170,847.50	(161,198.21)	(0.94)
Maintenance	4,190,303.53	6,389,861.93	(2,199,558.40)	(34.42)
Depreciation	8,551,494.46	8,657,387.98	(105,893.52)	(1.22)
Amortization Expense	971,743.22	392,246.32	579,496.90	147.74
Regulatory Credits	(61,163.81)	-	(61,163.81)	-
Taxes				
Federal Income	-	-	-	-
State Income	-	-	-	-
Deferred Federal Income - Net	-	-	-	-
Deferred State Income - Net	-	-	-	-
Federal Income - Estimated	8,228,014.46	7,306,697.58	921,316.88	12.61
State Income - Estimated	2,187,193.72	1,942,286.70	244,907.02	12.61
Property and Other	1,558,326.72	1,511,768.54	46,558.18	3.08
Investment Tax Credit	-	-	-	-
Amortization of Investment Tax Credit	350,589.00	(351,111.00)	701,700.00	(199.85)
Gain from Disposition of Allowances	-	-	-	-
Accretion Expense	51,391.00	-	51,391.00	-
Total Operating Expenses	76,119,014.35	69,072,812.24	7,046,202.11	10.20
Net Operating Income	17,201,401.34	16,681,093.41	520,307.93	3.12
Other Income Less Deductions	4,266,160.37	(23,074.46)	4,289,234.83	-
Income Before Interest Charges	21,467,561.71	16,658,018.95	4,809,542.76	28.87
Interest on Long Term Debt	2,318,652.98	2,099,801.20	218,851.78	10.42
Amortization of Debt Expense - Net	108,270.63	121,372.91	(13,102.28)	(10.80)
Other Interest Expenses	266,494.79	413,981.47	(147,486.68)	(35.63)
Total Interest Charges	2,693,418.40	2,635,155.58	58,262.82	2.21
Net Inc Before Cumulative Effect of Acctg Chg	18,774,143.31	14,022,863.37	4,751,279.94	33.88
Cumulative Effect of Accounting Change Net of Tax	-	-	-	-
Net Income	18,774,143.31	14,022,863.37	4,751,279.94	33.88
Preferred Dividend Requirements	147,530.52	358,259.72	(210,729.20)	(58.82)
Earnings Available for Common	18,626,612.79	13,664,603.65	4,962,009.14	36.31

LOUISVILLE GAS AND ELECTRIC COMPANY
COMPARATIVE STATEMENT OF INCOME
AUGUST 31, 2003

	YEAR TO DATE			
	THIS YEAR AMOUNT	LAST YEAR AMOUNT	INCREASE OR DECREASE AMOUNT	%
Electric Operating Revenues	525,188,153.67	517,445,037.22	7,743,116.45	1.50
Gas Operating Revenues	201,527,070.63	163,054,276.79	38,472,793.84	23.60
Rate Refunds	(2,370,719.02)	857,723.58	(3,228,442.60)	(376.40)
Total Operating Revenues	724,344,505.28	681,357,037.59	42,987,467.69	6.31
Fuel for Electric Generation	134,505,238.28	130,621,827.33	3,883,410.95	2.97
Power Purchased	53,678,558.19	56,453,381.19	(2,774,823.00)	(4.92)
Gas Supply Expenses	144,361,155.72	108,699,790.84	35,661,364.88	32.81
Other Operation Expenses	144,129,376.07	137,515,398.38	6,613,977.69	4.81
Maintenance	35,139,024.83	39,434,005.59	(4,294,980.76)	(10.89)
Depreciation	71,823,838.09	65,479,410.42	6,344,427.67	9.69
Amortization Expense	4,501,435.46	3,234,925.79	1,266,509.67	39.15
Regulatory Credits	(5,770,257.30)	-	(5,770,257.30)	-
Taxes				
Federal Income	6,993,710.28	10,248,491.19	(3,254,780.91)	(31.76)
State Income	3,183,699.62	2,950,624.59	233,075.03	7.90
Deferred Federal Income - Net	13,074,267.07	9,017,138.73	4,057,128.34	44.99
Deferred State Income - Net	2,343,771.85	1,461,775.83	881,996.02	60.34
Federal Income - Estimated	15,908,981.50	15,847,781.97	61,199.53	0.39
State Income - Estimated	4,228,969.78	4,212,701.54	16,268.24	0.39
Property and Other	11,297,733.80	12,335,818.24	(1,038,084.44)	(8.42)
Investment Tax Credit	-	-	-	-
Amortization of Investment Tax Credit	(2,105,276.41)	(2,810,243.73)	704,967.32	(25.09)
Gain from Disposition of Allowances	(223,920.96)	(216,947.35)	(6,973.61)	3.21
Accretion Expense	411,127.50	-	411,127.50	-
Total Operating Expenses	637,481,433.37	594,485,880.55	42,995,552.82	7.23
Net Operating Income	86,863,071.91	86,871,157.04	(8,085.13)	(0.01)
Other Income Less Deductions	(571,247.07)	(168,030.30)	(403,216.77)	-
Income Before Interest Charges	86,291,824.84	86,703,126.74	(411,301.90)	(0.47)
Interest on Long Term Debt	15,929,983.69	16,574,185.85	(644,202.16)	(3.89)
Amortization of Debt Expense - Net	971,144.46	1,062,908.15	(91,763.69)	(8.63)
Other Interest Expenses	2,584,346.31	2,529,963.64	54,382.67	2.15
Total Interest Charges	19,485,474.46	20,167,057.64	(681,583.18)	(3.38)
Net Inc Before Cumulative Effect of Acctg Chg	66,806,350.38	66,536,069.10	270,281.28	0.41
Cumulative Effect of Accounting Change Net of Tax	3,149,402.00	-	3,149,402.00	-
Net Income	63,656,948.38	66,536,069.10	(2,879,120.72)	(4.33)
Preferred Dividend Requirements	2,135,868.75	2,830,452.34	(694,583.59)	(24.54)
Earnings Available for Common	61,521,079.63	63,705,616.76	(2,184,537.13)	(3.43)

LOUISVILLE GAS AND ELECTRIC COMPANY
COMPARATIVE STATEMENT OF INCOME
AUGUST 31, 2003

	YEAR ENDED CURRENT MONTH			
	THIS YEAR AMOUNT	LAST YEAR AMOUNT	INCREASE OR DECREASE AMOUNT	%
Electric Operating Revenues	754,578,303.45	720,584,480.24	33,993,823.21	4.72
Gas Operating Revenues	306,165,949.19	247,025,304.08	59,140,645.11	23.94
Rate Refunds	8,426,921.22	2,326,657.95	6,100,263.27	262.19
Total Operating Revenues	1,069,171,173.86	969,936,442.27	99,234,731.59	10.23
Fuel for Electric Generation	198,783,600.07	177,705,925.97	21,077,674.10	11.86
Power Purchased	81,555,184.58	83,251,878.04	(1,696,693.46)	(2.04)
Gas Supply Expenses	217,769,622.85	160,974,278.28	56,795,344.57	35.28
Other Operation Expenses	218,581,183.89	62,888,249.03	155,692,934.86	247.57
Maintenance	52,487,204.72	64,033,242.06	(11,546,037.34)	(18.03)
Depreciation	107,399,181.39	94,714,463.62	12,684,717.77	13.39
Amortization Expense	6,117,600.48	5,932,663.62	184,936.86	3.12
Regulatory Credits	(5,770,257.30)	-	(5,770,257.30)	-
Taxes				
Federal Income	22,977,895.99	36,201,499.48	(13,223,603.49)	(36.53)
State Income	8,315,833.73	7,623,400.34	692,433.39	9.08
Deferred Federal Income - Net	24,520,298.51	52,656,512.53	(28,136,214.02)	(53.43)
Deferred State Income - Net	5,291,718.27	12,976,565.96	(7,684,847.69)	(59.22)
Federal Income - Estimated	61,199.53	(299,557.32)	360,756.85	(120.43)
State Income - Estimated	16,268.24	(79,629.14)	95,897.38	(120.43)
Property and Other	16,420,272.65	18,295,240.49	(1,874,967.84)	(10.25)
Investment Tax Credit	-	-		-
Amortization of Investment Tax Credit	(3,447,211.62)	(4,261,048.74)	813,837.12	(19.10)
Gain from Disposition of Allowances	(223,920.96)	(216,947.35)	(6,973.61)	3.21
Accretion Expense	411,127.50	-	411,127.50	-
Total Operating Expenses	951,266,802.52	772,396,736.87	178,870,065.65	23.16
Net Operating Income	117,904,371.34	197,539,705.40	(79,635,334.06)	(40.31)
Other Income Less Deductions	417,080.65	1,639,513.48	(1,222,432.83)	(74.56)
Income Before Interest Charges	118,321,451.99	199,179,218.88	(80,857,766.89)	(40.60)
Interest on Long Term Debt	23,896,334.81	25,861,020.10	(1,964,685.29)	(7.60)
Amortization of Debt Expense - Net	1,465,366.81	1,547,013.38	(81,646.57)	(5.28)
Other Interest Expenses	3,757,936.98	3,468,898.49	289,038.49	8.33
Total Interest Charges	29,119,638.60	30,876,931.97	(1,757,293.37)	(5.69)
Net Inc Before Cumulative Effect of Acctg Chg	89,201,813.39	168,302,286.91	(79,100,473.52)	(47.00)
Cumulative Effect of Accounting Change Net of Tax	3,149,402.00	-	3,149,402.00	-
Net Income	86,052,411.39	168,302,286.91	(82,249,875.52)	(48.87)
Preferred Dividend Requirements	3,551,407.37	4,311,407.74	(760,000.37)	(17.63)
Earnings Available for Common	82,501,004.02	163,990,879.17	(81,489,875.15)	(49.69)

LOUISVILLE GAS AND ELECTRIC COMPANY
ANALYSIS OF RETAINED EARNINGS
AUGUST 31, 2003

	CURRENT MONTH		YEAR TO DATE		YEAR ENDED CURRENT MONTH	
	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR
Balance at Beginning of Period	452,198,352.88	420,659,358.00	409,303,886.04	393,618,344.89	434,323,961.65	316,333,082.48
Add:						
Credits from Income	18,774,143.31	14,022,863.37	63,656,948.38	66,536,069.10	86,052,411.39	168,302,286.91
Deduct:						
Preferred Dividends						
$25 Par Value						
5% Series			537,682.91	537,683.07	1,075,365.60	1,075,366.09
Without Par Value						
Auction Rate			568,750.00	841,874.98	1,252,083.34	1,767,291.69
$5.875 Series			734,374.99	734,375.02	1,223,958.43	1,468,749.96
Preferred Dividends Accrued						
$25 Par Value						
5% Series	89,613.85	89,613.88	179,227.55	179,227.61		
Without Par Value						
Auction Rate	57,916.67	146,250.00	115,833.35	292,500.00		
$5.875 Series	-	122,395.84	(0.05)	244,791.66		
Common Dividends						
Common Stock Without Par Value				23,000,000.00	46,000,000.00	46,000,000.00
Balance at End of Period	470,824,965.67	434,323,961.65	470,824,965.67	434,323,961.65	470,824,965.67	434,323,961.65

LOUISVILLE GAS AND ELECTRIC COMPANY
COMPARATIVE BALANCE SHEETS AS OF AUGUST 31, 2003 AND 2002

ASSETS AND OTHER DEBITS	THIS YEAR	LAST YEAR
Utility Plant		
Utility Plant at Original Cost	3,749,125,100.86	3,550,074,812.15
Less Reserves for Depreciation & Amortization	1,523,005,682.18	1,442,615,590.25
Total	2,226,119,418.68	2,107,459,221.90
Investments - At Cost		
Ohio Valley Electric Corporation	490,000.00	490,000.00
Investments in LG&E-R	5,000,000.00	5,000,000.00
Nonutility Property-Less Reserve	120,747.79	818,994.16
Other	-	-
Total	5,610,747.79	6,308,994.16
Current and Accrued Assets		
Cash	1,010,462.43	4,208,158.84
Special Deposits	29,624.10	9,817,003.35
Temporary Cash Investments	-	-
Accounts Receivable-Less Reserve	25,310,283.30	23,163,472.74
Notes Receivable from Assoc. Companies	-	-
Notes Receivable from LG&E-R	19,946,398.00	37,949,898.00
Accounts Receivable from Assoc Companies	25,034,923.22	11,273,458.61
Materials & Supplies-At Average Cost		
Fuel	28,229,976.53	33,908,555.92
Plant Materials & Operating Supplies	20,648,061.75	23,712,575.24
Stores Expense	3,679,307.58	3,730,974.52
Gas Stored Underground	54,830,985.48	38,696,385.48
Allowance Inventory	65,432.07	60,028.00
Prepayments	2,517,675.51	2,518,845.96
Miscellaneous Current & Accrued Assets	187,823.96	120,389.09
Total	181,490,953.93	189,159,745.75
Deferred Debits and Other		
Unamortized Debt Expense	6,331,655.05	6,166,876.55
Unamortized Loss on Bonds	18,087,353.59	17,787,220.73
Accumulated Deferred Income Taxes	125,673,729.25	134,877,499.45
Deferred Regulatory Assets	89,155,167.19	112,351,214.00
Other Deferred Debits	71,584,168.45	37,851,581.08
Total	310,832,073.53	309,034,391.81
Total Assets and Other Debits	2,724,053,193.93	2,611,962,353.62

LIABILITIES AND OTHER CREDITS	THIS YEAR	LAST YEAR
Capitalization		
Common Stock	425,170,424.09	425,170,424.09
Common Stock Expense	(835,888.64)	(835,888.64)
Paid-In Capital	40,000,000.00	40,000,000.00
Unrealized Gain (Loss) on Investment	-	-
Other Comprehensive Income	(42,176,594.20)	(21,357,789.60)
Retained Earnings	470,824,965.67	434,323,961.65
Total Common Equity	892,982,906.92	877,300,707.50
Preferred Stock	93,890,346.77	95,140,346.77
First Mortgage Bonds	574,304,000.00	616,904,000.00
Pollution Control Bonds (Unsecured)	-	-
LT Notes Payable to Associated Companies	200,000,000.00	-
Total Capitalization	1,761,177,253.69	1,589,345,054.27
Current and Accrued Liabilities		
Long-Term Debt Due in 1 Year	-	-
Notes Payable to Associated Companies	97,532,051.40	130,952,943.44
Notes Payable	-	-
Accounts Payable	60,268,329.91	61,593,934.46
Accounts Payable to Associated Companies	27,947,593.27	29,458,854.74
Customer Deposits	9,787,556.38	9,310,247.04
Taxes Accrued	20,372,293.21	29,637,710.58
Interest Accrued	4,340,475.50	4,020,265.70
Dividends Declared	-	-
Misc. Current & Accrued Liabilities	4,265,206.56	3,179,473.69
Total	224,513,506.23	268,153,429.65
Deferred Credits and Other		
Accumulated Deferred Income Taxes	455,506,295.35	443,646,984.20
Investment Tax Credit	52,431,168.22	55,878,379.84
Regulatory Liabilities	47,392,576.00	49,380,948.00
Customer Advances for Construction	9,799,141.74	10,212,390.86
Asset Retirement Obligations	9,741,137.50	-
Other Deferred Credits	29,597,458.84	23,894,269.06
Misc. Long-Term Liabilities	76,603,443.45	114,985,670.57
Misc. Long-Term Liab. Due to Assoc. Co.	-	-
Accum Provision for Post-Retirement Benefits	57,291,212.91	56,465,227.17
Total	738,362,434.01	754,463,869.70
Total Liabilities and Other Credits	2,724,053,193.93	2,611,962,353.62

LOUISVILLE GAS AND ELECTRIC COMPANY
STATEMENT OF CAPITALIZATION AND SHORT-TERM DEBT
AUGUST 31, 2003

	AUTHORIZED SHARES	ISSUED & OUTSTANDING SHARES	ISSUED & OUTSTANDING AMOUNT	PERCENT OF TOTAL CAPITAL & S/T DEBT	PERCENT OF TOTAL CAPITAL
Common Equity					
Common Stock - Without Par	75,000,000	21,294,223	425,170,424.09		
Common Stock Expense			(835,888.64)		
Paid-In Capital			40,000,000.00		
Unrealized Gain (Loss) on Investment			-		
Other Comprehensive Income			(42,176,594.20)		
Retained Earnings			470,824,965.67		
Total Common Equity			892,982,906.92	48.04	50.70
Preferred Stock, Cumulative					
$25 Par Value	1,720,000				
5% Series		860,287	21,507,175.00		
Without Par Value ($100 Stated)	6,750,000				
NPV-Stated Value Auction Rate		500,000	50,000,000.00		
$5.875 Series		237,500	23,750,000.00		
Subtotal			95,257,175.00		
Gain on Reacquired Preferred Stock			5,698.75		
Preferred Stock Expense			(1,372,526.98)		
Total Preferred Stock			93,890,346.77	5.05	5.33
Total Stockholder's Equity			986,873,253.69	53.09	56.03
Long-Term Debt					
First Mortgage Bonds	Not Limited				
PCB S JC 09/01/92 Due 09/01/17 VAR%			31,000,000.00		
PCB T TC 09/01/92 Due 09/01/17 VAR%			60,000,000.00		
PCB U JC 08/15/93 Due 08/15/13 VAR%			35,200,000.00		
PCB V JC 08/15/93 Due 08/15/19 5 5/8%			102,000,000.00		
PCB W JC 10/15/93 Due 10/15/20 5.45%			26,000,000.00		
PCB X JC 04/15/95 Due 04/15/23 5.90%			40,000,000.00		
PCB Y JC 05/01/00 Due 05/01/27 VAR%			25,000,000.00		
PCB Z JC 08/01/00 Due 08/01/30 VAR%			83,335,000.00		
PCB AA JC 09/11/01 Due 09/01/27 VAR%			10,104,000.00		
PCB BB JC 03/06/02 Due 09/01/26 VAR%			22,500,000.00		
PCB CC TC 03/06/02 Due 09/01/26 VAR%			27,500,000.00		
PCB DD JC 03/22/02 Due 11/01/27 VAR%			35,000,000.00		
PCB EE TC 03/22/02 Due 11/01/27 VAR%			35,000,000.00		
PCB FF TC 10/23/02 Due 10/01/32 VAR%			41,665,000.00		
Total First Mortgage Bonds			574,304,000.00	30.90	32.61
LT Notes Payable to Associated Companies			200,000,000.00	10.76	11.36
Total Capitalization			1,761,177,253.69	94.75	100.00
Notes Payable to Associated Companies			97,532,051.40	5.25	
Total Capitalization and Short-Term Debt			1,858,709,305.09	100.00	

LOUISVILLE GAS AND ELECTRIC COMPANY
TRIAL BALANCE - GENERAL LEDGER
AUGUST 31, 2003

Account - Subsidiary Account	Balance Subsidiary Account	Balance as Shown On Balance Sheet
UTILITY PLANT		
At Original Cost	3,749,125,100.86	3,749,125,100.86
Reserves for Depreciation and Amortization		(1,523,005,682.18)
Electric	(1,273,917,438.49)	
Gas	(163,150,509.33)	
Common	(62,760,050.85)	
Amortization of Plant		
Underground Storage Land and Land Rights	(573,293.92)	
Limited - Term Plant	(22,604,389.59)	
INVESTMENTS - AT COST		5,610,747.79
Nonutility Property - less reserve ($63,360.36)	17,337.47	
Coal for Resale 3,024 Tons @ $34.20	103,410.32	
Investments in LG&E-R	5,000,000.00	
Ohio Valley Electric Corporation	490,000.00	
CASH		1,010,462.43
National City Bank - Regular	19,096.97	
Bank of Louisville	11,921.98	
Citibank	10,358.25	
Farmers Bank and Trust Company	28,199.04	
Firstar	825,339.13	
Farmers Bank of Milton	10,000.00	
Meade County Bank	105,762.06	
Sundry Cash Collection	(215.00)	
OTHER SPECIAL DEPOSITS		29,624.10
Other Special Deposits	29,624.10	
ACCOUNTS RECEIVABLE - LESS RESERVE		25,310,283.30
Working Funds	69,050.00	
Customers	68,930,949.44	
Customer Accounts Receivable Sold to LG&E-R	(67,641,000.00)	
Wholesale Sales	8,900,834.11	
Transmission Sales	675,154.78	
Unbilled Revenues	5,498,000.00	
Employee Computer Loans	509,352.71	
Damage Claims	747,123.90	
RAR Settlements	2,398,816.00	
Officers and Employees	5,868.13	
IMEA	875,478.80	
IMPA	943,236.37	
Other	3,328,151.35	
Reserves for Uncollectible Accounts		
Utility Customers		
Accrual	(4,014,906.80)	
Charged Off	3,475,285.38	
Recoveries	(1,585,447.87)	
Accrual Sold to LG&E-R	2,125,069.00	
Rents Receivable	69,268.00	
NOTES RECEIVABLE FROM LG&E-R		19,946,398.00
Notes Receivable from LG&E-R	19,946,398.00	
ACCOUNTS RECEIVABLE FROM ASSOCIATED COMPANIES		25,034,923.22
LG&E Energy Corp.	25,020,352.05	
LG&E Energy Marketing Inc. (LEM)-Power Marketing	14,571.17	
FUEL		28,229,976.53
Coal 1,102,418 Tons @ $25.44; MMBTU 25,029,148 @ 112.04¢	28,043,699.25	
Fuel Oil 201,664 Gallons @ 82.42¢	166,203.99	
Gas Pipeline 3,255 MCF @ $6.17	20,073.29	
PLANT MATERIALS AND OPERATING SUPPLIES		20,648,061.75
Regular Materials and Supplies	20,524,831.97	
Limestone 23,031 Tons @ $5.35	123,229.78	

LOUISVILLE GAS AND ELECTRIC COMPANY
TRIAL BALANCE - GENERAL LEDGER
AUGUST 31, 2003

Account - Subsidiary Account	Balance Subsidiary Account	Balance as Shown On Balance Sheet
STORES EXPENSE		3,679,307.58
Stores Expense Undistributed	3,679,307.58	
GAS STORED UNDERGROUND - CURRENT		54,830,985.48
Gas St. Underground*10,087,444 MCF (14.73 psia) @ 543.56¢	54,830,985.48	
ALLOWANCE INVENTORY		65,432.07
Allowance Inventory	65,432.07	
PREPAYMENTS		2,517,675.51
Unexpired Insurance	1,741,267.32	
Franchises	57,329.47	
Taxes	504,852.21	
Permit Fees	(147,497.64)	
Real Estate Commissions	28,390.80	
Rights of Way	333,333.35	
MISCELLANEOUS CURRENT ASSETS		187,823.96
Derivative Asset - Non-Hedging	187,823.96	
UNAMORTIZED DEBT EXPENSE		6,331,655.05
Pollution Control Series S due Sept. 1, 2017	175,761.66	
Pollution Control Series T due Sept. 1, 2017	232,454.66	
Pollution Control Series U due Aug. 15, 2013	115,991.59	
Pollution Control Series V due Aug. 15, 2019	712,565.92	
Pollution Control Series W due Oct. 15, 2020	327,617.89	
Pollution Control Series X due Apr. 15, 2023	649,735.32	
Pollution Control Series Y due May 1, 2027	565,370.49	
Pollution Control Series Z due Aug. 1, 2030	1,030,310.99	
Pollution Control Series AA due Sept. 1, 2027	476,130.44	
Pollution Control Series BB due Sept. 1, 2026	227,070.80	
Pollution Control Series CC Sept. 1, 2026	246,985.87	
Pollution Control Series DD due Nov. 1, 2027	264,536.36	
Pollution Control Series EE due Nov. 1, 2027	264,573.63	
Pollution Control Series FF due Oct. 1, 2032	1,042,549.43	
UNAMORTIZED LOSS ON BONDS		18,087,353.59
Refinanced and Called Bonds	18,087,353.59	
OTHER DEFERRED DEBITS		71,584,168.45
Gas Supply Cost Adjustments	32,828,252.83	
Other	38,755,915.62	
DEFERRED REGULATORY ASSET		89,155,167.19
VDT Expenses	77,855,215.89	
Asset Retirement Obligations	5,770,257.30	
Deferred Taxes - FAS 109		
Federal		
Electric	4,210,535.00	
Gas	350,093.00	
State		
Electric	929,204.00	
Gas	39,862.00	
ACCUMULATED DEFERRED INCOME TAXES		125,673,729.25
Federal		
Electric	78,995,050.49	
Gas	11,854,715.83	
Common	13,825,917.04	
State		
Electric	15,120,289.98	
Gas	2,363,593.15	
Common	3,514,162.76	
Total Assets and Other Debits	2,724,053,193.93	2,724,053,193.93

* Excludes:

	$	MCF
Non-recoverable Base Gas	9,648,855.00	7,880,000
Recoverable Base Gas	2,139,990.00	2,930,000
	11,788,845.00	10,810,000

LOUISVILLE GAS AND ELECTRIC COMPANY
TRIAL BALANCE - GENERAL LEDGER
AUGUST 31, 2003

Account - Subsidiary Account	Balance Subsidiary Account	Balance as Shown On Balance Sheet
COMMON EQUITY		892,982,906.92
Common Stock	425,170,424.09	
Retained Earnings	470,824,965.67	
Common Stock Expense	(835,888.64)	
Additional Paid-In Capital	40,000,000.00	
Other Comprehensive Income	(42,176,594.20)	
PREFERRED STOCK		93,890,346.77
5% Series	21,507,175.00	
Auction Rate	50,000,000.00	
$5.875 Series	23,750,000.00	
Gain on Reacquired Preferred Stock	5,698.75	
Preferred Stock Expense		
Auction Rate	(1,088,279.70)	
$5.875 Series	(284,247.28)	
BONDS		574,304,000.00
First Mortgage Bonds	574,304,000.00	
LT NOTES PAYABLE TO ASSOCIATED COMPANIES	200,000,000.00	200,000,000.00
NOTES PAYABLE TO ASSOCIATED COMPANIES	97,532,051.40	97,532,051.40
ACCOUNTS PAYABLE		60,268,329.91
Regular	56,991,104.31	
Salaries and Wages Accrued	2,039,541.55	
Nonqualified Savings Plan	474,598.79	
Tax Collections - Payable	763,085.26	
ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES		27,947,593.27
LG&E Energy Corp	27,947,593.27	
CUSTOMERS' DEPOSITS		9,787,556.38
Customers' Deposits	9,787,556.38	
TAXES ACCRUED		20,372,293.21
Taxes Accrued	20,372,293.21	
INTEREST ACCRUED		4,340,475.50
Interest on Long-Term Debt		
First Mortgage Bonds		
Loan Agreement - Pol. Cont. Bonds 1992 Series A	13,767.15	
Loan Agreement - Pol. Cont. Bonds 1992 Series A-TC	32,549.64	
Loan Agreement - Pol. Cont. Bonds 1993 Series A	24,561.77	
Loan Agreement - Pol. Cont. Bonds 1993 Series B	239,059.89	
Loan Agreement - Pol. Cont. Bonds 1993 Series C	531,374.95	
Loan Agreement - Pol. Cont. Bonds 1995 Series A	884,999.94	
Loan Agreement - Pol. Cont. Bonds 2000 Series A	6,111.12	
Loan Agreement - Pol. Cont. Bonds 2000 Series A-TC	64,855.47	
Loan Agreement - Pol. Cont. Bonds 2001 Series A	1,431.36	
Loan Agreement - Pol. Cont. Bonds 2001 Series A	26,275.33	
Loan Agreement - Pol. Cont. Bonds 2001 Series A-TC	102,239.74	
Loan Agreement - Pol. Cont. Bonds 2001 Series B	21,969.85	
Loan Agreement - Pol. Cont. Bonds 2001 Series B-TC	22,068.48	
Loan Agreement - Pol. Cont. Bonds 2002 Series A-TC	29,759.04	
Interest Rate Swaps	368,983.01	
Interest Accrued on Other Liabilities		
Fidelia	1,737,916.68	
$5.875 Mandatory Redeemable Preferred Stock	232,552.08	

LOUISVILLE GAS AND ELECTRIC COMPANY
TRIAL BALANCE - GENERAL LEDGER
AUGUST 31, 2003

Account - Subsidiary Account	Balance Subsidiary Account	Balance as Shown On Balance Sheet
MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES		4,265,206.56
Vacation Pay Accrued	3,821,874.66	
Revenue Subject to Refund	302,392.00	
Derivative Liabilities - Non-Hedging	18,887.40	
Derivative Liabilities - Hedging	122,052.50	
CUSTOMERS' ADVANCES FOR CONSTRUCTION		9,799,141.74
Line Extensions		
Electric	509,341.82	
Gas	9,289,799.92	
ASSET RETIREMENT OBLIGATIONS	9,741,137.50	9,741,137.50
OTHER DEFERRED CREDITS		29,597,458.84
Other Deferred Credits	22,775,715.86	
Clearing Accounts Transferred from Other Deferred Debits	6,821,742.98	
REGULATORY LIABILITIES		47,392,576.00
Asset Retirement Obligations	59,240.00	
Deferred Taxes		
Federal		
Electric	40,493,070.00	
Gas	2,787,225.00	
State		
Electric	4,205,109.00	
Gas	(152,068.00)	
INVESTMENT TAX CREDIT		52,431,168.22
Investment Tax Credit (prior law)		
Electric	4,206.06	
Gas	(9.00)	
Job Development Credit		
Electric	50,461,695.22	
Gas	1,965,275.94	
ACCUMULATED DEFERRED INCOME TAXES		455,506,295.35
Federal		
Electric	311,894,088.83	
Gas	57,001,328.72	
State		
Electric	72,872,444.14	
Gas	13,738,432.66	
Common	1.00	
MISCELLANEOUS LONG-TERM LIABILITIES		76,603,443.45
Pension Payable	70,204,486.00	
Workers' Compensation	4,029,718.45	
Post Employment Benefits - FAS 112	2,369,239.00	
ACCUMULATED PROVISION FOR BENEFITS		57,291,212.91
Post Retirement Benefits - FAS 106	57,291,212.91	
Total Liabilities and Other Credits	2,724,053,193.93	2,724,053,193.93

LOUISVILLE GAS AND ELECTRIC COMPANY
STATEMENT OF CASH FLOWS
AUGUST 31, 2003

	Year to Date 2003	Year to Date 2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	63,656,948.38	66,536,069.10
Items not requiring cash currently:		
Depreciation and amortization	76,325,273.55	68,714,336.21
Deferred income taxes - net	12,875,107.13	9,507,037.36
Investment tax credit - net	(2,105,276.41)	(2,810,243.73)
Other	34,599,188.84	27,474,130.29
(Increase) decrease in certain net current assets:		
Accounts receivable	(6,877,273.99)	8,250,878.51
Materials and supplies	5,128,912.31	(2,579,839.40)
Accounts payable	(34,554,949.45)	(58,017,175.82)
Accrued taxes	18,932,990.89	9,392,713.74
Accrued interest	(599,165.16)	(1,797,655.07)
Prepayments and other	2,746,690.30	2,032,964.70
Other	(103,194,135.78)	9,729,152.68
Net cash provided from operating activities	66,934,310.61	136,432,368.57
CASH FLOWS FROM INVESTING ACTIVITIES		
Long term investment in securities	153,296.84	(133,096.90)
Construction expenditures	(140,778,046.14)	(133,801,952.69)
Net cash used for investing activities	(140,624,749.30)	(133,935,049.59)
CASH FLOWS FROM FINANCING ACTIVITIES		
Short-term borrowings from parent company	(95,520,892.04)	36,756,250.00
Long-term borrowings from parent company	200,000,000.00	-
Retirement of preferred stock	(1,250,000.00)	-
Retirement of pollution control bonds	(42,600,000.00)	(120,000,000.00)
Net proceeds from issuance of pollution control bonds	(15,569.23)	118,884,574.98
Payment of dividends	(2,898,087.30)	(26,224,962.36)
Net cash used for financing activities	57,715,451.43	9,415,862.62
NET INCREASE (DECREASE) IN CASH AND TEMP. CASH INVESTMENTS	(15,974,987.26)	11,913,181.60
CASH AND TEMPORARY CASH INVESTMENTS AT BEGINNING OF PERIOD	17,015,073.79	2,111,980.59
CASH AND TEMPORARY CASH INVESTMENTS AT END OF PERIOD	1,040,086.53	14,025,162.19

LOUISVILLE GAS AND ELECTRIC COMPANY
ANALYSIS OF INTEREST CHARGES
AUGUST 31, 2003

	CURRENT MONTH		YEAR TO DATE		YEAR ENDED CURRENT MONTH	
	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR
Interest On Long-Term Debt						
First Mortgage Bonds						
Series Due Aug. 15 2003, 6%	106,500.00	213,000.00	1,597,500.00	1,704,000.00	2,449,500.00	2,556,000.00
Loan Agreement - Poll. Control Bonds						
1990 Series B (6.55%) TC	-	227,421.46	(30.00)	1,819,371.71	557,561.94	2,729,057.55
1992 Series A Variable	25,023.29	40,473.97	242,265.76	276,307.44	400,487.69	507,910.17
1992 Series A Variable TC	56,388.50	76,800.00	500,144.67	569,503.47	835,299.46	1,094,703.48
1993 Series A Variable Rate	33,073.29	45,395.89	292,589.20	342,375.97	489,877.56	647,734.13
1993 Series B (5 5/8%)	478,125.01	478,125.01	3,825,000.08	3,825,005.00	5,737,500.12	5,737,505.00
1993 Series C (5.45%)	118,083.34	118,083.34	944,666.72	944,666.72	1,417,000.08	1,417,000.09
1995 Series A (5.90%)	196,666.66	196,666.66	1,573,333.28	1,573,333.28	2,359,999.92	2,359,999.90
2000 Series A Variable Rate	17,222.23	30,138.88	171,758.43	245,381.96	290,230.64	427,812.53
2000 Series A Variable TC	60,924.82	141,942.65	653,202.87	810,805.54	1,048,696.90	1,425,935.87
2001 Series A Variable Rate	7,493.80	17,196.46	74,264.39	101,059.65	123,275.82	161,964.31
2001 Series A Variable Rate	18,808.21	25,784.25	166,289.19	164,408.92	273,027.51	164,408.92
2001 Series A Variable Rate TC	26,859.59	31,691.92	206,895.10	203,123.80	334,786.32	203,123.80
2001 Series B Variable Rate	27,580.82	41,958.90	260,423.83	247,334.24	431,201.88	247,334.24
2001 Series B Variable Rate TC	27,356.15	41,753.43	258,826.01	247,506.85	429,127.37	247,506.85
2002 Series A Variable Rate TC	27,955.50	-	298,201.51	-	416,062.07	-
Loan Agreement - Unsecured Bonds						
1996 Series A Variable Rate	-	-	-	79,006.25	-	271,813.77
1996 Series A Variable Rate TC	-	-	-	110,904.09	-	349,883.56
1997 Series A Variable Rate	-	-	-	158,253.28	-	464,616.30
1997 Series A Variable Rate TC	-	-	-	183,342.64	-	490,527.56
Interest Rate Swaps	373,899.07	373,368.38	2,894,183.93	2,968,495.04	4,332,230.81	4,356,182.07
Marked to Market	-	-	-	-	-	-
Fidelia	600,416.66	-	1,737,916.64	-	1,737,916.64	-
$5.875 Mandatory Redeemable Preferred Stock	116,276.04	-	232,552.08	-	232,552.08	-
Total	2,318,652.98	2,099,801.20	15,929,983.69	16,574,185.85	23,896,334.81	25,861,020.10
Amortization of Debt Expense - Net						
Amortization of Debt Expense	24,832.61	28,934.90	215,769.41	303,437.12	330,912.81	409,457.37
Amortization of Premium on Debt - Cr.	-	-	-	-	-	-
Amort. of Loss on Reacquired Debt	83,438.02	92,438.01	755,375.05	759,471.03	1,134,454.00	1,137,556.01
Total	108,270.63	121,372.91	971,144.46	1,062,908.15	1,465,366.81	1,547,013.38
Other Interest Charges						
Note Payable	-	-	-	85,249.11	-	141,700.49
Customers' Deposits	38,659.69	36,036.52	321,279.15	285,108.68	453,413.61	410,015.44
Federal Income Tax Deficiencies	-	-	-	-	-	-
Other Tax Deficiencies	-	-	-	-	-	-
Gas Refunds	(543.85)	-	1,146.47	-	2,370.04	-
Interest on Dsm Cost Recovery	-	-	-	-	-	-
Deferred Compensation	-	-	13,018.69	13,560.10	27,603.76	20,951.53
Interest on Debt to Associated Companies	106,825.84	182,850.60	1,507,945.22	1,406,769.87	2,276,888.82	2,013,941.61
Interest Costs from A/R Securitization	121,553.11	195,094.35	738,230.06	739,275.88	994,934.03	882,289.42
Other	-	-	2,726.72	-	2,726.72	-
Total	266,494.79	413,981.47	2,584,346.31	2,529,963.64	3,757,936.98	3,468,898.49
Total Interest	2,693,418.40	2,635,155.58	19,485,474.46	20,167,057.64	29,119,638.60	30,876,931.97

LOUISVILLE GAS AND ELECTRIC COMPANY
ANALYSIS OF TAXES CHARGED
AUGUST 31, 2003

Kind of Taxes	Current Month		Year To Date	
	This Year	Last Year	This Year	Last Year
Taxes Charged to Accounts 408.1 and 409.1				
Property Taxes	978,656.00	1,003,620.00	6,595,626.00	7,628,960.00
State Unemployment	-	4,686.74	(0.48)	74,341.17
Federal Unemployment	41,767.08	10,179.42	329,244.30	111,292.92
Federal Old Age and Survivors Insurance	411,557.38	369,395.62	3,242,692.55	3,446,243.55
Public Service Commission Fee	126,213.05	122,684.07	1,128,639.15	1,068,052.21
Federal Income	8,228,014.46	7,306,697.58	22,902,691.78	26,096,273.16
State Income	2,187,193.72	1,942,286.70	7,412,669.40	7,163,326.13
Miscellaneous	133.21	1,202.69	1,532.28	6,928.39
Total Charged to Operating Expense	11,973,534.90	10,760,752.82	41,613,094.98	45,595,417.53
Taxes Charged to Other Accounts	3,282,411.13	262,278.66	(119,748.50)	618,133.62
Taxes Accrued on Intercompany Accounts	(141,371.15)	(144,459.60)	(1,069,002.46)	(1,223,439.19)
Total Taxes Charged	15,114,574.88	10,878,571.88	40,424,344.02	44,990,111.96

ANALYSIS OF TAXES ACCRUED - ACCOUNT 236

Kind of Taxes	Taxes Accrued At Beginning Of Year	Accruals To Date This Year	Payments To Date This Year	Taxes Accrued At End Of Month
Property Taxes	191,066.78	6,700,138.00	137,047.43	6,754,157.35
State Unemployment	10,768.97	103.04	29,363.37	(18,491.36)
Federal Unemployment	17,650.80	257,188.13	47,646.86	227,192.07
Federal Old Age and Survivors	215,620.04	3,056,057.77	2,790,115.02	481,562.79
Public Service Commission Fee	-	1,128,639.15	1,128,639.15	-
Federal Income	(4,740,983.04)	21,160,350.22	11,206,427.00	5,212,940.18
State Income	5,299,487.96	6,964,681.52	4,740,913.00	7,523,256.48
Kentucky Sales and Use Tax	446,561.55	1,087,832.04	1,338,909.38	195,484.21
Miscellaneous	(870.74)	69,354.15	72,291.92	(3,808.51)
Totals	1,439,302.32	40,424,344.02	21,491,353.13	20,372,293.21

LOUISVILLE GAS AND ELECTRIC COMPANY
SUMMARY OF UTILITY PLANT
AUGUST 31, 2003

UTILITY PLANT IN SERVICE	NET BALANCE FIRST OF YEAR	DEBITS-GROSS	CREDITS FOR RETIREMENTS	ADJUSTMENTS	NET ADDITIONS	BALANCE TO DATE
Electric						
Intangible	2,340.29	-	-	-	-	2,340.29
Steam Production	1,665,684,137.81	52,567,977.64	(5,974,558.02)	-	46,593,419.62	1,712,277,557.43
Hydro	9,324,683.24	315,125.80	-	-	315,125.80	9,639,809.04
Other Production	152,479,851.71	2,057,807.32	(1,348,341.77)	-	709,465.55	153,189,317.26
Transmission	213,912,790.08	5,488,195.22	(30,246.83)	-	5,457,948.39	219,370,738.47
Distribution	656,405,005.49	25,990,045.10	(672,505.49)	-	25,317,539.61	681,722,545.10
General	19,378,595.64	218,452.53	(2,192,344.13)	-	(1,973,891.60)	17,404,704.04
Total Electric	2,717,187,404.26	86,637,603.61	(10,217,996.24)	-	76,419,607.37	2,793,607,011.63
Gas						
Intangible	553,232.59	-	-	-	-	553,232.59
Natural Gas Storage Plant Underground	54,336,273.67	1,931,741.95	-	-	1,931,741.95	56,268,015.62
Transmission	12,414,633.91	304,906.91	-	-	304,906.91	12,719,540.82
Distribution	356,807,061.42	22,512,818.09	(3,638,532.29)	-	18,874,285.80	375,681,347.22
General	8,983,446.29	175,524.87	(337,359.36)	-	(161,834.49)	8,821,611.80
Gas Stored Underground Non-Current	2,139,990.00	-	-	-	-	2,139,990.00
Total Gas	435,234,637.88	24,924,991.82	(3,975,891.65)	-	20,949,100.17	456,183,738.05
Common						
Intangible	24,532,730.28	7,216,033.60	-	-	7,216,033.60	31,748,763.88
General	145,044,129.61	13,641,696.24	(444,350.90)	-	13,197,345.34	158,241,474.95
Total Common	169,576,859.89	20,857,729.84	(444,350.90)	-	20,413,378.94	189,990,238.83
Total Plant in Service	3,321,998,902.03	132,420,325.27	(14,638,238.79)	-	117,782,086.48	3,439,780,988.51
Construction Work In Progress						
Electric	261,760,776.30	32,849,056.26	-		32,849,056.26	294,609,832.56
Gas	25,501,848.83	(10,804,035.50)	-		(10,804,035.50)	14,697,813.33
Common	13,723,766.35	(13,687,299.89)	-	-	(13,687,299.89)	36,466.46
Total Construction Work In Progress	300,986,391.48	8,357,720.87	-	-	8,357,720.87	309,344,112.35
Total Utility Plant at Original Cost	3,622,985,293.51	140,778,046.14	(14,638,238.79)	-	126,139,807.35	3,749,125,100.86

RESERVE FOR DEPRECIATION OF UTILITY	NET BALANCE FIRST OF YEAR	ACCRUALS	RETIREMENTS	COST OF REMOVAL	SALVAGE	OTHER CREDITS	BALANCE TO DATE
Plant In Service							
Electric	1,235,700,821.25	57,011,945.97	(10,217,996.24)	(1,448,212.85)	574.94	-	1,281,047,133.07
Gas	159,276,235.08	8,520,202.48	(3,975,891.65)	(568,865.63)	646.35	-	163,252,326.63
Common	55,289,741.92	8,071,615.29	(444,350.90)	(189,152.28)	-	-	62,727,854.03
Total Reserve For Depreciation Of Utility Plant In Service	1,450,266,798.25	73,603,763.74	(14,638,238.79)	(2,206,230.76)	1,221.29	-	1,507,027,313.73
Reserve For Amortization Of Utility Plant In Service							
Electric	100.00						100.00
Gas	574,193.92	-					574,193.92
Common	18,101,954.13	4,501,435.46	-	-	-	-	22,603,389.59
Total Reserve For Amortization Of Utility Plant In Service	18,676,248.05	4,501,435.46	-	-	-	-	23,177,683.51
Retirement Work In Progress							
Electric	(4,845,891.80)			(2,310,421.26)	(251,269.58)	277,888.06	(7,129,694.58)
Gas	(43,721.15)			(48,775.78)	(1,518.79)	(7,801.58)	(101,817.30)
Common	(379,491.56)	-	-	478,061.58	(23,187.00)	(43,186.20)	32,196.82
Total Retirement Work In Progress	(5,269,104.51)	-	-	(1,881,135.46)	(275,975.37)	226,900.28	(7,199,315.06)
Total Reserve For Depreciation and Amortization - Utility Plant In Service	1,463,673,941.79	78,105,199.20	(14,638,238.79)	(4,087,366.22)	(274,754.08)	226,900.28	1,523,005,682.18
Utility Plant at Original Cost Less Reserve For Depreciation and Amortization	2,159,311,351.72						2,226,119,418.68

LG&E Monthly Report to KPSC-July 31,2003

LOUISVILLE GAS AND ELECTRIC COMPANY
COMPARATIVE STATEMENT OF INCOME
JULY 31, 2003

	CURRENT MONTH			
	THIS YEAR AMOUNT	LAST YEAR AMOUNT	INCREASE OR DECREASE AMOUNT	INCREASE OR DECREASE %
Electric Operating Revenues	66,452,780.58	82,479,323.20	(16,026,542.62)	(19.43)
Gas Operating Revenues	9,796,649.29	6,648,422.70	3,148,226.59	47.35
Rate Refunds	(2,435,597.01)	360,125.00	(2,795,722.01)	(776.32)
Total Operating Revenues	73,813,832.86	89,487,870.90	(15,674,038.04)	(17.52)
Fuel for Electric Generation	18,558,918.59	18,640,479.23	(81,560.64)	(0.44)
Power Purchased	(8,941,780.83)	5,946,420.24	(14,888,201.07)	(250.37)
Gas Supply Expenses	5,588,229.12	3,020,404.14	2,567,824.98	85.02
Other Operation Expenses	19,988,514.41	16,911,150.26	3,077,364.15	18.20
Maintenance	1,366,051.71	5,471,560.61	(4,105,508.90)	(75.03)
Depreciation	8,841,144.23	8,088,761.61	752,382.62	9.30
Amortization Expense	464,757.64	408,709.30	56,048.34	13.71
Regulatory Credits	(61,163.81)	-	(61,163.81)	-
Taxes				
Federal Income	-	-	-	-
State Income	-	-	-	-
Deferred Federal Income - Net	-	-	-	-
Deferred State Income - Net	-	-	-	-
Federal Income - Estimated	7,680,967.04	8,541,084.39	(860,117.35)	(10.07)
State Income - Estimated	2,041,776.06	2,270,414.84	(228,638.78)	(10.07)
Property and Other	1,550,230.79	1,509,972.92	40,257.87	2.67
Investment Tax Credit	-	-	-	-
Amortization of Investment Tax Credit	(350,598.00)	(351,111.00)	513.00	(0.15)
Gain from Disposition of Allowances	-	-	-	-
Accretion Expense	51,391.00	-	51,391.00	-
Total Operating Expenses	56,778,437.95	70,457,846.54	(13,679,408.59)	(19.42)
Net Operating Income	17,035,394.91	19,030,024.36	(1,994,629.45)	(10.48)
Other Income Less Deductions	(4,507,356.29)	(79,468.48)	(4,427,887.81)	-
Income Before Interest Charges	12,528,038.62	18,950,555.88	(6,422,517.26)	(33.89)
Interest on Long Term Debt	2,289,277.58	2,040,531.78	248,745.80	12.19
Amortization of Debt Expense - Net	124,363.40	199,883.29	(75,519.89)	(37.78)
Other Interest Expenses	255,913.97	392,897.06	(136,983.09)	(34.86)
Total Interest Charges	2,669,554.95	2,633,312.13	36,242.82	1.38
Net Inc Before Cumulative Effect of Acctg Chg	9,858,483.67	16,317,243.75	(6,458,760.08)	(39.58)
Cumulative Effect of Accounting Change Net of Tax	-	-	-	-
Net Income	9,858,483.67	16,317,243.75	(6,458,760.08)	(39.58)
Preferred Dividend Requirements	147,530.33	358,259.55	(210,729.22)	(58.82)
Earnings Available for Common	9,710,953.34	15,958,984.20	(6,248,030.86)	(39.15)

LOUISVILLE GAS AND ELECTRIC COMPANY
COMPARATIVE STATEMENT OF INCOME
JULY 31, 2003

	YEAR TO DATE			
	THIS YEAR AMOUNT	LAST YEAR AMOUNT	INCREASE OR DECREASE AMOUNT	%
Electric Operating Revenues	441,709,275.04	440,040,766.24	1,668,508.80	0.38
Gas Operating Revenues	191,076,296.45	154,704,642.12	36,371,654.33	23.51
Rate Refunds	(1,761,481.90)	857,723.58	(2,619,205.48)	(305.37)
Total Operating Revenues	631,024,089.59	595,603,131.94	35,420,957.65	5.95
Fuel for Electric Generation	114,312,958.03	113,297,778.47	1,015,179.56	0.90
Power Purchased	47,492,335.86	51,591,003.92	(4,098,668.06)	(7.94)
Gas Supply Expenses	137,658,185.54	104,833,390.28	32,824,795.26	31.31
Other Operation Expenses	127,119,726.78	120,344,550.88	6,775,175.90	5.63
Maintenance	30,948,721.30	33,044,143.66	(2,095,422.36)	(6.34)
Depreciation	63,272,343.63	56,822,022.44	6,450,321.19	11.35
Amortization Expense	3,529,692.24	2,842,679.47	687,012.77	24.17
Regulatory Credits	(5,709,093.49)	-	(5,709,093.49)	-
Taxes				
Federal Income	6,993,710.28	10,248,491.19	(3,254,780.91)	(31.76)
State Income	3,183,699.62	2,950,624.59	233,075.03	7.90
Deferred Federal Income - Net	13,074,267.07	9,017,138.73	4,057,128.34	44.99
Deferred State Income - Net	2,343,771.85	1,461,775.83	881,996.02	60.34
Federal Income - Estimated	7,680,967.04	8,541,084.39	(860,117.35)	(10.07)
State Income - Estimated	2,041,776.06	2,270,414.84	(228,638.78)	(10.07)
Property and Other	9,739,407.08	10,824,049.70	(1,084,642.62)	(10.02)
Investment Tax Credit	-	-	-	-
Amortization of Investment Tax Credit	(2,455,865.41)	(2,459,132.73)	3,267.32	(0.13)
Gain from Disposition of Allowances	(223,920.96)	(216,947.35)	(6,973.61)	3.21
Accretion Expense	359,736.50	-	359,736.50	-
Total Operating Expenses	561,362,419.02	525,413,068.31	35,949,350.71	6.84
Net Operating Income	69,661,670.57	70,190,063.63	(528,393.06)	(0.75)
Other Income Less Deductions	(4,837,407.44)	(144,955.84)	(4,692,451.60)	-
Income Before Interest Charges	64,824,263.13	70,045,107.79	(5,220,844.66)	(7.45)
Interest on Long Term Debt	13,611,330.71	14,474,384.65	(863,053.94)	(5.96)
Amortization of Debt Expense - Net	862,873.83	941,535.24	(78,661.41)	(8.35)
Other Interest Expenses	2,317,851.52	2,115,982.17	201,869.35	9.54
Total Interest Charges	16,792,056.06	17,531,902.06	(739,846.00)	(4.22)
Net Inc Before Cumulative Effect of Acctg Chg	48,032,207.07	52,513,205.73	(4,480,998.66)	(8.53)
Cumulative Effect of Accounting Change Net of Tax	3,149,402.00	-	3,149,402.00	-
Net Income	44,882,805.07	52,513,205.73	(7,630,400.66)	(14.53)
Preferred Dividend Requirements	1,988,338.23	2,472,192.62	(483,854.39)	(19.57)
Earnings Available for Common	42,894,466.84	50,041,013.11	(7,146,546.27)	(14.28)

LOUISVILLE GAS AND ELECTRIC COMPANY
COMPARATIVE STATEMENT OF INCOME
JULY 31, 2003

	YEAR ENDED CURRENT MONTH			
	THIS YEAR AMOUNT	LAST YEAR AMOUNT	INCREASE OR DECREASE AMOUNT	%
Electric Operating Revenues	748,503,695.80	718,999,423.54	29,504,272.26	4.10
Gas Operating Revenues	304,064,809.68	247,257,894.91	56,806,914.77	22.97
Rate Refunds	9,036,158.34	2,326,657.95	6,709,500.39	288.38
Total Operating Revenues	1,061,604,663.82	968,583,976.40	93,020,687.42	9.60
Fuel for Electric Generation	195,915,368.68	176,863,383.05	19,051,985.63	10.77
Power Purchased	80,231,339.52	83,377,134.35	(3,145,794.83)	(3.77)
Gas Supply Expenses	214,933,053.23	162,253,085.65	52,679,967.58	32.47
Other Operation Expenses	218,742,382.10	59,050,792.00	159,691,590.10	270.43
Maintenance	54,686,763.12	62,566,682.44	(7,879,919.32)	(12.59)
Depreciation	107,505,074.91	94,432,573.65	13,072,501.26	13.84
Amortization Expense	5,538,103.58	6,048,660.84	(510,557.26)	(8.44)
Regulatory Credits	(5,709,093.49)	-	(5,709,093.49)	-
Taxes				
Federal Income	22,977,895.99	36,201,499.48	(13,223,603.49)	(36.53)
State Income	8,315,833.73	7,623,400.34	692,433.39	9.08
Deferred Federal Income - Net	24,520,298.51	52,656,512.53	(28,136,214.02)	(53.43)
Deferred State Income - Net	5,291,718.27	12,976,565.96	(7,684,847.69)	(59.22)
Federal Income - Estimated	(860,117.35)	722,226.26	(1,582,343.61)	(219.09)
State Income - Estimated	(228,638.78)	191,984.21	(420,622.99)	(219.09)
Property and Other	16,373,714.47	18,237,532.27	(1,863,817.80)	(10.22)
Investment Tax Credit	-	-	-	-
Amortization of Investment Tax Credit	(4,148,911.62)	(4,263,055.74)	114,144.12	(2.68)
Gain from Disposition of Allowances	(223,920.96)	(216,947.35)	(6,973.61)	3.21
Accretion Expense	359,736.50	-	359,736.50	-
Total Operating Expenses	944,220,600.41	768,722,029.94	175,498,570.47	22.83
Net Operating Income	117,384,063.41	199,861,946.46	(82,477,883.05)	(41.27)
Other Income Less Deductions	(3,872,154.18)	1,594,466.52	(5,466,620.70)	(342.85)
Income Before Interest Charges	113,511,909.23	201,456,412.98	(87,944,503.75)	(43.65)
Interest on Long Term Debt	23,677,483.03	26,281,383.82	(2,603,900.79)	(9.91)
Amortization of Debt Expense - Net	1,478,469.09	1,545,020.46	(66,551.37)	(4.31)
Other Interest Expenses	3,905,423.66	3,487,674.71	417,748.95	11.98
Total Interest Charges	29,061,375.78	31,314,078.99	(2,252,703.21)	(7.19)
Net Inc Before Cumulative Effect of Acctg Chg	84,450,533.45	170,142,333.99	(85,691,800.54)	(50.36)
Cumulative Effect of Accounting Change Net of Tax	3,149,402.00	-	3,149,402.00	-
Net Income	81,301,131.45	170,142,333.99	(88,841,202.54)	(52.22)
Preferred Dividend Requirements	3,762,136.57	4,323,074.36	(560,937.79)	(12.98)
Earnings Available for Common	77,538,994.88	165,819,259.63	(88,280,264.75)	(53.24)

LOUISVILLE GAS AND ELECTRIC COMPANY
ANALYSIS OF RETAINED EARNINGS
JULY 31, 2003

	CURRENT MONTH		YEAR TO DATE		YEAR ENDED CURRENT MONTH	
	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR
Balance at Beginning of Period	442,487,399.54	404,700,373.80	409,303,886.04	393,618,344.89	420,659,358.00	300,840,098.37
Add:						
Credits from Income	9,858,483.67	16,317,243.75	44,882,805.07	52,513,205.73	81,301,131.45	170,142,333.99
Deduct:						
Preferred Dividends						
$25 Par Value						
5% Series			537,682.91	537,683.07	1,075,365.63	1,075,366.07
Without Par Value						
Auction Rate			568,750.00	841,874.98	1,340,416.67	1,778,958.35
$5.875 Series			734,374.99	734,375.02	1,346,354.27	1,468,749.94
Preferred Dividends Accrued						
$25 Par Value						
5% Series	89,613.70	89,613.73	89,613.70	89,613.73		
Without Par Value						
Auction Rate	57,916.68	146,250.00	57,916.68	146,250.00		
$5.875 Series	(0.05)	122,395.82	(0.05)	122,395.82		
Common Dividends						
Common Stock Without Par Value				23,000,000.00	46,000,000.00	46,000,000.00
Balance at End of Period	452,198,352.88	420,659,358.00	452,198,352.88	420,659,358.00	452,198,352.88	420,659,358.00

LOUISVILLE GAS AND ELECTRIC COMPANY
COMPARATIVE BALANCE SHEETS AS OF JULY 31, 2003 AND 2002

ASSETS AND OTHER DEBITS	THIS YEAR	LAST YEAR
Utility Plant		
Utility Plant at Original Cost	3,741,331,438.94	3,538,684,205.40
Less Reserves for Depreciation & Amortization	1,514,491,061.50	1,434,557,583.49
Total	2,226,840,377.44	2,104,126,621.91
Investments - At Cost		
Ohio Valley Electric Corporation	490,000.00	490,000.00
Investments in LG&E-R	5,000,000.00	5,000,000.00
Nonutility Property-Less Reserve	120,747.79	736,136.77
Other	-	-
Total	5,610,747.79	6,226,136.77
Current and Accrued Assets		
Cash	2,566,020.98	2,793,336.95
Special Deposits	29,624.10	8,037,251.19
Temporary Cash Investments	-	-
Accounts Receivable-Less Reserve	36,639,828.61	35,281,789.08
Notes Receivable from Assoc. Companies	-	-
Notes Receivable from LG&E-R	19,197,107.00	24,504,491.00
Accounts Receivable from Assoc Companies	8,204,131.15	22,819,188.04
Materials & Supplies-At Average Cost		
Fuel	32,321,916.38	34,922,133.72
Plant Materials & Operating Supplies	20,750,155.00	23,917,888.61
Stores Expense	2,407,663.26	3,768,612.93
Gas Stored Underground	37,902,065.05	27,202,050.10
Allowance Inventory	69,091.95	29,967.36
Prepayments	3,197,903.98	3,145,924.75
Miscellaneous Current & Accrued Assets	307,705.05	344,144.05
Total	163,593,212.51	186,766,777.78
Deferred Debits and Other		
Unamortized Debt Expense	6,356,487.65	6,195,379.61
Unamortized Loss on Bonds	18,170,791.59	17,879,658.73
Accumulated Deferred Income Taxes	125,673,729.25	134,877,499.45
Deferred Regulatory Assets	91,605,233.38	115,153,659.00
Other Deferred Debits	76,798,403.09	40,196,237.74
Total	318,604,644.96	314,302,434.53
Total Assets and Other Debits	2,714,648,982.70	2,611,421,970.99

LIABILITIES AND OTHER CREDITS	THIS YEAR	LAST YEAR
Capitalization		
Common Stock	425,170,424.09	425,170,424.09
Common Stock Expense	(835,888.64)	(835,888.64)
Paid-In Capital	40,000,000.00	40,000,000.00
Unrealized Gain (Loss) on Investment	-	-
Other Comprehensive Income	(42,081,589.70)	(21,357,789.60)
Retained Earnings	452,198,352.88	420,659,358.00
Total Common Equity	874,451,298.63	863,636,103.85
Preferred Stock	93,890,346.77	95,140,346.77
First Mortgage Bonds	574,304,000.00	616,904,000.00
Pollution Control Bonds (Unsecured)	-	-
LT Notes Payable to Associated Companies	100,000,000.00	-
Total Capitalization	1,642,645,645.40	1,575,680,450.62
Current and Accrued Liabilities		
Long-Term Debt Due in 1 Year	42,600,000.00	-
Notes Payable to Associated Companies	170,032,051.40	142,952,943.44
Notes Payable	-	-
Accounts Payable	61,403,583.76	61,109,405.28
Accounts Payable to Associated Companies	21,559,159.44	25,338,920.86
Customer Deposits	9,705,657.87	9,119,948.79
Taxes Accrued	5,843,570.35	32,743,851.58
Interest Accrued	7,259,593.82	6,908,413.46
Dividends Declared	-	-
Misc. Current & Accrued Liabilities	4,171,904.16	3,363,947.07
Total	322,575,520.80	281,537,430.48
Deferred Credits and Other		
Accumulated Deferred Income Taxes	455,506,295.35	443,646,984.20
Investment Tax Credit	52,080,579.22	56,229,490.84
Regulatory Liabilities	47,401,581.94	49,380,948.00
Customer Advances for Construction	9,802,671.84	10,038,039.17
Asset Retirement Obligations	9,689,746.50	-
Other Deferred Credits	30,388,898.29	23,457,729.94
Misc. Long-Term Liabilities	86,666,830.45	114,985,670.57
Misc. Long-Term Liab. Due to Assoc. Co.	-	-
Accum Provision for Post-Retirement Benefits	57,891,212.91	56,465,227.17
Total	749,427,816.50	754,204,089.89
Total Liabilities and Other Credits	2,714,648,982.70	2,611,421,970.99

LOUISVILLE GAS AND ELECTRIC COMPANY
STATEMENT OF CAPITALIZATION AND SHORT-TERM DEBT
JULY 31, 2003

	AUTHORIZED	ISSUED & OUTSTANDING		PERCENT OF TOTAL	
	SHARES	SHARES	AMOUNT	CAPITAL & S/T DEBT	CAPITAL
Common Equity					
Common Stock - Without Par	75,000,000	21,294,223	425,170,424.09		
Common Stock Expense			(835,888.64)		
Paid-In Capital			40,000,000.00		
Unrealized Gain (Loss) on Investment			-		
Other Comprehensive Income			(42,081,589.70)		
Retained Earnings			452,198,352.88		
Total Common Equity			874,451,298.63	47.13	53.23
Preferred Stock, Cumulative					
$25 Par Value	1,720,000				
5% Series		860,287	21,507,175.00		
Without Par Value ($100 Stated)	6,750,000				
NPV-Stated Value Auction Rate		500,000	50,000,000.00		
$5.875 Series		237,500	23,750,000.00		
Subtotal			95,257,175.00		
Gain on Reacquired Preferred Stock			5,698.75		
Preferred Stock Expense			(1,372,526.98)		
Total Preferred Stock			93,890,346.77	5.06	5.72
Total Stockholder's Equity			968,341,645.40	52.19	58.95
Long-Term Debt					
First Mortgage Bonds	Not Limited				
PCB S JC 09/01/92 Due 09/01/17 VAR%			31,000,000.00		
PCB T TC 09/01/92 Due 09/01/17 VAR%			60,000,000.00		
PCB U JC 08/15/93 Due 08/15/13 VAR%			35,200,000.00		
PCB V JC 08/15/93 Due 08/15/19 5 5/8%			102,000,000.00		
PCB W JC 10/15/93 Due 10/15/20 5.45%			26,000,000.00		
PCB X JC 04/15/95 Due 04/15/23 5.90%			40,000,000.00		
PCB Y JC 05/01/00 Due 05/01/27 VAR%			25,000,000.00		
PCB Z JC 08/01/00 Due 08/01/30 VAR%			83,335,000.00		
PCB AA JC 09/11/01 Due 09/01/27 VAR%			10,104,000.00		
PCB BB JC 03/06/02 Due 09/01/26 VAR%			22,500,000.00		
PCB CC TC 03/06/02 Due 09/01/26 VAR%			27,500,000.00		
PCB DD JC 03/22/02 Due 11/01/27 VAR%			35,000,000.00		
PCB EE TC 03/22/02 Due 11/01/27 VAR%			35,000,000.00		
PCB FF TC 10/23/02 Due 10/01/32 VAR%			41,665,000.00		
Total First Mortgage Bonds			574,304,000.00	30.96	34.96
LT Notes Payable to Associated Companies			100,000,000.00	5.39	6.09
Total Capitalization			1,642,645,645.40	88.54	100.00
Long-Term Debt Due in 1 Year			42,600,000.00	2.30	
Notes Payable to Associated Companies			170,032,051.40	9.16	
Total Capitalization and Short-Term Debt			1,855,277,696.80	100.00	

LOUISVILLE GAS AND ELECTRIC COMPANY
TRIAL BALANCE - GENERAL LEDGER
JULY 31, 2003

Account - Subsidiary Account	Balance Subsidiary Account	Balance as Shown On Balance Sheet
UTILITY PLANT		
At Original Cost	3,741,331,438.94	3,741,331,438.94
Reserves for Depreciation and Amortization		(1,514,491,061.50)
Electric	(1,268,196,088.50)	
Gas	(162,560,292.30)	
Common	(61,528,740.41)	
Amortization of Plant		
Underground Storage Land and Land Rights	(573,293.92)	
Limited - Term Plant	(21,632,646.37)	
INVESTMENTS - AT COST		5,610,747.79
Nonutility Property - less reserve ($63,360.36)	17,337.47	
Coal for Resale 3,024 Tons @ $34.20	103,410.32	
Investments in LG&E-R	5,000,000.00	
Ohio Valley Electric Corporation	490,000.00	
CASH		2,566,020.98
National City Bank - Regular	1,302,257.93	
Bank of Louisville	11,921.98	
Citibank	10,358.25	
Farmers Bank and Trust Company	215,592.63	
Firstar	604,920.01	
Farmers Bank of Milton	10,000.00	
Meade County Bank	410,970.18	
OTHER SPECIAL DEPOSITS		29,624.10
Other Special Deposits	29,624.10	
ACCOUNTS RECEIVABLE - LESS RESERVE		36,639,828.61
Working Funds	69,050.00	
Customers	71,336,207.88	
Customer Accounts Receivable Sold to LG&E-R	(56,116,000.00)	
Wholesale Sales	8,479,763.09	
Transmission Sales	464,405.73	
Unbilled Revenues	3,598,000.00	
Employee Computer Loans	520,493.27	
Damage Claims	717,735.88	
RAR Settlements	2,398,816.00	
Officers and Employees	5,253.13	
IMEA	860,539.91	
IMPA	928,047.31	
Other	3,224,534.45	
Reserves for Uncollectible Accounts		
Utility Customers		
Accrual	(3,803,882.13)	
Charged Off	3,125,595.96	
Recoveries	(1,446,783.12)	
Accrual Sold to LG&E-R	2,125,069.00	
Rents Receivable	152,982.25	
NOTES RECEIVABLE FROM LG&E-R		19,197,107.00
Notes Receivable from LG&E-R	19,197,107.00	
ACCOUNTS RECEIVABLE FROM ASSOCIATED COMPANIES		8,204,131.15
LG&E Energy Corp	8,147,192.12	
LG&E Energy Marketing Inc. (LEM)-Power Marketing	56,939.03	
FUEL		32,321,916.38
Coal 1,262,062 Tons @ $25.55; MMBTU 28,641,232 @ 112.60¢	32,250,096.02	
Fuel Oil 202,828 Gallons @ 82.41¢	167,159.52	
Gas Pipeline	(95,339.16)	
PLANT MATERIALS AND OPERATING SUPPLIES		20,750,155.00
Regular Materials and Supplies	20,633,888.23	
Limestone 21,743 Tons @ $5.35	116,266.77	

LOUISVILLE GAS AND ELECTRIC COMPANY
TRIAL BALANCE - GENERAL LEDGER
JULY 31, 2003

Account - Subsidiary Account	Balance Subsidiary Account	Balance as Shown On Balance Sheet
STORES EXPENSE		
Stores Expense Undistributed	2,407,663.26	2,407,663.26
GAS STORED UNDERGROUND - CURRENT		
Gas St. Underground*7,009,506 MCF (14.73 psia) @ 540.72¢	37,902,065.05	37,902,065.05
ALLOWANCE INVENTORY		
Allowance Inventory	69,091.95	69,091.95
PREPAYMENTS		3,197,903.98
Unexpired Insurance	2,183,314.25	
Franchises	95,549.14	
Taxes	631,065.26	
Permit Fees	(73,748.82)	
Real Estate Commissions	28,390.80	
Rights of Way	333,333.35	
MISCELLANEOUS CURRENT ASSETS		307,705.05
Derivative Asset - Non-Hedging	286,123.05	
Derivative Asset - Hedging	21,582.00	
UNAMORTIZED DEBT EXPENSE		6,356,487.65
Pollution Control Series S due Sept. 1, 2017	176,807.66	
Pollution Control Series T due Sept. 1, 2017	233,838.66	
Pollution Control Series U due Aug. 15, 2013	116,966.59	
Pollution Control Series V due Aug. 15, 2019	716,296.92	
Pollution Control Series W due Oct. 15, 2020	329,215.89	
Pollution Control Series X due Apr. 15, 2023	652,477.32	
Pollution Control Series Y due May 1, 2027	567,354.49	
Pollution Control Series Z due Aug. 1, 2030	1,033,500.99	
Pollution Control Series AA due Sept. 1, 2027	477,783.67	
Pollution Control Series BB due Sept. 1, 2026	227,893.53	
Pollution Control Series CC Sept. 1, 2026	247,880.75	
Pollution Control Series DD due Nov. 1, 2027	265,448.55	
Pollution Control Series EE due Nov. 1, 2027	265,485.95	
Pollution Control Series FF due Oct. 1, 2032	1,045,536.68	
UNAMORTIZED LOSS ON BONDS		
Refinanced and Called Bonds	18,170,791.59	18,170,791.59
OTHER DEFERRED DEBITS		76,798,403.09
Gas Supply Cost Adjustments	34,583,605.69	
Other	42,214,797.40	
DEFERRED REGULATORY ASSET		91,605,233.38
VDT Expenses	80,366,445.89	
Asset Retirement Obligations	5,709,093.49	
Deferred Taxes - FAS 109		
Federal		
Electric	4,210,535.00	
Gas	350,093.00	
State		
Electric	929,204.00	
Gas	39,862.00	
ACCUMULATED DEFERRED INCOME TAXES		125,673,729.25
Federal		
Electric	78,995,050.49	
Gas	11,854,715.83	
Common	13,825,917.04	
State		
Electric	15,120,289.98	
Gas	2,363,593.15	
Common	3,514,162.76	
Total Assets and Other Debits	2,714,648,982.70	2,714,648,982.70

* Excludes:

	$	MCF
Non-recoverable Base Gas	9,648,855.00	7,880,000
Recoverable Base Gas	2,139,990.00	2,930,000
	11,788,845.00	10,810,000

LOUISVILLE GAS AND ELECTRIC COMPANY
TRIAL BALANCE - GENERAL LEDGER
JULY 31, 2003

Account - Subsidiary Account	Balance Subsidiary Account	Balance as Shown On Balance Sheet
COMMON EQUITY		874,451,298.63
Common Stock	425,170,424.09	
Retained Earnings	452,198,352.88	
Common Stock Expense	(835,888.64)	
Additional Paid-In Capital	40,000,000.00	
Other Comprehensive Income	(42,081,589.70)	
PREFERRED STOCK		93,890,346.77
5% Series	21,507,175.00	
Auction Rate	50,000,000.00	
$5.875 Series	23,750,000.00	
Gain on Reacquired Preferred Stock	5,698.75	
Preferred Stock Expense		
Auction Rate	(1,088,279.70)	
$5.875 Series	(284,247.28)	
BONDS		574,304,000.00
First Mortgage Bonds	574,304,000.00	
LT NOTES PAYABLE TO ASSOCIATED COMPANIES	100,000,000.00	100,000,000.00
LONG-TERM DEBT DUE WITHIN ONE YEAR		42,600,000.00
Mandatory Redemption-FMB due August 15, 2003	42,600,000.00	
NOTES PAYABLE TO ASSOCIATED COMPANIES	170,032,051.40	170,032,051.40
ACCOUNTS PAYABLE		61,403,583.76
Regular	58,402,214.59	
Salaries and Wages Accrued	1,613,923.45	
Nonqualified Savings Plan	473,130.47	
Tax Collections - Payable	914,315.25	
ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES		21,559,159.44
LG&E Energy Corp.	21,559,159.44	
CUSTOMERS' DEPOSITS		9,705,657.87
Customers' Deposits	9,705,657.87	
TAXES ACCRUED		5,843,570.35
Taxes Accrued	5,843,570.35	
INTEREST ACCRUED		7,259,593.82
Interest on Long-Term Debt		
First Mortgage Bonds		
Series due Aug. 15, 2003, 6 %	1,171,500.00	
Loan Agreement - Pol. Cont. Bonds 1992 Series A	26,300.02	
Loan Agreement - Pol. Cont. Bonds 1992 Series A-TC	232,651.02	
Loan Agreement - Pol. Cont. Bonds 1993 Series A	119,949.45	
Loan Agreement - Pol. Cont. Bonds 1993 Series B	2,629,685.50	
Loan Agreement - Pol. Cont. Bonds 1993 Series C	413,291.62	
Loan Agreement - Pol. Cont. Bonds 1995 Series A	688,333.28	
Loan Agreement - Pol. Cont. Bonds 2000 Series A	8,333.34	
Loan Agreement - Pol. Cont. Bonds 2000 Series A-TC	3,930.64	
Loan Agreement - Pol. Cont. Bonds 2001 Series A	715.67	
Loan Agreement - Pol. Cont. Bonds 2001 Series A	60,508.89	
Loan Agreement - Pol. Cont. Bonds 2001 Series A-TC	75,380.15	
Loan Agreement - Pol. Cont. Bonds 2001 Series B	62,038.34	
Loan Agreement - Pol. Cont. Bonds 2001 Series B-TC	53,095.89	
Loan Agreement - Pol. Cont. Bonds 2002 Series A-TC	1,803.54	
Interest Rate Swaps	458,300.42	
Interest Accrued on Other Liabilities		
Fidelia	1,137,500.01	
$5.875 Mandatory Redeemable Preferred Stock	116,276.04	

LOUISVILLE GAS AND ELECTRIC COMPANY
TRIAL BALANCE - GENERAL LEDGER
JULY 31, 2003

Account - Subsidiary Account	Balance Subsidiary Account	Balance as Shown On Balance Sheet
MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES		4,171,904.16
Vacation Pay Accrued	3,821,874.66	
Revenue Subject to Refund	278,668.00	
Derivative Liabilities - Non-Hedging	23,801.50	
Derivative Liabilities - Hedging	47,560.00	
CUSTOMERS' ADVANCES FOR CONSTRUCTION		9,802,671.84
Line Extensions		
Electric	514,115.82	
Gas	9,288,556.02	
ASSET RETIREMENT OBLIGATIONS	9,689,746.50	9,689,746.50
OTHER DEFERRED CREDITS		30,388,898.29
Other Deferred Credits	23,567,155.31	
Clearing Accounts Transferred from Other Deferred Debits	6,821,742.98	
REGULATORY LIABILITIES		47,401,581.94
Asset Retirement Obligations	59,240.00	
Deferred Taxes		
Federal		
Electric	40,493,070.00	
Gas	2,787,225.00	
State		
Electric	4,205,109.00	
Gas	(152,068.00)	
Sulphur Dioxide Allowances	9,005.94	
INVESTMENT TAX CREDIT		52,080,579.22
Investment Tax Credit (prior law)		
Electric	4,117.06	
Gas	(9.00)	
Job Development Credit		
Electric	50,127,720.22	
Gas	1,948,750.94	
ACCUMULATED DEFERRED INCOME TAXES		455,506,295.35
Federal		
Electric	311,894,088.83	
Gas	57,001,328.72	
State		
Electric	72,872,444.14	
Gas	13,738,432.66	
Common	1.00	
MISCELLANEOUS LONG-TERM LIABILITIES		86,666,830.45
Pension Payable	80,267,873.00	
Workers' Compensation	4,029,718.45	
Post Employment Benefits - FAS 112	2,369,239.00	
ACCUMULATED PROVISION FOR BENEFITS		57,891,212.91
Post Retirement Benefits - FAS 106	57,891,212.91	
Total Liabilities and Other Credits	2,714,648,982.70	2,714,648,982.70

LOUISVILLE GAS AND ELECTRIC COMPANY
STATEMENT OF CASH FLOWS
JULY 31, 2003

	Year to Date 2003	Year to Date 2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	44,882,805.07	52,513,205.73
Items not requiring cash currently:		
Depreciation and amortization	66,802,035.87	59,664,701.91
Deferred income taxes - net	12,875,107.13	9,507,037.36
Investment tax credit - net	(2,455,865.41)	(2,459,132.73)
Other	31,274,386.54	24,195,725.47
(Increase) decrease in certain net current assets:		
Accounts receivable	(626,736.23)	(1,967,760.26)
Materials and supplies	19,135,443.96	7,657,966.40
Accounts payable	(39,955,659.96)	(62,621,638.88)
Accrued taxes	4,404,268.03	12,498,854.74
Accrued interest	2,319,953.16	1,090,492.69
Prepayments and other	2,062,781.00	1,564,626.44
Other	(95,550,423.12)	7,901,474.10
Net cash provided from operating activities	45,168,096.04	109,545,552.97
CASH FLOWS FROM INVESTING ACTIVITIES		
Long term investment in securities	153,296.84	(50,239.51)
Construction expenditures	(132,556,273.02)	(122,193,000.34)
Net cash used for investing activities	(132,402,976.18)	(122,243,239.85)
CASH FLOWS FROM FINANCING ACTIVITIES		
Short-term borrowings from parent company	(23,020,892.04)	48,756,250.00
Long-term borrowings from parent company	100,000,000.00	-
Retirement of preferred stock	(1,250,000.00)	-
Retirement of pollution control bonds	-	(120,000,000.00)
Net proceeds from issuance of pollution control bonds	(15,569.23)	118,885,006.79
Payment of dividends	(2,898,087.30)	(26,224,962.36)
Net cash used for financing activities	72,815,451.43	21,416,294.43
NET INCREASE (DECREASE) IN CASH AND TEMP. CASH INVESTMENTS	(14,419,428.71)	8,718,607.55
CASH AND TEMPORARY CASH INVESTMENTS AT BEGINNING OF PERIOD	17,015,073.79	2,111,980.59
CASH AND TEMPORARY CASH INVESTMENTS AT END OF PERIOD	2,595,645.08	10,830,588.14

LOUISVILLE GAS AND ELECTRIC COMPANY
ANALYSIS OF INTEREST CHARGES
JULY 31, 2003

	CURRENT MONTH		YEAR TO DATE		YEAR ENDED CURRENT MONTH	
	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR
Interest On Long-Term Debt						
First Mortgage Bonds						
Series Due Aug. 15 2003, 6%	213,000.00	213,000.00	1,491,000.00	1,491,000.00	2,556,000.00	2,556,000.00
Loan Agreement - Poll. Control Bonds						
1990 Series B (6.55%) TC	-	227,421.46	(30.00)	1,591,950.25	784,983.40	2,729,057.55
1992 Series A Variable	27,224.66	38,710.41	217,242.47	235,833.47	415,938.37	542,500.59
1992 Series A Variable TC	60,832.88	71,988.78	443,756.17	492,703.47	855,710.96	1,177,498.00
1993 Series A Variable Rate	35,305.90	43,034.25	259,515.91	296,980.08	502,200.16	697,204.16
1993 Series B (5 5/8%)	478,125.01	478,125.01	3,346,875.07	3,346,879.99	5,737,500.12	5,737,504.99
1993 Series C (5.45%)	118,083.34	118,083.34	826,583.38	826,583.38	1,417,000.08	1,417,000.09
1995 Series A (5.90%)	196,666.66	196,666.66	1,376,666.62	1,376,666.62	2,359,999.92	2,359,999.90
2000 Series A Variable Rate	20,000.00	30,138.88	154,536.20	215,243.08	303,147.29	455,729.21
2000 Series A Variable TC	117,826.43	91,920.82	592,278.05	668,862.89	1,129,714.73	1,474,367.40
2001 Series A Variable Rate	7,886.73	11,675.73	66,770.59	83,863.19	132,978.48	144,767.85
2001 Series A Variable Rate	21,976.04	25,828.77	147,480.98	138,624.67	280,003.55	138,624.67
2001 Series A Variable Rate TC	26,859.59	32,834.25	180,035.51	171,431.88	339,618.65	171,431.88
2001 Series B Variable Rate	31,682.17	42,616.45	232,843.01	205,375.34	445,579.96	205,375.34
2001 Series B Variable Rate TC	30,684.93	42,739.71	231,469.86	205,753.42	443,524.65	205,753.42
2002 Series A Variable Rate TC	33,176.73	-	270,246.01	-	388,106.57	-
Loan Agreement - Unsecured Bonds						
1996 Series A Variable Rate	-	-	-	79,006.25	-	334,224.04
1996 Series A Variable Rate TC	-	-	-	110,904.09	-	425,554.80
1997 Series A Variable Rate	-	-	-	158,253.28	-	561,705.34
1997 Series A Variable Rate TC	-	-	-	183,342.64	-	577,548.11
Interest Rate Swaps	374,503.81	375,747.26	2,520,284.86	2,595,126.66	4,331,700.12	4,369,536.48
Marked to Market	-	-	-	-	-	-
Fidelia	379,166.66	-	1,137,499.98	-	1,137,499.98	-
$5.875 Mandatory Redeemable Preferred Stock	116,276.04	-	116,276.04	-	116,276.04	-
Total	2,289,277.58	2,040,531.78	13,611,330.71	14,474,384.65	23,677,483.03	26,281,383.82
Amortization of Debt Expense - Net						
Amortization of Debt Expense	28,372.49	107,480.30	190,936.80	274,502.22	335,015.10	405,380.47
Amortization of Premium on Debt - Cr.	-	-	-	-	-	-
Amort. of Loss on Reacquired Debt	95,990.91	92,402.99	671,937.03	667,033.02	1,143,453.99	1,139,639.99
Total	124,363.40	199,883.29	862,873.83	941,535.24	1,478,469.09	1,545,020.46
Other Interest Charges						
Note Payable	-	-	-	85,249.11	-	141,700.49
Customers' Deposits	45,754.73	40,010.22	282,619.46	249,072.16	450,790.44	409,477.61
Federal Income Tax Deficiencies	-	-	-	-	-	-
Other Tax Deficiencies	-	-	-	-	-	-
Gas Refunds	679.34	-	1,690.32	-	2,913.89	-
Interest on Dsm Cost Recovery	-	-	-	-	-	-
Deferred Compensation	-	-	13,018.69	13,560.10	27,603.76	20,951.53
Interest on Debt to Associated Companies	132,708.16	175,848.66	1,401,119.38	1,223,919.27	2,352,913.58	2,070,949.98
Interest Costs from A/R Securitization	76,771.74	177,038.18	616,676.95	544,181.53	1,068,475.27	844,595.10
Other	-	-	2,726.72	-	2,726.72	-
Total	255,913.97	392,897.06	2,317,851.52	2,115,982.17	3,905,423.66	3,487,674.71
Total Interest	2,669,554.95	2,633,312.13	16,792,056.06	17,531,902.06	29,061,375.78	31,314,078.99

LOUISVILLE GAS AND ELECTRIC COMPANY
ANALYSIS OF TAXES CHARGED
JULY 31, 2003

Kind of Taxes	Current Month This Year	Current Month Last Year	Year To Date This Year	Year To Date Last Year
Taxes Charged to Accounts 408.1 and 409.1				
Property Taxes	978,656.00	1,003,620.00	5,616,970.00	6,625,340.00
State Unemployment	0.14	4,113.01	(0.48)	69,654.43
Federal Unemployment	40,908.91	9,211.50	287,477.22	101,113.50
Federal Old Age and Survivors Insurance	404,452.69	366,236.35	2,831,135.17	3,076,847.93
Public Service Commission Fee	126,213.05	122,684.07	1,002,426.10	945,368.14
Federal Income	7,680,967.04	8,541,084.39	14,674,677.32	18,789,575.58
State Income	2,041,776.06	2,270,414.84	5,225,475.68	5,221,039.43
Miscellaneous	-	4,107.99	1,399.07	5,725.70
Total Charged to Operating Expense	11,272,973.89	12,321,472.15	29,639,560.08	34,834,664.71
Taxes Charged to Other Accounts	(2,818,505.02)	175,722.39	(3,402,159.63)	355,854.96
Taxes Accrued on Intercompany Accounts	(132,721.15)	(131,013.74)	(927,631.31)	(1,078,979.59)
Total Taxes Charged	8,321,747.72	12,366,180.80	25,309,769.14	34,111,540.08

ANALYSIS OF TAXES ACCRUED - ACCOUNT 236

Kind of Taxes	Taxes Accrued At Beginning Of Year	Accruals To Date This Year	Payments To Date This Year	Taxes Accrued At End Of Month
Property Taxes	191,066.78	5,708,364.00	137,047.43	5,762,383.35
State Unemployment	10,768.97	103.04	29,379.49	(18,507.48)
Federal Unemployment	17,650.80	224,713.95	47,646.86	194,717.89
Federal Old Age and Survivors	215,620.04	2,670,379.34	2,484,486.66	401,512.72
Public Service Commission Fee	-	1,002,426.10	1,002,426.10	-
Federal Income	(4,740,983.04)	10,633,550.91	11,206,427.00	(5,313,859.13)
State Income	5,299,487.96	4,166,418.41	4,740,913.00	4,724,993.37
Kentucky Sales and Use Tax	446,561.55	835,767.51	1,185,216.01	97,113.05
Miscellaneous	(870.74)	68,045.88	71,958.56	(4,783.42)
Totals	1,439,302.32	25,309,769.14	20,905,501.11	5,843,570.35

LOUISVILLE GAS AND ELECTRIC COMPANY
SUMMARY OF UTILITY PLANT
JULY 31, 2003

UTILITY PLANT IN SERVICE	NET BALANCE FIRST OF YEAR	DEBITS-GROSS	CREDITS FOR RETIREMENTS	ADJUSTMENTS	NET ADDITIONS	BALANCE TO DATE
Electric						
Intangible	2,340.29	-	-	-	-	2,340.29
Steam Production	1,665,684,137.81	48,739,829.01	(5,974,558.02)	-	42,765,270.99	1,708,449,408.80
Hydro	9,324,683.24	315,125.80	-	-	315,125.80	9,639,809.04
Other Production	152,479,851.71	1,919,634.41	(1,348,341.77)	-	571,292.64	153,051,144.35
Transmission	213,912,790.08	3,588,385.25	(24,312.35)	-	3,564,072.90	217,476,862.98
Distribution	656,405,005.49	23,545,988.83	(664,676.54)	-	22,881,312.29	679,286,317.78
General	19,378,595.64	217,775.99	(2,192,344.13)	-	(1,974,568.14)	17,404,027.50
Total Electric	2,717,187,404.26	78,326,739.29	(10,204,232.81)	-	68,122,506.48	2,785,309,910.74
Gas						
Intangible	553,232.59	-	-	-	-	553,232.59
Natural Gas Storage Plant Underground	54,336,273.67	1,274,621.37	-	-	1,274,621.37	55,610,895.04
Transmission	12,414,633.91	304,906.91	-	-	304,906.91	12,719,540.82
Distribution	356,807,061.42	22,355,231.40	(3,224,184.52)	-	19,131,046.88	375,938,108.30
General	8,983,446.29	175,524.87	(337,359.36)	-	(161,834.49)	8,821,611.80
Gas Stored Underground Non-Current	2,139,990.00	-	-	-	-	2,139,990.00
Total Gas	435,234,637.88	24,110,284.55	(3,561,543.88)	-	20,548,740.67	455,783,378.55
Common						
Intangible	24,532,730.28	4,833,890.03	-	-	4,833,890.03	29,366,620.31
General	145,044,129.61	12,612,858.58	(444,350.90)	-	12,168,507.68	157,212,637.29
Total Common	169,576,859.89	17,446,748.61	(444,350.90)	-	17,002,397.71	186,579,257.60
Total Plant in Service	3,321,998,902.03	119,883,772.45	(14,210,127.59)	-	105,673,644.86	3,427,672,546.89
Construction Work In Progress						
Electric	261,760,776.30	37,780,075.56	-		37,780,075.56	299,540,851.86
Gas	25,501,848.83	(11,800,913.04)	-		(11,800,913.04)	13,700,935.79
Common	13,723,766.35	(13,306,661.95)	-	-	(13,306,661.95)	417,104.40
Total Construction Work In Progress	300,986,391.48	12,672,500.57	-	-	12,672,500.57	313,658,892.05
Total Utility Plant at Original Cost	3,622,985,293.51	132,556,273.02	(14,210,127.59)	-	118,346,145.43	3,741,331,438.94

RESERVE FOR DEPRECIATION OF UTILITY	NET BALANCE FIRST OF YEAR	ACCRUALS	RETIREMENTS	COST OF REMOVAL	SALVAGE	OTHER CREDITS	BALANCE TO DATE
Plant In Service							
Electric	1,235,700,821.25	50,722,228.93	(10,204,232.81)	(1,396,817.78)	(495.87)	-	1,274,821,503.72
Gas	159,276,235.08	7,439,777.41	(3,561,543.88)	(560,251.74)	646.35	-	162,594,863.22
Common	55,289,741.92	6,795,259.84	(444,350.90)	(189,152.28)	-	-	61,451,498.58
Total Reserve For Depreciation Of Utility Plant In Service	1,450,266,798.25	64,957,266.18	(14,210,127.59)	(2,146,221.80)	150.48	-	1,498,867,865.52
Reserve For Amortization Of Utility Plant In Service							
Electric	100.00						100.00
Gas	574,193.92	-					574,193.92
Common	18,101,954.13	3,529,692.24	-	-	-	-	21,631,646.37
Total Reserve For Amortization Of Utility Plant In Service	18,676,248.05	3,529,692.24	-	-	-	-	22,205,940.29
Retirement Work In Progress							
Electric	(4,845,891.80)			(1,897,931.33)	(170,548.75)	288,956.66	(6,625,415.22)
Gas	(43,721.15)			16,951.81	-	(7,801.58)	(34,570.92)
Common	(379,491.56)	-	-	523,306.59	(23,387.00)	(43,186.20)	77,241.83
Total Retirement Work In Progress	(5,269,104.51)	-	-	(1,357,672.93)	(193,935.75)	237,968.88	(6,582,744.31)
Total Reserve For Depreciation and Amortization - Utility Plant In Service	1,463,673,941.79	68,486,958.42	(14,210,127.59)	(3,503,894.73)	(193,785.27)	237,968.88	1,514,491,061.50
Utility Plant at Original Cost Less Reserve For Depreciation and Amortization	2,159,311,351.72						2,226,840,377.44

LG&E Monthly Report to KPSC-June 30,2003

LOUISVILLE GAS AND ELECTRIC COMPANY
COMPARATIVE STATEMENT OF INCOME
JUNE 30, 2003

	CURRENT MONTH			
	THIS YEAR AMOUNT	LAST YEAR AMOUNT	INCREASE OR DECREASE AMOUNT	%
Electric Operating Revenues	69,083,283.67	72,906,968.26	(3,823,684.59)	(5.24)
Gas Operating Revenues	10,526,642.63	7,019,835.18	3,506,807.45	49.96
Rate Refunds	644,595.01	360,125.00	284,470.01	78.99
Total Operating Revenues	80,254,521.31	80,286,928.44	(32,407.13)	(0.04)
Fuel for Electric Generation	16,807,275.52	16,745,456.31	61,819.21	0.37
Power Purchased	6,896,229.73	6,750,107.64	146,122.09	2.16
Gas Supply Expenses	5,681,399.71	3,087,484.77	2,593,914.94	84.01
Other Operation Expenses	16,652,969.63	18,434,981.39	(1,782,011.76)	(9.67)
Maintenance	7,803,097.47	4,919,807.60	2,883,289.87	58.61
Depreciation	9,821,471.17	8,532,851.42	1,288,619.75	15.10
Amortization Expense	515,557.12	390,874.40	124,682.72	31.90
Regulatory Credits	(61,163.81)	-	(61,163.81)	-
Taxes				
Federal Income	(2,134,311.56)	(1,509,468.71)	(624,842.85)	41.39
State Income	142,687.03	141,008.17	1,678.86	1.19
Deferred Federal Income - Net	6,586,204.31	9,387,774.08	(2,801,569.77)	(29.84)
Deferred State Income - Net	1,187,182.17	1,405,405.47	(218,223.30)	(15.53)
Federal Income - Estimated	(503,440.49)	(2,044,770.92)	1,541,330.43	(75.38)
State Income - Estimated	(133,825.96)	(543,546.69)	409,720.73	(75.38)
Property and Other	302,510.90	1,506,009.43	(1,203,498.53)	(79.91)
Investment Tax Credit	-	-	-	-
Amortization of Investment Tax Credit	(351,437.67)	(351,788.82)	351.15	(0.10)
Gain from Disposition of Allowances	-	-	-	-
Accretion Expense	51,391.00	-	51,391.00	-
Total Operating Expenses	69,263,796.27	66,852,185.54	2,411,610.73	3.61
Net Operating Income	10,990,725.04	13,434,742.90	(2,444,017.86)	(18.19)
Other Income Less Deductions	(1,288,142.99)	117,671.76	(1,405,814.75)	(1,194.69)
Income Before Interest Charges	9,702,582.05	13,552,414.66	(3,849,832.61)	(28.41)
Interest on Long Term Debt	2,222,457.57	1,928,584.12	293,873.45	15.24
Amortization of Debt Expense - Net	112,524.43	125,358.79	(12,834.36)	(10.24)
Other Interest Expenses	264,955.93	246,564.35	18,391.58	7.46
Total Interest Charges	2,599,937.93	2,300,507.26	299,430.67	13.02
Net Inc Before Cumulative Effect of Acctg Chg	7,102,644.12	11,251,907.40	(4,149,263.28)	(36.88)
Cumulative Effect of Accounting Change Net of Tax	-	-	-	-
Net Income	7,102,644.12	11,251,907.40	(4,149,263.28)	(36.88)
Preferred Dividend Requirements	301,593.04	349,509.70	(47,916.66)	(13.71)
Earnings Available for Common	6,801,051.08	10,902,397.70	(4,101,346.62)	(37.62)

LOUISVILLE GAS AND ELECTRIC COMPANY
COMPARATIVE STATEMENT OF INCOME
JUNE 30, 2003

	YEAR TO DATE			
	THIS YEAR AMOUNT	LAST YEAR AMOUNT	INCREASE OR DECREASE AMOUNT	%
Electric Operating Revenues	375,256,494.46	357,561,443.04	17,695,051.42	4.95
Gas Operating Revenues	181,279,647.16	148,056,219.42	33,223,427.74	22.44
Rate Refunds	674,115.11	497,598.58	176,516.53	35.47
Total Operating Revenues	557,210,256.73	506,115,261.04	51,094,995.69	10.10
Fuel for Electric Generation	95,754,039.44	94,657,299.24	1,096,740.20	1.16
Power Purchased	56,434,116.69	45,644,583.68	10,789,533.01	23.64
Gas Supply Expenses	132,069,956.42	101,812,986.14	30,256,970.28	29.72
Other Operation Expenses	107,131,212.37	103,433,400.62	3,697,811.75	3.58
Maintenance	29,582,669.59	27,572,583.05	2,010,086.54	7.29
Depreciation	54,431,199.40	48,733,260.83	5,697,938.57	11.69
Amortization Expense	3,064,934.60	2,433,970.17	630,964.43	25.92
Regulatory Credits	(5,647,929.68)	-	(5,647,929.68)	-
Taxes				
Federal Income	6,993,710.28	10,248,491.19	(3,254,780.91)	(31.76)
State Income	3,183,699.62	2,950,624.59	233,075.03	7.90
Deferred Federal Income - Net	13,074,267.07	9,017,138.73	4,057,128.34	44.99
Deferred State Income - Net	2,343,771.85	1,461,775.83	881,996.02	60.34
Federal Income - Estimated	-	-	-	-
State Income - Estimated	-	-	-	-
Property and Other	8,189,176.29	9,314,076.78	(1,124,900.49)	(12.08)
Investment Tax Credit	-	-	-	-
Amortization of Investment Tax Credit	(2,105,267.41)	(2,108,021.73)	2,754.32	(0.13)
Gain from Disposition of Allowances	(223,920.96)	(216,947.35)	(6,973.61)	3.21
Accretion Expense	308,345.50	-	308,345.50	-
Total Operating Expenses	504,583,981.07	454,955,221.77	49,628,759.30	10.91
Net Operating Income	52,626,275.66	51,160,039.27	1,466,236.39	2.87
Other Income Less Deductions	(330,051.15)	(65,487.36)	(264,563.79)	403.99
Income Before Interest Charges	52,296,224.51	51,094,551.91	1,201,672.60	2.35
Interest on Long Term Debt	11,322,053.13	12,433,852.87	(1,111,799.74)	(8.94)
Amortization of Debt Expense - Net	738,510.43	741,651.95	(3,141.52)	(0.42)
Other Interest Expenses	2,061,937.55	1,723,085.11	338,852.44	19.67
Total Interest Charges	14,122,501.11	14,898,589.93	(776,088.82)	(5.21)
Net Inc Before Cumulative Effect of Acctg Chg	38,173,723.40	36,195,961.98	1,977,761.42	5.46
Cumulative Effect of Accounting Change Net of Tax	3,149,402.00	-	3,149,402.00	-
Net Income	35,024,321.40	36,195,961.98	(1,171,640.58)	(3.24)
Preferred Dividend Requirements	1,840,807.90	2,113,933.07	(273,125.17)	(12.92)
Earnings Available for Common	33,183,513.50	34,082,028.91	(898,515.41)	(2.64)

LOUISVILLE GAS AND ELECTRIC COMPANY
COMPARATIVE STATEMENT OF INCOME
JUNE 30, 2003

	YEAR ENDED CURRENT MONTH			
	THIS YEAR AMOUNT	LAST YEAR AMOUNT	INCREASE OR DECREASE AMOUNT	%
Electric Operating Revenues	764,530,238.42	710,233,576.46	54,296,661.96	7.64
Gas Operating Revenues	300,916,583.09	248,383,178.16	52,533,404.93	21.15
Rate Refunds	11,831,880.35	2,086,007.11	9,745,873.24	467.20
Total Operating Revenues	1,077,278,701.86	960,702,761.73	116,575,940.13	12.13
Fuel for Electric Generation	195,996,929.32	173,654,867.98	22,342,061.34	12.87
Power Purchased	95,119,540.59	83,035,086.97	12,084,453.62	14.55
Gas Supply Expenses	212,365,228.25	163,919,863.94	48,445,364.31	29.55
Other Operation Expenses	215,665,017.95	55,183,891.44	160,481,126.51	290.81
Maintenance	58,792,272.02	62,022,326.36	(3,230,054.34)	(5.21)
Depreciation	106,752,692.29	94,699,703.99	12,052,988.30	12.73
Amortization Expense	5,482,055.24	5,984,295.26	(502,240.02)	(8.39)
Regulatory Credits	(5,647,929.68)	-	(5,647,929.68)	-
Taxes				
Federal Income	22,977,895.99	36,201,499.48	(13,223,603.49)	(36.53)
State Income	8,315,833.73	7,623,400.34	692,433.39	9.08
Deferred Federal Income - Net	24,520,298.51	52,656,512.53	(28,136,214.02)	(53.43)
Deferred State Income - Net	5,291,718.27	12,976,565.96	(7,684,847.69)	(59.22)
Federal Income - Estimated	-	-	-	-
State Income - Estimated	-	-	-	-
Property and Other	16,333,456.60	18,174,065.07	(1,840,608.47)	(10.13)
Investment Tax Credit	-	-	-	-
Amortization of Investment Tax Credit	(4,149,424.62)	(4,265,062.74)	115,638.12	(2.71)
Gain from Disposition of Allowances	(223,920.96)	(216,947.35)	(6,973.61)	3.21
Accretion Expense	308,345.50	-	308,345.50	-
Total Operating Expenses	957,900,009.00	761,650,069.23	196,249,939.77	25.77
Net Operating Income	119,378,692.86	199,052,692.50	(79,673,999.64)	(40.03)
Other Income Less Deductions	555,733.63	1,506,440.00	(950,706.37)	(63.11)
Income Before Interest Charges	119,934,426.49	200,559,132.50	(80,624,706.01)	(40.20)
Interest on Long Term Debt	23,428,737.23	26,801,249.20	(3,372,511.97)	(12.58)
Amortization of Debt Expense - Net	1,553,988.98	1,464,515.13	89,473.85	6.11
Other Interest Expenses	4,042,406.75	3,654,223.30	388,183.45	10.62
Total Interest Charges	29,025,132.96	31,919,987.63	(2,894,854.67)	(9.07)
Net Inc Before Cumulative Effect of Acctg Chg	90,909,293.53	168,639,144.87	(77,729,851.34)	(46.09)
Cumulative Effect of Accounting Change Net of Tax	3,149,402.00	-	3,149,402.00	-
Net Income	87,759,891.53	168,639,144.87	(80,879,253.34)	(47.96)
Preferred Dividend Requirements	3,972,865.79	4,334,741.15	(361,875.36)	(8.35)
Earnings Available for Common	83,787,025.74	164,304,403.72	(80,517,377.98)	(49.01)

LOUISVILLE GAS AND ELECTRIC COMPANY
ANALYSIS OF RETAINED EARNINGS
JUNE 30, 2003

	CURRENT MONTH		YEAR TO DATE		YEAR ENDED CURRENT MONTH	
	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR
Balance at Beginning of Period	435,686,348.46	393,797,976.10	409,303,886.04	393,618,344.89	404,700,373.80	286,395,970.08
Add:						
Credits from Income	7,102,644.12	11,251,907.40	35,024,321.40	36,195,961.98	87,759,891.53	168,639,144.87
Deduct:						
Preferred Dividends						
$25 Par Value						
5% Series			537,682.91	537,683.07	1,075,365.66	1,075,366.20
Without Par Value						
Auction Rate			568,750.00	841,874.98	1,428,749.99	1,790,625.01
$5.875 Series			734,374.99	734,375.02	1,468,750.14	1,468,749.94
Preferred Dividends Accrued						
$25 Par Value						
5% Series	89,613.86	89,613.86				
Without Par Value						
Auction Rate	89,583.34	137,500.00				
$5.875 Series	122,395.84	122,395.84				
Common Dividends						
Common Stock Without Par Value				23,000,000.00	46,000,000.00	46,000,000.00
Balance at End of Period	442,487,399.54	404,700,373.80	442,487,399.54	404,700,373.80	442,487,399.54	404,700,373.80

LOUISVILLE GAS AND ELECTRIC COMPANY
COMPARATIVE BALANCE SHEETS AS OF JUNE 30, 2003 AND 2002

ASSETS AND OTHER DEBITS	THIS YEAR	LAST YEAR
Utility Plant		
Utility Plant at Original Cost	3,730,272,887.49	3,486,441,062.81
Less Reserves for Depreciation & Amortization	1,507,497,980.55	1,426,608,788.65
Total	2,222,774,906.94	2,059,832,274.16
Investments - At Cost		
Ohio Valley Electric Corporation	490,000.00	490,000.00
Investments in LG&E-R	5,000,000.00	5,000,000.00
Nonutility Property-Less Reserve	111,537.79	787,161.77
Other	-	-
Total	5,601,537.79	6,277,161.77
Current and Accrued Assets		
Cash	3,042,937.27	12,428,428.46
Special Deposits	29,624.10	8,025,949.42
Temporary Cash Investments	-	-
Accounts Receivable-Less Reserve	27,613,259.66	19,076,788.09
Notes Receivable from Assoc. Companies	-	-
Notes Receivable from LG&E-R	24,815,112.00	27,717,626.00
Accounts Receivable from Assoc Companies	13,599,887.15	10,027,113.08
Materials & Supplies-At Average Cost		
Fuel	35,953,486.45	34,974,057.13
Plant Materials & Operating Supplies	21,000,513.82	25,435,026.75
Stores Expense	2,491,977.57	3,460,852.30
Gas Stored Underground	21,745,207.22	16,226,317.91
Allowance Inventory	72,490.59	32,013.60
Prepayments	3,878,132.47	3,868,291.40
Miscellaneous Current & Accrued Assets	353,279.60	218,138.67
Total	154,595,907.90	161,490,602.81
Deferred Debits and Other		
Unamortized Debt Expense	6,384,860.13	6,041,607.85
Unamortized Loss on Bonds	18,266,782.49	17,972,061.73
Accumulated Deferred Income Taxes	125,764,928.25	134,877,499.45
Deferred Regulatory Assets	94,048,084.66	117,956,104.00
Other Deferred Debits	80,872,344.80	41,814,757.56
Total	325,337,000.33	318,662,030.59
Total Assets and Other Debits	2,708,309,352.96	2,546,262,069.33

LIABILITIES AND OTHER CREDITS	THIS YEAR	LAST YEAR
Capitalization		
Common Stock	425,170,424.09	425,170,424.09
Common Stock Expense	(835,888.64)	(835,888.64)
Paid-In Capital	40,000,000.00	40,000,000.00
Unrealized Gain (Loss) on Investment	-	-
Other Comprehensive Income	(42,062,859.20)	(21,357,789.60)
Retained Earnings	442,487,399.54	404,700,373.80
Total Common Equity	864,759,075.79	847,677,119.65
Preferred Stock	95,140,346.77	95,140,346.77
First Mortgage Bonds	574,304,000.00	616,904,000.00
Pollution Control Bonds (Unsecured)	-	-
LT Notes Payable to Associated Companies	100,000,000.00	-
Total Capitalization	1,634,203,422.56	1,559,721,466.42
Current and Accrued Liabilities		
Long-Term Debt Due in 1 Year	42,600,000.00	-
Notes Payable to Associated Companies	171,732,051.40	91,552,943.44
Notes Payable	-	-
Accounts Payable	61,146,717.81	75,061,607.21
Accounts Payable to Associated Companies	35,551,890.56	25,384,327.05
Customer Deposits	9,787,287.02	9,037,580.97
Taxes Accrued	(1,938,247.65)	21,091,360.76
Interest Accrued	5,556,310.38	5,421,487.62
Dividends Declared	904,779.09	1,048,529.12
Misc. Current & Accrued Liabilities	3,828,593.16	3,292,918.62
Total	329,169,381.77	231,890,754.79
Deferred Credits and Other		
Accumulated Deferred Income Taxes	455,597,494.35	443,646,984.20
Investment Tax Credit	52,431,177.22	56,580,601.84
Regulatory Liabilities	47,401,581.94	49,380,948.00
Customer Advances for Construction	9,834,664.80	10,072,179.02
Asset Retirement Obligations	9,638,355.50	-
Other Deferred Credits	29,538,618.46	23,518,237.32
Misc. Long-Term Liabilities	82,603,443.45	114,985,670.57
Misc. Long-Term Liab. Due to Assoc. Co.	-	-
Accum Provision for Post-Retirement Benefits	57,891,212.91	56,465,227.17
Total	744,936,548.63	754,649,848.12
Total Liabilities and Other Credits	2,708,309,352.96	2,546,262,069.33

LOUISVILLE GAS AND ELECTRIC COMPANY
STATEMENT OF CAPITALIZATION AND SHORT-TERM DEBT
JUNE 30, 2003

	AUTHORIZED SHARES	ISSUED & OUTSTANDING SHARES	ISSUED & OUTSTANDING AMOUNT	PERCENT OF TOTAL CAPITAL & S/T DEBT	PERCENT OF TOTAL CAPITAL
Common Equity					
Common Stock - Without Par	75,000,000	21,294,223	425,170,424.09		
Common Stock Expense			(835,888.64)		
Paid-In Capital			40,000,000.00		
Unrealized Gain (Loss) on Investment			-		
Other Comprehensive Income			(42,062,859.20)		
Retained Earnings			442,487,399.54		
Total Common Equity			864,759,075.79	46.78	52.92
Preferred Stock, Cumulative					
$25 Par Value	1,720,000				
5% Series		860,287	21,507,175.00		
Without Par Value ($100 Stated)	6,750,000				
NPV-Stated Value Auction Rate		500,000	50,000,000.00		
$5.875 Series		250,000	25,000,000.00		
Subtotal			96,507,175.00		
Gain on Reacquired Preferred Stock			5,698.75		
Preferred Stock Expense			(1,372,526.98)		
Total Preferred Stock			95,140,346.77	5.15	5.82
Total Stockholder's Equity			959,899,422.56	51.93	58.74
Long-Term Debt					
First Mortgage Bonds	Not Limited				
PCB S JC 09/01/92 Due 09/01/17 VAR%			31,000,000.00		
PCB T TC 09/01/92 Due 09/01/17 VAR%			60,000,000.00		
PCB U JC 08/15/93 Due 08/15/13 VAR%			35,200,000.00		
PCB V JC 08/15/93 Due 08/15/19 5 5/8%			102,000,000.00		
PCB W JC 10/15/93 Due 10/15/20 5.45%			26,000,000.00		
PCB X JC 04/15/95 Due 04/15/23 5.90%			40,000,000.00		
PCB Y JC 05/01/00 Due 05/01/27 VAR%			25,000,000.00		
PCB Z JC 08/01/00 Due 08/01/30 VAR%			83,335,000.00		
PCB AA JC 09/11/01 Due 09/01/27 VAR%			10,104,000.00		
PCB BB JC 03/06/02 Due 09/01/26 VAR%			22,500,000.00		
PCB CC TC 03/06/02 Due 09/01/26 VAR%			27,500,000.00		
PCB DD JC 03/22/02 Due 11/01/27 VAR%			35,000,000.00		
PCB EE TC 03/22/02 Due 11/01/27 VAR%			35,000,000.00		
PCB FF TC 10/23/02 Due 10/01/32 VAR%			41,665,000.00		
Total First Mortgage Bonds			574,304,000.00	31.07	35.14
LT Notes Payable to Associated Companies			100,000,000.00	5.41	6.12
Total Capitalization			1,634,203,422.56	88.41	100.00
Long-Term Debt Due in 1 Year			42,600,000.00	2.30	
Notes Payable to Associated Companies			171,732,051.40	9.29	
Total Capitalization and Short-Term Debt			1,848,535,473.96	100.00	

LOUISVILLE GAS AND ELECTRIC COMPANY
TRIAL BALANCE - GENERAL LEDGER
JUNE 30, 2003

Account - Subsidiary Account	Balance Subsidiary Account	Balance as Shown On Balance Sheet
UTILITY PLANT		
At Original Cost	3,730,272,887.49	3,730,272,887.49
Reserves for Depreciation and Amortization		(1,507,497,980.55)
Electric	(1,263,116,352.77)	
Gas	(162,112,360.94)	
Common	(60,528,084.19)	
Amortization of Plant		
Underground Storage Land and Land Rights	(573,293.92)	
Limited - Term Plant	(21,167,888.73)	
INVESTMENTS - AT COST		5,601,537.79
Nonutility Property - less reserve ($63,360.36)	17,337.47	
Coal for Resale 2,724 Tons @ $34.58	94,200.32	
Investments in LG&E-R	5,000,000.00	
Ohio Valley Electric Corporation	490,000.00	
CASH		3,042,937.27
PNC Bank	934,138.46	
National City Bank - Regular	1,039,397.30	
Bank of Louisville	11,926.93	
Citibank	10,358.25	
Farmers Bank and Trust Company	203,098.29	
US Bank	464,317.55	
Bedford Loan and Deposit Bank	10,000.00	
Farmers Bank of Milton	10,000.00	
Meade County Bank	359,700.49	
OTHER SPECIAL DEPOSITS		29,624.10
Other Special Deposits	29,624.10	
ACCOUNTS RECEIVABLE - LESS RESERVE		27,613,259.66
Working Funds	66,050.00	
Customers	61,833,330.21	
Customer Accounts Receivable Sold to LG&E-R	(54,023,000.00)	
Wholesale Sales	8,385,726.00	
Transmission Sales	447,936.33	
Unbilled Revenues	1,968,000.00	
Employee Computer Loans	522,745.85	
Damage Claims	668,732.92	
RAR Settlements	2,398,816.00	
Officers and Employees	6,134.00	
IMEA	1,075,494.66	
IMPA	1,153,945.38	
Other	2,722,827.87	
Reserves for Uncollectible Accounts		
Utility Customers		
Accrual	(3,606,102.81)	
Charged Off	2,676,157.23	
Recoveries	(1,195,123.71)	
Accrual Sold to LG&E-R	2,125,069.00	
Rents Receivable	386,520.73	
NOTES RECEIVABLE FROM LG&E-R		24,815,112.00
Notes Receivable from LG&E-R	24,815,112.00	
ACCOUNTS RECEIVABLE FROM ASSOCIATED COMPANIES		13,599,887.15
LG&E Energy Corp	13,399,543.60	
LG&E Energy Marketing Inc. (LEM)-Power Marketing	200,343.55	
FUEL		35,953,486.45
Coal 1,400,390 Tons @ $25.49; MMBTU 31,777,256 @ 112.32¢	35,692,358.31	
Fuel Oil 214,230 Gallons @ 82.45¢	176,632.23	
Gas Pipeline 4,512 MCF	84,495.91	
PLANT MATERIALS AND OPERATING SUPPLIES		21,000,513.82
Regular Materials and Supplies	20,783,427.69	
Limestone 41,565 Tons @ $5.22	217,086.13	

LOUISVILLE GAS AND ELECTRIC COMPANY
TRIAL BALANCE - GENERAL LEDGER
JUNE 30, 2003

Account - Subsidiary Account	Balance Subsidiary Account	Balance as Shown On Balance Sheet
STORES EXPENSE		
Stores Expense Undistributed	2,491,977.57	2,491,977.57
GAS STORED UNDERGROUND - CURRENT		
Gas St. Underground*4,246,826 MCF (14.73 psia) @ 512.03¢	21,745,207.22	21,745,207.22
ALLOWANCE INVENTORY		
Allowance Inventory	72,490.59	72,490.59
PREPAYMENTS		
Unexpired Insurance	2,625,361.18	3,878,132.47
Franchises	133,768.81	
Taxes	757,278.33	
Real Estate Commissions	28,390.80	
Rights of Way	333,333.35	
MISCELLANEOUS CURRENT ASSETS		
Derivative Asset	353,279.60	353,279.60
UNAMORTIZED DEBT EXPENSE		
First Mortage Bonds Series due August 15, 2003, 6 %	3,540.88	6,384,860.13
Pollution Control Series S due Sept. 1, 2017	177,853.66	
Pollution Control Series T due Sept. 1, 2017	235,222.66	
Pollution Control Series U due Aug. 15, 2013	117,941.59	
Pollution Control Series V due Aug. 15, 2019	720,027.92	
Pollution Control Series W due Oct. 15, 2020	330,813.89	
Pollution Control Series X due Apr. 15, 2023	655,218.32	
Pollution Control Series Y due May 1, 2027	569,338.49	
Pollution Control Series Z due Aug. 1, 2030	1,036,690.99	
Pollution Control Series AA due Sept. 1, 2027	479,436.90	
Pollution Control Series BB due Sept. 1, 2026	228,716.26	
Pollution Control Series CC Sept. 1, 2026	248,775.63	
Pollution Control Series DD due Nov. 1, 2027	266,360.74	
Pollution Control Series EE due Nov. 1, 2027	266,398.27	
Pollution Control Series FF due Oct. 1, 2032	1,048,523.93	
UNAMORTIZED LOSS ON BONDS		
Refinanced and Called Bonds	18,266,782.49	18,266,782.49
OTHER DEFERRED DEBITS		
Gas Supply Cost Adjustments	35,153,932.82	80,872,344.80
Other	45,718,411.98	
DEFERRED REGULATORY ASSET		
VDT Expenses	82,870,460.98	94,048,084.66
Asset Retirement Obligations	5,647,929.68	
Deferred Taxes - FAS 109		
Federal		
Electric	4,210,535.00	
Gas	350,093.00	
State		
Electric	929,204.00	
Gas	39,862.00	
ACCUMULATED DEFERRED INCOME TAXES		125,764,928.25
Federal		
Electric	78,995,050.49	
Gas	11,854,715.83	
Common	13,898,876.24	
State		
Electric	15,120,289.98	
Gas	2,363,593.15	
Common	3,532,402.56	
Total Assets and Other Debits	2,708,309,352.96	2,708,309,352.96

* Excludes:

	$	MCF
Non-recoverable Base Gas	9,648,855.00	7,880,000
Recoverable Base Gas	2,139,990.00	2,930,000
	11,788,845.00	10,810,000

LOUISVILLE GAS AND ELECTRIC COMPANY
TRIAL BALANCE - GENERAL LEDGER
JUNE 30, 2003

Account - Subsidiary Account	Balance Subsidiary Account	Balance as Shown On Balance Sheet
COMMON EQUITY		864,759,075.79
Common Stock	425,170,424.09	
Retained Earnings	442,487,399.54	
Common Stock Expense	(835,888.64)	
Additional Paid-In Capital	40,000,000.00	
Other Comprehensive Income	(42,062,859.20)	
PREFERRED STOCK		95,140,346.77
5% Series	21,507,175.00	
Auction Rate	50,000,000.00	
$5.875 Series	25,000,000.00	
Gain on Reacquired Preferred Stock	5,698.75	
Preferred Stock Expense		
Auction Rate	(1,088,279.70)	
$5.875 Series	(284,247.28)	
BONDS		574,304,000.00
First Mortgage Bonds	574,304,000.00	
LT NOTES PAYABLE TO ASSOCIATED COMPANIES	100,000,000.00	100,000,000.00
LONG-TERM DEBT DUE WITHIN ONE YEAR		42,600,000.00
Mandatory Redemption-FMB due August 15, 2003	42,600,000.00	
NOTES PAYABLE TO ASSOCIATED COMPANIES	171,732,051.40	171,732,051.40
ACCOUNTS PAYABLE		61,146,717.81
Regular	58,676,006.95	
Salaries and Wages Accrued	1,170,252.75	
Nonqualified Savings Plan	471,662.15	
Tax Collections - Payable	828,795.96	
ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES		35,551,890.56
LG&E Energy Corp	35,551,890.56	
CUSTOMERS' DEPOSITS		9,787,287.02
Customers' Deposits	9,787,287.02	
TAXES ACCRUED		(1,938,247.65)
Taxes Accrued	(1,938,247.65)	
INTEREST ACCRUED		5,556,310.38
Interest on Long-Term Debt		
First Mortgage Bonds		
Series due Aug. 15, 2003, 6 %	958,500.00	
Loan Agreement - Pol. Cont. Bonds 1992 Series A	33,513.72	
Loan Agreement - Pol. Cont. Bonds 1992 Series A-TC	176,745.26	
Loan Agreement - Pol. Cont. Bonds 1993 Series A	92,905.88	
Loan Agreement - Pol. Cont. Bonds 1993 Series B	2,151,560.50	
Loan Agreement - Pol. Cont. Bonds 1993 Series C	295,208.29	
Loan Agreement - Pol. Cont. Bonds 1995 Series A	491,666.62	
Loan Agreement - Pol. Cont. Bonds 2000 Series A	13,854.17	
Loan Agreement - Pol. Cont. Bonds 2000 Series A-TC	13,180.82	
Loan Agreement - Pol. Cont. Bonds 2001 Series A	2,062.87	
Loan Agreement - Pol. Cont. Bonds 2001 Series A	38,532.86	
Loan Agreement - Pol. Cont. Bonds 2001 Series A-TC	48,520.56	
Loan Agreement - Pol. Cont. Bonds 2001 Series B	47,715.06	
Loan Agreement - Pol. Cont. Bonds 2001 Series B-TC	44,109.59	
Loan Agreement - Pol. Cont. Bonds 2002 Series A-TC	6,581.91	
Interest Rate Swaps	383,318.93	
Interest Accrued on Other Liabilities		
Fidelia	758,333.34	

LOUISVILLE GAS AND ELECTRIC COMPANY
TRIAL BALANCE - GENERAL LEDGER
JUNE 30, 2003

Account - Subsidiary Account	Balance Subsidiary Account	Balance as Shown On Balance Sheet
DIVIDENDS DECLARED		904,779.09
Louisville Gas and Electric Company		
Preferred		
$25 par value		
5% Series	268,841.58	
Without par value		
Auction Rate	268,749.99	
$5.875 Series	367,187.52	
MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES		3,828,593.16
Vacation Pay Accrued	3,821,874.66	
Revenue Subject to Refund	(28,767.00)	
Mark to Market Liabilities	35,485.50	
CUSTOMERS' ADVANCES FOR CONSTRUCTION		9,834,664.80
Line Extensions		
Electric	514,115.82	
Gas	9,320,548.98	
ASSET RETIREMENT OBLIGATIONS	9,638,355.50	9,638,355.50
OTHER DEFERRED CREDITS		29,538,618.46
Other Deferred Credits	22,716,875.48	
Clearing Accounts Transferred from Other Deferred Debits	6,821,742.98	
REGULATORY LIABILITIES		47,401,581.94
Asset Retirement Obligations	59,240.00	
Deferred Taxes		
Federal		
Electric	40,493,070.00	
Gas	2,787,225.00	
State		
Electric	4,205,109.00	
Gas	(152,068.00)	
Sulphur Dioxide Allowances	9,005.94	
INVESTMENT TAX CREDIT		52,431,177.22
Investment Tax Credit (prior law)		
Electric	4,206.06	
Job Development Credit		
Electric	50,461,695.22	
Gas	1,965,275.94	
ACCUMULATED DEFERRED INCOME TAXES		455,597,494.35
Federal		
Electric	311,894,088.83	
Gas	57,001,328.72	
Common	72,959.20	
State		
Electric	72,872,444.14	
Gas	13,738,432.66	
Common	18,240.80	
MISCELLANEOUS LONG-TERM LIABILITIES		82,603,443.45
Pension Payable	76,204,486.00	
Workers' Compensation	4,029,718.45	
Post Employment Benefits - FAS 112	2,369,239.00	
ACCUMULATED PROVISION FOR BENEFITS		57,891,212.91
Post Retirement Benefits - FAS 106	57,891,212.91	
Total Liabilities and Other Credits	2,708,309,352.96	2,708,309,352.96

LOUISVILLE GAS AND ELECTRIC COMPANY
STATEMENT OF CASH FLOWS
JUNE 30, 2003

	Year to Date	
	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	35,024,321.40	36,195,961.98
Items not requiring cash currently:		
Depreciation and amortization	57,496,134.00	51,167,231.00
Deferred income taxes - net	12,875,107.13	9,507,037.36
Investment tax credit - net	(2,105,267.41)	(2,108,021.73)
Other	26,381,836.63	20,917,423.74
(Increase) decrease in certain net current assets:		
Accounts receivable	(2,613,928.28)	23,816,180.69
Materials and supplies	31,326,058.59	17,372,397.67
Accounts payable	(26,072,264.26)	(48,624,030.76)
Accrued taxes	(3,377,549.97)	846,363.92
Accrued interest	616,669.72	(396,433.15)
Prepayments and other	1,071,897.26	1,171,082.21
Other	(101,985,811.15)	6,855,261.40
Net cash provided from operating activities	28,637,203.66	116,720,454.33
CASH FLOWS FROM INVESTING ACTIVITIES		
Long term investment in securities	162,506.84	(101,264.51)
Construction expenditures	(119,412,453.45)	(69,524,254.63)
Net cash used for investing activities	(119,249,946.61)	(69,625,519.14)
CASH FLOWS FROM FINANCING ACTIVITIES		
Short-term borrowings from parent company	(21,320,892.04)	(2,643,750.00)
Long-term borrowings from parent company	100,000,000.00	-
Retirement of pollution control bonds	-	(120,000,000.00)
Net proceeds from issuance of pollution control bonds	(15,569.23)	119,067,645.34
Payment of dividends	(1,993,308.20)	(25,176,433.24)
Net cash used for financing activities	76,670,230.53	(28,752,537.90)
NET INCREASE (DECREASE) IN CASH AND TEMP. CASH INVESTMENTS	(13,942,512.42)	18,342,397.29
CASH AND TEMPORARY CASH INVESTMENTS AT BEGINNING OF PERIOD	17,015,073.79	2,111,980.59
ASH AND TEMPORARY CASH INVESTMENTS AT END OF PERIOD	3,072,561.37	20,454,377.88

LOUISVILLE GAS AND ELECTRIC COMPANY
ANALYSIS OF INTEREST CHARGES
JUNE 30, 2003

	CURRENT MONTH		YEAR TO DATE		YEAR ENDED CURRENT MONTH	
	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR
Interest On Long-Term Debt						
First Mortgage Bonds						
Series Due Aug. 15 2003, 6%	213,000.00	213,000.00	1,278,000.00	1,278,000.00	2,556,000.00	2,556,000.00
Loan Agreement - Poll. Control Bonds						
1990 Series B (6.55%) TC	-	227,421.46	(30.00)	1,364,528.79	1,012,404.86	2,729,057.55
1992 Series A Variable	29,945.21	11,144.93	190,017.81	197,123.06	427,424.12	582,749.08
1992 Series A Variable TC	59,487.12	7,890.17	382,923.29	420,714.69	866,866.86	1,275,109.22
1993 Series A Variable Rate	34,927.40	9,876.72	224,210.01	253,945.83	509,928.51	758,867.12
1993 Series B (5 5/8%)	478,125.01	478,125.01	2,868,750.06	2,868,754.98	5,737,500.12	5,737,504.98
1993 Series C (5.45%)	118,083.34	118,083.34	708,500.04	708,500.04	1,417,000.08	1,417,000.10
1995 Series A (5.90%)	196,666.66	196,666.66	1,179,999.96	1,179,999.96	2,359,999.92	2,359,999.90
2000 Series A Variable Rate	26,401.31	31,875.01	134,536.20	185,104.20	313,286.17	488,159.77
2000 Series A Variable TC	74,293.16	96,145.44	474,451.62	576,942.07	1,103,809.12	1,584,209.88
2001 Series A Variable Rate	9,240.95	11,689.76	58,883.86	72,187.46	136,767.48	133,092.12
2001 Series A Variable Rate	21,267.12	29,219.18	125,504.94	112,795.90	283,856.28	112,795.90
2001 Series A Variable Rate TC	25,993.16	33,875.34	153,175.92	138,597.63	345,593.31	138,597.63
2001 Series B Variable Rate	33,227.40	43,857.53	201,160.84	162,758.89	456,514.24	162,758.89
2001 Series B Variable Rate TC	32,904.11	43,869.88	200,784.93	163,013.71	455,579.43	163,013.71
2002 Series A Variable Rate TC	37,265.63	-	237,069.28	-	354,929.84	-
Loan Agreement - Unsecured Bonds						
1996 Series A Variable Rate	-	-	-	79,006.25	-	402,811.03
1996 Series A Variable Rate TC	-	-	-	110,904.09	-	515,945.21
1997 Series A Variable Rate	-	-	-	158,253.28	-	667,424.52
1997 Series A Variable Rate TC	-	-	-	183,342.64	-	675,356.31
Interest Rate Swaps	452,463.33	375,843.69	2,145,781.05	2,219,379.40	4,332,943.57	4,340,796.28
Marked to Market	-	-	-	-	-	-
Fidelia	379,166.66	-	758,333.32	-	758,333.32	-
Total	2,222,457.57	1,928,584.12	11,322,053.13	12,433,852.87	23,428,737.23	26,801,249.20
Amortization of Debt Expense - Net						
Amortization of Debt Expense	16,533.41	28,750.74	162,564.31	167,021.92	414,122.91	322,754.16
Amortization of Premium on Debt - Cr.	-	-	-	-	-	-
Amort. of Loss on Reacquired Debt	95,991.02	96,608.05	575,946.12	574,630.03	1,139,866.07	1,141,760.97
Total	112,524.43	125,358.79	738,510.43	741,651.95	1,553,988.98	1,464,515.13
Other Interest Charges						
Note Payable	-	-	-	85,249.11	-	141,700.49
Customers' Deposits	46,193.68	34,965.94	236,864.73	209,061.94	445,045.93	411,000.02
Federal Income Tax Deficiencies	-	-	-	-	-	-
Other Tax Deficiencies	-	-	-	-	-	-
Gas Refunds	-	-	1,010.98	-	2,234.55	-
Interest on Dsm Cost Recovery	-	-	-	-	-	-
Deferred Compensation	6,069.88	6,860.29	13,018.69	13,560.10	27,603.76	20,951.53
Interest on Debt to Associated Companies	147,581.80	294,487.79	1,268,411.22	1,048,070.61	2,396,054.08	2,116,803.83
Interest Costs from A/R Securitization	65,110.57	(89,749.67)	539,905.21	367,143.35	1,168,741.71	963,767.43
Other	-	-	2,726.72	-	2,726.72	-
Total	264,955.93	246,564.35	2,061,937.55	1,723,085.11	4,042,406.75	3,654,223.30
Total Interest	2,599,937.93	2,300,507.26	14,122,501.11	14,898,589.93	29,025,132.96	31,919,987.63

LOUISVILLE GAS AND ELECTRIC COMPANY
ANALYSIS OF TAXES CHARGED
JUNE 30, 2003

Kind of Taxes	Current Month This Year	Current Month Last Year	Year To Date This Year	Year To Date Last Year
Taxes Charged to Accounts 408.1 and 409.1				
Property Taxes	(254,966.00)	1,003,620.00	4,638,314.00	5,621,720.00
State Unemployment	0.13	41,482.89	(0.62)	65,541.42
Federal Unemployment	39,762.93	6,945.32	246,568.31	91,902.00
Federal Old Age and Survivors Insurance	391,500.79	328,880.14	2,426,682.48	2,710,611.58
Public Service Commission Fee	126,213.05	122,684.07	876,213.05	822,684.07
Federal Income	(2,637,752.05)	(3,554,239.63)	6,993,710.28	10,248,491.19
State Income	8,861.07	(402,538.52)	3,183,699.62	2,950,624.59
Miscellaneous	-	2,397.01	1,399.07	1,617.71
Total Charged to Operating Expense	(2,326,380.08)	(2,450,768.72)	18,366,586.19	22,513,192.56
Taxes Charged to Other Accounts	(1,775,410.39)	(419.74)	(583,654.61)	180,132.57
Taxes Accrued on Intercompany Accounts	(131,631.37)	(104,157.87)	(794,910.16)	(947,965.85)
Total Taxes Charged	(4,233,421.84)	(2,555,346.33)	16,988,021.42	21,745,359.28

ANALYSIS OF TAXES ACCRUED - ACCOUNT 236

Kind of Taxes	Taxes Accrued At Beginning Of Year	Accruals To Date This Year	Payments To Date This Year	Taxes Accrued At End Of Month
Property Taxes	191,066.78	4,716,590.00	134,339.85	4,773,316.93
State Unemployment	10,768.97	103.04	28,957.24	(18,085.23)
Federal Unemployment	17,650.80	193,512.85	46,942.80	164,220.85
Federal Old Age and Survivors	215,620.04	2,299,813.28	2,176,218.81	339,214.51
Public Service Commission Fee	-	876,213.05	876,213.05	-
Federal Income	(4,740,983.04)	5,292,219.19	11,206,427.00	(10,655,190.85)
State Income	5,299,487.96	2,746,570.72	4,740,913.00	3,305,145.68
Kentucky Sales and Use Tax	446,561.55	795,264.78	1,088,132.96	153,693.37
Miscellaneous	(870.74)	67,734.51	67,426.68	(562.91)
Totals	1,439,302.32	16,988,021.42	20,365,571.39	(1,938,247.65)

LOUISVILLE GAS AND ELECTRIC COMPANY
SUMMARY OF UTILITY PLANT
JUNE 30, 2003

UTILITY PLANT IN SERVICE	NET BALANCE FIRST OF YEAR	DEBITS-GROSS	CREDITS FOR RETIREMENTS	NET ADDITIONS	ADJUSTMENTS	BALANCE TO DATE
Electric						
Intangible	2,340.29	-	-	-	-	2,340.29
Steam Production	1,665,684,137.81	46,321,190.09	(4,473,126.51)	41,848,063.58	-	1,707,532,201.39
Hydro	9,324,683.24	315,125.80	-	315,125.80	-	9,639,809.04
Other Production	152,479,851.71	1,900,039.40	(1,348,341.77)	551,697.63	-	153,031,549.34
Transmission	213,912,790.08	2,923,645.29	(21,842.18)	2,901,803.11	-	216,814,593.19
Distribution	656,405,005.49	20,071,041.44	(637,835.42)	19,433,206.02	-	675,838,211.51
General	19,378,595.64	22,216.70	(2,192,344.13)	(2,170,127.43)	-	17,208,468.21
Total Electric	2,717,187,404.26	71,553,258.72	(8,673,490.01)	62,879,768.71	-	2,780,067,172.97
Gas						
Intangible	553,232.59	-	-	-	-	553,232.59
Natural Gas Storage Plant Underground	54,336,273.67	1,232,382.18	-	1,232,382.18	-	55,568,655.85
Transmission	12,414,633.91	304,906.91	-	304,906.91	-	12,719,540.82
Distribution	356,807,061.42	18,586,515.02	(2,669,659.20)	15,916,855.82	-	372,723,917.24
General	8,983,446.29	143,386.02	(337,359.36)	(193,973.34)	-	8,789,472.95
Gas Stored Underground Non-Current	2,139,990.00	-	-	-	-	2,139,990.00
Total Gas	435,234,637.88	20,267,190.13	(3,007,018.56)	17,260,171.57	-	452,494,809.45
Common						
Intangible	24,532,730.28	4,048,932.60	-	4,048,932.60	-	28,581,662.88
General	145,044,129.61	11,303,735.46	(444,350.90)	10,859,384.56	-	155,903,514.17
Total Common	169,576,859.89	15,352,668.06	(444,350.90)	14,908,317.16	-	184,485,177.05
Total Plant in Service	3,321,998,902.03	107,173,116.91	(12,124,859.47)	95,048,257.44	-	3,417,047,159.47
Construction Work In Progress						
Electric	261,760,776.30	37,515,377.71	-	37,515,377.71		299,276,154.01
Gas	25,501,848.83	(9,310,859.37)	-	(9,310,859.37)		16,190,989.46
Common	13,723,766.35	(15,965,181.80)	-	(15,965,181.80)		(2,241,415.45)
Total Construction Work In Progress	300,986,391.48	12,239,336.54	-	12,239,336.54	-	313,225,728.02
Total Utility Plant at Original Cost	3,622,985,293.51	119,412,453.45	(12,124,859.47)	107,287,593.98	-	3,730,272,887.49

RESERVE FOR DEPRECIATION OF UTILITY	NET BALANCE FIRST OF YEAR	ACCRUALS	RETIREMENTS	COST OF REMOVAL	SALVAGE	OTHER CREDITS	BALANCE TO DATE
Plant In Service							
Electric	1,235,700,821.25	43,804,134.52	(8,673,490.01)	(1,378,751.35)	(495.87)	-	1,269,452,218.54
Gas	159,276,235.08	6,358,055.86	(3,007,018.56)	(267,459.65)	646.35	-	162,360,459.08
Common	55,289,741.92	5,858,928.48	(444,350.90)	(189,152.28)	-	-	60,515,167.22
Total Reserve For Depreciation Of Utility Plant In Service	1,450,266,798.25	56,021,118.86	(12,124,859.47)	(1,835,363.28)	150.48	-	1,492,327,844.84
Reserve For Amortization Of Utility Plant In Service							
Electric	100.00						100.00
Gas	574,193.92	-					574,193.92
Common	18,101,954.13	3,064,934.60	-	-	-	-	21,166,888.73
Total Reserve For Amortization Of Utility Plant In Service	18,676,248.05	3,064,934.60	-	-	-	-	21,741,182.65
Retirement Work In Progress							
Electric	(4,845,891.80)			(1,358,417.11)	(168,644.35)	37,087.49	(6,335,865.77)
Gas	(43,721.15)			(202,022.98)	-	(2,354.01)	(248,098.14)
Common	(379,491.56)	-	-	387,795.53	(21,387.00)	26,000.00	12,916.97
Total Retirement Work In Progress	(5,269,104.51)	-	-	(1,172,644.56)	(190,031.35)	60,733.48	(6,571,046.94)
Total Reserve For Depreciation and Amortization - Utility Plant In Service	1,463,673,941.79	59,086,053.46	(12,124,859.47)	(3,010,007.84)	(189,880.87)	60,733.48	1,507,497,980.55
Utility Plant at Original Cost Less Reserve For Depreciation and Amortization	2,159,311,351.72						2,222,774,906.94

LG&E Monthly Report to KPSC-May 31,2003

LOUISVILLE GAS AND ELECTRIC COMPANY
COMPARATIVE STATEMENT OF INCOME
MAY 31, 2003

	CURRENT MONTH			
	THIS YEAR AMOUNT	LAST YEAR AMOUNT	INCREASE OR DECREASE AMOUNT	%
Electric Operating Revenues	55,183,108.05	63,946,558.82	(8,763,450.77)	(13.70)
Gas Operating Revenues	12,690,466.43	11,210,211.80	1,480,254.63	13.20
Rate Refunds	(945,642.26)	-	(945,642.26)	-
Total Operating Revenues	66,927,932.22	75,156,770.62	(8,228,838.40)	(10.95)
Fuel for Electric Generation	14,260,938.70	17,724,031.15	(3,463,092.45)	(19.54)
Power Purchased	8,396,070.52	8,032,652.16	363,418.36	4.52
Gas Supply Expenses	8,681,939.68	7,921,936.06	760,003.62	9.59
Other Operation Expenses	19,449,903.14	18,472,645.38	977,257.76	5.29
Maintenance	4,994,040.81	5,320,367.84	(326,327.03)	(6.13)
Depreciation	9,449,711.03	8,100,659.20	1,349,051.83	16.65
Amortization Expense	752,451.01	408,619.17	343,831.84	84.14
Regulatory Credits	(61,163.81)	-	(61,163.81)	-
Taxes				
Federal Income	-	-	-	-
State Income	-	-	-	-
Deferred Federal Income - Net	-	-	-	-
Deferred State Income - Net	-	-	-	-
Federal Income - Estimated	(682,965.67)	1,780,681.24	(2,463,646.91)	(138.35)
State Income - Estimated	(181,547.83)	473,345.65	(654,893.48)	(138.35)
Property and Other	1,581,936.56	1,610,808.05	(28,871.49)	(1.79)
Investment Tax Credit	-	-	-	-
Amortization of Investment Tax Credit	(350,598.00)	(351,111.00)	513.00	(0.15)
Gain from Disposition of Allowances	(223,920.96)	(216,947.35)	(6,973.61)	3.21
Accretion Expense	51,391.00	-	51,391.00	-
Total Operating Expenses	66,118,186.18	69,277,687.55	(3,159,501.37)	(4.56)
Net Operating Income	809,746.04	5,879,083.07	(5,069,337.03)	(86.23)
Other Income Less Deductions	(722,002.65)	(140,127.84)	(581,874.81)	415.25
Income Before Interest Charges	87,743.39	5,738,955.23	(5,651,211.84)	(98.47)
Interest on Long Term Debt	2,024,555.20	2,057,365.94	(32,810.74)	(1.59)
Amortization of Debt Expense - Net	125,197.20	125,261.56	(64.36)	(0.05)
Other Interest Expenses	193,450.96	174,580.88	18,870.08	10.81
Total Interest Charges	2,343,203.36	2,357,208.38	(14,005.02)	(0.59)
Net Inc Before Cumulative Effect of Acctg Chg	(2,255,459.97)	3,381,746.85	(5,637,206.82)	(166.70)
Cumulative Effect of Accounting Change Net of Tax	-	-	-	-
Net Income	(2,255,459.97)	3,381,746.85	(5,637,206.82)	(166.70)
Preferred Dividend Requirements	301,593.04	349,509.72	(47,916.68)	(13.71)
Earnings Available for Common	(2,557,053.01)	3,032,237.13	(5,589,290.14)	(184.33)

LOUISVILLE GAS AND ELECTRIC COMPANY
COMPARATIVE STATEMENT OF INCOME
MAY 31, 2003

	YEAR TO DATE			
	THIS YEAR AMOUNT	LAST YEAR AMOUNT	INCREASE OR DECREASE AMOUNT	%
Electric Operating Revenues	306,173,210.79	284,654,474.78	21,518,736.01	7.56
Gas Operating Revenues	170,753,004.53	141,036,384.24	29,716,620.29	21.07
Rate Refunds	29,520.10	137,473.58	(107,953.48)	(78.53)
Total Operating Revenues	476,955,735.42	425,828,332.60	51,127,402.82	12.01
Fuel for Electric Generation	78,946,763.92	77,911,842.93	1,034,920.99	1.33
Power Purchased	49,537,886.96	38,894,476.04	10,643,410.92	27.36
Gas Supply Expenses	126,388,556.71	98,725,501.37	27,663,055.34	28.02
Other Operation Expenses	90,478,242.74	84,998,419.23	5,479,823.51	6.45
Maintenance	21,779,572.12	22,652,775.45	(873,203.33)	(3.85)
Depreciation	44,609,728.23	40,200,409.41	4,409,318.82	10.97
Amortization Expense	2,549,377.48	2,043,095.77	506,281.71	24.78
Regulatory Credits	(5,586,765.87)	-	(5,586,765.87)	-
Taxes				
Federal Income	9,128,021.84	11,757,959.90	(2,629,938.06)	(22.37)
State Income	3,041,012.59	2,809,616.42	231,396.17	8.24
Deferred Federal Income - Net	6,488,062.76	(370,635.35)	6,858,698.11	-
Deferred State Income - Net	1,156,589.68	56,370.36	1,100,219.32	-
Federal Income - Estimated	503,440.49	2,044,770.92	(1,541,330.43)	(75.38)
State Income - Estimated	133,825.96	543,546.69	(409,720.73)	(75.38)
Property and Other	7,886,665.39	7,808,067.35	78,598.04	1.01
Investment Tax Credit	-	-	-	-
Amortization of Investment Tax Credit	(1,753,829.74)	(1,756,232.91)	2,403.17	(0.14)
Gain from Disposition of Allowances	(223,920.96)	(216,947.35)	(6,973.61)	3.21
Accretion Expense	256,954.50	-	256,954.50	-
Total Operating Expenses	435,320,184.80	388,103,036.23	47,217,148.57	12.17
Net Operating Income	41,635,550.62	37,725,296.37	3,910,254.25	10.37
Other Income Less Deductions	958,091.84	(183,159.12)	1,141,250.96	(623.09)
Income Before Interest Charges	42,593,642.46	37,542,137.25	5,051,505.21	13.46
Interest on Long Term Debt	9,099,595.56	10,505,268.75	(1,405,673.19)	(13.38)
Amortization of Debt Expense - Net	625,986.00	616,293.16	9,692.84	1.57
Other Interest Expenses	1,796,981.62	1,476,520.76	320,460.86	21.70
Total Interest Charges	11,522,563.18	12,598,082.67	(1,075,519.49)	(8.54)
Net Inc Before Cumulative Effect of Acctg Chg	31,071,079.28	24,944,054.58	6,127,024.70	24.56
Cumulative Effect of Accounting Change Net of Tax	3,149,402.00	-	3,149,402.00	-
Net Income	27,921,677.28	24,944,054.58	2,977,622.70	11.94
Preferred Dividend Requirements	1,539,214.86	1,764,423.37	(225,208.51)	(12.76)
Earnings Available for Common	26,382,462.42	23,179,631.21	3,202,831.21	13.82

LOUISVILLE GAS AND ELECTRIC COMPANY
COMPARATIVE STATEMENT OF INCOME
MAY 31, 2003

	YEAR ENDED CURRENT MONTH			
	THIS YEAR AMOUNT	LAST YEAR AMOUNT	INCREASE OR DECREASE AMOUNT	%
Electric Operating Revenues	768,353,923.01	713,127,772.48	55,226,150.53	7.74
Gas Operating Revenues	297,409,775.64	248,362,362.01	49,047,413.63	19.75
Rate Refunds	11,547,410.34	1,725,882.11	9,821,528.23	569.07
Total Operating Revenues	1,077,311,108.99	963,216,016.60	114,095,092.39	11.85
Fuel for Electric Generation	195,935,110.11	171,517,576.46	24,417,533.65	14.24
Power Purchased	94,973,418.50	91,020,353.47	3,953,065.03	4.34
Gas Supply Expenses	209,771,313.31	163,528,796.61	46,242,516.70	28.28
Other Operation Expenses	217,447,029.71	49,726,532.13	167,720,497.58	337.29
Maintenance	55,908,982.15	62,024,984.55	(6,116,002.40)	(9.86)
Depreciation	105,464,072.54	94,430,888.65	11,033,183.89	11.68
Amortization Expense	5,357,372.52	5,937,764.58	(580,392.06)	(9.77)
Regulatory Credits	(5,586,765.87)	-	(5,586,765.87)	-
Taxes				
Federal Income	23,602,738.84	46,385,735.19	(22,782,996.35)	(49.12)
State Income	8,314,154.87	9,647,510.72	(1,333,355.85)	(13.82)
Deferred Federal Income - Net	27,321,868.28	49,534,640.65	(22,212,772.37)	(44.84)
Deferred State Income - Net	5,509,941.57	13,360,354.76	(7,850,413.19)	(58.76)
Federal Income - Estimated	(1,541,330.43)	(6,435,618.65)	4,894,288.22	(76.05)
State Income - Estimated	(409,720.73)	(1,710,734.07)	1,301,013.34	(76.05)
Property and Other	17,536,955.13	17,948,606.50	(411,651.37)	(2.29)
Investment Tax Credit	-	-	-	-
Amortization of Investment Tax Credit	(4,149,775.77)	(4,273,466.42)	123,690.65	(2.89)
Gain from Disposition of Allowances	(223,920.96)	(216,947.35)	(6,973.61)	3.21
Accretion Expense	256,954.50	-	256,954.50	-
Total Operating Expenses	955,488,398.27	762,426,977.78	193,061,420.49	25.32
Net Operating Income	121,822,710.72	200,789,038.82	(78,966,328.10)	(39.33)
Other Income Less Deductions	1,961,548.38	1,915,075.93	46,472.45	2.43
Income Before Interest Charges	123,784,259.10	202,704,114.75	(78,919,855.65)	(38.93)
Interest on Long Term Debt	23,134,863.78	27,468,481.58	(4,333,617.80)	(15.78)
Amortization of Debt Expense - Net	1,566,823.34	1,458,535.30	108,288.04	7.42
Other Interest Expenses	4,024,015.17	3,845,501.45	178,513.72	4.64
Total Interest Charges	28,725,702.29	32,772,518.33	(4,046,816.04)	(12.35)
Net Inc Before Cumulative Effect of Acctg Chg	95,058,556.81	169,931,596.42	(74,873,039.61)	(44.06)
Cumulative Effect of Accounting Change Net of Tax	3,149,402.00	-	3,149,402.00	-
Net Income	91,909,154.81	169,931,596.42	(78,022,441.61)	(45.91)
Preferred Dividend Requirements	4,020,782.45	4,391,824.47	(371,042.02)	(8.45)
Earnings Available for Common	87,888,372.36	165,539,771.95	(77,651,399.59)	(46.91)

LOUISVILLE GAS AND ELECTRIC COMPANY
ANALYSIS OF RETAINED EARNINGS
MAY 31, 2003

	CURRENT MONTH		YEAR TO DATE		YEAR ENDED CURRENT MONTH	
	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR
Balance at Beginning of Period	438,243,401.47	390,765,738.97	409,303,886.04	393,618,344.89	393,797,976.10	274,258,204.15
Add:						
Credits from Income	(2,255,459.97)	3,381,746.85	27,921,677.28	24,944,054.58	91,909,154.81	169,931,596.42
Deduct:						
Preferred Dividends						
$25 Par Value						
5% Series			268,841.45	268,841.59	1,075,365.66	1,075,366.21
Without Par Value						
Auction Rate			300,000.00	429,374.98	1,476,666.65	1,847,708.34
$5.875 Series			367,187.51	367,187.52	1,468,750.14	1,468,749.92
Preferred Dividends Accrued						
$25 Par Value						
5% Series	89,613.87	89,613.88	179,227.60	179,227.62		
Without Par Value						
Auction Rate	89,583.33	137,500.00	179,166.66	275,000.00		
$5.875 Series	122,395.84	122,395.84	244,791.64	244,791.66		
Common Dividends						
Common Stock Without Par Value				23,000,000.00	46,000,000.00	46,000,000.00
Balance at End of Period	435,686,348.46	393,797,976.10	435,686,348.46	393,797,976.10	435,686,348.46	393,797,976.10

LOUISVILLE GAS AND ELECTRIC COMPANY
COMPARATIVE BALANCE SHEETS AS OF MAY 31, 2003 AND 2002

ASSETS AND OTHER DEBITS	THIS YEAR	LAST YEAR
Utility Plant		
Utility Plant at Original Cost	3,710,556,240.85	3,470,309,385.44
Less Reserves for Depreciation & Amortization	1,498,752,647.38	1,418,878,610.52
Total	2,211,803,593.47	2,051,430,774.92
Investments - At Cost		
Ohio Valley Electric Corporation	490,000.00	490,000.00
Investments in LG&E-R	5,000,000.00	5,000,000.00
Nonutility Property-Less Reserve	111,537.79	723,039.38
Other	-	-
Total	5,601,537.79	6,213,039.38
Current and Accrued Assets		
Cash	2,912,016.33	3,803,810.74
Special Deposits	29,624.10	8,012,185.42
Temporary Cash Investments	-	-
Accounts Receivable-Less Reserve	16,625,143.95	24,967,221.76
Notes Receivable from Assoc. Companies	-	-
Notes Receivable from LG&E-R	27,485,986.00	45,644,342.00
Accounts Receivable from Assoc Companies	7,203,289.76	8,614,666.60
Materials & Supplies-At Average Cost		
Fuel	38,081,840.26	31,846,675.13
Plant Materials & Operating Supplies	20,655,531.18	25,652,743.00
Stores Expense	3,525,697.64	3,361,932.02
Gas Stored Underground	10,384,755.54	9,015,251.05
Allowance Inventory	75,966.51	33,713.76
Prepayments	3,678,758.86	3,356,107.44
Miscellaneous Current & Accrued Assets	584,125.39	1,639.57
Total	131,242,735.52	164,310,288.49
Deferred Debits and Other		
Unamortized Debt Expense	6,408,659.15	6,033,513.76
Unamortized Loss on Bonds	18,362,773.49	18,068,669.73
Accumulated Deferred Income Taxes	126,587,687.15	139,033,872.79
Deferred Regulatory Assets	96,793,175.73	120,758,549.00
Other Deferred Debits	78,843,863.37	39,468,768.95
Total	326,996,158.89	323,363,374.23
Total Assets and Other Debits	2,675,644,025.67	2,545,317,477.02

LIABILITIES AND OTHER CREDITS	THIS YEAR	LAST YEAR
Capitalization		
Common Stock	425,170,424.09	425,170,424.09
Common Stock Expense	(835,888.64)	(835,888.64)
Paid-In Capital	40,000,000.00	40,000,000.00
Unrealized Gain (Loss) on Investment	-	-
Other Comprehensive Income	(40,532,250.20)	(18,994,808.40)
Retained Earnings	435,686,348.46	393,797,976.10
Total Common Equity	859,488,633.71	839,137,703.15
Preferred Stock	95,140,346.77	95,140,346.77
First Mortgage Bonds	574,304,000.00	616,904,000.00
Pollution Control Bonds (Unsecured)	-	-
LT Notes Payable to Associated Companies	100,000,000.00	-
Total Capitalization	1,628,932,980.48	1,551,182,049.92
Current and Accrued Liabilities		
Long-Term Debt Due in 1 Year	42,600,000.00	-
Notes Payable to Associated Companies	154,032,051.40	114,852,943.44
Notes Payable	-	-
Accounts Payable	61,004,451.10	61,152,533.11
Accounts Payable to Associated Companies	25,602,834.49	22,765,769.65
Customer Deposits	9,939,291.18	8,850,098.97
Taxes Accrued	13,076,017.94	36,253,218.22
Interest Accrued	3,851,424.62	4,303,737.14
Dividends Declared	-	-
Misc. Current & Accrued Liabilities	4,286,786.53	3,189,120.31
Total	314,392,857.26	251,367,420.84
Deferred Credits and Other		
Accumulated Deferred Income Taxes	449,925,805.34	438,399,273.79
Investment Tax Credit	52,782,614.89	56,932,390.66
Regulatory Liabilities	46,297,658.04	49,575,893.40
Customer Advances for Construction	9,741,710.21	9,972,401.04
Asset Retirement Obligations	9,586,964.50	-
Other Deferred Credits	22,065,068.17	16,437,149.63
Misc. Long-Term Liabilities	82,676,264.61	114,985,670.57
Misc. Long-Term Liab. Due to Assoc. Co.	-	-
Accum Provision for Post-Retirement Benefits	59,242,102.17	56,465,227.17
Total	732,318,187.93	742,768,006.26
Total Liabilities and Other Credits	2,675,644,025.67	2,545,317,477.02

LOUISVILLE GAS AND ELECTRIC COMPANY
STATEMENT OF CAPITALIZATION AND SHORT-TERM DEBT
MAY 31, 2003

	AUTHORIZED	ISSUED & OUTSTANDING		PERCENT OF TOTAL	
	SHARES	SHARES	AMOUNT	CAPITAL & S/T DEBT	CAPITAL
Common Equity					
Common Stock - Without Par	75,000,000	21,294,223	425,170,424.09		
Common Stock Expense			(835,888.64)		
Paid-In Capital			40,000,000.00		
Unrealized Gain (Loss) on Investment			-		
Other Comprehensive Income			(40,532,250.20)		
Retained Earnings			435,686,348.46		
Total Common Equity			859,488,633.71	47.08	52.76
Preferred Stock, Cumulative					
$25 Par Value	1,720,000				
5% Series		860,287	21,507,175.00		
Without Par Value ($100 Stated)	6,750,000				
NPV-Stated Value Auction Rate		500,000	50,000,000.00		
$5.875 Series		250,000	25,000,000.00		
Subtotal			96,507,175.00		
Gain on Reacquired Preferred Stock			5,698.75		
Preferred Stock Expense			(1,372,526.98)		
Total Preferred Stock			95,140,346.77	5.21	5.84
Total Stockholder's Equity			954,628,980.48	52.29	58.60
Long-Term Debt					
First Mortgage Bonds	Not Limited				
PCB S JC 09/01/92 Due 09/01/17 VAR%			31,000,000.00		
PCB T TC 09/01/92 Due 09/01/17 VAR%			60,000,000.00		
PCB U JC 08/15/93 Due 08/15/13 VAR%			35,200,000.00		
PCB V JC 08/15/93 Due 08/15/19 5 5/8%			102,000,000.00		
PCB W JC 10/15/93 Due 10/15/20 5.45%			26,000,000.00		
PCB X JC 04/15/95 Due 04/15/23 5.90%			40,000,000.00		
PCB Y JC 05/01/00 Due 05/01/27 VAR%			25,000,000.00		
PCB Z JC 08/01/00 Due 08/01/30 VAR%			83,335,000.00		
PCB AA JC 09/11/01 Due 09/01/27 VAR%			10,104,000.00		
PCB BB JC 03/06/02 Due 09/01/26 VAR%			22,500,000.00		
PCB CC TC 03/06/02 Due 09/01/26 VAR%			27,500,000.00		
PCB DD JC 03/22/02 Due 11/01/27 VAR%			35,000,000.00		
PCB EE TC 03/22/02 Due 11/01/27 VAR%			35,000,000.00		
PCB FF TC 10/23/02 Due 10/01/32 VAR%			41,665,000.00		
Total First Mortgage Bonds			574,304,000.00	31.46	35.26
LT Notes Payable to Associated Companies			100,000,000.00	5.48	6.14
Total Capitalization			1,628,932,980.48	89.23	100.00
Long-Term Debt Due in 1 Year			42,600,000.00	2.33	
Notes Payable to Associated Companies			154,032,051.40	8.44	
Total Capitalization and Short-Term Debt			1,825,565,031.88	100.00	

LOUISVILLE GAS AND ELECTRIC COMPANY
TRIAL BALANCE - GENERAL LEDGER
MAY 31, 2003

Account - Subsidiary Account	Balance Subsidiary Account	Balance as Shown On Balance Sheet
UTILITY PLANT		
At Original Cost	3,710,556,240.85	3,710,556,240.85
Reserves for Depreciation and Amortization		(1,498,752,647.38)
Electric	(1,256,599,017.16)	
Gas	(161,296,711.70)	
Common	(59,631,292.99)	
Amortization of Plant		
Underground Storage Land and Land Rights	(573,293.92)	
Limited - Term Plant	(20,652,331.61)	
INVESTMENTS - AT COST		5,601,537.79
Nonutility Property - less reserve ($63,360.36)	17,337.47	
Coal for Resale 2,724 Tons @ $34.58	94,200.32	
Investments in LG&E-R	5,000,000.00	
Ohio Valley Electric Corporation	490,000.00	
CASH		2,912,016.33
National City Bank - Regular	1,884,873.78	
Bank of Louisville	11,926.93	
Citibank	10,358.25	
Farmers Bank and Trust Company	185,467.33	
US Bank	478,929.20	
Bedford Loan and Deposit Bank	10,000.00	
Farmers Bank of Milton	10,000.00	
Meade County Bank	320,460.84	
OTHER SPECIAL DEPOSITS		29,624.10
Other Special Deposits	29,624.10	
ACCOUNTS RECEIVABLE - LESS RESERVE		16,625,143.95
Working Funds	66,050.00	
Customers	61,000,211.49	
Customer Accounts Receivable Sold to LG&E-R	(60,259,000.00)	
Wholesale Sales	6,275,292.48	
Transmission Sales	252,020.02	
Unbilled Revenues	3,559,000.00	
Employee Computer Loans	522,165.71	
Damage Claims	951,439.17	
RAR Settlements	2,286,816.00	
Officers and Employees	39,654.34	
IMEA	343,978.24	
IMPA	378,526.07	
Other	1,050,713.02	
Reserves for Uncollectible Accounts		
Utility Customers		
Accrual	(3,294,327.61)	
Charged Off	2,202,374.57	
Recoveries	(1,033,116.25)	
Accrual Sold to LG&E-R	2,125,069.00	
Rents Receivable	158,277.70	
NOTES RECEIVABLE FROM LG&E-R		27,485,986.00
Notes Receivable from LG&E-R	27,485,986.00	
ACCOUNTS RECEIVABLE FROM ASSOCIATED COMPANIES		7,203,289.76
LG&E Energy Corp	7,091,304.04	
LG&E Energy Marketing Inc. (LEM)-Power Marketing	111,985.72	
FUEL		38,081,840.26
Coal 1,491,114 Tons @ $25.42; MMBTU 33,824,845 @ 112.05¢	37,899,724.83	
Fuel Oil 233,960 Gallons @ 82.12¢	192,116.74	
Gas Pipeline	(10,001.31)	
PLANT MATERIALS AND OPERATING SUPPLIES		20,655,531.18
Regular Materials and Supplies	20,501,514.21	
Limestone 29,076 Tons @ $5.30	154,016.97	

LOUISVILLE GAS AND ELECTRIC COMPANY
TRIAL BALANCE - GENERAL LEDGER
MAY 31, 2003

Account - Subsidiary Account	Balance Subsidiary Account	Balance as Shown On Balance Sheet
STORES EXPENSE		3,525,697.64
Stores Expense Undistributed	3,525,697.64	
GAS STORED UNDERGROUND - CURRENT		10,384,755.54
Gas St. Underground*2,592,614 MCF (14.73 psia) @ 400.55¢	10,384,755.54	
ALLOWANCE INVENTORY		75,966.51
Allowance Inventory	75,966.51	
PREPAYMENTS		3,678,758.86
Unexpired Insurance	3,071,297.40	
Franchises	171,988.48	
Permit Fees	73,748.83	
Real Estate Commissions	28,390.80	
Rights of Way	333,333.35	
MISCELLANEOUS CURRENT ASSETS		584,125.39
Derivative Asset	584,125.39	
UNAMORTIZED DEBT EXPENSE		6,408,659.15
First Mortage Bonds Series due August 15, 2003, 6 %	7,080.88	
Pollution Control Series S due Sept. 1, 2017	178,899.66	
Pollution Control Series T due Sept. 1, 2017	236,606.66	
Pollution Control Series U due Aug. 15, 2013	118,916.59	
Pollution Control Series V due Aug. 15, 2019	723,758.92	
Pollution Control Series W due Oct. 15, 2020	332,411.89	
Pollution Control Series X due Apr. 15, 2023	657,960.32	
Pollution Control Series Y due May 1, 2027	571,322.49	
Pollution Control Series Z due Aug. 1, 2030	1,039,880.99	
Pollution Control Series AA due Sept. 1, 2027	482,837.29	
Pollution Control Series BB due Sept. 1, 2026	224,325.05	
Pollution Control Series CC Sept. 1, 2026	245,488.19	
Pollution Control Series DD due Nov. 1, 2027	269,080.73	
Pollution Control Series EE due Nov. 1, 2027	269,120.27	
Pollution Control Series FF due Oct. 1, 2032	1,050,969.22	
UNAMORTIZED LOSS ON BONDS		18,362,773.49
Refinanced and Called Bonds	18,362,773.49	
OTHER DEFERRED DEBITS		78,843,863.37
Gas Supply Cost Adjustments	34,076,002.39	
Other	44,767,860.98	
DEFERRED REGULATORY ASSET		96,793,175.73
KU Merger Expenses	302,445.00	
VDT Expenses	85,374,270.86	
Asset Retirement Obligations	5,586,765.87	
Deferred Taxes - FAS 109		
Federal		
Electric	4,210,535.00	
Gas	350,093.00	
State		
Electric	929,204.00	
Gas	39,862.00	
ACCUMULATED DEFERRED INCOME TAXES		126,587,687.15
Federal		
Electric	79,872,416.85	
Gas	11,511,552.04	
Common	13,898,876.24	
State		
Electric	15,478,571.26	
Gas	2,293,868.20	
Common	3,532,402.56	
Total Assets and Other Debits	2,675,644,025.67	2,675,644,025.67

* Excludes:

	$	MCF
Non-recoverable Base Gas	9,648,855.00	7,880,000
Recoverable Base Gas	2,139,990.00	2,930,000
	11,788,845.00	10,810,000

LOUISVILLE GAS AND ELECTRIC COMPANY
TRIAL BALANCE - GENERAL LEDGER
MAY 31, 2003

Account - Subsidiary Account	Balance Subsidiary Account	Balance as Shown On Balance Sheet
COMMON EQUITY		859,488,633.71
Common Stock	425,170,424.09	
Retained Earnings	435,686,348.46	
Common Stock Expense	(835,888.64)	
Additional Paid-In Capital	40,000,000.00	
Other Comprehensive Income	(40,532,250.20)	
PREFERRED STOCK		95,140,346.77
5% Series	21,507,175.00	
Auction Rate	50,000,000.00	
$5.875 Series	25,000,000.00	
Gain on Reacquired Preferred Stock	5,698.75	
Preferred Stock Expense		
Auction Rate	(1,088,279.70)	
$5.875 Series	(284,247.28)	
BONDS		574,304,000.00
First Mortgage Bonds	574,304,000.00	
LT NOTES PAYABLE TO ASSOCIATED COMPANIES	100,000,000.00	100,000,000.00
LONG-TERM DEBT DUE WITHIN ONE YEAR		42,600,000.00
Mandatory Redemption-FMB due August 15, 2003	42,600,000.00	
NOTES PAYABLE TO ASSOCIATED COMPANIES	154,032,051.40	154,032,051.40
ACCOUNTS PAYABLE		61,004,451.10
Regular	58,629,924.97	
Salaries and Wages Accrued	1,123,158.58	
Nonqualified Savings Plan	540,940.13	
Tax Collections - Payable	710,427.42	
ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES		25,602,834.49
LG&E Energy Corp	25,602,834.49	
CUSTOMERS' DEPOSITS		9,939,291.18
Customers' Deposits	9,939,291.18	
TAXES ACCRUED		13,076,017.94
Taxes Accrued	13,076,017.94	
INTEREST ACCRUED		3,851,424.62
Interest on Long-Term Debt		
First Mortgage Bonds		
Series due Aug. 15, 2003, 6 %	745,500.00	
Loan Agreement - Pol. Cont. Bonds 1992 Series A	14,589.05	
Loan Agreement - Pol. Cont. Bonds 1992 Series A-TC	119,530.47	
Loan Agreement - Pol. Cont. Bonds 1993 Series A	59,011.36	
Loan Agreement - Pol. Cont. Bonds 1993 Series B	1,673,435.50	
Loan Agreement - Pol. Cont. Bonds 1993 Series C	177,124.96	
Loan Agreement - Pol. Cont. Bonds 1995 Series A	294,999.96	
Loan Agreement - Pol. Cont. Bonds 2000 Series A	14,188.97	
Loan Agreement - Pol. Cont. Bonds 2000 Series A-TC	28,009.82	
Loan Agreement - Pol. Cont. Bonds 2001 Series A	1,291.03	
Loan Agreement - Pol. Cont. Bonds 2001 Series A	17,265.74	
Loan Agreement - Pol. Cont. Bonds 2001 Series A-TC	22,527.41	
Loan Agreement - Pol. Cont. Bonds 2001 Series B	28,098.62	
Loan Agreement - Pol. Cont. Bonds 2001 Series B-TC	28,219.18	
Loan Agreement - Pol. Cont. Bonds 2002 Series A-TC	14,063.35	
Interest Rate Swaps	234,402.53	
Interest Accrued on Other Liabilities		
Fidelia	379,166.67	

LOUISVILLE GAS AND ELECTRIC COMPANY
TRIAL BALANCE - GENERAL LEDGER
MAY 31, 2003

Account - Subsidiary Account	Balance Subsidiary Account	Balance as Shown On Balance Sheet
MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES		4,286,786.53
Vacation Pay Accrued	3,879,348.28	
Revenue Subject to Refund	117,783.00	
Mark to Market Liabilities	289,655.25	
CUSTOMERS' ADVANCES FOR CONSTRUCTION		9,741,710.21
Line Extensions		
Electric	514,115.82	
Gas	9,227,594.39	
ASSET RETIREMENT OBLIGATIONS	9,586,964.50	9,586,964.50
OTHER DEFERRED CREDITS		22,065,068.17
Other Deferred Credits	21,877,632.60	
Clearing Accounts Transferred from Other Deferred Debits	187,435.57	
REGULATORY LIABILITIES		46,297,658.04
Asset Retirement Obligations	59,240.00	
Deferred Taxes		
Federal		
Electric	39,767,565.00	
Gas	2,731,713.00	
State		
Electric	4,115,468.00	
Gas	(152,407.00)	
Sulphur Dioxide Allowances	(223,920.96)	
INVESTMENT TAX CREDIT		52,782,614.89
Investment Tax Credit (prior law)		
Electric	4,297.12	
Gas	37.89	
Job Development Credit		
Electric	50,796,479.27	
Gas	1,981,800.61	
ACCUMULATED DEFERRED INCOME TAXES		449,925,805.34
Federal		
Electric	311,119,143.60	
Gas	52,862,716.73	
Common	72,959.20	
State		
Electric	73,068,562.66	
Gas	12,784,182.35	
Common	18,240.80	
MISCELLANEOUS LONG-TERM LIABILITIES		82,676,264.61
Pension Payable	76,204,486.00	
Workers' Compensation	4,102,539.61	
Post Employment Benefits - FAS 112	2,369,239.00	
ACCUMULATED PROVISION FOR BENEFITS		59,242,102.17
Post Retirement Benefits - FAS 106	59,242,102.17	
Total Liabilities and Other Credits	2,675,644,025.67	2,675,644,025.67

LOUISVILLE GAS AND ELECTRIC COMPANY
STATEMENT OF CASH FLOWS
MAY 31, 2003

	Year to Date 2003	Year to Date 2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	27,921,677.28	24,944,054.58
Items not requiring cash currently:		
Depreciation and amortization	47,159,105.71	42,243,505.18
Deferred income taxes - net	5,509,662.22	297,899.01
Investment tax credit - net	(1,753,829.74)	(1,756,232.91)
Other	21,030,440.67	17,501,254.79
(Increase) decrease in certain net current assets:		
Accounts receivable	12,099,910.82	1,411,477.50
Materials and supplies	39,869,419.03	27,592,050.56
Accounts payable	(36,766,773.10)	(65,151,662.26)
Accrued taxes	11,636,715.62	16,008,221.38
Accrued interest	(1,088,216.04)	(1,514,183.63)
Prepayments and other	1,647,146.71	907,765.38
Other	(102,050,102.86)	4,925,488.98
Net cash provided from operating activities	25,215,156.32	67,409,638.56
CASH FLOWS FROM INVESTING ACTIVITIES		
Long term investment in securities	162,506.84	(37,142.12)
Construction expenditures	(98,414,061.44)	(52,252,787.77)
Net cash used for investing activities	(98,251,554.60)	(52,289,929.89)
CASH FLOWS FROM FINANCING ACTIVITIES		
Short-term borrowings from parent company	(39,020,892.04)	20,656,250.00
Long-term borrowings from parent company	100,000,000.00	-
Retirement of pollution control bonds	-	(120,000,000.00)
Net proceeds from issuance of pollution control bonds	(22,834.84)	119,104,490.14
Payment of dividends	(1,993,308.20)	(25,176,433.24)
Net cash used for financing activities	58,962,964.92	(5,415,693.10)
NET INCREASE (DECREASE) IN CASH AND TEMP. CASH INVESTMENTS	(14,073,433.36)	9,704,015.57
CASH AND TEMPORARY CASH INVESTMENTS AT BEGINNING OF PERIOD	17,015,073.79	2,111,980.59
ASH AND TEMPORARY CASH INVESTMENTS AT END OF PERIOD	2,941,640.43	11,815,996.16

LOUISVILLE GAS AND ELECTRIC COMPANY
ANALYSIS OF INTEREST CHARGES
MAY 31, 2003

	CURRENT MONTH		YEAR TO DATE		YEAR ENDED CURRENT MONTH	
	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR
Interest On Long-Term Debt						
First Mortgage Bonds						
Series Due Aug. 15 2003, 6%	213,000.00	213,000.00	1,065,000.00	1,065,000.00	2,556,000.00	2,556,000.00
Loan Agreement - Poll. Control Bonds						
1990 Series B (6.55%) TC	-	227,421.46	(30.00)	1,137,107.33	1,239,826.32	2,729,057.55
1992 Series A Variable	32,226.04	30,086.03	160,072.60	185,978.13	408,623.84	651,658.93
1992 Series A Variable TC	61,559.45	70,241.10	323,436.17	412,824.52	815,269.91	1,451,219.05
1993 Series A Variable Rate	36,326.45	42,333.43	189,282.61	244,069.11	484,877.83	862,316.22
1993 Series B (5 5/8%)	478,125.01	478,125.01	2,390,625.05	2,390,629.97	5,737,500.12	5,737,504.97
1993 Series C (5.45%)	118,083.34	118,083.34	590,416.70	590,416.70	1,417,000.08	1,417,000.10
1995 Series A (5.90%)	196,666.66	196,666.66	983,333.30	983,333.30	2,359,999.92	2,359,999.89
2000 Series A Variable Rate	15,391.82	33,368.07	108,134.89	153,229.19	318,759.87	523,784.76
2000 Series A Variable TC	81,251.63	111,229.09	400,158.46	480,796.63	1,125,661.40	1,704,457.66
2001 Series A Variable Rate	10,244.33	13,376.57	49,642.91	60,497.70	139,216.29	121,402.36
2001 Series A Variable Rate	21,782.19	32,486.30	104,237.82	83,576.72	291,808.34	83,576.72
2001 Series A Variable Rate TC	26,746.58	39,705.50	127,182.76	104,722.29	353,475.49	104,722.29
2001 Series B Variable Rate	34,853.43	51,893.15	167,933.44	118,901.36	467,144.37	118,901.36
2001 Series B Variable Rate TC	34,732.88	52,020.55	167,880.82	119,143.83	466,545.20	119,143.83
2002 Series A Variable Rate TC	39,130.86	-	199,803.65	-	317,664.21	-
Loan Agreement - Unsecured Bonds						
1996 Series A Variable Rate	-	-	-	79,006.25	-	475,406.93
1996 Series A Variable Rate TC	-	-	-	110,904.09	-	617,109.58
1997 Series A Variable Rate	-	-	-	158,253.28	-	780,232.75
1997 Series A Variable Rate TC	-	-	-	183,342.64	-	781,075.47
Interest Rate Swaps	245,267.87	347,329.68	1,693,317.72	1,843,535.71	4,256,323.93	4,273,911.16
Marked to Market	-	-	-	-	-	-
Fidelia	379,166.66	-	379,166.66	-	379,166.66	-
Total	2,024,555.20	2,057,365.94	9,099,595.56	10,505,268.75	23,134,863.78	27,468,481.58
Amortization of Debt Expense - Net						
Amortization of Debt Expense	29,206.18	28,651.54	146,030.90	138,271.18	426,340.24	318,858.41
Amortization of Premium on Debt - Cr.	-	-	-	-	-	-
Amort. of Loss on Reacquired Debt	95,991.02	96,610.02	479,955.10	478,021.98	1,140,483.10	1,139,676.89
Total	125,197.20	125,261.56	625,986.00	616,293.16	1,566,823.34	1,458,535.30
Other Interest Charges						
Note Payable	-	-	-	85,249.11	-	141,700.49
Customers' Deposits	42,783.99	42,166.93	190,671.05	174,096.00	433,818.19	413,119.27
Federal Income Tax Deficiencies	-	-	-	-	-	-
Other Tax Deficiencies	-	-	-	-	-	-
Gas Refunds	100.37	-	1,010.98	-	2,234.55	-
Interest on Dsm Cost Recovery	-	-	-	-	-	-
Deferred Compensation	-	-	6,948.81	6,699.81	28,394.17	24,391.24
Interest on Debt to Associated Companies	151,120.53	214,477.65	1,120,829.42	753,582.82	2,542,960.07	2,064,912.99
Interest Costs from A/R Securitization	(553.93)	(82,063.70)	474,794.64	456,893.02	1,013,881.47	1,201,377.46
Other	-	-	2,726.72	-	2,726.72	-
Total	193,450.96	174,580.88	1,796,981.62	1,476,520.76	4,024,015.17	3,845,501.45
Total Interest	2,343,203.36	2,357,208.38	11,522,563.18	12,598,082.67	28,725,702.29	32,772,518.33

LOUISVILLE GAS AND ELECTRIC COMPANY
ANALYSIS OF TAXES CHARGED
MAY 31, 2003

Kind of Taxes	Current Month This Year	Current Month Last Year	Year To Date This Year	Year To Date Last Year
Taxes Charged to Accounts 408.1 and 409.1				
Property Taxes	978,656.00	1,003,620.00	4,893,280.00	4,618,100.00
State Unemployment	0.15	3,874.94	(0.75)	24,058.53
Federal Unemployment	41,535.02	8,344.68	206,805.38	84,956.68
Federal Old Age and Survivors Insurance	411,745.39	472,887.56	2,035,181.69	2,381,731.44
Public Service Commission Fee	150,000.00	140,000.00	750,000.00	700,000.00
Federal Income	(682,965.67)	1,780,681.24	9,631,462.33	13,802,730.82
State Income	(181,547.83)	473,345.65	3,174,838.55	3,353,163.11
Miscellaneous	-	(17,919.13)	1,399.07	(779.30)
Total Charged to Operating Expense	717,423.06	3,864,834.94	20,692,966.27	24,963,961.28
Taxes Charged to Other Accounts	265,503.00	130,811.81	1,191,755.78	160,589.31
Taxes Accrued on Intercompany Accounts	(134,715.50)	(116,351.71)	(663,278.79)	(843,807.98)
Total Taxes Charged	848,210.56	3,879,295.04	21,221,443.26	24,280,742.61

ANALYSIS OF TAXES ACCRUED - ACCOUNT 236

Kind of Taxes	Taxes Accrued At Beginning Of Year	Accruals To Date This Year	Payments To Date This Year	Taxes Accrued At End Of Month
Property Taxes	191,066.78	4,958,438.00	100,735.99	5,048,768.79
State Unemployment	10,768.97	103.04	28,957.24	(18,085.23)
Federal Unemployment	17,650.80	162,968.63	50,687.11	129,932.32
Federal Old Age and Survivors	215,620.04	1,937,068.10	1,866,134.34	286,553.80
Public Service Commission Fee	-	750,000.00	-	750,000.00
Federal Income	(4,740,983.04)	9,549,836.02	5,048,612.00	(239,759.02)
State Income	5,299,487.96	3,153,914.80	1,498,247.00	6,955,155.76
Kentucky Sales and Use Tax	446,561.55	641,571.40	924,118.52	164,014.43
Miscellaneous	(870.74)	67,543.27	67,235.44	(562.91)
Totals	1,439,302.32	21,221,443.26	9,584,727.64	13,076,017.94

LOUISVILLE GAS AND ELECTRIC COMPANY
SUMMARY OF UTILITY PLANT
MAY 31, 2003

UTILITY PLANT IN SERVICE	NET BALANCE FIRST OF YEAR	DEBITS-GROSS	CREDITS FOR RETIREMENTS	NET ADDITIONS	ADJUSTMENTS	BALANCE TO DATE
Electric						
Intangible	2,340.29	-	-	-	-	2,340.29
Steam Production	1,665,684,137.81	22,494,594.34	(3,748,205.41)	18,746,388.93	-	1,684,430,526.74
Hydro	9,324,683.24	-	-	-	-	9,324,683.24
Other Production	152,479,851.71	1,900,039.40	(1,348,341.77)	551,697.63	-	153,031,549.34
Transmission	213,912,790.08	1,961,539.80	(16,027.43)	1,945,512.37	-	215,858,302.45
Distribution	656,405,005.49	15,928,196.68	(608,083.28)	15,320,113.40	-	671,725,118.89
General	19,378,595.64	22,216.70	(2,192,344.13)	(2,170,127.43)	-	17,208,468.21
Total Electric	2,717,187,404.26	42,306,586.92	(7,913,002.02)	34,393,584.90	-	2,751,580,989.16
Gas						
Intangible	553,232.59	-	-	-	-	553,232.59
Natural Gas Storage Plant Underground	54,336,273.67	1,232,382.18	-	1,232,382.18	-	55,568,655.85
Transmission	12,414,633.91	304,906.91	-	304,906.91	-	12,719,540.82
Distribution	356,807,061.42	15,541,451.63	(2,518,759.44)	13,022,692.19	-	369,829,753.61
General	8,983,446.29	143,386.02	(337,359.36)	(193,973.34)	-	8,789,472.95
Gas Stored Underground Non-Current	2,139,990.00	-	-	-	-	2,139,990.00
Total Gas	435,234,637.88	17,222,126.74	(2,856,118.80)	14,366,007.94	-	449,600,645.82
Common						
Intangible	24,532,730.28	3,761,159.79	-	3,761,159.79	-	28,293,890.07
General	145,044,129.61	10,037,240.54	(73,993.28)	9,963,247.26	-	155,007,376.87
Total Common	169,576,859.89	13,798,400.33	(73,993.28)	13,724,407.05	-	183,301,266.94
Total Plant in Service	3,321,998,902.03	73,327,113.99	(10,843,114.10)	62,483,999.89	-	3,384,482,901.92
Construction Work In Progress						
Electric	261,760,776.30	56,126,208.56	-	56,126,208.56		317,886,984.86
Gas	25,501,848.83	(8,133,462.61)	-	(8,133,462.61)		17,368,386.22
Common	13,723,766.35	(22,905,798.50)	-	(22,905,798.50)	-	(9,182,032.15)
Total Construction Work In Progress	300,986,391.48	25,086,947.45	-	25,086,947.45	-	326,073,338.93
Total Utility Plant at Original Cost	3,622,985,293.51	98,414,061.44	(10,843,114.10)	87,570,947.34	-	3,710,556,240.85

RESERVE FOR DEPRECIATION OF UTILITY	NET BALANCE FIRST OF YEAR	ACCRUALS	RETIREMENTS	COST OF REMOVAL	SALVAGE	OTHER CREDITS	BALANCE TO DATE
Plant In Service							
Electric	1,235,700,821.25	36,258,495.85	(7,913,002.02)	(1,087,111.74)	(517.07)	-	1,262,958,686.27
Gas	159,276,235.08	5,280,617.15	(2,856,118.80)	(267,459.65)	646.35	-	161,433,920.13
Common	55,289,741.92	4,563,780.46	(73,993.28)	(101,968.80)	-	-	59,677,560.30
Total Reserve For Depreciation Of Utility Plant In Service	1,450,266,798.25	46,102,893.46	(10,843,114.10)	(1,456,540.19)	129.28	-	1,484,070,166.70
Reserve For Amortization Of Utility Plant In Service							
Electric	100.00					-	100.00
Gas	574,193.92	-					574,193.92
Common	18,101,954.13	2,549,377.48	-	-	-	-	20,651,331.61
Total Reserve For Amortization Of Utility Plant In Service	18,676,248.05	2,549,377.48	-	-	-	-	21,225,625.53
Retirement Work In Progress							
Electric	(4,845,891.80)			(1,494,274.58)	(59,386.73)	39,884.00	(6,359,669.11)
Gas	(43,721.15)			(66,665.73)	-	(26,821.55)	(137,208.43)
Common	(379,491.56)	-	-	328,611.25	(21,387.00)	26,000.00	(46,267.31)
Total Retirement Work In Progress	(5,269,104.51)	-	-	(1,232,329.06)	(80,773.73)	39,062.45	(6,543,144.85)
Total Reserve For Depreciation and Amortization - Utility Plant In Service	1,463,673,941.79	48,652,270.94	(10,843,114.10)	(2,688,869.25)	(80,644.45)	39,062.45	1,498,752,647.38
Utility Plant at Original Cost Less Reserve For Depreciation and Amortization	2,159,311,351.72						2,211,803,593.47

LG&E Monthly Report to KPSC-April 30,2003

LOUISVILLE GAS AND ELECTRIC COMPANY
COMPARATIVE STATEMENT OF INCOME
APRIL 30, 2003

	CURRENT MONTH			
	THIS YEAR AMOUNT	LAST YEAR AMOUNT	INCREASE OR DECREASE AMOUNT	%
Electric Operating Revenues	57,392,823.67	54,462,012.70	2,930,810.97	5.38
Gas Operating Revenues	18,238,495.69	12,707,559.87	5,530,935.82	43.52
Rate Refunds	(721,015.64)	137,473.58	(858,489.22)	(624.48)
Total Operating Revenues	74,910,303.72	67,307,046.15	7,603,257.57	11.30
Fuel for Electric Generation	15,208,624.92	16,080,589.03	(871,964.11)	(5.42)
Power Purchased	8,740,571.01	7,281,360.59	1,459,210.42	20.04
Gas Supply Expenses	11,599,439.34	7,336,771.99	4,262,667.35	58.10
Other Operation Expenses	17,500,514.72	18,116,244.79	(615,730.07)	(3.40)
Maintenance	4,892,332.00	5,331,461.31	(439,129.31)	(8.24)
Depreciation	9,347,758.21	8,047,649.95	1,300,108.26	16.16
Amortization Expense	435,434.67	408,619.15	26,815.52	6.56
Regulatory Credits	(61,163.81)	-	(61,163.81)	-
Taxes				
Federal Income	-	-	-	-
State Income	-	-	-	-
Deferred Federal Income - Net	-	-	-	-
Deferred State Income - Net	-	-	-	-
Federal Income - Estimated	1,186,406.16	264,089.67	922,316.49	349.24
State Income - Estimated	315,373.79	70,201.04	245,172.75	349.24
Property and Other	1,570,164.54	1,661,140.07	(90,975.53)	(5.48)
Investment Tax Credit	-	-	-	-
Amortization of Investment Tax Credit	(350,598.00)	(351,111.00)	513.00	(0.15)
Gain from Disposition of Allowances	-	-	-	-
Accretion Expense	51,391.00	-	51,391.00	-
Total Operating Expenses	70,436,248.55	64,247,016.59	6,189,231.96	9.63
Net Operating Income	4,474,055.17	3,060,029.56	1,414,025.61	46.21
Other Income Less Deductions	616,070.29	(44,416.21)	660,486.50	-
Income Before Interest Charges	5,090,125.46	3,015,613.35	2,074,512.11	68.79
Interest on Long Term Debt	1,731,529.77	2,091,040.96	(359,511.19)	(17.19)
Amortization of Debt Expense - Net	125,197.20	125,234.55	(37.35)	(0.03)
Other Interest Expenses	305,899.32	123,135.54	182,763.78	148.42
Total Interest Charges	2,162,626.29	2,339,411.05	(176,784.76)	(7.56)
Net Inc Before Cumulative Effect of Acctg Chg	2,927,499.17	676,202.30	2,251,296.87	332.93
Cumulative Effect of Accounting Change Net of Tax	-	-	-	-
Net Income	2,927,499.17	676,202.30	2,251,296.87	332.93
Preferred Dividend Requirements	301,592.86	349,509.56	(47,916.70)	(13.71)
Earnings Available for Common	2,625,906.31	326,692.74	2,299,213.57	703.78

LOUISVILLE GAS AND ELECTRIC COMPANY
COMPARATIVE STATEMENT OF INCOME
APRIL 30, 2003

	YEAR TO DATE			
	THIS YEAR AMOUNT	LAST YEAR AMOUNT	INCREASE OR DECREASE AMOUNT	%
Electric Operating Revenues	250,990,102.74	220,707,915.96	30,282,186.78	13.72
Gas Operating Revenues	158,062,538.10	129,826,172.44	28,236,365.66	21.75
Rate Refunds	975,162.36	137,473.58	837,688.78	609.35
Total Operating Revenues	410,027,803.20	350,671,561.98	59,356,241.22	16.93
Fuel for Electric Generation	64,685,825.22	60,187,811.78	4,498,013.44	7.47
Power Purchased	41,141,816.44	30,861,823.88	10,279,992.56	33.31
Gas Supply Expenses	117,706,617.03	90,803,565.31	26,903,051.72	29.63
Other Operation Expenses	71,028,339.60	66,525,773.85	4,502,565.75	6.77
Maintenance	16,785,531.31	17,332,407.61	(546,876.30)	(3.16)
Depreciation	35,160,017.20	32,099,750.21	3,060,266.99	9.53
Amortization Expense	1,796,926.47	1,634,476.60	162,449.87	9.94
Regulatory Credits	(5,525,602.06)	-	(5,525,602.06)	-
Taxes				
Federal Income	9,128,021.84	11,757,959.90	(2,629,938.06)	(22.37)
State Income	3,041,012.59	2,809,616.42	231,396.17	8.24
Deferred Federal Income - Net	6,488,062.76	(370,635.35)	6,858,698.11	-
Deferred State Income - Net	1,156,589.68	56,370.36	1,100,219.32	-
Federal Income - Estimated	1,186,406.16	264,089.68	922,316.48	349.24
State Income - Estimated	315,373.79	70,201.04	245,172.75	349.24
Property and Other	6,304,728.83	6,197,259.30	107,469.53	1.73
Investment Tax Credit	-	-	-	-
Amortization of Investment Tax Credit	(1,403,231.74)	(1,405,121.91)	1,890.17	(0.13)
Gain from Disposition of Allowances	-	-	-	-
Accretion Expense	205,563.50	-	205,563.50	-
Total Operating Expenses	369,201,998.62	318,825,348.68	50,376,649.94	15.80
Net Operating Income	40,825,804.58	31,846,213.30	8,979,591.28	28.20
Other Income Less Deductions	1,680,094.49	(43,031.28)	1,723,125.77	-
Income Before Interest Charges	42,505,899.07	31,803,182.02	10,702,717.05	33.65
Interest on Long Term Debt	7,075,040.36	8,447,902.81	(1,372,862.45)	(16.25)
Amortization of Debt Expense - Net	500,788.80	491,031.60	9,757.20	1.99
Other Interest Expenses	1,603,530.66	1,301,939.88	301,590.78	23.16
Total Interest Charges	9,179,359.82	10,240,874.29	(1,061,514.47)	(10.37)
Net Inc Before Cumulative Effect of Acctg Chg	33,326,539.25	21,562,307.73	11,764,231.52	54.56
Cumulative Effect of Accounting Change Net of Tax	3,149,402.00	-	3,149,402.00	-
Net Income	30,177,137.25	21,562,307.73	8,614,829.52	39.95
Preferred Dividend Requirements	1,237,621.82	1,414,913.65	(177,291.83)	(12.53)
Earnings Available for Common	28,939,515.43	20,147,394.08	8,792,121.35	43.64

LOUISVILLE GAS AND ELECTRIC COMPANY
COMPARATIVE STATEMENT OF INCOME
APRIL 30, 2003

	YEAR ENDED CURRENT MONTH			
	THIS YEAR AMOUNT	LAST YEAR AMOUNT	INCREASE OR DECREASE AMOUNT	%
Electric Operating Revenues	777,117,373.78	715,078,734.03	62,038,639.75	8.68
Gas Operating Revenues	295,929,521.01	248,668,714.20	47,260,806.81	19.01
Rate Refunds	12,493,052.60	1,725,882.11	10,767,170.49	623.86
Total Operating Revenues	1,085,539,947.39	965,473,330.34	120,066,617.05	12.44
Fuel for Electric Generation	199,398,202.56	168,240,356.33	31,157,846.23	18.52
Power Purchased	94,610,000.14	92,666,524.32	1,943,475.82	2.10
Gas Supply Expenses	209,011,309.69	163,868,029.38	45,143,280.31	27.55
Other Operation Expenses	216,469,771.95	43,013,196.43	173,456,575.52	403.26
Maintenance	56,235,309.18	61,257,465.82	(5,022,156.64)	(8.20)
Depreciation	104,115,020.71	94,470,034.98	9,644,985.73	10.21
Amortization Expense	5,013,540.68	5,882,325.60	(868,784.92)	(14.77)
Regulatory Credits	(5,525,602.06)	-	(5,525,602.06)	-
Taxes				
Federal Income	23,602,738.84	46,385,735.19	(22,782,996.35)	(49.12)
State Income	8,314,154.87	9,647,510.72	(1,333,355.85)	(13.82)
Deferred Federal Income - Net	27,321,868.28	49,534,640.65	(22,212,772.37)	(44.84)
Deferred State Income - Net	5,509,941.57	13,360,354.76	(7,850,413.19)	(58.76)
Federal Income - Estimated	922,316.48	(3,099,458.33)	4,021,774.81	(129.76)
State Income - Estimated	245,172.75	(823,906.65)	1,069,079.40	(129.76)
Property and Other	17,565,826.62	18,091,553.01	(525,726.39)	(2.91)
Investment Tax Credit	-	-	-	-
Amortization of Investment Tax Credit	(4,150,288.77)	(4,275,473.42)	125,184.65	(2.93)
Gain from Disposition of Allowances	(216,947.35)	(248,032.91)	31,085.56	(12.53)
Accretion Expense	205,563.50	-	205,563.50	-
Total Operating Expenses	958,647,899.64	757,970,855.88	200,677,043.76	26.48
Net Operating Income	126,892,047.75	207,502,474.46	(80,610,426.71)	(38.85)
Other Income Less Deductions	2,543,423.19	1,951,048.50	592,374.69	30.36
Income Before Interest Charges	129,435,470.94	209,453,522.96	(80,018,052.02)	(38.20)
Interest on Long Term Debt	23,167,674.52	28,014,942.51	(4,847,267.99)	(17.30)
Amortization of Debt Expense - Net	1,566,887.70	1,452,652.69	114,235.01	7.86
Other Interest Expenses	4,005,145.09	3,761,965.94	243,179.15	6.46
Total Interest Charges	28,739,707.31	33,229,561.14	(4,489,853.83)	(13.51)
Net Inc Before Cumulative Effect of Acctg Chg	100,695,763.63	176,223,961.82	(75,528,198.19)	(42.86)
Cumulative Effect of Accounting Change Net of Tax	3,149,402.00	-	3,149,402.00	-
Net Income	97,546,361.63	176,223,961.82	(78,677,600.19)	(44.65)
Preferred Dividend Requirements	4,068,699.13	4,448,907.80	(380,208.67)	(8.55)
Earnings Available for Common	93,477,662.50	171,775,054.02	(78,297,391.52)	(45.58)

LOUISVILLE GAS AND ELECTRIC COMPANY
ANALYSIS OF RETAINED EARNINGS
APRIL 30, 2003

	CURRENT MONTH		YEAR TO DATE		YEAR ENDED CURRENT MONTH	
	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR
Balance at Beginning of Period	435,617,495.16	413,439,046.23	409,303,886.04	393,618,344.89	390,765,738.97	264,990,684.95
Add:						
Credits from Income	2,927,499.17	676,202.30	30,177,137.25	21,562,307.73	97,546,361.63	176,223,961.82
Deduct:						
Preferred Dividends						
$25 Par Value						
5% Series			268,841.45	268,841.59	1,075,365.67	1,075,366.20
Without Par Value						
Auction Rate			300,000.00	429,374.98	1,524,583.32	1,904,791.67
$5.875 Series			367,187.51	367,187.52	1,468,750.14	1,468,749.93
Preferred Dividends Accrued						
$25 Par Value						
5% Series	89,613.73	89,613.74	89,613.73	89,613.74		
Without Par Value						
Auction Rate	89,583.33	137,500.00	89,583.33	137,500.00		
$5.875 Series	122,395.80	122,395.82	122,395.80	122,395.82		
Common Dividends						
Common Stock Without Par Value		23,000,000.00		23,000,000.00	46,000,000.00	46,000,000.00
Balance at End of Period	438,243,401.47	390,765,738.97	438,243,401.47	390,765,738.97	438,243,401.47	390,765,738.97

LOUISVILLE GAS AND ELECTRIC COMPANY
COMPARATIVE BALANCE SHEETS AS OF APRIL 30, 2003 AND 2002

ASSETS AND OTHER DEBITS	THIS YEAR	LAST YEAR
Utility Plant		
Utility Plant at Original Cost	3,693,853,370.51	3,455,520,011.73
Less Reserves for Depreciation & Amortization	1,491,103,808.22	1,411,347,285.57
Total	2,202,749,562.29	2,044,172,726.16
Investments - At Cost		
Ohio Valley Electric Corporation	490,000.00	490,000.00
Investments in LG&E-R	5,000,000.00	5,000,000.00
Nonutility Property-Less Reserve	111,537.79	738,922.43
Other	-	-
Total	5,601,537.79	6,228,922.43
Current and Accrued Assets		
Cash	3,092,360.04	2,185,107.27
Special Deposits	29,624.10	8,684,414.07
Temporary Cash Investments	-	-
Accounts Receivable-Less Reserve	11,848,684.15	8,900,348.64
Notes Receivable from Assoc. Companies	-	-
Notes Receivable from LG&E-R	36,163,046.00	69,712,797.00
Accounts Receivable from Assoc Companies	9,646,324.77	9,142,141.38
Materials & Supplies-At Average Cost		
Fuel	34,732,523.81	30,433,390.70
Plant Materials & Operating Supplies	22,328,170.83	25,561,133.83
Stores Expense	3,696,250.65	3,233,597.86
Gas Stored Underground	13,236,796.78	9,966,380.87
Allowance Inventory	78,459.63	35,518.08
Prepayments	4,253,048.73	3,691,660.62
Miscellaneous Current & Accrued Assets	1,139,196.98	(0.54)
Total	140,244,486.47	171,546,489.78
Deferred Debits and Other		
Unamortized Debt Expense	6,436,521.75	5,861,275.00
Unamortized Loss on Bonds	18,458,764.49	18,165,279.73
Accumulated Deferred Income Taxes	126,587,687.15	139,033,872.79
Deferred Regulatory Assets	99,590,046.36	123,560,994.00
Other Deferred Debits	80,644,124.26	40,416,688.81
Total	331,717,144.01	327,038,110.33
Total Assets and Other Debits	2,680,312,730.56	2,548,986,248.70

LIABILITIES AND OTHER CREDITS	THIS YEAR	LAST YEAR
Capitalization		
Common Stock	425,170,424.09	425,170,424.09
Common Stock Expense	(835,888.64)	(835,888.64)
Paid-In Capital	40,000,000.00	40,000,000.00
Unrealized Gain (Loss) on Investment	-	-
Other Comprehensive Income	(40,532,250.20)	(18,994,808.40)
Retained Earnings	438,243,401.47	390,765,738.97
Total Common Equity	862,045,686.72	836,105,466.02
Preferred Stock	95,140,346.77	95,140,346.77
First Mortgage Bonds	574,304,000.00	616,904,000.00
Pollution Control Bonds (Unsecured)	-	-
LT Notes Payable to Associated Companies	100,000,000.00	-
Total Capitalization	1,631,490,033.49	1,548,149,812.79
Current and Accrued Liabilities		
Long-Term Debt Due in 1 Year	42,600,000.00	-
Notes Payable to Associated Companies	157,212,051.40	119,452,943.44
Notes Payable	-	-
Accounts Payable	60,911,791.72	63,235,577.08
Accounts Payable to Associated Companies	26,698,955.45	23,266,728.66
Customer Deposits	10,002,328.25	8,719,014.97
Taxes Accrued	12,710,757.42	33,081,429.44
Interest Accrued	2,744,414.10	3,389,920.15
Dividends Declared	-	-
Misc. Current & Accrued Liabilities	4,114,556.83	3,262,674.86
Total	316,994,855.17	254,408,288.60
Deferred Credits and Other		
Accumulated Deferred Income Taxes	449,925,805.34	438,399,273.79
Investment Tax Credit	53,133,212.89	57,283,501.66
Regulatory Liabilities	46,521,579.00	49,567,173.00
Customer Advances for Construction	9,742,042.87	10,027,320.52
Asset Retirement Obligations	9,535,573.50	-
Other Deferred Credits	20,601,261.52	17,021,810.77
Misc. Long-Term Liabilities	82,676,264.61	114,985,670.57
Misc. Long-Term Liab. Due to Assoc. Co.	-	-
Accum Provision for Post-Retirement Benefits	59,692,102.17	59,143,397.00
Total	731,827,841.90	746,428,147.31
Total Liabilities and Other Credits	2,680,312,730.56	2,548,986,248.70

LOUISVILLE GAS AND ELECTRIC COMPANY
STATEMENT OF CAPITALIZATION AND SHORT-TERM DEBT
APRIL 30, 2003

	AUTHORIZED	ISSUED & OUTSTANDING		PERCENT OF TOTAL	
	SHARES	SHARES	AMOUNT	CAPITAL & S/T DEBT	CAPITAL
Common Equity					
Common Stock - Without Par	75,000,000	21,294,223	425,170,424.09		
Common Stock Expense			(835,888.64)		
Paid-In Capital			40,000,000.00		
Unrealized Gain (Loss) on Investment			-		
Other Comprehensive Income			(40,532,250.20)		
Retained Earnings			438,243,401.47		
Total Common Equity			862,045,686.72	47.07	52.84
Preferred Stock, Cumulative					
$25 Par Value	1,720,000				
5% Series		860,287	21,507,175.00		
Without Par Value ($100 Stated)	6,750,000				
NPV-Stated Value Auction Rate		500,000	50,000,000.00		
$5.875 Series		250,000	25,000,000.00		
Subtotal			96,507,175.00		
Gain on Reacquired Preferred Stock			5,698.75		
Preferred Stock Expense			(1,372,526.98)		
Total Preferred Stock			95,140,346.77	5.20	5.83
Total Stockholder's Equity			957,186,033.49	52.27	58.67
Long-Term Debt					
First Mortgage Bonds	Not Limited				
PCB S JC 09/01/92 Due 09/01/17 VAR%			31,000,000.00		
PCB T TC 09/01/92 Due 09/01/17 VAR%			60,000,000.00		
PCB U JC 08/15/93 Due 08/15/13 VAR%			35,200,000.00		
PCB V JC 08/15/93 Due 08/15/19 5 5/8%			102,000,000.00		
PCB W JC 10/15/93 Due 10/15/20 5.45%			26,000,000.00		
PCB X JC 04/15/95 Due 04/15/23 5.90%			40,000,000.00		
PCB Y JC 05/01/00 Due 05/01/27 VAR%			25,000,000.00		
PCB Z JC 08/01/00 Due 08/01/30 VAR%			83,335,000.00		
PCB AA JC 09/11/01 Due 09/01/27 VAR%			10,104,000.00		
PCB BB JC 03/06/02 Due 09/01/26 VAR%			22,500,000.00		
PCB CC TC 03/06/02 Due 09/01/26 VAR%			27,500,000.00		
PCB DD JC 03/22/02 Due 11/01/27 VAR%			35,000,000.00		
PCB EE TC 03/22/02 Due 11/01/27 VAR%			35,000,000.00		
PCB FF TC 10/23/02 Due 10/01/32 VAR%			41,665,000.00		
Total First Mortgage Bonds			574,304,000.00	31.36	35.20
LT Notes Payable to Associated Companies			100,000,000.00	5.46	6.13
Total Capitalization			1,631,490,033.49	89.09	100.00
Long-Term Debt Due in 1 Year			42,600,000.00	2.33	
Notes Payable to Associated Companies			157,212,051.40	8.58	
Total Capitalization and Short-Term Debt			1,831,302,084.89	100.00	

LOUISVILLE GAS AND ELECTRIC COMPANY
TRIAL BALANCE - GENERAL LEDGER
APRIL 30, 2003

Account - Subsidiary Account	Balance Subsidiary Account	Balance as Shown On Balance Sheet
UTILITY PLANT		
At Original Cost	3,693,853,370.51	3,693,853,370.51
Reserves for Depreciation and Amortization		(1,491,103,808.22)
Electric	(1,251,066,011.63)	
Gas	(161,308,138.62)	
Common	(58,256,483.45)	
Amortization of Plant		
Underground Storage Land and Land Rights	(573,293.92)	
Limited - Term Plant	(19,899,880.60)	
INVESTMENTS - AT COST		5,601,537.79
Nonutility Property - less reserve ($63,360.36)	17,337.47	
Coal for Resale 2,724 Tons @ $34.58	94,200.32	
Investments in LG&E-R	5,000,000.00	
Ohio Valley Electric Corporation	490,000.00	
CASH		3,092,360.04
National City Bank - Regular	2,107,173.76	
Bank of Louisville	11,926.93	
Citibank	10,358.25	
Farmers Bank and Trust Company	166,464.07	
US Bank	497,597.20	
Bedford Loan and Deposit Bank	10,000.00	
Farmers Bank of Milton	10,000.00	
Meade County Bank	278,839.83	
OTHER SPECIAL DEPOSITS		29,624.10
Other Special Deposits	29,624.10	
ACCOUNTS RECEIVABLE - LESS RESERVE		11,848,684.15
Working Funds	66,050.00	
Customers	65,713,157.09	
Customer Accounts Receivable Sold to LG&E-R	(72,236,000.00)	
Wholesale Sales	12,971,187.67	
Transmission Sales	991,264.47	
Unbilled Revenues	(1,876,000.00)	
Employee Computer Loans	529,771.72	
Damage Claims	982,109.96	
RAR Settlements	2,286,816.00	
Officers and Employees	38,687.09	
IMEA	578,801.96	
IMPA	654,705.96	
Other	979,710.82	
Reserves for Uncollectible Accounts		
Utility Customers		
Accrual	(2,953,521.41)	
Charged Off	1,684,626.39	
Recoveries	(856,174.27)	
Accrual Sold to LG&E-R	2,125,069.00	
Rents Receivable	168,421.70	
NOTES RECEIVABLE FROM LG&E-R		36,163,046.00
Notes Receivable from LG&E-R	36,163,046.00	
ACCOUNTS RECEIVABLE FROM ASSOCIATED COMPANIES		9,646,324.77
LG&E Energy Corp	9,577,223.36	
LG&E Energy Marketing Inc. (LEM)-Power Marketing	69,101.41	
FUEL		34,732,523.81
Coal 1,369,062 Tons @ $25.30; MMBTU 31,032,543 @ 111.63¢	34,640,231.99	
Fuel Oil 231,762 Gallons @ 81.77¢	189,504.18	
Gas Pipeline	(97,212.36)	
PLANT MATERIALS AND OPERATING SUPPLIES		22,328,170.83
Regular Materials and Supplies	22,144,408.99	
Limestone 35,021 Tons @ $5.25	183,761.84	

LOUISVILLE GAS AND ELECTRIC COMPANY
TRIAL BALANCE - GENERAL LEDGER
APRIL 30, 2003

Account - Subsidiary Account	Balance Subsidiary Account	Balance as Shown On Balance Sheet
STORES EXPENSE		3,696,250.65
Stores Expense Undistributed	3,696,250.65	
GAS STORED UNDERGROUND - CURRENT		13,236,796.78
Gas St. Underground*3,305,030 MCF (14.73 psia) @ 400.50¢	13,236,796.78	
ALLOWANCE INVENTORY		78,459.63
Allowance Inventory	78,459.63	
PREPAYMENTS		4,253,048.73
Unexpired Insurance	3,520,284.12	
Franchises	210,208.15	
Permit Fees	147,497.66	
Real Estate Commissions	28,390.80	
Rights of Way	346,668.00	
MISCELLANEOUS CURRENT ASSETS		1,139,196.98
Derivative Asset	1,139,196.98	
UNAMORTIZED DEBT EXPENSE		6,436,521.75
First Mortage Bonds Series due August 15, 2003, 6 %	10,621.88	
Pollution Control Series S due Sept. 1, 2017	179,945.66	
Pollution Control Series T due Sept. 1, 2017	237,990.66	
Pollution Control Series U due Aug. 15, 2013	119,891.59	
Pollution Control Series V due Aug. 15, 2019	727,489.92	
Pollution Control Series W due Oct. 15, 2020	334,009.89	
Pollution Control Series X due Apr. 15, 2023	660,701.32	
Pollution Control Series Y due May 1, 2027	573,306.49	
Pollution Control Series Z due Aug. 1, 2030	1,043,070.99	
Pollution Control Series AA due Sept. 1, 2027	484,496.53	
Pollution Control Series BB due Sept. 1, 2026	225,592.63	
Pollution Control Series CC Sept. 1, 2026	246,755.77	
Pollution Control Series DD due Nov. 1, 2027	269,960.82	
Pollution Control Series EE due Nov. 1, 2027	270,000.36	
Pollution Control Series FF due Oct. 1, 2032	1,052,687.24	
UNAMORTIZED LOSS ON BONDS		18,458,764.49
Refinanced and Called Bonds	18,458,764.49	
OTHER DEFERRED DEBITS		80,644,124.26
Gas Supply Cost Adjustments	34,312,055.05	
Other	46,332,069.21	
DEFERRED REGULATORY ASSET		99,590,046.36
KU Merger Expenses	604,890.00	
VDT Expenses	87,929,860.30	
Asset Retirement Obligations	5,525,602.06	
Deferred Taxes - FAS 109		
Federal		
Electric	4,210,535.00	
Gas	350,093.00	
State		
Electric	929,204.00	
Gas	39,862.00	
ACCUMULATED DEFERRED INCOME TAXES		126,587,687.15
Federal		
Electric	79,872,416.85	
Gas	11,511,552.04	
Common	13,898,876.24	
State		
Electric	15,478,571.26	
Gas	2,293,868.20	
Common	3,532,402.56	

* Excludes:

	$	MCF
Non-recoverable Base Gas	9,648,855.00	7,880,000
Recoverable Base Gas	2,139,990.00	2,930,000
	11,788,845.00	10,810,000

Total Assets and Other Debits	2,680,312,730.56	2,680,312,730.56

LOUISVILLE GAS AND ELECTRIC COMPANY
TRIAL BALANCE - GENERAL LEDGER
APRIL 30, 2003

Account - Subsidiary Account	Balance Subsidiary Account	Balance as Shown On Balance Sheet
COMMON EQUITY		862,045,686.72
Common Stock	425,170,424.09	
Retained Earnings	438,243,401.47	
Common Stock Expense	(835,888.64)	
Additional Paid-In Capital	40,000,000.00	
Other Comprehensive Income	(40,532,250.20)	
PREFERRED STOCK		95,140,346.77
5% Series	21,507,175.00	
Auction Rate	50,000,000.00	
$5.875 Series	25,000,000.00	
Gain on Reacquired Preferred Stock	5,698.75	
Preferred Stock Expense		
Auction Rate	(1,088,279.70)	
$5.875 Series	(284,247.28)	
BONDS		574,304,000.00
First Mortgage Bonds	574,304,000.00	
LT NOTES PAYABLE TO ASSOCIATED COMPANIES	100,000,000.00	100,000,000.00
LONG-TERM DEBT DUE WITHIN ONE YEAR		42,600,000.00
Mandatory Redemption-FMB due August 15, 2003	42,600,000.00	
NOTES PAYABLE TO ASSOCIATED COMPANIES	157,212,051.40	157,212,051.40
ACCOUNTS PAYABLE		60,911,791.72
Regular	57,446,782.78	
Salaries and Wages Accrued	2,483,483.56	
Nonqualified Savings Plan	539,552.01	
Tax Collections - Payable	441,973.37	
ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES		26,698,955.45
LG&E Energy Corp	26,698,955.45	
CUSTOMERS' DEPOSITS		10,002,328.25
Customers' Deposits	10,002,328.25	
TAXES ACCRUED		12,710,757.42
Taxes Accrued	12,710,757.42	
INTEREST ACCRUED		2,744,414.10
Interest on Long-Term Debt		
First Mortgage Bonds		
Series due Aug. 15, 2003, 6 %	532,500.00	
Loan Agreement - Pol. Cont. Bonds 1992 Series A	37,343.85	
Loan Agreement - Pol. Cont. Bonds 1992 Series A-TC	64,028.55	
Loan Agreement - Pol. Cont. Bonds 1993 Series A	35,410.95	
Loan Agreement - Pol. Cont. Bonds 1993 Series B	1,195,310.50	
Loan Agreement - Pol. Cont. Bonds 1993 Series C	59,041.63	
Loan Agreement - Pol. Cont. Bonds 1995 Series A	98,333.30	
Loan Agreement - Pol. Cont. Bonds 2000 Series A	25,533.26	
Loan Agreement - Pol. Cont. Bonds 2000 Series A-TC	39,931.35	
Loan Agreement - Pol. Cont. Bonds 2001 Series A	701.63	
Loan Agreement - Pol. Cont. Bonds 2001 Series A	38,095.33	
Loan Agreement - Pol. Cont. Bonds 2001 Series A-TC	47,254.81	
Loan Agreement - Pol. Cont. Bonds 2001 Series B	62,244.38	
Loan Agreement - Pol. Cont. Bonds 2001 Series B-TC	62,367.12	
Loan Agreement - Pol. Cont. Bonds 2002 Series A-TC	18,800.61	
Interest Rate Swaps	427,516.83	

LOUISVILLE GAS AND ELECTRIC COMPANY
TRIAL BALANCE - GENERAL LEDGER
APRIL 30, 2003

Account - Subsidiary Account	Balance Subsidiary Account	Balance as Shown On Balance Sheet
MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES		4,114,556.83
Vacation Pay Accrued	3,879,348.28	
Revenue Subject to Refund	96,659.00	
Mark to Market Liabilities	138,549.55	
CUSTOMERS' ADVANCES FOR CONSTRUCTION		9,742,042.87
Line Extensions		
Electric	514,115.82	
Gas	9,227,927.05	
ASSET RETIREMENT OBLIGATIONS	9,535,573.50	9,535,573.50
OTHER DEFERRED CREDITS		20,601,261.52
Other Deferred Credits	20,413,825.95	
Clearing Accounts Transferred from Other Deferred Debits	187,435.57	
REGULATORY LIABILITIES		46,521,579.00
Asset Retirement Obligations	59,240.00	
Deferred Taxes		
Federal		
Electric	39,767,565.00	
Gas	2,731,713.00	
State		
Electric	4,115,468.00	
Gas	(152,407.00)	
INVESTMENT TAX CREDIT		53,133,212.89
Investment Tax Credit (prior law)		
Electric	4,386.12	
Gas	46.89	
Job Development Credit		
Electric	51,130,454.27	
Gas	1,998,325.61	
ACCUMULATED DEFERRED INCOME TAXES		449,925,805.34
Federal		
Electric	311,119,143.60	
Gas	52,862,716.73	
Common	72,959.20	
State		
Electric	73,068,562.66	
Gas	12,784,182.35	
Common	18,240.80	
MISCELLANEOUS LONG-TERM LIABILITIES		82,676,264.61
Pension Payable	76,204,486.00	
Workers' Compensation	4,102,539.61	
Post Employment Benefits - FAS 112	2,369,239.00	
ACCUMULATED PROVISION FOR BENEFITS		59,692,102.17
Post Retirement Benefits - FAS 106	59,692,102.17	
Total Liabilities and Other Credits	2,680,312,730.56	2,680,312,730.56

LOUISVILLE GAS AND ELECTRIC COMPANY
STATEMENT OF CASH FLOWS
APRIL 30, 2003

	Year to Date	
	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	30,177,137.25	21,562,307.73
Items not requiring cash currently:		
Depreciation and amortization	36,956,943.67	33,734,226.81
Deferred income taxes - net	5,509,662.22	289,178.61
Investment tax credit - net	(1,403,231.74)	(1,405,121.91)
Other	16,936,867.61	14,161,745.19
(Increase) decrease in certain net current assets:		
Accounts receivable	5,756,275.61	(7,117,579.16)
Materials and supplies	38,523,501.58	28,274,148.50
Accounts payable	(35,160,125.46)	(62,917,168.99)
Accrued taxes	11,271,455.10	12,836,432.60
Accrued interest	(2,195,226.56)	(2,428,000.62)
Prepayments and other	104,506.47	1,213,537.97
Other	(103,252,398.32)	7,879,394.08
Net cash provided from operating activities	3,225,367.43	46,083,100.81
CASH FLOWS FROM INVESTING ACTIVITIES		
Long term investment in securities	162,506.84	(53,025.17)
Construction expenditures	(79,425,272.41)	(36,657,732.06)
Net cash used for investing activities	(79,262,765.57)	(36,710,757.23)
CASH FLOWS FROM FINANCING ACTIVITIES		
Short-term borrowings from parent company	(35,840,892.04)	25,256,250.00
Long-term borrowings from parent company	100,000,000.00	-
Retirement of pollution control bonds	-	(120,000,000.00)
Net proceeds from issuance of pollution control bonds	(21,491.27)	119,305,380.41
Payment of dividends	(1,993,308.20)	(25,176,433.24)
Net cash used for financing activities	62,144,308.49	(614,802.83)
NET INCREASE (DECREASE) IN CASH AND TEMP. CASH INVESTMENTS	(13,893,089.65)	8,757,540.75
CASH AND TEMPORARY CASH INVESTMENTS AT BEGINNING OF PERIOD	17,015,073.79	2,111,980.59
ASH AND TEMPORARY CASH INVESTMENTS AT END OF PERIOD	3,121,984.14	10,869,521.34

LOUISVILLE GAS AND ELECTRIC COMPANY
ANALYSIS OF INTEREST CHARGES
APRIL 30, 2003

	CURRENT MONTH		YEAR TO DATE		YEAR ENDED CURRENT MONTH	
	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR
Interest On Long-Term Debt						
First Mortgage Bonds						
Series Due Aug. 15 2003, 6%	213,000.00	213,000.00	852,000.00	852,000.00	2,556,000.00	2,556,000.00
Loan Agreement - Poll. Control Bonds						
1990 Series B (6.55%) TC	-	227,421.46	(30.00)	909,685.87	1,467,247.78	2,729,057.55
1992 Series A Variable	30,582.19	40,393.16	127,846.56	155,892.10	406,483.83	712,266.03
1992 Series A Variable TC	59,452.06	82,452.05	261,876.72	342,583.42	823,951.56	1,590,227.27
1993 Series A Variable Rate	35,202.74	49,483.18	152,956.16	201,735.68	490,884.81	943,404.05
1993 Series B (5 5/8%)	478,125.01	478,125.01	1,912,500.04	1,912,504.96	5,737,500.12	5,737,504.96
1993 Series C (5.45%)	118,083.34	118,083.34	472,333.36	472,333.36	1,417,000.08	1,417,000.10
1995 Series A (5.90%)	196,666.66	196,666.66	786,666.64	786,666.64	2,359,999.92	2,359,999.89
2000 Series A Variable Rate	22,847.23	29,930.56	92,743.07	119,861.12	336,736.12	571,944.48
2000 Series A Variable TC	76,390.42	97,224.17	318,906.83	369,567.54	1,155,638.86	1,842,816.89
2001 Series A Variable Rate	9,788.25	12,374.59	39,398.58	47,121.13	142,348.53	108,025.79
2001 Series A Variable Rate	20,408.21	27,369.87	82,455.63	51,090.42	302,512.45	51,090.42
2001 Series A Variable Rate TC	25,315.07	36,024.99	100,436.18	65,016.79	366,434.41	65,016.79
2001 Series B Variable Rate	33,345.21	50,227.39	133,080.01	67,008.21	484,184.09	67,008.21
2001 Series B Variable Rate TC	33,410.95	50,342.46	133,147.94	67,123.28	483,832.87	67,123.28
2002 Series A Variable Rate TC	37,104.68	-	160,672.79	-	278,533.35	-
Loan Agreement - Unsecured Bonds						
1996 Series A Variable Rate	-	-	-	79,006.25	-	555,472.00
1996 Series A Variable Rate TC	-	-	-	110,904.09	-	723,075.33
1997 Series A Variable Rate	-	12,034.25	-	158,253.28	-	904,691.67
1997 Series A Variable Rate TC	-	12,753.43	-	183,342.64	-	910,863.14
Interest Rate Swaps	341,807.75	357,134.39	1,448,049.85	1,496,206.03	4,358,385.74	4,102,354.66
Marked to Market	-	-	-	-	-	-
Total	1,731,529.77	2,091,040.96	7,075,040.36	8,447,902.81	23,167,674.52	28,014,942.51
Amortization of Debt Expense - Net						
Amortization of Debt Expense	29,206.18	28,626.50	116,824.72	109,619.64	425,785.60	315,060.86
Amortization of Premium on Debt - Cr.	-	-	-	-	-	-
Amort. of Loss on Reacquired Debt	95,991.02	96,608.05	383,964.08	381,411.96	1,141,102.10	1,137,591.83
Total	125,197.20	125,234.55	500,788.80	491,031.60	1,566,887.70	1,452,652.69
Other Interest Charges						
Note Payable	-	-	-	85,249.11	-	141,700.49
Customers' Deposits	30,558.92	30,955.52	147,887.06	131,929.07	433,201.13	404,297.43
Federal Income Tax Deficiencies	-	-	-	-	-	-
Other Tax Deficiencies	-	-	-	-	-	-
Gas Refunds	126.60	-	910.61	-	2,134.18	-
Interest on Dsm Cost Recovery	-	-	-	-	-	-
Deferred Compensation	-	-	6,948.81	6,699.81	28,394.17	24,391.24
Interest on Debt to Associated Companies	234,841.24	136,129.57	969,708.89	539,105.17	2,606,317.19	2,145,008.78
Interest Costs from A/R Securitization	40,372.56	(43,949.55)	475,348.57	538,956.72	932,371.70	1,046,568.00
Other	-	-	2,726.72	-	2,726.72	-
Total	305,899.32	123,135.54	1,603,530.66	1,301,939.88	4,005,145.09	3,761,965.94
Total Interest	2,162,626.29	2,339,411.05	9,179,359.82	10,240,874.29	28,739,707.31	33,229,561.14

LOUISVILLE GAS AND ELECTRIC COMPANY
ANALYSIS OF TAXES CHARGED
APRIL 30, 2003

Kind of Taxes	Current Month This Year	Current Month Last Year	Year To Date This Year	Year To Date Last Year
Taxes Charged to Accounts 408.1 and 409.1				
Property Taxes	978,656.00	903,620.00	3,914,624.00	3,614,480.00
State Unemployment	0.13	3,729.26	(0.90)	20,183.59
Federal Unemployment	40,641.70	7,663.08	165,270.36	76,612.00
Federal Old Age and Survivors Insurance	403,132.60	601,556.14	1,623,436.30	1,908,843.88
Public Service Commission Fee	150,000.00	140,000.00	600,000.00	560,000.00
Federal Income	1,186,406.16	264,089.67	10,314,428.00	12,022,049.58
State Income	315,373.79	70,201.04	3,356,386.38	2,879,817.46
Miscellaneous	(2,265.89)	4,571.59	1,399.07	17,139.83
Total Charged to Operating Expense	3,071,944.49	1,995,430.78	19,975,543.21	21,099,126.34
Taxes Charged to Other Accounts	147,171.69	190,762.59	926,252.78	29,777.50
Taxes Accrued on Intercompany Accounts	(133,593.15)	(386,598.14)	(528,563.29)	(727,456.27)
Total Taxes Charged	3,085,523.03	1,799,595.23	20,373,232.70	20,401,447.57

ANALYSIS OF TAXES ACCRUED - ACCOUNT 236

Kind of Taxes	Taxes Accrued At Beginning Of Year	Accruals To Date This Year	Payments To Date This Year	Taxes Accrued At End Of Month
Property Taxes	191,066.78	3,966,664.00	97,916.61	4,059,814.17
State Unemployment	10,768.97	103.04	28,957.24	(18,085.23)
Federal Unemployment	17,650.80	130,563.73	50,687.11	97,527.42
Federal Old Age and Survivors	215,620.04	1,554,127.86	1,393,274.58	376,473.32
Public Service Commission Fee	-	600,000.00	-	600,000.00
Federal Income	(4,740,983.04)	10,239,445.19	5,048,612.00	449,850.15
State Income	5,299,487.96	3,337,228.64	1,498,247.00	7,138,469.60
Kentucky Sales and Use Tax	446,561.55	477,556.97	916,847.62	7,270.90
Miscellaneous	(870.74)	67,543.27	67,235.44	(562.91)
Totals	1,439,302.32	20,373,232.70	9,101,777.60	12,710,757.42

LOUISVILLE GAS AND ELECTRIC COMPANY
SUMMARY OF UTILITY PLANT
APRIL 30, 2003

UTILITY PLANT IN SERVICE	NET BALANCE FIRST OF YEAR	DEBITS-GROSS	CREDITS FOR RETIREMENTS	NET ADDITIONS	ADJUSTMENTS	BALANCE TO DATE
Electric						
Intangible	2,340.29	-	-	-	-	2,340.29
Steam Production	1,665,684,137.81	14,528,230.15	(2,581,471.75)	11,946,758.40	-	1,677,630,896.21
Hydro	9,324,683.24	-	-	-	-	9,324,683.24
Other Production	152,479,851.71	1,816,252.40	(1,344,213.36)	472,039.04	-	152,951,890.75
Transmission	213,912,790.08	1,682,323.51	-	1,682,323.51	-	215,595,113.59
Distribution	656,405,005.49	12,173,846.79	(567,689.07)	11,606,157.72	-	668,011,163.21
General	19,378,595.64	22,216.70	(2,192,344.13)	(2,170,127.43)	-	17,208,468.21
Total Electric	2,717,187,404.26	30,222,869.55	(6,685,718.31)	23,537,151.24	-	2,740,724,555.50
Gas						
Intangible	553,232.59	-	-	-	-	553,232.59
Natural Gas Storage Plant Underground	54,336,273.67	945,576.69	-	945,576.69	-	55,281,850.36
Transmission	12,414,633.91	304,906.91	-	304,906.91	-	12,719,540.82
Distribution	356,807,061.42	11,612,712.73	(1,497,152.49)	10,115,560.24	-	366,922,621.66
General	8,983,446.29	143,386.02	(337,359.36)	(193,973.34)	-	8,789,472.95
Gas Stored Underground Non-Current	2,139,990.00	-	-	-	-	2,139,990.00
Total Gas	435,234,637.88	13,006,582.35	(1,834,511.85)	11,172,070.50	-	446,406,708.38
Common						
Intangible	24,532,730.28	781,961.29	-	781,961.29	-	25,314,691.57
General	145,044,129.61	6,900,795.49	(36,965.25)	6,863,830.24	-	151,907,959.85
Total Common	169,576,859.89	7,682,756.78	(36,965.25)	7,645,791.53	-	177,222,651.42
Total Plant in Service	3,321,998,902.03	50,912,208.68	(8,557,195.41)	42,355,013.27	-	3,364,353,915.30
Construction Work In Progress						
Electric	261,760,776.30	44,189,000.31	-	44,189,000.31		305,949,776.61
Gas	25,501,848.83	(5,847,869.28)	-	(5,847,869.28)		19,653,979.55
Common	13,723,766.35	(9,828,067.30)	-	(9,828,067.30)	-	3,895,699.05
Total Construction Work In Progress	300,986,391.48	28,513,063.73	-	28,513,063.73	-	329,499,455.21
Total Utility Plant at Original Cost	3,622,985,293.51	79,425,272.41	(8,557,195.41)	70,868,077.00	-	3,693,853,370.51

RESERVE FOR DEPRECIATION OF UTILITY	NET BALANCE FIRST OF YEAR	ACCRUALS	RETIREMENTS	COST OF REMOVAL	SALVAGE	OTHER CREDITS	BALANCE TO DATE
Plant In Service							
Electric	1,235,700,821.25	28,937,657.56	(6,685,718.31)	(951,780.14)	-	-	1,257,000,980.36
Gas	159,276,235.08	4,216,592.55	(1,834,511.85)	(267,459.65)	646.35	-	161,391,502.48
Common	55,289,741.92	3,146,174.16	(36,965.25)	-	-	-	58,398,950.83
Total Reserve For Depreciation Of Utility Plant In Service	1,450,266,798.25	36,300,424.27	(8,557,195.41)	(1,219,239.79)	646.35	-	1,476,791,433.67
Reserve For Amortization Of Utility Plant In Service							
Electric	100.00						100.00
Gas	574,193.92	-				-	574,193.92
Common	18,101,954.13	1,796,926.47	-	-	-	-	19,898,880.60
Total Reserve For Amortization Of Utility Plant In Service	18,676,248.05	1,796,926.47	-	-	-	-	20,473,174.52
Retirement Work In Progress							
Electric	(4,845,891.80)			(1,094,688.60)	(58,745.73)	64,357.40	(5,934,968.73)
Gas	(43,721.15)			(39,642.71)	-	-	(83,363.86)
Common	(379,491.56)	-	-	232,411.18	(21,387.00)	26,000.00	(142,467.38)
Total Retirement Work In Progress	(5,269,104.51)	-	-	(901,920.13)	(80,132.73)	90,357.40	(6,160,799.97)
Total Reserve For Depreciation and Amortization - Utility Plant In Service	1,463,673,941.79	38,097,350.74	(8,557,195.41)	(2,121,159.92)	(79,486.38)	90,357.40	1,491,103,808.22
Utility Plant at Original Cost Less Reserve For Depreciation and Amortization	2,159,311,351.72						2,202,749,562.29

LG&E Monthly Report to KPSC-March 31,2003

LOUISVILLE GAS AND ELECTRIC COMPANY
COMPARATIVE STATEMENT OF INCOME
MARCH 31, 2003

	CURRENT MONTH			
	THIS YEAR AMOUNT	LAST YEAR AMOUNT	INCREASE OR DECREASE AMOUNT	%
Electric Operating Revenues	66,431,190.04	53,953,965.12	12,477,224.92	23.13
Gas Operating Revenues	27,462,509.80	33,913,416.73	(6,450,906.93)	(19.02)
Rate Refunds	667,868.00	-	667,868.00	-
Total Operating Revenues	94,561,567.84	87,867,381.85	6,694,185.99	7.62
Fuel for Electric Generation	16,921,864.06	15,581,973.31	1,339,890.75	8.60
Power Purchased	11,521,589.90	5,019,695.08	6,501,894.82	129.53
Gas Supply Expenses	20,134,678.74	27,685,304.72	(7,550,625.98)	(27.27)
Other Operation Expenses	17,788,435.49	16,521,951.56	1,266,483.93	7.67
Maintenance	4,344,908.91	4,523,601.21	(178,692.30)	(3.95)
Depreciation	8,612,518.64	7,981,876.46	630,642.18	7.90
Amortization Expense	536,182.81	408,619.15	127,563.66	31.22
Regulatory Credits	50,064.59	-	50,064.59	-
Taxes				
Federal Income	9,128,021.84	11,757,959.90	(2,629,938.06)	(22.37)
State Income	3,041,012.59	2,809,616.42	231,396.17	8.24
Deferred Federal Income - Net	6,488,062.76	(370,635.35)	6,858,698.11	(1,850.52)
Deferred State Income - Net	1,156,589.68	56,370.36	1,100,219.32	1,951.77
Federal Income - Estimated	(12,287,767.67)	(8,983,024.74)	(3,304,742.93)	36.79
State Income - Estimated	(3,248,684.58)	(2,387,892.67)	(860,791.91)	36.05
Property and Other	1,532,991.44	1,489,665.85	43,325.59	2.91
Investment Tax Credit	-	-	-	-
Amortization of Investment Tax Credit	(351,436.74)	(351,788.91)	352.17	(0.10)
Gain from Disposition of Allowances	-	-	-	-
Accretion Expense	48,194.16	-	48,194.16	-
Total Operating Expenses	85,417,226.62	81,743,292.35	3,673,934.27	4.49
Net Operating Income	9,144,341.22	6,124,089.50	3,020,251.72	49.32
Other Income Less Deductions	(1,042,101.89)	71,910.52	(1,114,012.41)	-
Income Before Interest Charges	8,102,239.33	6,196,000.02	1,906,239.31	30.77
Interest on Long Term Debt	1,747,446.66	2,146,038.91	(398,592.25)	(18.57)
Amortization of Debt Expense - Net	125,197.20	123,745.79	1,451.41	1.17
Other Interest Expenses	308,038.20	513,291.26	(205,253.06)	(39.99)
Total Interest Charges	2,180,682.06	2,783,075.96	(602,393.90)	(21.64)
Net Inc Before Cumulative Effect of Acctg Chg	5,921,557.27	3,412,924.06	2,508,633.21	73.50
Cumulative Effect of Accounting Change Net of Tax	(64,224.33)	-	(64,224.33)	-
Net Income	5,985,781.60	3,412,924.06	2,572,857.54	75.39
Preferred Dividend Requirements	312,009.70	355,134.78	(43,125.08)	(12.14)
Earnings Available for Common	5,673,771.90	3,057,789.28	2,615,982.62	85.55

LOUISVILLE GAS AND ELECTRIC COMPANY
COMPARATIVE STATEMENT OF INCOME
MARCH 31, 2003

	YEAR TO DATE			
	THIS YEAR AMOUNT	LAST YEAR AMOUNT	INCREASE OR DECREASE AMOUNT	%
Electric Operating Revenues	193,597,279.07	166,245,903.26	27,351,375.81	16.45
Gas Operating Revenues	139,824,042.41	117,118,612.57	22,705,429.84	19.39
Rate Refunds	1,696,178.00	-	1,696,178.00	-
Total Operating Revenues	335,117,499.48	283,364,515.83	51,752,983.65	18.26
Fuel for Electric Generation	49,477,200.30	44,107,222.75	5,369,977.55	12.17
Power Purchased	32,401,245.43	23,580,463.29	8,820,782.14	37.41
Gas Supply Expenses	106,107,177.69	83,466,793.32	22,640,384.37	27.13
Other Operation Expenses	53,527,824.88	48,409,529.06	5,118,295.82	10.57
Maintenance	11,893,199.31	12,000,946.30	(107,746.99)	(0.90)
Depreciation	25,812,258.99	24,052,100.26	1,760,158.73	7.32
Amortization Expense	1,361,491.80	1,225,857.45	135,634.35	11.06
Regulatory Credits	(5,464,438.25)	-	(5,464,438.25)	-
Taxes				
Federal Income	9,128,021.84	11,757,959.90	(2,629,938.06)	(22.37)
State Income	3,041,012.59	2,809,616.42	231,396.17	8.24
Deferred Federal Income - Net	6,488,062.76	(370,635.35)	6,858,698.11	(1,850.52)
Deferred State Income - Net	1,156,589.68	56,370.36	1,100,219.32	1,951.77
Federal Income - Estimated	-	0.01	(0.01)	(100.00)
State Income - Estimated	-	-	-	-
Property and Other	4,734,564.29	4,536,119.23	198,445.06	4.37
Investment Tax Credit	-	-	-	-
Amortization of Investment Tax Credit	(1,052,633.74)	(1,054,010.91)	1,377.17	(0.13)
Gain from Disposition of Allowances	-	-	-	-
Accretion Expense	154,172.50	-	154,172.50	-
Total Operating Expenses	298,765,750.07	254,578,332.09	44,187,417.98	17.36
Net Operating Income	36,351,749.41	28,786,183.74	7,565,565.67	26.28
Other Income Less Deductions	1,064,024.20	1,384.93	1,062,639.27	-
Income Before Interest Charges	37,415,773.61	28,787,568.67	8,628,204.94	29.97
Interest on Long Term Debt	5,343,510.59	6,356,861.85	(1,013,351.26)	(15.94)
Amortization of Debt Expense - Net	375,591.60	365,797.05	9,794.55	2.68
Other Interest Expenses	1,297,631.34	1,178,804.34	118,827.00	10.08
Total Interest Charges	7,016,733.53	7,901,463.24	(884,729.71)	(11.20)
Net Inc Before Cumulative Effect of Acctg Chg	30,399,040.08	20,886,105.43	9,512,934.65	45.55
Cumulative Effect of Accounting Change Net of Tax	3,149,402.00	-	3,149,402.00	-
Net Income	27,249,638.08	20,886,105.43	6,363,532.65	30.47
Preferred Dividend Requirements	936,028.96	1,065,404.09	(129,375.13)	(12.14)
Earnings Available for Common	26,313,609.12	19,820,701.34	6,492,907.78	32.76

LOUISVILLE GAS AND ELECTRIC COMPANY
COMPARATIVE STATEMENT OF INCOME
MARCH 31, 2003

	YEAR ENDED CURRENT MONTH			
	THIS YEAR AMOUNT	LAST YEAR AMOUNT	INCREASE OR DECREASE AMOUNT	%
Electric Operating Revenues	774,186,562.81	715,207,893.88	58,978,668.93	8.25
Gas Operating Revenues	290,398,585.19	249,996,775.34	40,401,809.85	16.16
Rate Refunds	13,351,541.82	1,588,408.53	11,763,133.29	740.56
Total Operating Revenues	1,077,936,689.82	966,793,077.75	111,143,612.07	11.50
Fuel for Electric Generation	200,270,166.67	164,853,833.16	35,416,333.51	21.48
Power Purchased	93,150,789.72	93,714,925.40	(564,135.68)	(0.60)
Gas Supply Expenses	204,748,642.34	164,395,317.74	40,353,324.60	24.55
Other Operation Expenses	217,085,502.02	36,806,288.55	180,279,213.47	489.81
Maintenance	56,674,438.49	60,133,504.95	(3,459,066.46)	(5.75)
Depreciation	102,814,912.45	94,536,714.49	8,278,197.96	8.76
Amortization Expense	4,986,725.16	5,829,778.33	(843,053.17)	(14.46)
Regulatory Credits	(5,464,438.25)	-	(5,464,438.25)	-
Taxes				
Federal Income	23,602,738.84	46,385,735.19	(22,782,996.35)	(49.12)
State Income	8,314,154.87	9,647,510.72	(1,333,355.85)	(13.82)
Deferred Federal Income - Net	27,321,868.28	49,534,640.65	(22,212,772.37)	(44.84)
Deferred State Income - Net	5,509,941.57	13,360,354.76	(7,850,413.19)	(58.76)
Federal Income - Estimated	(0.01)	0.01	(0.02)	(200.00)
State Income - Estimated	-	-	-	-
Property and Other	17,656,802.15	17,817,177.10	(160,374.95)	(0.90)
Investment Tax Credit	-	-	-	-
Amortization of Investment Tax Credit	(4,150,801.77)	(4,277,480.42)	126,678.65	(2.96)
Gain from Disposition of Allowances	(216,947.35)	(248,032.91)	31,085.56	(12.53)
Accretion Expense	154,172.50	-	154,172.50	-
Total Operating Expenses	952,458,667.68	752,490,267.72	199,968,399.96	26.57
Net Operating Income	125,478,022.14	214,302,810.03	(88,824,787.89)	(41.45)
Other Income Less Deductions	1,882,936.69	1,935,770.89	(52,834.20)	(2.73)
Income Before Interest Charges	127,360,958.83	216,238,580.92	(88,877,622.09)	(41.10)
Interest on Long Term Debt	23,527,185.71	28,531,143.67	(5,003,957.96)	(17.54)
Amortization of Debt Expense - Net	1,566,925.05	1,446,796.11	120,128.94	8.30
Other Interest Expenses	3,822,381.31	4,411,793.17	(589,411.86)	(13.36)
Total Interest Charges	28,916,492.07	34,389,732.95	(5,473,240.88)	(15.92)
Net Inc Before Cumulative Effect of Acctg Chg	98,444,466.76	181,848,847.97	(83,404,381.21)	(45.86)
Cumulative Effect of Accounting Change Net of Tax	3,149,402.00	-	3,149,402.00	-
Net Income	95,295,064.76	181,848,847.97	(86,553,783.21)	(47.60)
Preferred Dividend Requirements	4,116,615.83	4,505,991.29	(389,375.46)	(8.64)
Earnings Available for Common	91,178,448.93	177,342,856.68	(86,164,407.75)	(48.59)

LOUISVILLE GAS AND ELECTRIC COMPANY
ANALYSIS OF RETAINED EARNINGS
MARCH 31, 2003

	CURRENT MONTH		YEAR TO DATE		YEAR ENDED CURRENT MONTH	
	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR
Balance at Beginning of Period	429,943,723.26	410,381,256.95	409,303,886.04	393,618,344.89	413,439,046.23	259,096,189.55
Add:						
Credits from Income	5,985,781.60	3,412,924.06	27,249,638.08	20,886,105.43	95,295,064.76	181,848,847.97
Deduct:						
Preferred Dividends						
$25 Par Value						
5% Series			268,841.45	268,841.59	1,075,365.68	1,075,366.33
Without Par Value						
Auction Rate			300,000.00	429,374.98	1,572,499.99	1,961,875.00
$5.875 Series			367,187.51	367,187.52	1,468,750.16	1,468,749.96
Preferred Dividends Accrued						
$25 Par Value						
5% Series	89,613.86	89,613.88				
Without Par Value						
Auction Rate	100,000.00	143,125.02				
$5.875 Series	122,395.84	122,395.88				
Common Dividends						
Common Stock Without Par Value					69,000,000.00	23,000,000.00
Balance at End of Period	435,617,495.16	413,439,046.23	435,617,495.16	413,439,046.23	435,617,495.16	413,439,046.23

LOUISVILLE GAS AND ELECTRIC COMPANY
COMPARATIVE BALANCE SHEETS AS OF MARCH 31, 2003 AND 2002

ASSETS AND OTHER DEBITS	THIS YEAR	LAST YEAR
Utility Plant		
Utility Plant at Original Cost	3,688,926,061.44	3,444,952,591.20
Less Reserves for Depreciation & Amortization	1,485,615,819.06	1,404,277,303.04
Total	2,203,310,242.38	2,040,675,288.16
Investments - At Cost		
Ohio Valley Electric Corporation	490,000.00	490,000.00
Investments in LG&E-R	5,000,000.00	5,000,000.00
Nonutility Property-Less Reserve	111,537.79	865,566.11
Other	-	-
Total	5,601,537.79	6,355,566.11
Current and Accrued Assets		
Cash	5,748,021.44	7,409,170.91
Special Deposits	29,624.10	8,672,753.64
Temporary Cash Investments	-	-
Accounts Receivable-Less Reserve	1,098,809.82	31,003,006.18
Notes Receivable from Assoc. Companies	-	-
Notes Receivable from LG&E-R	45,309,592.00	72,739,951.00
Accounts Receivable from Assoc Companies	19,930,538.28	11,708,160.44
Materials & Supplies-At Average Cost		
Fuel	33,467,753.83	28,715,556.71
Plant Materials & Operating Supplies	22,276,207.80	25,916,757.85
Stores Expense	3,717,920.63	2,259,858.32
Gas Stored Underground	19,404,434.51	15,277,667.30
Allowance Inventory	81,336.63	37,203.36
Prepayments	4,814,003.96	3,927,351.29
Miscellaneous Current & Accrued Assets	869,313.47	106,412.69
Total	156,747,556.47	207,773,849.69
Deferred Debits and Other		
Unamortized Debt Expense	6,465,541.12	5,268,925.81
Unamortized Loss on Bonds	18,554,755.49	18,261,887.73
Accumulated Deferred Income Taxes	126,587,687.15	139,033,872.79
Deferred Regulatory Assets	102,395,020.55	126,363,439.00
Other Deferred Debits	81,430,858.71	40,402,534.74
Total	335,433,863.02	329,330,660.07
Total Assets and Other Debits	2,701,093,199.66	2,584,135,364.03

LIABILITIES AND OTHER CREDITS	THIS YEAR	LAST YEAR
Capitalization		
Common Stock	425,170,424.09	425,170,424.09
Common Stock Expense	(835,888.64)	(835,888.64)
Paid-In Capital	40,000,000.00	40,000,000.00
Unrealized Gain (Loss) on Investment	-	-
Other Comprehensive Income	(40,532,250.20)	(18,994,808.40)
Retained Earnings	435,617,495.16	413,439,046.23
Total Common Equity	859,419,780.41	858,778,773.28
Preferred Stock	95,140,346.77	95,140,346.77
First Mortgage Bonds	574,304,000.00	616,904,000.00
Pollution Control Bonds (Unsecured)	-	-
Long-Term Debt Marked to Market	-	-
Total Capitalization	1,528,864,127.18	1,570,823,120.05
Current and Accrued Liabilities		
Long-Term Debt Due in 1 Year	42,600,000.00	-
Notes Payable to Associated Companies	248,512,051.40	122,552,943.44
Notes Payable	-	-
Accounts Payable	81,597,183.65	66,497,338.05
Accounts Payable to Associated Companies	28,274,572.93	21,192,197.16
Customer Deposits	10,385,085.52	8,559,844.17
Taxes Accrued	18,467,811.00	38,400,944.18
Interest Accrued	3,582,889.86	3,818,845.11
Dividends Declared	936,029.10	1,065,404.12
Misc. Current & Accrued Liabilities	4,348,558.55	3,148,543.41
Total	438,704,182.01	265,236,059.64
Deferred Credits and Other		
Accumulated Deferred Income Taxes	449,925,805.34	438,399,273.79
Investment Tax Credit	53,483,810.89	57,634,612.66
Regulatory Liabilities	46,521,579.00	49,567,173.00
Customer Advances for Construction	9,780,046.80	9,758,014.28
Asset Retirement Obligations	9,484,182.50	-
Other Deferred Credits	20,986,099.16	18,588,043.04
Misc. Long-Term Liabilities	82,676,264.61	114,985,670.57
Misc. Long-Term Liab. Due to Assoc. Co	-	-
Accum Provision for Post-Retirement Benefits	60,667,102.17	59,143,397.00
Total	733,524,890.47	748,076,184.34
Total Liabilities and Other Credits	2,701,093,199.66	2,584,135,364.03

LOUISVILLE GAS AND ELECTRIC COMPANY
STATEMENT OF CAPITALIZATION AND SHORT-TERM DEBT
MARCH 31, 2003

	AUTHORIZED SHARES	ISSUED & OUTSTANDING SHARES	ISSUED & OUTSTANDING AMOUNT	PERCENT OF TOTAL CAPITAL & S/T DEBT	PERCENT OF TOTAL CAPITAL
Common Equity					
Common Stock - Without Par	75,000,000	21,294,223	425,170,424.09		
Common Stock Expense			(835,888.64)		
Paid-In Capital			40,000,000.00		
Unrealized Gain (Loss) on Investment			-		
Other Comprehensive Income			(40,532,250.20)		
Retained Earnings			435,617,495.16		
Total Common Equity			859,419,780.41	47.22	56.21
Preferred Stock, Cumulative					
$25 Par Value	1,720,000				
5% Series		860,287	21,507,175.00		
Without Par Value ($100 Stated)	6,750,000				
NPV-Stated Value Auction Rate		500,000	50,000,000.00		
$5.875 Series		250,000	25,000,000.00		
Subtotal			96,507,175.00		
Gain on Reacquired Preferred Stock			5,698.75		
Preferred Stock Expense			(1,372,526.98)		
Total Preferred Stock			95,140,346.77	5.23	6.23
Total Stockholder's Equity			954,560,127.18	52.45	62.44
Long-Term Debt					
First Mortgage Bonds	Not Limited				
PCB S JC 09/01/92 Due 09/01/17 VAR%			31,000,000.00		
PCB T TC 09/01/92 Due 09/01/17 VAR%			60,000,000.00		
PCB U JC 08/15/93 Due 08/15/13 VAR%			35,200,000.00		
PCB V JC 08/15/93 Due 08/15/19 5 5/8%			102,000,000.00		
PCB W JC 10/15/93 Due 10/15/20 5.45%			26,000,000.00		
PCB X JC 04/15/95 Due 04/15/23 5.90%			40,000,000.00		
PCB Y JC 05/01/00 Due 05/01/27 VAR%			25,000,000.00		
PCB Z JC 08/01/00 Due 08/01/30 VAR%			83,335,000.00		
PCB AA JC 09/11/01 Due 09/01/27 VAR%			10,104,000.00		
PCB BB JC 03/06/02 Due 09/01/26 VAR%			22,500,000.00		
PCB CC TC 03/06/02 Due 09/01/26 VAR%			27,500,000.00		
PCB DD JC 03/22/02 Due 11/01/27 VAR%			35,000,000.00		
PCB EE TC 03/22/02 Due 11/01/27 VAR%			35,000,000.00		
PCB FF TC 10/23/02 Due 10/01/32 VAR%			41,665,000.00		
Total First Mortgage Bonds			574,304,000.00	31.56	37.56
Total Capitalization			1,528,864,127.18	84.01	100.00
Long-Term Debt Due in 1 Year			42,600,000.00	2.34	
Notes Payable to Associated Companies			248,512,051.40	13.65	
Total Capitalization and Short-Term Debt			1,819,976,178.58	100.00	

LOUISVILLE GAS AND ELECTRIC COMPANY
TRIAL BALANCE - GENERAL LEDGER
MARCH 31, 2003

Account - Subsidiary Account	Balance Subsidiary Account	Balance as Shown On Balance Sheet
UTILITY PLANT		
At Original Cost	3,688,926,061.44	3,688,926,061.44
Reserves for Depreciation and Amortization		(1,485,615,819.06)
Electric	(1,247,091,369.54)	
Gas	(160,838,416.61)	
Common	(57,648,293.06)	
Amortization of Plant		
Underground Storage Land and Land Rights	(573,293.92)	
Limited - Term Plant	(19,464,445.93)	
INVESTMENTS - AT COST		5,601,537.79
Nonutility Property - less reserve ($63,360.36)	17,337.47	
Coal for Resale 2,724 Tons @ $34.58	94,200.32	
Investments in LG&E-R	5,000,000.00	
Ohio Valley Electric Corporation	490,000.00	
CASH		5,748,021.44
National City Bank - Regular	4,760,955.45	
Harris Trust and Savings Bank	1,888.22	
Bank of Louisville	11,926.93	
Citibank	10,358.25	
Farmers Bank and Trust Company	138,210.15	
US Bank	581,890.92	
Bedford Loan and Deposit Bank	10,000.00	
Farmers Bank of Milton	10,000.00	
Meade County Bank	222,791.52	
OTHER SPECIAL DEPOSITS		29,624.10
Other Special Deposits	29,624.10	
ACCOUNTS RECEIVABLE - LESS RESERVE		1,098,809.82
Working Funds	66,050.00	
Customers	80,592,195.13	
Customer Accounts Receivable Sold to LG&E-R	(87,283,000.00)	
Wholesale Sales	16,069,920.26	
Transmission Sales	445,551.04	
Unbilled Revenues	(14,859,000.00)	
Employee Computer Loans	529,136.73	
Damage Claims	913,388.69	
RAR Settlements	2,286,816.00	
Officers and Employees	40,285.21	
IMEA	704,333.18	
IMPA	762,371.84	
Other	661,140.33	
Reserves for Uncollectible Accounts		
Utility Customers		
Accrual	(2,629,461.45)	
Charged Off	1,172,892.23	
Recoveries	(668,500.07)	
Accrual Sold to LG&E-R	2,125,069.00	
Rents Receivable	169,621.70	
NOTES RECEIVABLE FROM LG&E-R		45,309,592.00
Notes Receivable from LG&E-R	45,309,592.00	
ACCOUNTS RECEIVABLE FROM ASSOCIATED COMPANIES		19,930,538.28
LG&E Energy Corp	17,874,588.24	
LG&E Energy Marketing Inc. (LEM)-Power Marketing	2,055,950.04	
FUEL		33,467,753.83
Coal 1,319,631 Tons @ $25.15; MMBTU 29,918,176 @ 110.91¢	33,182,228.01	
Fuel Oil 281,146 Gallons @ 80.88¢	227,387.94	
Gas Pipeline	58,137.88	
PLANT MATERIALS AND OPERATING SUPPLIES		22,276,207.80
Regular Materials and Supplies	22,105,016.15	
Limestone 32,252 Tons @ $5.31	171,191.65	

LOUISVILLE GAS AND ELECTRIC COMPANY
TRIAL BALANCE - GENERAL LEDGER
MARCH 31, 2003

Account - Subsidiary Account	Balance Subsidiary Account	Balance as Shown On Balance Sheet
STORES EXPENSE		3,717,920.63
Stores Expense Undistributed	3,717,920.63	
GAS STORED UNDERGROUND - CURRENT		19,404,434.51
Gas St. Underground*4,844,976 MCF (14.73 psia) @ 400.51¢	19,404,434.51	
ALLOWANCE INVENTORY		81,336.63
Allowance Inventory	81,336.63	
PREPAYMENTS		4,814,003.96
Unexpired Insurance	3,969,270.85	
Franchises	248,427.82	
Permit Fees	221,246.49	
Real Estate Commissions	28,390.80	
Rights of Way	346,668.00	
MISCELLANEOUS CURRENT ASSETS		869,313.47
Derivative Asset	869,313.47	
UNAMORTIZED DEBT EXPENSE		6,465,541.12
First Mortage Bonds Series due August 15, 2003, 6 %	14,161.88	
Pollution Control Series S due Sept. 1, 2017	180,991.66	
Pollution Control Series T due Sept. 1, 2017	239,374.66	
Pollution Control Series U due Aug. 15, 2013	120,866.59	
Pollution Control Series V due Aug. 15, 2019	731,220.92	
Pollution Control Series W due Oct. 15, 2020	335,607.89	
Pollution Control Series X due Apr. 15, 2023	663,443.32	
Pollution Control Series Y due May 1, 2027	575,290.49	
Pollution Control Series Z due Aug. 1, 2030	1,046,260.99	
Pollution Control Series AA due Sept. 1, 2027	486,155.77	
Pollution Control Series BB due Sept. 1, 2026	226,860.21	
Pollution Control Series CC Sept. 1, 2026	248,023.35	
Pollution Control Series DD due Nov. 1, 2027	270,840.91	
Pollution Control Series EE due Nov. 1, 2027	270,880.45	
Pollution Control Series FF due Oct. 1, 2032	1,055,562.03	
UNAMORTIZED LOSS ON BONDS		18,554,755.49
Refinanced and Called Bonds	18,554,755.49	
OTHER DEFERRED DEBITS		81,430,858.71
Gas Supply Cost Adjustments	32,598,597.73	
Other	48,832,260.98	
DEFERRED REGULATORY ASSET		102,395,020.55
KU Merger Expenses	907,335.00	
VDT Expenses	90,493,553.30	
Asset Retirement Obligations	5,464,438.25	
Deferred Taxes - FAS 109		
Federal		
Electric	4,210,535.00	
Gas	350,093.00	
State		
Electric	929,204.00	
Gas	39,862.00	
ACCUMULATED DEFERRED INCOME TAXES		126,587,687.15
Federal		
Electric	79,872,416.85	
Gas	11,511,552.04	
Common	13,898,876.24	
State		
Electric	15,478,571.26	
Gas	2,293,868.20	
Common	3,532,402.56	
Total Assets and Other Debits	2,701,093,199.66	2,701,093,199.66

* Excludes:

	$	MCF
Non-recoverable Base Gas	9,648,855.00	7,880,000
Recoverable Base Gas	2,139,990.00	2,930,000
	11,788,845.00	10,810,000

LOUISVILLE GAS AND ELECTRIC COMPANY
TRIAL BALANCE - GENERAL LEDGER
MARCH 31, 2003

Account - Subsidiary Account	Balance Subsidiary Account	Balance as Shown On Balance Sheet
COMMON EQUITY		859,419,780.41
Common Stock	425,170,424.09	
Retained Earnings	435,617,495.16	
Common Stock Expense	(835,888.64)	
Additional Paid-In Capital	40,000,000.00	
Other Comprehensive Income	(40,532,250.20)	
PREFERRED STOCK		95,140,346.77
5% Series	21,507,175.00	
Auction Rate	50,000,000.00	
$5.875 Series	25,000,000.00	
Gain on Reacquired Preferred Stock	5,698.75	
Preferred Stock Expense		
Auction Rate	(1,088,279.70)	
$5.875 Series	(284,247.28)	
BONDS		574,304,000.00
First Mortgage Bonds	574,304,000.00	
LONG-TERM DEBT DUE WITHIN ONE YEAR		42,600,000.00
Mandatory Redemption-FMB due August 15, 2003	42,600,000.00	
NOTES PAYABLE TO ASSOCIATED COMPANIES		248,512,051.40
Notes Payable to Associated Companies	248,512,051.40	
ACCOUNTS PAYABLE		81,597,183.65
Regular	78,160,608.17	
Salaries and Wages Accrued	2,112,252.03	
Nonqualified Savings Plan	539,552.01	
Dividends Payable	21,007.67	
Tax Collections - Payable	763,763.77	
ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES		28,274,572.93
LG&E Energy Corp	28,274,572.93	
CUSTOMERS' DEPOSITS		10,385,085.52
Customers' Deposits	10,385,085.52	
TAXES ACCRUED		18,467,811.00
Taxes Accrued	18,467,811.00	
INTEREST ACCRUED		3,582,889.86
Interest on Long-Term Debt		
First Mortgage Bonds		
Series due Aug. 15, 2003, 6 %	319,500.00	
Loan Agreement - Pol. Cont. Bonds 1992 Series A	34,076.72	
Loan Agreement - Pol. Cont. Bonds 1992 Series A-TC	135,685.54	
Loan Agreement - Pol. Cont. Bonds 1993 Series A	79,249.31	
Loan Agreement - Pol. Cont. Bonds 1993 Series B	717,185.50	
Loan Agreement - Pol. Cont. Bonds 1993 Series C	649,458.30	
Loan Agreement - Pol. Cont. Bonds 1995 Series A	1,081,666.63	
Loan Agreement - Pol. Cont. Bonds 2000 Series A	24,062.50	
Loan Agreement - Pol. Cont. Bonds 2000 Series A-TC	48,612.08	
Loan Agreement - Pol. Cont. Bonds 2001 Series A	2,259.33	
Loan Agreement - Pol. Cont. Bonds 2001 Series A	17,687.11	
Loan Agreement - Pol. Cont. Bonds 2001 Series A-TC	21,939.74	
Loan Agreement - Pol. Cont. Bonds 2001 Series B	28,899.17	
Loan Agreement - Pol. Cont. Bonds 2001 Series B-TC	28,956.16	
Loan Agreement - Pol. Cont. Bonds 2002 Series A-TC	24,405.41	
Interest Rate Swaps	369,246.36	

LOUISVILLE GAS AND ELECTRIC COMPANY
TRIAL BALANCE - GENERAL LEDGER
MARCH 31, 2003

Account - Subsidiary Account	Balance Subsidiary Account	Balance as Shown On Balance Sheet
DIVIDENDS DECLARED		936,029.10
Louisville Gas and Electric Company		
Preferred		
$25 par value		
5% Series	268,841.58	
Without par value		
Auction Rate	300,000.00	
$5.875 Series	367,187.52	
MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES		4,348,558.55
Vacation Pay Accrued	3,879,348.28	
Revenue Subject to Refund	2,897.00	
Mark to Market Liabilities	466,313.27	
CUSTOMERS' ADVANCES FOR CONSTRUCTION		9,780,046.80
Line Extensions		
Electric	514,115.82	
Gas	9,265,930.98	
ASSET RETIREMENT OBLIGATIONS	9,484,182.50	9,484,182.50
OTHER DEFERRED CREDITS		20,986,099.16
Other Deferred Credits	20,798,663.59	
Clearing Accounts Transferred from Other Deferred Debits	187,435.57	
REGULATORY LIABILITIES		46,521,579.00
Asset Retirement Obligations	59,240.00	
Deferred Taxes		
Federal		
Electric	39,767,565.00	
Gas	2,731,713.00	
State		
Electric	4,115,468.00	
Gas	(152,407.00)	
INVESTMENT TAX CREDIT		53,483,810.89
Investment Tax Credit (prior law)		
Electric	4,475.12	
Gas	55.89	
Job Development Credit		
Electric	51,464,429.27	
Gas	2,014,850.61	
ACCUMULATED DEFERRED INCOME TAXES		449,925,805.34
Federal		
Electric	311,119,143.60	
Gas	52,862,716.73	
Common	72,959.20	
State		
Electric	73,068,562.66	
Gas	12,784,182.35	
Common	18,240.80	
MISCELLANEOUS LONG-TERM LIABILITIES		82,676,264.61
Pension Payable	76,204,486.00	
Workers' Compensation	4,102,539.61	
Post Employment Benefits - FAS 112	2,369,239.00	
ACCUMULATED PROVISION FOR BENEFITS		60,667,102.17
Post Retirement Benefits - FAS 106	60,667,102.17	
Total Liabilities and Other Credits	2,701,093,199.66	2,701,093,199.66

LOUISVILLE GAS AND ELECTRIC COMPANY
STATEMENT OF CASH FLOWS
MARCH 31, 2003

	Year to Date	
	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	27,249,638.08	20,886,105.43
Items not requiring cash currently:		
Depreciation and amortization	27,173,750.79	25,277,957.71
Deferred income taxes - net	5,509,662.22	289,178.61
Investment tax credit - net	(1,052,633.74)	(1,054,010.91)
Other	13,273,442.94	10,892,717.51
(Increase) decrease in certain net current assets:		
Accounts receivable	(2,924,609.57)	(34,813,409.76)
Materials and supplies	33,650,926.88	25,298,811.58
Accounts payable	(12,899,116.05)	(61,380,429.81)
Accrued taxes	17,028,508.68	18,155,947.34
Accrued interest	(1,356,750.80)	(1,999,075.66)
Prepayments and other	728,909.60	596,446.39
Other	(100,927,943.73)	9,775,324.92
Net cash provided from operating activities	5,453,785.30	11,925,563.35
CASH FLOWS FROM INVESTING ACTIVITIES		
Long term investment in securities	162,506.84	(179,668.85)
Construction expenditures	(71,255,549.25)	(24,947,527.48)
Net cash used for investing activities	(71,093,042.41)	(25,127,196.33)
CASH FLOWS FROM FINANCING ACTIVITIES		
Short-term borrowing	55,459,107.96	28,356,250.00
Retirement of pollution control bonds	-	(120,000,000.00)
Net proceeds from issuance of pollution control bonds	-	119,926,356.06
Payment of dividends	(1,057,279.10)	(1,111,029.12)
Net cash used for financing activities	54,401,828.86	27,171,576.94
NET INCREASE (DECREASE) IN CASH AND TEMP. CASH INVESTMENTS	(11,237,428.25)	13,969,943.96
CASH AND TEMPORARY CASH INVESTMENTS AT BEGINNING OF PERIOD	17,015,073.79	2,111,980.59
\SH AND TEMPORARY CASH INVESTMENTS AT END OF PERIOD	5,777,645.54	16,081,924.55

LOUISVILLE GAS AND ELECTRIC COMPANY
ANALYSIS OF INTEREST CHARGES
MARCH 31, 2003

	CURRENT MONTH		YEAR TO DATE		YEAR ENDED CURRENT MONTH	
	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR
Interest On Long-Term Debt						
First Mortgage Bonds						
Series Due Aug. 15 2003, 6%	213,000.00	213,000.00	639,000.00	639,000.00	2,556,000.00	2,556,000.00
Loan Agreement - Poll. Control Bonds						
1990 Series B (6.55%) TC	-	227,421.46	(30.00)	682,264.41	1,694,669.24	2,729,057.55
1992 Series A Variable	32,261.64	37,594.81	97,264.37	115,498.94	416,294.80	759,908.48
1992 Series A Variable TC	63,742.74	81,779.31	202,424.66	260,131.37	846,951.55	1,736,600.05
1993 Series A Variable Rate	37,442.46	47,975.62	117,753.42	152,252.50	505,165.25	1,026,279.04
1993 Series B (5 5/8%)	478,125.01	478,125.01	1,434,375.03	1,434,379.95	5,737,500.12	5,737,504.95
1993 Series C (5.45%)	118,083.34	118,083.34	354,250.02	354,250.02	1,417,000.08	1,417,000.11
1995 Series A (5.90%)	196,666.66	196,666.66	589,999.98	589,999.98	2,359,999.92	2,359,999.89
2000 Series A Variable Rate	22,604.17	29,062.50	69,895.84	89,930.56	343,819.45	617,013.92
2000 Series A Variable TC	74,050.08	91,437.00	242,516.41	272,343.37	1,176,472.61	2,000,898.74
2001 Series A Variable Rate	9,711.07	11,816.06	29,610.33	34,746.54	144,934.87	95,651.20
2001 Series A Variable Rate	21,077.54	23,720.55	62,047.42	23,720.55	309,474.11	23,720.55
2001 Series A Variable Rate TC	26,083.57	28,991.80	75,121.11	28,991.80	377,144.33	28,991.80
2001 Series B Variable Rate	34,412.88	16,780.82	99,734.80	16,780.82	501,066.27	16,780.82
2001 Series B Variable Rate TC	34,469.87	16,780.82	99,736.99	16,780.82	500,764.38	16,780.82
2002 Series A Variable Rate TC	38,217.65	-	123,568.11	-	241,428.67	-
Loan Agreement - Unsecured Bonds						
1996 Series A Variable Rate	-	18,944.61	-	79,006.25	-	643,616.53
1996 Series A Variable Rate TC	-	27,123.27	-	110,904.09	-	833,160.96
1997 Series A Variable Rate	-	51,787.53	-	146,219.03	12,034.25	1,034,705.36
1997 Series A Variable Rate TC	-	56,479.45	-	170,589.21	12,753.43	1,032,739.84
Interest Rate Swaps	347,497.98	372,468.29	1,106,242.10	1,139,071.64	4,373,712.38	3,864,733.06
Marked to Market	-	-	-	-	-	-
Total	1,747,446.66	2,146,038.91	5,343,510.59	6,356,861.85	23,527,185.71	28,531,143.67
Amortization of Debt Expense - Net						
Amortization of Debt Expense	29,206.18	27,983.97	87,618.54	80,993.14	425,205.92	311,288.36
Amortization of Premium on Debt - Cr.	-	-	-	-	-	-
Amort. of Loss on Reacquired Debt	95,991.02	95,761.82	287,973.06	284,803.91	1,141,719.13	1,135,507.75
Total	125,197.20	123,745.79	375,591.60	365,797.05	1,566,925.05	1,446,796.11
Other Interest Charges						
Note Payable	-	-	-	85,249.11	-	141,700.49
Customers' Deposits	31,824.67	34,628.37	117,328.14	100,973.55	433,597.73	403,940.72
Federal Income Tax Deficiencies	-	-	-	-	-	-
Other Tax Deficiencies	-	-	-	-	-	-
Gas Refunds	165.71	-	784.01	-	2,007.58	-
Interest on Dsm Cost Recovery	-	-	-	-	-	-
Deferred Compensation	6,948.81	6,699.81	6,948.81	6,699.81	28,394.17	24,391.24
Interest on Debt to Associated Companies	235,246.70	179,682.51	734,867.65	402,975.60	2,507,605.52	2,391,899.48
Interest Costs from A/R Securitization	33,852.31	292,280.57	434,976.01	582,906.27	848,049.59	1,449,861.24
Other	-	-	2,726.72	-	2,726.72	-
Total	308,038.20	513,291.26	1,297,631.34	1,178,804.34	3,822,381.31	4,411,793.17
Total Interest	2,180,682.06	2,783,075.96	7,016,733.53	7,901,463.24	28,916,492.07	34,389,732.95

LOUISVILLE GAS AND ELECTRIC COMPANY
ANALYSIS OF TAXES CHARGED
MARCH 31, 2003

Kind of Taxes	Current Month This Year	Current Month Last Year	Year To Date This Year	Year To Date Last Year
Taxes Charged to Accounts 408.1 and 409.1				
Property Taxes	978,656.00	903,620.00	2,935,968.00	2,710,860.00
State Unemployment	(1.16)	4,247.79	(1.03)	16,454.33
Federal Unemployment	35,071.62	10,698.98	124,628.66	68,948.92
Federal Old Age and Survivors Insurance	369,264.98	429,077.95	1,220,303.70	1,307,287.74
Public Service Commission Fee	150,000.00	140,000.00	450,000.00	420,000.00
Federal Income	(3,159,745.83)	2,774,935.16	9,128,021.84	11,757,959.91
State Income	(207,671.99)	421,723.75	3,041,012.59	2,809,616.42
Miscellaneous	-	2,021.13	3,664.96	12,568.24
Total Charged to Operating Expense	(1,834,426.38)	4,686,324.76	16,903,598.72	19,103,695.56
Taxes Charged to Other Accounts	2,283,941.92	(521,578.27)	779,081.09	(160,985.09)
Taxes Accrued on Intercompany Accounts	(139,446.55)	(116,433.45)	(394,970.14)	(340,858.13)
Total Taxes Charged	310,068.99	4,048,313.04	17,287,709.67	18,601,852.34

ANALYSIS OF TAXES ACCRUED - ACCOUNT 236

Kind of Taxes	Taxes Accrued At Beginning Of Year	Accruals To Date This Year	Payments To Date This Year	Taxes Accrued At End Of Month
Property Taxes	191,066.78	2,974,998.00	97,662.54	3,068,402.24
State Unemployment	10,768.97	101.57	252.44	10,618.10
Federal Unemployment	17,650.80	98,666.98	356.08	115,961.70
Federal Old Age and Survivors	215,620.04	1,175,309.11	1,086,678.08	304,251.07
Public Service Commission Fee	-	450,000.00	-	450,000.00
Federal Income	(4,740,983.04)	9,041,142.12	(3,177,082.00)	7,477,241.08
State Income	5,299,487.96	3,018,692.38	1,438,247.00	6,879,933.34
Kentucky Sales and Use Tax	446,561.55	470,286.07	754,881.24	161,966.38
Miscellaneous	(870.74)	58,513.44	58,205.61	(562.91)
Totals	1,439,302.32	17,287,709.67	259,200.99	18,467,811.00

LOUISVILLE GAS AND ELECTRIC COMPANY
SUMMARY OF UTILITY PLANT
MARCH 31, 2003

UTILITY PLANT IN SERVICE	NET BALANCE FIRST OF YEAR	DEBITS-GROSS	CREDITS FOR RETIREMENTS	NET ADDITIONS	ADJUSTMENTS	BALANCE TO DATE
Electric						
Intangible	2,340.29	-	-	-	-	2,340.29
Steam Production	1,665,684,137.81	16,734,451.99	(2,219,001.87)	14,515,450.12	-	1,680,199,587.93
Hydro	9,324,683.24	-	-	-	-	9,324,683.24
Other Production	152,479,851.71	1,816,252.40	(1,344,213.36)	472,039.04	-	152,951,890.75
Transmission	213,912,790.08	1,709,693.51	-	1,709,693.51	-	215,622,483.59
Distribution	656,405,005.49	6,271,486.66	(414,260.90)	5,857,225.76	-	662,262,231.25
General	19,378,595.64	22,216.70	-	22,216.70	-	19,400,812.34
Total Electric	2,717,187,404.26	26,554,101.26	(3,977,476.13)	22,576,625.13	-	2,739,764,029.39
Gas						
Intangible	553,232.59	-	-	-	-	553,232.59
Natural Gas Storage Plant Underground	54,336,273.67	945,576.69	-	945,576.69	-	55,281,850.36
Transmission	12,414,633.91	304,906.91	-	304,906.91	-	12,719,540.82
Distribution	356,807,061.42	8,607,694.44	(1,333,082.96)	7,274,611.48	-	364,081,672.90
General	8,983,446.29	143,386.02	(4,222.23)	139,163.79	-	9,122,610.08
Gas Stored Underground Non-Current	2,139,990.00	-	-	-	-	2,139,990.00
Total Gas	435,234,637.88	10,001,564.06	(1,337,305.19)	8,664,258.87	-	443,898,896.75
Common						
Intangible	24,532,730.28	2,729,178.06	-	2,729,178.06	-	27,261,908.34
General	145,044,129.61	3,545,269.27	-	3,545,269.27	-	148,589,398.88
Total Common	169,576,859.89	6,274,447.33	-	6,274,447.33	-	175,851,307.22
Total Plant in Service	3,321,998,902.03	42,830,112.65	(5,314,781.32)	37,515,331.33	-	3,359,514,233.36
Construction Work In Progress						
Electric	261,760,776.30	41,508,914.82	-	41,508,914.82		303,269,691.12
Gas	25,501,848.83	(6,882,727.88)	-	(6,882,727.88)		18,619,120.95
Common	13,723,766.35	(6,200,750.34)	-	(6,200,750.34)	-	7,523,016.01
Total Construction Work In Progress	300,986,391.48	28,425,436.60	-	28,425,436.60	-	329,411,828.08
Total Utility Plant at Original Cost	3,622,985,293.51	71,255,549.25	(5,314,781.32)	65,940,767.93	-	3,688,926,061.44

RESERVE FOR DEPRECIATION OF UTILITY	NET BALANCE FIRST OF YEAR	ACCRUALS	RETIREMENTS	COST OF REMOVAL	SALVAGE	OTHER CREDITS	BALANCE TO DATE
Plant In Service							
Electric	1,235,700,821.25	21,316,417.77	(3,977,476.13)	(725,624.03)	-	-	1,252,314,138.86
Gas	159,276,235.08	3,156,861.25	(1,337,305.19)	(267,459.65)	619.36	-	160,828,950.85
Common	55,289,741.92	2,504,738.08	-	-	-	-	57,794,480.00
Total Reserve For Depreciation Of Utility Plant In Service	1,450,266,798.25	26,978,017.10	(5,314,781.32)	(993,083.68)	619.36	-	1,470,937,569.71
Reserve For Amortization Of Utility Plant In Service							
Electric	100.00						100.00
Gas	574,193.92	-				-	574,193.92
Common	18,101,954.13	1,361,491.80	-	-	-	-	19,463,445.93
Total Reserve For Amortization Of Utility Plant In Service	18,676,248.05	1,361,491.80	-	-	-	-	20,037,739.85
Retirement Work In Progress							
Electric	(4,845,891.80)			(448,226.89)	(58,745.73)	130,095.10	(5,222,769.32)
Gas	(43,721.15)			53,213.90	(26.99)	-	9,465.76
Common	(379,491.56)	-	-	210,804.62	(3,500.00)	26,000.00	(146,186.94)
Total Retirement Work In Progress	(5,269,104.51)	-	-	(184,208.37)	(62,272.72)	156,095.10	(5,359,490.50)
Total Reserve For Depreciation and Amortization - Utility Plant In Service	1,463,673,941.79	28,339,508.90	(5,314,781.32)	(1,177,292.05)	(61,653.36)	156,095.10	1,485,615,819.06
Utility Plant at Original Cost Less Reserve For Depreciation and Amortization	2,159,311,351.72						2,203,310,242.38

LG&E Monthly Report to KPSC-February 28,2003

LOUISVILLE GAS AND ELECTRIC COMPANY
COMPARATIVE STATEMENT OF INCOME
FEBRUARY 28, 2003

	CURRENT MONTH			
	THIS YEAR AMOUNT	LAST YEAR AMOUNT	INCREASE OR DECREASE AMOUNT	%
Electric Operating Revenues	59,763,860.05	53,504,722.96	6,259,137.09	11.70
Gas Operating Revenues	51,381,893.66	42,591,387.23	8,790,506.43	20.64
Rate Refunds	1,146,768.00	-	1,146,768.00	-
Total Operating Revenues	112,292,521.71	96,096,110.19	16,196,411.52	16.85
Fuel for Electric Generation	15,401,982.94	14,347,566.35	1,054,416.59	7.35
Power Purchased	8,481,033.51	9,061,659.12	(580,625.61)	(6.41)
Gas Supply Expenses	40,167,174.65	29,376,093.71	10,791,080.94	36.73
Other Operation Expenses	19,427,648.99	16,879,408.39	2,548,240.60	15.10
Maintenance	3,746,529.20	3,773,961.80	(27,432.60)	(0.73)
Depreciation	8,541,199.83	7,991,300.22	549,899.61	6.88
Amortization Expense	408,713.35	408,619.15	94.20	0.02
Regulatory Credits	1,000,611.25	-		
Taxes				
Federal Income	-	-	-	-
State Income	-	-	-	-
Deferred Federal Income - Net	-	-	-	-
Deferred State Income - Net	-	-	-	-
Federal Income - Estimated	1,859,629.61	3,281,456.85	(1,421,827.24)	(43.33)
State Income - Estimated	495,115.74	872,286.01	(377,170.27)	(43.24)
Property and Other	1,598,473.33	1,410,511.98	187,961.35	13.33
Investment Tax Credit	-	-	-	-
Amortization of Investment Tax Credit	(350,086.00)	(351,111.00)	1,025.00	(0.29)
Gain from Disposition of Allowances	-	-	-	-
Accretion Expense	51,710.34	-	51,710.34	-
Total Operating Expenses	100,829,736.74	87,051,752.58	13,777,984.16	15.83
Net Operating Income	11,462,784.97	9,044,357.61	2,418,427.36	26.74
Other Income Less Deductions	1,680,487.43	(77,788.50)	1,758,275.93	-
Income Before Interest Charges	13,143,272.40	8,966,569.11	4,176,703.29	46.58
Interest on Long Term Debt	1,728,885.00	2,060,422.30	(331,537.30)	(16.09)
Amortization of Debt Expense - Net	125,197.20	121,025.64	4,171.56	3.45
Other Interest Expenses	539,118.39	406,068.31	133,050.08	32.77
Total Interest Charges	2,393,200.59	2,587,516.25	(194,315.66)	(7.51)
Net Inc Before Cumulative Effect of Acctg Chg	10,750,071.81	6,379,052.86	4,371,018.95	68.52
Cumulative Effect of Accounting Change	(1,063,411.35)	-	(1,063,411.35)	-
Income Taxes Applicable to Cumulative Effect	429,219.41	-	429,219.41	-
Net Income	11,384,263.75	6,379,052.86	5,005,210.89	78.46
Preferred Dividend Requirements	312,009.70	355,134.66	(43,124.96)	(12.14)
Earnings Available for Common	11,072,254.05	6,023,918.20	5,048,335.85	83.80

LOUISVILLE GAS AND ELECTRIC COMPANY
COMPARATIVE STATEMENT OF INCOME
FEBRUARY 28, 2003

	YEAR TO DATE			
	THIS YEAR AMOUNT	LAST YEAR AMOUNT	INCREASE OR DECREASE AMOUNT	%
Electric Operating Revenues	127,166,089.03	112,291,938.14	14,874,150.89	13.25
Gas Operating Revenues	112,361,532.61	83,205,195.84	29,156,336.77	35.04
Rate Refunds	1,028,310.00	-	1,028,310.00	-
Total Operating Revenues	240,555,931.64	195,497,133.98	45,058,797.66	23.05
Fuel for Electric Generation	32,555,336.24	28,525,249.44	4,030,086.80	14.13
Power Purchased	20,879,655.53	18,560,768.21	2,318,887.32	12.49
Gas Supply Expenses	85,972,498.95	55,781,488.60	30,191,010.35	54.12
Other Operation Expenses	35,739,389.39	31,887,577.50	3,851,811.89	12.08
Maintenance	7,548,290.40	7,477,345.09	70,945.31	0.95
Depreciation	17,199,740.35	16,070,223.80	1,129,516.55	7.03
Amortization Expense	825,308.99	817,238.30	8,070.69	0.99
Regulatory Credits	(5,514,502.84)	-		
Taxes				
Federal Income	-	-	-	-
State Income	-	-	-	-
Deferred Federal Income - Net	-	-	-	-
Deferred State Income - Net	-	-	-	-
Federal Income - Estimated	12,287,767.67	8,983,024.75	3,304,742.92	36.79
State Income - Estimated	3,248,684.58	2,387,892.67	860,791.91	36.05
Property and Other	3,201,572.85	3,046,453.38	155,119.47	5.09
Investment Tax Credit	-	-	-	-
Amortization of Investment Tax Credit	(701,197.00)	(702,222.00)	1,025.00	(0.15)
Gain from Disposition of Allowances	-	-	-	-
Accretion Expense	105,978.34	-	105,978.34	-
Total Operating Expenses	213,348,523.45	172,835,039.74	40,513,483.71	23.44
Net Operating Income	27,207,408.19	22,662,094.24	4,545,313.95	20.06
Other Income Less Deductions	2,106,126.09	(70,525.59)	2,176,651.68	-
Income Before Interest Charges	29,313,534.28	22,591,568.65	6,721,965.63	29.75
Interest on Long Term Debt	3,596,063.93	4,210,822.94	(614,759.01)	(14.60)
Amortization of Debt Expense - Net	250,394.40	242,051.26	8,343.14	3.45
Other Interest Expenses	989,593.14	665,513.08	324,080.06	48.70
Total Interest Charges	4,836,051.47	5,118,387.28	(282,335.81)	(5.52)
Net Inc Before Cumulative Effect of Acctg Chg	24,477,482.81	17,473,181.37	7,004,301.44	40.09
Cumulative Effect of Accounting Change	5,388,600.00	-	5,388,600.00	-
Income Taxes Applicable to Cumulative Effect	(2,174,973.67)	-	(2,174,973.67)	-
Net Income	21,263,856.48	17,473,181.37	3,790,675.11	21.69
Preferred Dividend Requirements	624,019.26	710,269.31	(86,250.05)	(12.14)
Earnings Available for Common	20,639,837.22	16,762,912.06	3,876,925.16	23.13

LOUISVILLE GAS AND ELECTRIC COMPANY
COMPARATIVE STATEMENT OF INCOME
FEBRUARY 28, 2003

	YEAR ENDED CURRENT MONTH			
	THIS YEAR AMOUNT	LAST YEAR AMOUNT	INCREASE OR DECREASE AMOUNT	%
Electric Operating Revenues	761,709,337.89	715,067,505.29	46,641,832.60	6.52
Gas Operating Revenues	296,849,492.12	266,076,649.45	30,772,842.67	11.57
Rate Refunds	12,683,673.82	1,588,408.53	11,095,265.29	698.51
Total Operating Revenues	1,071,242,503.83	982,732,563.27	88,509,940.56	9.01
Fuel for Electric Generation	198,930,275.92	161,232,168.48	37,698,107.44	23.38
Power Purchased	86,648,894.90	94,841,657.09	(8,192,762.19)	(8.64)
Gas Supply Expenses	212,299,268.32	175,551,677.17	36,747,591.15	20.93
Other Operation Expenses	215,819,018.09	177,033,402.83	38,785,615.26	21.91
Maintenance	56,853,130.79	60,452,266.57	(3,599,135.78)	(5.95)
Depreciation	102,184,270.27	94,630,773.23	7,553,497.04	7.98
Amortization Expense	4,859,161.50	6,010,835.18	(1,151,673.68)	(19.16)
Regulatory Credits	(5,514,502.84)	-		
Taxes				
Federal Income	26,232,676.90	42,987,716.33	(16,755,039.43)	(38.98)
State Income	8,082,758.70	8,665,054.47	(582,295.77)	(6.72)
Deferred Federal Income - Net	20,463,170.17	12,310,314.51	8,152,855.66	66.23
Deferred State Income - Net	4,409,722.25	3,767,259.70	642,462.55	17.05
Federal Income - Estimated	3,304,742.92	(2,424,604.94)	5,729,347.86	(236.30)
State Income - Estimated	860,791.91	(644,515.22)	1,505,307.13	(233.56)
Property and Other	17,613,476.56	17,646,261.68	(32,785.12)	(0.19)
Investment Tax Credit	-	-	-	-
Amortization of Investment Tax Credit	(4,151,153.94)	(4,285,884.10)	134,730.16	(3.14)
Gain from Disposition of Allowances	(216,947.35)	(248,032.91)	31,085.56	(12.53)
Accretion Expense	105,978.34	-	105,978.34	-
Total Operating Expenses	948,784,733.41	847,526,350.07	101,258,383.34	11.95
Net Operating Income	122,457,770.42	135,206,213.20	(12,748,442.78)	(9.43)
Other Income Less Deductions	2,996,949.10	2,817,845.68	179,103.42	6.36
Income Before Interest Charges	125,454,719.52	138,024,058.88	(12,569,339.36)	(9.11)
Interest on Long Term Debt	23,925,777.96	29,145,199.57	(5,219,421.61)	(17.91)
Amortization of Debt Expense - Net	1,565,473.64	1,442,428.28	123,045.36	8.53
Other Interest Expenses	4,027,634.37	4,979,473.46	(951,839.09)	(19.12)
Total Interest Charges	29,518,885.97	35,567,101.31	(6,048,215.34)	(17.01)
Net Inc Before Cumulative Effect of Acctg Chg	95,935,833.55	102,456,957.57	(6,521,124.02)	(6.36)
Cumulative Effect of Accounting Change	5,388,600.00	-	5,388,600.00	-
Income Taxes Applicable to Cumulative Effect	(2,174,973.67)	-	(2,174,973.67)	-
Net Income	92,722,207.22	102,456,957.57	(9,734,750.35)	(9.50)
Preferred Dividend Requirements	4,159,740.91	4,583,699.64	(423,958.73)	(9.25)
Earnings Available for Common	88,562,466.31	97,873,257.93	(9,310,791.62)	(9.51)

LOUISVILLE GAS AND ELECTRIC COMPANY
ANALYSIS OF RETAINED EARNINGS
FEBRUARY 28, 2003

	CURRENT MONTH		YEAR TO DATE		YEAR ENDED CURRENT MONTH	
	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR
Balance at Beginning of Period	418,871,469.21	404,357,338.75	409,303,886.04	393,618,344.89	410,381,256.95	335,507,999.02
Add:						
Credits from Income	11,384,263.75	6,379,052.86	21,263,856.48	17,473,181.37	92,722,207.22	102,456,957.57
Deduct:						
Preferred Dividends						
$25 Par Value						
5% Series					1,075,365.70	1,075,366.39
Without Par Value						
Auction Rate					1,615,625.01	2,039,583.32
$5.875 Series					1,468,750.20	1,468,749.93
Preferred Dividends Accrued						
$25 Par Value						
5% Series	89,613.86	89,613.86	179,227.59	179,227.71		
Without Par Value						
Auction Rate	100,000.00	143,124.98	200,000.00	286,249.96		
$5.875 Series	122,395.84	122,395.82	244,791.67	244,791.64		
Common Dividends						
Common Stock Without Par Value					69,000,000.00	23,000,000.00
Balance at End of Period	429,943,723.26	410,381,256.95	429,943,723.26	410,381,256.95	429,943,723.26	410,381,256.95

LOUISVILLE GAS AND ELECTRIC COMPANY
COMPARATIVE BALANCE SHEETS AS OF FEBRUARY 28, 2003 AND 2002

ASSETS AND OTHER DEBITS	THIS YEAR	LAST YEAR
Utility Plant		
Utility Plant at Original Cost	3,641,238,933.05	3,426,069,926.69
Less Reserves for Depreciation & Amortization	1,478,817,254.57	1,396,210,504.45
Total	2,162,421,678.48	2,029,859,422.24
Investments - At Cost		
Ohio Valley Electric Corporation	490,000.00	490,000.00
Investments in LG&E-R	5,000,000.00	5,000,000.00
Nonutility Property-Less Reserve	111,537.79	665,148.57
Other	-	-
Total	5,601,537.79	6,155,148.57
Current and Accrued Assets		
Cash	4,754,563.71	5,030,125.01
Special Deposits	7,569,399.38	8,660,912.40
Temporary Cash Investments	-	-
Accounts Receivable-Less Reserve	27,374,009.71	29,330,670.71
Notes Receivable from Assoc. Companies	-	-
Notes Receivable from LG&E-R	50,092,742.00	38,403,212.00
Accounts Receivable from Assoc Companies	14,703,853.55	7,392,216.50
Materials & Supplies-At Average Cost		
Fuel	32,443,605.68	27,335,234.12
Plant Materials & Operating Supplies	22,352,075.96	26,160,078.87
Stores Expense	3,617,024.76	2,071,407.84
Gas Stored Underground	25,233,708.02	26,337,219.95
Allowance Inventory	40,498.83	38,916.48
Prepayments	5,030,494.16	4,235,915.41
Miscellaneous Current & Accrued Assets	3,719,399.90	19,722.13
Total	196,931,375.66	175,015,631.42
Deferred Debits and Other		
Unamortized Debt Expense	6,473,442.82	5,938,834.87
Unamortized Loss on Bonds	18,650,746.49	17,712,724.42
Accumulated Deferred Income Taxes	130,780,624.53	146,328,499.89
Deferred Regulatory Assets	101,579,723.21	129,165,884.00
Other Deferred Debits	76,923,415.66	45,177,323.47
Total	334,407,952.71	344,323,266.65
Total Assets and Other Debits	2,699,362,544.64	2,555,353,468.88

LIABILITIES AND OTHER CREDITS	THIS YEAR	LAST YEAR
Capitalization		
Common Stock	425,170,424.09	425,170,424.09
Common Stock Expense	(835,888.64)	(835,888.64)
Paid-In Capital	40,000,000.00	40,000,000.00
Unrealized Gain (Loss) on Investment	-	-
Other Comprehensive Income	(42,522,975.80)	(19,899,973.80)
Retained Earnings	429,943,723.26	410,381,256.95
Total Common Equity	851,755,282.91	854,815,818.60
Preferred Stock	95,140,346.77	95,140,346.77
First Mortgage Bonds	574,304,000.00	496,904,000.00
Pollution Control Bonds (Unsecured)	-	120,000,000.00
Long-Term Debt Marked to Market	-	-
Total Capitalization	1,521,199,629.68	1,566,860,165.37
Current and Accrued Liabilities		
Long-Term Debt Due in 1 Year	42,600,000.00	-
Notes Payable to Associated Companies	250,252,943.44	93,252,943.44
Notes Payable	-	-
Accounts Payable	94,371,845.07	67,912,337.95
Accounts Payable to Associated Companies	18,789,293.62	19,693,678.82
Customer Deposits	10,276,872.30	8,417,324.17
Taxes Accrued	17,114,923.24	33,679,766.16
Interest Accrued	2,442,796.20	3,837,550.03
Dividends Declared	-	-
Misc. Current & Accrued Liabilities	5,661,354.08	2,960,868.27
Total	441,510,027.95	229,754,468.84
Deferred Credits and Other		
Accumulated Deferred Income Taxes	442,665,339.10	444,471,289.28
Investment Tax Credit	53,835,247.63	57,986,401.57
Regulatory Liabilities	47,431,026.00	50,500,606.00
Customer Advances for Construction	9,973,733.70	9,612,931.33
Asset Retirement Obligations	9,725,498.34	-
Other Deferred Credits	24,889,310.96	20,864,544.92
Misc. Long-Term Liabilities	86,040,629.11	114,985,670.57
Misc. Long-Term Liab. Due to Assoc. Co.	-	-
Accum Provision for Post-Retirement Benefits	62,092,102.17	60,317,391.00
Total	736,652,887.01	758,738,834.67
Total Liabilities and Other Credits	2,699,362,544.64	2,555,353,468.88

LOUISVILLE GAS AND ELECTRIC COMPANY
STATEMENT OF CAPITALIZATION AND SHORT-TERM DEBT
FEBRUARY 28, 2003

	AUTHORIZED	ISSUED & OUTSTANDING		PERCENT OF TOTAL	
	SHARES	SHARES	AMOUNT	CAPITAL & S/T DEBT	CAPITAL
Common Equity					
Common Stock - Without Par	75,000,000	21,294,223	425,170,424.09		
Common Stock Expense			(835,888.64)		
Paid-In Capital			40,000,000.00		
Unrealized Gain (Loss) on Investment			-		
Other Comprehensive Income			(42,522,975.80)		
Retained Earnings			429,943,723.26		
Total Common Equity			851,755,282.91	46.95	55.99
Preferred Stock, Cumulative					
$25 Par Value	1,720,000				
5% Series		860,287	21,507,175.00		
Without Par Value ($100 Stated)	6,750,000				
NPV-Stated Value Auction Rate		500,000	50,000,000.00		
$5.875 Series		250,000	25,000,000.00		
Subtotal			96,507,175.00		
Gain on Reacquired Preferred Stock			5,698.75		
Preferred Stock Expense			(1,372,526.98)		
Total Preferred Stock			95,140,346.77	5.25	6.26
Total Stockholder's Equity			946,895,629.68	52.20	62.25
Long-Term Debt					
First Mortgage Bonds	Not Limited				
PCB S JC 09/01/92 Due 09/01/17 VAR%			31,000,000.00		
PCB T TC 09/01/92 Due 09/01/17 VAR%			60,000,000.00		
PCB U JC 08/15/93 Due 08/15/13 VAR%			35,200,000.00		
PCB V JC 08/15/93 Due 08/15/19 5 5/8%			102,000,000.00		
PCB W JC 10/15/93 Due 10/15/20 5.45%			26,000,000.00		
PCB X JC 04/15/95 Due 04/15/23 5.90%			40,000,000.00		
PCB Y JC 05/01/00 Due 05/01/27 VAR%			25,000,000.00		
PCB Z JC 08/01/00 Due 08/01/30 VAR%			83,335,000.00		
PCB AA JC 09/11/01 Due 09/01/27 VAR%			10,104,000.00		
PCB BB JC 03/06/02 Due 09/01/26 VAR%			22,500,000.00		
PCB CC TC 03/06/02 Due 09/01/26 VAR%			27,500,000.00		
PCB DD JC 03/22/02 Due 11/01/27 VAR%			35,000,000.00		
PCB EE TC 03/22/02 Due 11/01/27 VAR%			35,000,000.00		
PCB FF TC 10/23/02 Due 10/01/32 VAR%			41,665,000.00		
Total First Mortgage Bonds			574,304,000.00	31.66	37.75
Total Capitalization			1,521,199,629.68	83.86	100.00
Long-Term Debt Due in 1 Year			42,600,000.00	2.34	
Notes Payable to Associated Companies			250,252,943.44	13.80	
Total Capitalization and Short-Term Debt			1,814,052,573.12	100.00	

LOUISVILLE GAS AND ELECTRIC COMPANY
TRIAL BALANCE - GENERAL LEDGER
FEBRUARY 28, 2003

Account - Subsidiary Account	Balance Subsidiary Account	Balance as Shown On Balance Sheet
UTILITY PLANT		
At Original Cost	3,641,238,933.05	3,641,238,933.05
Reserves for Depreciation and Amortization		(1,478,817,254.57)
Electric	(1,242,420,443.79)	
Gas	(160,414,104.37)	
Common	(56,481,149.37)	
Amortization of Plant		
Underground Storage Land and Land Rights	(573,293.92)	
Limited - Term Plant	(18,928,263.12)	
INVESTMENTS - AT COST		5,601,537.79
Nonutility Property - less reserve ($63,360.36)	17,337.47	
Coal for Resale 2,724 Tons @ $34.58	94,200.32	
Investments in LG&E-R	5,000,000.00	
Ohio Valley Electric Corporation	490,000.00	
CASH		4,754,563.71
National City Bank - Regular	3,859,214.11	
Harris Trust and Savings Bank	1,888.22	
Bank of Louisville	11,926.93	
Citibank	10,358.25	
Farmers Bank and Trust Company	96,723.48	
US Bank	601,875.00	
Bedford Loan and Deposit Bank	10,000.00	
Farmers Bank of Milton	10,000.00	
Meade County Bank	152,642.72	
Sundry Cash Collection	(65.00)	
OTHER SPECIAL DEPOSITS		7,569,399.38
Other Special Deposits	7,569,399.38	
ACCOUNTS RECEIVABLE - LESS RESERVE		27,374,009.71
Working Funds	66,050.00	
Customers	99,335,851.14	
Customer Accounts Receivable Sold to LG&E-R	(132,573,000.00)	
Wholesale Sales	13,010,463.45	
Transmission Sales	1,081,200.07	
Unbilled Revenues	39,750,000.00	
Employee Computer Loans	543,690.64	
Damage Claims	762,675.13	
RAR Settlements	2,286,816.00	
Officers and Employees	40,219.82	
IMEA	1,053,513.13	
IMPA	1,127,475.35	
Other	701,968.57	
Reserves for Uncollectible Accounts		
Utility Customers		
Accrual	(2,493,375.79)	
Charged Off	786,489.20	
Recoveries	(418,182.70)	
Accrual Sold to LG&E-R	2,125,069.00	
Rents Receivable	187,086.70	
NOTES RECEIVABLE FROM LG&E-R		50,092,742.00
Notes Receivable from LG&E-R	50,092,742.00	
ACCOUNTS RECEIVABLE FROM ASSOCIATED COMPANIES		14,703,853.55
LG&E Energy Corp	13,442,212.29	
LG&E Energy Marketing Inc. (LEM)-Power Marketing	1,261,641.26	
FUEL		32,443,605.68
Coal 1,286,389 Tons @ $24.94; MMBTU 29,149,983 @ 110.05¢	32,080,159.53	
Fuel Oil 296,162 Gallons @ 80.67¢	238,921.24	
Gas Pipeline 7,950 MCF	124,524.91	
PLANT MATERIALS AND OPERATING SUPPLIES		22,352,075.96
Regular Materials and Supplies	22,154,253.35	
Limestone 37,693 Tons @ $5.25	197,822.61	

LOUISVILLE GAS AND ELECTRIC COMPANY
TRIAL BALANCE - GENERAL LEDGER
FEBRUARY 28, 2003

Account - Subsidiary Account	Balance Subsidiary Account	Balance as Shown On Balance Sheet
STORES EXPENSE		3,617,024.76
Stores Expense Undistributed	3,617,024.76	
GAS STORED UNDERGROUND - CURRENT		25,233,708.02
Gas St. Underground*6,300,475 MCF (14.73 psia) @ 400.50¢	25,233,708.02	
ALLOWANCE INVENTORY		40,498.83
Allowance Inventory	40,498.83	
PREPAYMENTS		5,030,494.16
Unexpired Insurance	4,214,090.91	
Franchises	286,647.49	
Permit Fees	140,501.56	
Real Estate Commissions	42,586.20	
Rights of Way	346,668.00	
MISCELLANEOUS CURRENT ASSETS		3,719,399.90
Derivative Asset	3,719,399.90	
UNAMORTIZED DEBT EXPENSE		6,473,442.82
First Mortage Bonds Series due August 15, 2003, 6 %	17,702.88	
Pollution Control Series S due Sept. 1, 2017	182,037.66	
Pollution Control Series T due Sept. 1, 2017	240,758.66	
Pollution Control Series U due Aug. 15, 2013	121,841.59	
Pollution Control Series V due Aug. 15, 2019	734,951.92	
Pollution Control Series W due Oct. 15, 2020	337,205.89	
Pollution Control Series X due Apr. 15, 2023	666,184.32	
Pollution Control Series Y due May 1, 2027	577,274.49	
Pollution Control Series Z due Aug. 1, 2030	1,049,450.99	
Pollution Control Series AA due Sept. 1, 2027	487,815.01	
Pollution Control Series BB due Sept. 1, 2026	224,133.20	
Pollution Control Series CC Sept. 1, 2026	244,408.65	
Pollution Control Series DD due Nov. 1, 2027	265,507.20	
Pollution Control Series EE due Nov. 1, 2027	265,546.74	
Pollution Control Series FF due Oct. 1, 2032	1,058,623.62	
UNAMORTIZED LOSS ON BONDS		18,650,746.49
Refinanced and Called Bonds	18,650,746.49	
OTHER DEFERRED DEBITS		76,923,415.66
Gas Supply Cost Adjustments	24,087,493.19	
Other	52,835,922.47	
DEFERRED REGULATORY ASSET		101,579,723.21
KU Merger Expenses	1,209,780.00	
VDT Expenses	93,057,952.37	
Asset Retirement Obligations	5,514,502.84	
Deferred Taxes - FAS 109		
Federal		
Electric	1,241,183.00	
Gas	350,093.00	
State		
Electric	166,350.00	
Gas	39,862.00	
ACCUMULATED DEFERRED INCOME TAXES		130,780,624.53
Federal		
Electric	81,927,952.99	
Gas	11,813,929.16	
Common	14,971,306.96	
State		
Electric	15,909,235.45	
Gas	2,357,689.73	
Common	3,800,510.24	

* Excludes:

	$	MCF
Non-recoverable Base Gas	9,648,855.00	7,880,000
Recoverable Base Gas	2,139,990.00	2,930,000
	11,788,845.00	10,810,000

Total Assets and Other Debits	2,699,362,544.64	2,699,362,544.64

LOUISVILLE GAS AND ELECTRIC COMPANY
TRIAL BALANCE - GENERAL LEDGER
FEBRUARY 28, 2003

Account - Subsidiary Account	Balance Subsidiary Account	Balance as Shown On Balance Sheet
COMMON EQUITY		851,755,282.91
Common Stock	425,170,424.09	
Retained Earnings	429,943,723.26	
Common Stock Expense	(835,888.64)	
Additional Paid-In Capital	40,000,000.00	
Other Comprehensive Income	(42,522,975.80)	
PREFERRED STOCK		95,140,346.77
5% Series	21,507,175.00	
Auction Rate	50,000,000.00	
$5.875 Series	25,000,000.00	
Gain on Reacquired Preferred Stock	5,698.75	
Preferred Stock Expense		
Auction Rate	(1,088,279.70)	
$5.875 Series	(284,247.28)	
BONDS		574,304,000.00
First Mortgage Bonds	574,304,000.00	
LONG-TERM DEBT DUE WITHIN ONE YEAR		42,600,000.00
Mandatory Redemption-FMB due August 15, 2003	42,600,000.00	
NOTES PAYABLE TO ASSOCIATED COMPANIES		250,252,943.44
Notes Payable to Associated Companies	250,252,943.44	
ACCOUNTS PAYABLE		94,371,845.07
Regular	90,295,553.38	
Salaries and Wages Accrued	2,414,929.94	
Nonqualified Savings Plan	564,163.71	
Dividends Payable	21,007.67	
Tax Collections - Payable	1,076,190.37	
ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES		18,789,293.62
LG&E Energy Corp	18,789,293.62	
CUSTOMERS' DEPOSITS		10,276,872.30
Customers' Deposits	10,276,872.30	
TAXES ACCRUED		17,114,923.24
Taxes Accrued	17,114,923.24	
INTEREST ACCRUED		2,442,796.20
Interest on Long-Term Debt		
First Mortgage Bonds		
Series due Aug. 15, 2003, 6 %	106,500.00	
Loan Agreement - Pol. Cont. Bonds 1992 Series A	24,116.45	
Loan Agreement - Pol. Cont. Bonds 1992 Series A-TC	81,434.58	
Loan Agreement - Pol. Cont. Bonds 1993 Series A	51,245.19	
Loan Agreement - Pol. Cont. Bonds 1993 Series B	239,060.50	
Loan Agreement - Pol. Cont. Bonds 1993 Series C	531,374.97	
Loan Agreement - Pol. Cont. Bonds 1995 Series A	884,999.96	
Loan Agreement - Pol. Cont. Bonds 2000 Series A	1,458.33	
Loan Agreement - Pol. Cont. Bonds 2000 Series A-TC	55,501.11	
Loan Agreement - Pol. Cont. Bonds 2001 Series A	1,291.02	
Loan Agreement - Pol. Cont. Bonds 2001 Series A	17,268.49	
Loan Agreement - Pol. Cont. Bonds 2001 Series A-TC	29,862.75	
Loan Agreement - Pol. Cont. Bonds 2001 Series B	27,158.89	
Loan Agreement - Pol. Cont. Bonds 2001 Series B-TC	26,780.82	
Loan Agreement - Pol. Cont. Bonds 2002 Series A-TC	30,135.77	
Interest Rate Swaps	334,607.37	

LOUISVILLE GAS AND ELECTRIC COMPANY
TRIAL BALANCE - GENERAL LEDGER
FEBRUARY 28, 2003

Account - Subsidiary Account	Balance Subsidiary Account	Balance as Shown On Balance Sheet
MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES		5,661,354.08
Vacation Pay Accrued	3,526,984.60	
Revenue Subject to Refund	153,127.00	
Mark to Market Liabilities	1,981,242.48	
CUSTOMERS' ADVANCES FOR CONSTRUCTION		9,973,733.70
Line Extensions		
Electric	545,040.79	
Gas	9,428,692.91	
ASSET RETIREMENT OBLIGATIONS	9,725,498.34	9,725,498.34
OTHER DEFERRED CREDITS		24,889,310.96
Other Deferred Credits	24,889,310.96	
REGULATORY LIABILITIES		47,431,026.00
Asset Retirement Obligations	97,690.00	
Federal		
Electric	40,493,070.00	
Gas	2,787,225.00	
State		
Electric	4,205,109.00	
Gas	(152,068.00)	
INVESTMENT TAX CREDIT		53,835,247.63
Investment Tax Credit (prior law)		
Electric	4,566.17	
Gas	92.77	
Job Development Credit		
Electric	51,799,213.34	
Gas	2,031,375.35	
ACCUMULATED DEFERRED INCOME TAXES		442,665,339.10
Federal		
Electric	307,215,711.70	
Gas	50,584,275.95	
Common	72,959.20	
State		
Electric	72,462,667.85	
Gas	12,311,483.60	
Common	18,240.80	
MISCELLANEOUS LONG-TERM LIABILITIES		86,040,629.11
Pension Payable	76,204,486.00	
Pension Payable - Supplemental	3,023,414.11	
Pension Payable - Pension Restoration	205,226.88	
Workers' Compensation	4,238,263.12	
Post Employment Benefits - FAS 112	2,369,239.00	
ACCUMULATED PROVISION FOR BENEFITS		62,092,102.17
Post Retirement Benefits - FAS 106	62,092,102.17	
Total Liabilities and Other Credits	2,699,362,544.64	2,699,362,544.64

LOUISVILLE GAS AND ELECTRIC COMPANY
STATEMENT OF CASH FLOWS
FEBRUARY 28, 2003

	Year to Date 2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	21,263,856.48	17,473,181.37
Items not requiring cash currently:		
Depreciation and amortization	18,025,049.34	16,887,462.10
Deferred income taxes - net	(1,340,538.40)	-
Investment tax credit - net	(701,197.00)	(702,222.00)
Other	13,891,072.30	6,693,618.84
(Increase) decrease in certain net current assets:		
Accounts receivable	(28,756,274.73)	5,511,608.65
Materials and supplies	28,870,829.23	15,564,710.98
Accounts payable	(9,609,733.94)	(61,463,948.25)
Accrued taxes	15,675,620.92	13,434,769.32
Accrued interest	(2,496,844.46)	(1,980,370.74)
Prepayments and other	(1,716,266.32)	(667,604.77)
Other	(92,793,940.37)	8,854,515.63
Net cash provided from operating activities	(39,688,366.95)	19,605,721.13
CASH FLOWS FROM INVESTING ACTIVITIES		
Long term investment in securities	162,506.84	20,748.69
Construction expenditures	(21,307,971.49)	(5,921,989.94)
Net cash used for investing activities	(21,145,464.65)	(5,901,241.25)
CASH FLOWS FROM FINANCING ACTIVITIES		
Short-term borrowing	57,200,000.00	(943,750.00)
Net proceeds from issuance of pollution control bonds		(70,643.94)
Payment of dividends	(1,057,279.10)	(1,111,029.12)
Net cash used for financing activities	56,142,720.90	(2,125,423.06)
NET INCREASE (DECREASE) IN CASH AND TEMP. CASH INVESTMENTS	(4,691,110.70)	11,579,056.82
CASH AND TEMPORARY CASH INVESTMENTS AT BEGINNING OF PERIOD	17,015,073.79	2,111,980.59
CASH AND TEMPORARY CASH INVESTMENTS AT END OF PERIOD	12,323,963.09	13,691,037.41

LOUISVILLE GAS AND ELECTRIC COMPANY
ANALYSIS OF INTEREST CHARGES
FEBRUARY 28, 2003

	CURRENT MONTH		YEAR TO DATE		YEAR ENDED CURRENT MONTH	
	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR
Interest On Long-Term Debt						
First Mortgage Bonds						
Series Due Aug. 15 2003, 6%	213,000.00	213,000.00	426,000.00	426,000.00	2,556,000.00	2,556,000.00
Loan Agreement - Poll. Control Bonds						
1990 Series B (6.55%) TC	-	227,421.46	(30.00)	454,842.95	1,922,090.70	2,729,057.55
1992 Series A Variable	30,671.23	35,232.88	65,002.73	77,904.13	421,627.97	812,629.93
1992 Series A Variable TC	58,488.76	77,587.68	138,681.92	178,352.06	864,988.12	1,892,393.24
1993 Series A Variable Rate	33,868.50	45,110.11	80,310.96	104,276.88	515,698.41	1,109,694.33
1993 Series B (5 5/8%)	478,125.01	478,125.01	956,250.02	956,254.94	5,737,500.12	5,737,504.94
1993 Series C (5.45%)	118,083.34	118,083.34	236,166.68	236,166.68	1,417,000.08	1,417,000.11
1995 Series A (5.90%)	196,666.66	196,666.66	393,333.32	393,333.32	2,359,999.92	2,359,999.88
2000 Series A Variable Rate	21,319.44	27,083.34	47,291.67	60,868.06	350,277.78	668,368.08
2000 Series A Variable TC	68,464.33	82,779.42	168,466.33	180,906.37	1,193,859.53	2,175,034.19
2001 Series A Variable Rate	8,981.33	10,553.07	19,899.26	22,930.48	147,039.86	83,835.14
2001 Series A Variable Rate	19,037.00	-	40,969.88	-	312,117.12	-
2001 Series A Variable Rate TC	23,205.49	-	49,037.54	-	380,052.56	-
2001 Series B Variable Rate	30,876.71	-	65,321.92	-	483,434.21	-
2001 Series B Variable Rate TC	30,876.71	-	65,267.12	-	483,075.33	-
2002 Series A Variable Rate TC	36,436.89	-	85,350.46	-	203,211.02	-
Loan Agreement - Unsecured Bonds						
1996 Series A Variable Rate	-	27,850.69	-	60,061.64	18,944.61	715,872.99
1996 Series A Variable Rate TC	-	37,256.85	-	83,780.82	27,123.27	917,205.48
1997 Series A Variable Rate	-	44,609.58	-	94,431.50	63,821.78	1,129,424.70
1997 Series A Variable Rate TC	-	50,102.74	-	114,109.76	69,232.88	1,117,459.03
Interest Rate Swaps	360,783.60	388,959.47	758,744.12	766,603.35	4,398,682.69	3,723,719.98
Marked to Market	-	-	-	-	-	-
Total	1,728,885.00	2,060,422.30	3,596,063.93	4,210,822.94	23,925,777.96	29,145,199.57
Amortization of Debt Expense - Net						
Amortization of Debt Expense	29,206.18	26,505.58	58,412.36	53,009.17	423,983.71	308,157.39
Amortization of Premium on Debt - Cr.	-	-	-	-	-	-
Amort. of Loss on Reacquired Debt	95,991.02	94,520.06	191,982.04	189,042.09	1,141,489.93	1,134,270.89
Total	125,197.20	121,025.64	250,394.40	242,051.26	1,565,473.64	1,442,428.28
Other Interest Charges						
Note Payable	-	11,465.68	-	85,249.11	-	141,700.49
Customers' Deposits	52,727.59	33,774.79	85,503.47	66,345.18	436,401.43	403,420.71
Federal Income Tax Deficiencies	-	-	-	-	-	-
Other Tax Deficiencies	-	-	-	-	-	-
Gas Refunds	287.84	-	618.30	-	1,841.87	-
Interest on Dsm Cost Recovery	-	-	-	-	-	-
Deferred Compensation	-	-	-	-	28,145.17	28,013.37
Interest on Debt to Associated Companies	247,141.38	129,084.91	499,620.95	223,293.09	2,452,041.33	2,438,645.02
Interest Costs from A/R Securitization	236,234.86	231,742.93	401,123.70	290,625.70	1,106,477.85	1,967,693.87
Other	2,726.72	-	2,726.72	-	2,726.72	-
Total	539,118.39	406,068.31	989,593.14	665,513.08	4,027,634.37	4,979,473.46
Total Interest	2,393,200.59	2,587,516.25	4,836,051.47	5,118,387.28	29,518,885.97	35,567,101.31

LOUISVILLE GAS AND ELECTRIC COMPANY
ANALYSIS OF TAXES CHARGED
FEBRUARY 28, 2003

Kind of Taxes	Current Month This Year	Current Month Last Year	Year To Date This Year	Year To Date Last Year
Taxes Charged to Accounts 408.1 and 409.1				
Property Taxes	978,656.00	903,620.00	1,957,312.00	1,807,240.00
State Unemployment	0.13	5,486.10	0.13	12,206.54
Federal Unemployment	45,184.23	21,172.05	89,557.04	58,249.94
Federal Old Age and Survivors Insurance	424,632.97	338,002.54	851,038.72	878,209.79
Public Service Commission Fee	150,000.00	140,000.00	300,000.00	280,000.00
Federal Income	1,859,629.61	3,281,456.85	12,287,767.67	8,983,024.75
State Income	495,115.74	872,286.01	3,248,684.58	2,387,892.67
Miscellaneous	-	2,231.29	3,664.96	10,547.11
Total Charged to Operating Expense	3,953,218.68	5,564,254.84	18,738,025.10	14,417,370.80
Taxes Charged to Other Accounts	800,879.94	159,550.15	(1,504,860.83)	360,593.18
Taxes Accrued on Intercompany Accounts	(119,958.26)	(109,648.98)	(255,523.59)	(224,424.68)
Total Taxes Charged	4,634,140.36	5,614,156.01	16,977,640.68	14,553,539.30

ANALYSIS OF TAXES ACCRUED - ACCOUNT 236

Kind of Taxes	Taxes Accrued At Beginning Of Year	Accruals To Date This Year	Payments To Date This Year	Taxes Accrued At End Of Month
Property Taxes	191,066.78	1,983,332.00	50,758.75	2,123,640.03
State Unemployment	10,768.97	100.67	252.44	10,617.20
Federal Unemployment	17,650.80	67,074.60	356.08	84,369.32
Federal Old Age and Survivors	215,620.04	800,101.53	624,882.85	390,838.72
Public Service Commission Fee	-	300,000.00	-	300,000.00
Federal Income	(4,740,983.04)	10,671,648.68	-	5,930,665.64
State Income	5,299,487.96	2,834,507.33	-	8,133,995.29
Kentucky Sales and Use Tax	446,561.55	308,319.69	613,521.29	141,359.95
Miscellaneous	(870.74)	12,556.18	12,248.35	(562.91)
Totals	1,439,302.32	16,977,640.68	1,302,019.76	17,114,923.24

LOUISVILLE GAS AND ELECTRIC COMPANY
SUMMARY OF UTILITY PLANT
FEBRUARY 28, 2003

UTILITY PLANT IN SERVICE	NET BALANCE FIRST OF YEAR	DEBITS-GROSS	CREDITS FOR RETIREMENTS	NET ADDITIONS	ADJUSTMENTS	BALANCE TO DATE
Electric						
Intangible	2,340.29	-	-	-	-	2,340.29
Steam Production	1,665,684,137.81	12,691,831.99	(2,219,001.87)	10,472,830.12	-	1,676,156,967.93
Hydro	9,324,683.24	-	-	-	-	9,324,683.24
Other Production	152,479,851.71	-	-	-	-	152,479,851.71
Transmission	213,912,790.08	1,705,693.51	-	1,705,693.51	-	215,618,483.59
Distribution	656,405,005.49	3,298,889.16	(3,185.61)	3,295,703.55	-	659,700,709.04
General	19,378,595.64	17,841.70	-	17,841.70	-	19,396,437.34
Total Electric	2,717,187,404.26	17,714,256.36	(2,222,187.48)	15,492,068.88	-	2,732,679,473.14
Gas						
Intangible	553,232.59	-	-	-	-	553,232.59
Natural Gas Storage Plant Underground	54,336,273.67	917,559.73	-	917,559.73	-	55,253,833.40
Transmission	12,414,633.91	293,061.83	-	293,061.83	-	12,707,695.74
Distribution	356,807,061.42	7,994,403.03	(827,922.24)	7,166,480.79	-	363,973,542.21
General	8,983,446.29	16,997.70	(4,222.23)	12,775.47	-	8,996,221.76
Gas Stored Underground Non-Current	2,139,990.00	-	-	-	-	2,139,990.00
Total Gas	435,234,637.88	9,222,022.29	(832,144.47)	8,389,877.82	-	443,624,515.70
Common						
Intangible	24,532,730.28	109,915.52	-	109,915.52	-	24,642,645.80
General	145,044,129.61	2,556,797.91	-	2,556,797.91	-	147,600,927.52
Total Common	169,576,859.89	2,666,713.43	-	2,666,713.43	-	172,243,573.32
Total Plant in Service	3,321,998,902.03	29,602,992.08	(3,054,331.95)	26,548,660.13	-	3,348,547,562.16
Construction Work In Progress						
Electric	261,760,776.30	2,246,666.87	-	2,246,666.87		264,007,443.17
Gas	25,501,848.83	(7,843,929.49)	-	(7,843,929.49)		17,657,919.34
Common	13,723,766.35	(2,697,757.97)	-	(2,697,757.97)	-	11,026,008.38
Total Construction Work In Progress	300,986,391.48	(8,295,020.59)	-	(8,295,020.59)	-	292,691,370.89
Total Utility Plant at Original Cost	3,622,985,293.51	21,307,971.49	(3,054,331.95)	18,253,639.54	-	3,641,238,933.05

RESERVE FOR DEPRECIATION OF UTILITY	NET BALANCE FIRST OF YEAR	ACCRUALS	RETIREMENTS	COST OF REMOVAL	SALVAGE	OTHER CREDITS	BALANCE TO DATE
Plant In Service							
Electric	1,235,700,821.25	14,380,190.25	(2,222,187.48)	(379,395.95)	-	-	1,247,479,428.07
Gas	159,276,235.08	2,096,247.56	(832,144.47)	(73,632.71)	604.28	-	160,467,309.74
Common	55,289,741.92	1,647,148.06	-	-	-	-	56,936,889.98
Total Reserve For Depreciation Of Utility Plant In Service	1,450,266,798.25	18,123,585.87	(3,054,331.95)	(453,028.66)	604.28	-	1,464,883,627.79
Reserve For Amortization Of Utility Plant In Service							
Electric	100.00						100.00
Gas	574,193.92	-				-	574,193.92
Common	18,101,954.13	825,308.99	-	-	-	-	18,927,263.12
Total Reserve For Amortization Of Utility Plant In Service	18,676,248.05	825,308.99	-	-	-	-	19,501,557.04
Retirement Work In Progress							
Electric	(4,845,891.80)			(102,875.02)	(58,745.73)	(51,471.73)	(5,058,984.28)
Gas	(43,721.15)			(9,457.23)	(26.99)	-	(53,205.37)
Common	(379,491.56)	-	-	(98,749.05)	(3,500.00)	26,000.00	(455,740.61)
Total Retirement Work In Progress	(5,269,104.51)	-	-	(211,081.30)	(62,272.72)	(25,471.73)	(5,567,930.26)
Total Reserve For Depreciation and Amortization - Utility Plant In Service	1,463,673,941.79	18,948,894.86	(3,054,331.95)	(664,109.96)	(61,668.44)	(25,471.73)	1,478,817,254.57
Utility Plant at Original Cost Less Reserve For Depreciation and Amortization	2,159,311,351.72						2,162,421,678.48

LG&E Monthly Report to KPSC-January 31,2003

LOUISVILLE GAS AND ELECTRIC COMPANY
COMPARATIVE STATEMENT OF INCOME
JANUARY 31, 2003

	CURRENT MONTH			
	THIS YEAR AMOUNT	LAST YEAR AMOUNT	INCREASE OR DECREASE AMOUNT	%
Electric Operating Revenues	67,402,228.98	58,787,215.18	8,615,013.80	14.65
Gas Operating Revenues	60,979,638.95	40,613,808.61	20,365,830.34	50.15
Rate Refunds	(118,458.00)	-	(118,458.00)	-
Total Operating Revenues	128,263,409.93	99,401,023.79	28,862,386.14	29.04
Fuel for Electric Generation	17,153,353.30	14,177,683.09	2,975,670.21	20.99
Power Purchased	12,398,622.02	9,499,109.09	2,899,512.93	30.52
Gas Supply Expenses	45,805,324.30	26,405,394.89	19,399,929.41	73.47
Other Operation Expenses	16,311,740.40	15,008,169.11	1,303,571.29	8.69
Maintenance	3,801,761.20	3,703,383.29	98,377.91	2.66
Depreciation	8,658,540.52	8,078,923.58	579,616.94	7.17
Amortization Expense	416,595.64	408,619.15	7,976.49	1.95
Regulatory Credits	(6,515,114.09)	-		
Taxes				
Federal Income	-	-	-	-
State Income	-	-	-	-
Deferred Federal Income - Net	-	-	-	-
Deferred State Income - Net	-	-	-	-
Federal Income - Estimated	10,428,138.06	5,701,567.90	4,726,570.16	82.90
State Income - Estimated	2,753,568.84	1,515,606.66	1,237,962.18	81.68
Property and Other	1,603,099.52	1,635,941.40	(32,841.88)	(2.01)
Investment Tax Credit	-	-	-	-
Amortization of Investment Tax Credit	(351,111.00)	(351,111.00)	-	-
Gain from Disposition of Allowances	-	-	-	-
Accretion Expense	54,268.00	-	54,268.00	-
Total Operating Expenses	112,518,786.71	85,783,287.16	26,735,499.55	31.17
Net Operating Income	15,744,623.22	13,617,736.63	2,126,886.59	15.62
Other Income Less Deductions	425,638.66	7,262.91	418,375.75	-
Income Before Interest Charges	16,170,261.88	13,624,999.54	2,545,262.34	18.68
Interest on Long Term Debt	1,867,178.93	2,150,400.64	(283,221.71)	(13.17)
Amortization of Debt Expense - Net	125,197.20	121,025.62	4,171.58	3.45
Other Interest Expenses	450,474.75	259,444.77	191,029.98	73.63
Total Interest Charges	2,442,850.88	2,530,871.03	(88,020.15)	(3.48)
Net Inc Before Cumulative Effect of Acctg Chg	13,727,411.00	11,094,128.51	2,633,282.49	23.74
Cumulative Effect of Accounting Change	6,452,011.35	-	6,452,011.35	-
Income Taxes Applicable to Cumulative Effect	(2,604,193.08)	-	(2,604,193.08)	-
Net Income	9,879,592.73	11,094,128.51	(1,214,535.78)	(10.95)
Preferred Dividend Requirements	312,009.56	355,134.65	(43,125.09)	(12.14)
Earnings Available for Common	9,567,583.17	10,738,993.86	(1,171,410.69)	(10.91)

LOUISVILLE GAS AND ELECTRIC COMPANY
COMPARATIVE STATEMENT OF INCOME
JANUARY 31, 2003

	YEAR TO DATE			
	THIS YEAR AMOUNT	LAST YEAR AMOUNT	INCREASE OR DECREASE AMOUNT	%
Electric Operating Revenues	67,402,228.98	58,787,215.18	8,615,013.80	14.65
Gas Operating Revenues	60,979,638.95	40,613,808.61	20,365,830.34	50.15
Rate Refunds	(118,458.00)	-	(118,458.00)	-
Total Operating Revenues	128,263,409.93	99,401,023.79	28,862,386.14	29.04
Fuel for Electric Generation	17,153,353.30	14,177,683.09	2,975,670.21	20.99
Power Purchased	12,398,622.02	9,499,109.09	2,899,512.93	30.52
Gas Supply Expenses	45,805,324.30	26,405,394.89	19,399,929.41	73.47
Other Operation Expenses	16,311,740.40	15,008,169.11	1,303,571.29	8.69
Maintenance	3,801,761.20	3,703,383.29	98,377.91	2.66
Depreciation	8,658,540.52	8,078,923.58	579,616.94	7.17
Amortization Expense	416,595.64	408,619.15	7,976.49	1.95
Regulatory Credits	(6,515,114.09)	-		
Taxes				
Federal Income	-	-	-	-
State Income	-	-	-	-
Deferred Federal Income - Net	-	-	-	-
Deferred State Income - Net	-	-	-	-
Federal Income - Estimated	10,428,138.06	5,701,567.90	4,726,570.16	82.90
State Income - Estimated	2,753,568.84	1,515,606.66	1,237,962.18	81.68
Property and Other	1,603,099.52	1,635,941.40	(32,841.88)	(2.01)
Investment Tax Credit	-	-	-	-
Amortization of Investment Tax Credit	(351,111.00)	(351,111.00)	-	-
Gain from Disposition of Allowances	-	-	-	-
Accretion Expense	54,268.00	-	54,268.00	-
Total Operating Expenses	112,518,786.71	85,783,287.16	26,735,499.55	31.17
Net Operating Income	15,744,623.22	13,617,736.63	2,126,886.59	15.62
Other Income Less Deductions	425,638.66	7,262.91	418,375.75	-
Income Before Interest Charges	16,170,261.88	13,624,999.54	2,545,262.34	18.68
Interest on Long Term Debt	1,867,178.93	2,150,400.64	(283,221.71)	(13.17)
Amortization of Debt Expense - Net	125,197.20	121,025.62	4,171.58	3.45
Other Interest Expenses	450,474.75	259,444.77	191,029.98	73.63
Total Interest Charges	2,442,850.88	2,530,871.03	(88,020.15)	(3.48)
Net Inc Before Cumulative Effect of Acctg Chg	13,727,411.00	11,094,128.51	2,633,282.49	23.74
Cumulative Effect of Accounting Change	6,452,011.35	-	6,452,011.35	-
Income Taxes Applicable to Cumulative Effect	(2,604,193.08)	-	(2,604,193.08)	-
Net Income	9,879,592.73	11,094,128.51	(1,214,535.78)	(10.95)
Preferred Dividend Requirements	312,009.56	355,134.65	(43,125.09)	(12.14)
Earnings Available for Common	9,567,583.17	10,738,993.86	(1,171,410.69)	(10.91)

LOUISVILLE GAS AND ELECTRIC COMPANY
COMPARATIVE STATEMENT OF INCOME
JANUARY 31, 2003

	YEAR ENDED CURRENT MONTH			
	THIS YEAR AMOUNT	LAST YEAR AMOUNT	INCREASE OR DECREASE AMOUNT	%
Electric Operating Revenues	755,450,200.80	712,096,573.60	43,353,627.20	6.09
Gas Operating Revenues	288,058,985.69	273,555,174.36	14,503,811.33	5.30
Rate Refunds	11,536,905.82	1,588,408.53	9,948,497.29	626.32
Total Operating Revenues	1,055,046,092.31	987,240,156.49	67,805,935.82	6.87
Fuel for Electric Generation	197,875,859.33	159,340,366.92	38,535,492.41	24.18
Power Purchased	87,229,520.51	90,721,217.57	(3,491,697.06)	(3.85)
Gas Supply Expenses	201,508,187.38	184,405,208.02	17,102,979.36	9.27
Other Operation Expenses	213,270,777.49	171,935,065.09	41,335,712.40	24.04
Maintenance	56,880,563.39	59,622,268.75	(2,741,705.36)	(4.60)
Depreciation	101,634,370.66	94,623,966.48	7,010,404.18	7.41
Amortization Expense	4,859,067.30	5,944,233.54	(1,085,166.24)	(18.26)
Regulatory Credits	(6,515,114.09)	-		
Taxes				
Federal Income	26,232,676.90	42,987,716.33	(16,755,039.43)	(38.98)
State Income	8,082,758.70	8,665,054.47	(582,295.77)	(6.72)
Deferred Federal Income - Net	20,463,170.17	12,310,314.51	8,152,855.66	66.23
Deferred State Income - Net	4,409,722.25	3,767,259.70	642,462.55	17.05
Federal Income - Estimated	4,726,570.16	(1,223,346.50)	5,949,916.66	(486.36)
State Income - Estimated	1,237,962.18	(325,193.42)	1,563,155.60	(480.68)
Property and Other	17,425,515.21	18,021,216.24	(595,701.03)	(3.31)
Investment Tax Credit	-	-	-	-
Amortization of Investment Tax Credit	(4,152,178.94)	(4,287,891.10)	135,712.16	(3.17)
Gain from Disposition of Allowances	(216,947.35)	(248,032.91)	31,085.56	(12.53)
Accretion Expense	54,268.00	-	54,268.00	-
Total Operating Expenses	935,006,749.25	846,259,423.69	88,747,325.56	10.49
Net Operating Income	120,039,343.06	140,980,732.80	(20,941,389.74)	(14.85)
Other Income Less Deductions	1,238,673.17	1,830,454.55	(591,781.38)	(32.33)
Income Before Interest Charges	121,278,016.23	142,811,187.35	(21,533,171.12)	(15.08)
Interest on Long Term Debt	24,257,315.26	29,718,141.84	(5,460,826.58)	(18.38)
Amortization of Debt Expense - Net	1,561,302.08	1,440,780.61	120,521.47	8.37
Other Interest Expenses	3,894,584.29	5,592,220.96	(1,697,636.67)	(30.36)
Total Interest Charges	29,713,201.63	36,751,143.41	(7,037,941.78)	(19.15)
Net Inc Before Cumulative Effect of Acctg Chg	91,564,814.60	106,060,043.94	(14,495,229.34)	(13.67)
Cumulative Effect of Accounting Change	6,452,011.35	-	6,452,011.35	-
Income Taxes Applicable to Cumulative Effect	(2,604,193.08)	-	(2,604,193.08)	-
Net Income	87,716,996.33	106,060,043.94	(18,343,047.61)	(17.30)
Preferred Dividend Requirements	4,202,865.87	4,661,408.00	(458,542.13)	(9.84)
Earnings Available for Common	83,514,130.46	101,398,635.94	(17,884,505.48)	(17.64)

LOUISVILLE GAS AND ELECTRIC COMPANY
ANALYSIS OF RETAINED EARNINGS
JANUARY 31, 2003

	CURRENT MONTH		YEAR TO DATE		YEAR ENDED CURRENT MONTH	
	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR
Balance at Beginning of Period	409,303,886.04	393,618,344.89	409,303,886.04	393,618,344.89	404,357,338.75	325,958,702.81
Add:						
Credits from Income	9,879,592.73	11,094,128.51	9,879,592.73	11,094,128.51	87,716,996.33	106,060,043.94
Deduct:						
Preferred Dividends						
$25 Par Value						
5% Series					1,075,365.70	1,075,366.36
Without Par Value						
Auction Rate					1,658,749.99	2,117,291.68
$5.875 Series					1,468,750.18	1,468,749.96
Preferred Dividends Accrued						
$25 Par Value						
5% Series	89,613.73	89,613.85	89,613.73	89,613.85		
Without Par Value						
Auction Rate	100,000.00	143,124.98	100,000.00	143,124.98		
$5.875 Series	122,395.83	122,395.82	122,395.83	122,395.82		
Common Dividends						
Common Stock Without Par Value					69,000,000.00	23,000,000.00
Balance at End of Period	418,871,469.21	404,357,338.75	418,871,469.21	404,357,338.75	418,871,469.21	404,357,338.75

LOUISVILLE GAS AND ELECTRIC COMPANY
COMPARATIVE BALANCE SHEETS AS OF JANUARY 31, 2003 AND 2002

ASSETS AND OTHER DEBITS	THIS YEAR	LAST YEAR
Utility Plant		
Utility Plant at Original Cost	3,627,200,737.97	3,418,728,932.09
Less Reserves for Depreciation & Amortization	1,471,057,449.12	1,387,775,642.85
Total	2,156,143,288.85	2,030,953,289.24
Investments - At Cost		
Ohio Valley Electric Corporation	490,000.00	490,000.00
Investments in LG&E-R	5,000,000.00	5,000,000.00
Nonutility Property-Less Reserve	111,537.79	629,835.91
Other	-	-
Total	5,601,537.79	6,119,835.91
Current and Accrued Assets		
Cash	8,157,299.81	4,394,618.20
Special Deposits	7,562,005.16	8,650,172.03
Temporary Cash Investments	-	-
Accounts Receivable-Less Reserve	40,680,666.40	40,813,672.53
Notes Receivable from Assoc. Companies	-	-
Notes Receivable from LG&E-R	30,767,508.00	24,883,986.00
Accounts Receivable from Assoc Companies	13,868,285.63	3,312,089.36
Materials & Supplies-At Average Cost		
Fuel	34,565,912.30	23,287,069.64
Plant Materials & Operating Supplies	22,140,257.19	25,808,823.76
Stores Expense	3,524,032.23	2,119,636.65
Gas Stored Underground	36,132,298.02	39,530,515.63
Allowance Inventory	39,125.84	40,551.36
Prepayments	5,221,324.14	4,486,949.64
Miscellaneous Current & Accrued Assets	926,667.26	123,895.29
Total	203,585,381.98	177,451,980.09
Deferred Debits and Other		
Unamortized Debt Expense	6,502,648.99	5,894,696.48
Unamortized Loss on Bonds	18,746,737.49	17,807,244.42
Accumulated Deferred Income Taxes	129,440,086.13	146,328,499.89
Deferred Regulatory Assets	105,976,712.06	131,968,329.00
Other Deferred Debits	72,918,516.64	51,527,098.00
Total	333,584,701.31	353,525,867.79
Total Assets and Other Debits	2,698,914,909.93	2,568,050,973.03

LIABILITIES AND OTHER CREDITS	THIS YEAR	LAST YEAR
Capitalization		
Common Stock	425,170,424.09	425,170,424.09
Common Stock Expense	(835,888.64)	(835,888.64)
Paid-In Capital	40,000,000.00	40,000,000.00
Unrealized Gain (Loss) on Investment	-	-
Other Comprehensive Income	(40,512,168.20)	(19,899,973.80)
Retained Earnings	418,871,469.21	404,357,338.75
Total Common Equity	842,693,836.46	848,791,900.40
Preferred Stock	95,140,346.77	95,140,346.77
First Mortgage Bonds	574,304,000.00	496,904,000.00
Pollution Control Bonds (Unsecured)	-	120,000,000.00
Long-Term Debt Marked to Market	-	-
Total Capitalization	1,512,138,183.23	1,560,836,247.17
Current and Accrued Liabilities		
Long-Term Debt Due in 1 Year	42,600,000.00	-
Notes Payable to Associated Companies	276,152,943.44	92,252,943.44
Notes Payable	-	25,000,000.00
Accounts Payable	84,900,685.22	68,985,583.10
Accounts Payable to Associated Companies	14,842,840.99	12,651,927.35
Customer Deposits	9,801,570.87	8,417,292.17
Taxes Accrued	12,960,868.84	28,491,403.32
Interest Accrued	5,656,167.70	6,842,948.37
Dividends Declared	-	-
Misc. Current & Accrued Liabilities	4,365,387.13	3,175,690.92
Total	451,280,464.19	245,817,788.67
Deferred Credits and Other		
Accumulated Deferred Income Taxes	442,665,339.10	444,471,289.28
Investment Tax Credit	54,185,333.63	58,337,512.57
Regulatory Liabilities	47,964,336.00	50,500,606.00
Customer Advances for Construction	9,992,473.97	9,669,266.44
Asset Retirement Obligations	10,013,156.00	-
Other Deferred Credits	22,515,237.39	23,115,201.33
Misc. Long-Term Liabilities	86,068,284.25	114,985,670.57
Misc. Long-Term Liab. Due to Assoc. Co	-	-
Accum Provision for Post-Retirement Benefits	62,092,102.17	60,317,391.00
Total	735,496,262.51	761,396,937.19
Total Liabilities and Other Credits	2,698,914,909.93	2,568,050,973.03

LOUISVILLE GAS AND ELECTRIC COMPANY
STATEMENT OF CAPITALIZATION AND SHORT-TERM DEBT
JANUARY 31, 2003

	AUTHORIZED SHARES	ISSUED & OUTSTANDING SHARES	ISSUED & OUTSTANDING AMOUNT	PERCENT OF TOTAL CAPITAL & S/T DEBT	PERCENT OF TOTAL CAPITAL
Common Equity					
Common Stock - Without Par	75,000,000	21,294,223	425,170,424.09		
Common Stock Expense			(835,888.64)		
Paid-In Capital			40,000,000.00		
Unrealized Gain (Loss) on Investment			-		
Other Comprehensive Income			(40,512,168.20)		
Retained Earnings			418,871,469.21		
Total Common Equity			842,693,836.46	46.03	55.73
Preferred Stock, Cumulative					
$25 Par Value	1,720,000				
5% Series		860,287	21,507,175.00		
Without Par Value ($100 Stated)	6,750,000				
NPV-Stated Value Auction Rate		500,000	50,000,000.00		
$5.875 Series		250,000	25,000,000.00		
Subtotal			96,507,175.00		
Gain on Reacquired Preferred Stock			5,698.75		
Preferred Stock Expense			(1,372,526.98)		
Total Preferred Stock			95,140,346.77	5.19	6.29
Total Stockholder's Equity			937,834,183.23	51.22	62.02
Long-Term Debt					
First Mortgage Bonds	Not Limited				
PCB S JC 09/01/92 Due 09/01/17 VAR%			31,000,000.00		
PCB T TC 09/01/92 Due 09/01/17 VAR%			60,000,000.00		
PCB U JC 08/15/93 Due 08/15/13 VAR%			35,200,000.00		
PCB V JC 08/15/93 Due 08/15/19 5 5/8%			102,000,000.00		
PCB W JC 10/15/93 Due 10/15/20 5.45%			26,000,000.00		
PCB X JC 04/15/95 Due 04/15/23 5.90%			40,000,000.00		
PCB Y JC 05/01/00 Due 05/01/27 VAR%			25,000,000.00		
PCB Z JC 08/01/00 Due 08/01/30 VAR%			83,335,000.00		
PCB AA JC 09/11/01 Due 09/01/27 VAR%			10,104,000.00		
PCB BB JC 03/06/02 Due 09/01/26 VAR%			22,500,000.00		
PCB CC TC 03/06/02 Due 09/01/26 VAR%			27,500,000.00		
PCB DD JC 03/22/02 Due 11/01/27 VAR%			35,000,000.00		
PCB EE TC 03/22/02 Due 11/01/27 VAR%			35,000,000.00		
PCB FF TC 10/23/02 Due 10/01/32 VAR%			41,665,000.00		
Total First Mortgage Bonds			574,304,000.00	31.37	37.98
Total Capitalization			1,512,138,183.23	82.59	100.00
Long-Term Debt Due in 1 Year			42,600,000.00	2.33	
Notes Payable to Associated Companies			276,152,943.44	15.08	
Total Capitalization and Short-Term Debt			1,830,891,126.67	100.00	

LOUISVILLE GAS AND ELECTRIC COMPANY
TRIAL BALANCE - GENERAL LEDGER
JANUARY 31, 2003

Account - Subsidiary Account	Balance Subsidiary Account	Balance as Shown On Balance Sheet
UTILITY PLANT		
At Original Cost	3,627,200,737.97	3,627,200,737.97
Reserves for Depreciation and Amortization		(1,471,057,449.12)
Electric	(1,236,093,565.94)	
Gas	(160,208,422.17)	
Common	(55,662,617.32)	
Amortization of Plant		
Underground Storage Land and Land Rights	(573,293.92)	
Limited - Term Plant	(18,519,549.77)	
INVESTMENTS - AT COST		5,601,537.79
Nonutility Property - less reserve ($63,360.36)	17,337.47	
Coal for Resale 2,724 Tons @ $34.58	94,200.32	
Investments in LG&E-R	5,000,000.00	
Ohio Valley Electric Corporation	490,000.00	
CASH		8,157,299.81
PNC Bank	6,544,955.44	
Harris Trust and Savings Bank	4,665.70	
Bank of Louisville	11,926.93	
Citibank	10,358.25	
Farmers Bank and Trust Company	57,475.31	
US Bank	1,411,350.08	
Bedford Loan and Deposit Bank	10,000.00	
Farmers Bank of Milton	10,000.00	
Meade County Bank	96,568.10	
OTHER SPECIAL DEPOSITS		7,562,005.16
Other Special Deposits	7,562,005.16	
ACCOUNTS RECEIVABLE - LESS RESERVE		40,680,666.40
Working Funds	66,050.00	
Customers	82,561,117.23	
Customer Accounts Receivable Sold to LG&E-R	(113,149,000.00)	
Wholesale Sales	12,327,231.33	
Transmission Sales	1,332,297.82	
Unbilled Revenues	50,586,000.00	
Employee Computer Loans	547,841.25	
Damage Claims	794,355.44	
RAR Settlements	2,286,816.00	
Officers and Employees	40,251.54	
IMEA	1,043,514.41	
IMPA	1,074,930.94	
Other	999,574.03	
Reserves for Uncollectible Accounts		
Utility Customers		
Accrual	(2,347,530.62)	
Charged Off	423,121.92	
Recoveries	(200,660.59)	
Accrual Sold to LG&E-R	2,125,069.00	
Interest and Dividends Receivable	0.00	
Rents Receivable	169,686.70	
NOTES RECEIVABLE FROM LG&E-R		30,767,508.00
Notes Receivable from LG&E-R	30,767,508.00	
ACCOUNTS RECEIVABLE FROM ASSOCIATED COMPANIES		13,868,285.63
LG&E Energy Corp., Home Services Inc., Enertech	12,335,106.14	
LG&E Energy Marketing Inc. (LEM)-Power Marketing	1,533,179.49	
FUEL		34,565,912.30
Coal 1,383,392 Tons @ $24.79; MMBTU 31,359,718 @ 109.37¢	34,300,384.87	
Fuel Oil 299,098 Gallons @ 80.64¢	241,193.77	
Gas Pipeline 2,185 MCF	24,333.66	
PLANT MATERIALS AND OPERATING SUPPLIES		22,140,257.19
Regular Materials and Supplies	21,950,761.68	
Limestone 35,596 Tons @ $5.32	189,495.51	

LOUISVILLE GAS AND ELECTRIC COMPANY
TRIAL BALANCE - GENERAL LEDGER
JANUARY 31, 2003

Account - Subsidiary Account	Balance Subsidiary Account	Balance as Shown On Balance Sheet
STORES EXPENSE		3,524,032.23
Stores Expense Undistributed	3,524,032.23	
GAS STORED UNDERGROUND - CURRENT		36,132,298.02
Gas St. Underground*9,021,653 MCF (14.73 psia) @ 400.51¢	36,132,298.02	
ALLOWANCE INVENTORY		39,125.84
Allowance Inventory	39,125.84	
PREPAYMENTS		5,221,324.14
Unexpired Insurance	4,617,819.55	
Permit Fees	214,250.39	
Real Estate Commissions	42,586.20	
Rights of Way	346,668.00	
MISCELLANEOUS CURRENT ASSETS		926,667.26
Derivative Asset	926,667.26	
UNAMORTIZED DEBT EXPENSE		6,502,648.99
First Mortage Bonds Series due August 15, 2003, 6 %	21,242.88	
Pollution Control Series S due Sept. 1, 2017	183,083.66	
Pollution Control Series T due Sept. 1, 2017	242,142.66	
Pollution Control Series U due Aug. 15, 2013	122,816.59	
Pollution Control Series V due Aug. 15, 2019	738,682.92	
Pollution Control Series W due Oct. 15, 2020	338,803.89	
Pollution Control Series X due Apr. 15, 2023	668,926.32	
Pollution Control Series Y due May 1, 2027	579,258.49	
Pollution Control Series Z due Aug. 1, 2030	1,052,640.99	
Pollution Control Series AA due Sept. 1, 2027	489,474.25	
Pollution Control Series BB due Sept. 1, 2026	225,400.78	
Pollution Control Series CC Sept. 1, 2026	245,676.23	
Pollution Control Series DD due Nov. 1, 2027	266,387.29	
Pollution Control Series EE due Nov. 1, 2027	266,426.83	
Pollution Control Series FF due Oct. 1, 2032	1,061,685.21	
UNAMORTIZED LOSS ON BONDS		18,746,737.49
Refinanced and Called Bonds	18,746,737.49	
OTHER DEFERRED DEBITS		72,918,516.64
Gas Supply Cost Adjustments	18,497,765.30	
Other	54,420,751.34	
DEFERRED REGULATORY ASSET		105,976,712.06
KU Merger Expenses	1,512,225.00	
VDT Expenses	95,618,884.97	
Asset Retirement Obligations	7,048,114.09	
Deferred Taxes - FAS 109		
Federal		
Electric	1,241,183.00	
Gas	350,093.00	
State		
Electric	166,350.00	
Gas	39,862.00	
ACCUMULATED DEFERRED INCOME TAXES		129,440,086.13
Federal		
Electric	81,927,952.99	
Gas	11,813,929.16	
Common	13,898,876.24	
State		
Electric	15,909,235.45	
Gas	2,357,689.73	
Common	3,532,402.56	

* Excludes:

	$	MCF
Non-recoverable Base Gas	9,648,855.00	7,880,000
Recoverable Base Gas	2,139,990.00	2,930,000
	11,788,845.00	10,810,000

Total Assets and Other Debits	2,698,914,909.93	2,698,914,909.93

LOUISVILLE GAS AND ELECTRIC COMPANY
TRIAL BALANCE - GENERAL LEDGER
JANUARY 31, 2003

Account - Subsidiary Account	Balance Subsidiary Account	Balance as Shown On Balance Sheet
COMMON EQUITY		842,693,836.46
Common Stock	425,170,424.09	
Retained Earnings	418,871,469.21	
Common Stock Expense	(835,888.64)	
Additional Paid-In Capital	40,000,000.00	
Other Comprehensive Income	(40,512,168.20)	
PREFERRED STOCK		95,140,346.77
5% Series	21,507,175.00	
Auction Rate	50,000,000.00	
$5.875 Series	25,000,000.00	
Gain on Reacquired Preferred Stock	5,698.75	
Preferred Stock Expense		
Auction Rate	(1,088,279.70)	
$5.875 Series	(284,247.28)	
BONDS		574,304,000.00
First Mortgage Bonds	574,304,000.00	
LONG-TERM DEBT DUE WITHIN ONE YEAR		42,600,000.00
Mandatory Redemption-FMB due August 15, 2003	42,600,000.00	
NOTES PAYABLE TO ASSOCIATED COMPANIES		276,152,943.44
Notes Payable to Associated Companies	276,152,943.44	
ACCOUNTS PAYABLE		84,900,685.22
Regular	81,544,217.50	
Salaries and Wages Accrued	1,791,451.17	
Nonqualified Savings Plan	564,163.71	
Dividends Payable	21,007.67	
Tax Collections - Payable	979,845.17	
ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES		14,842,840.99
LG&E Energy Corp	14,842,840.99	
CUSTOMERS' DEPOSITS		9,801,570.87
Customers' Deposits	9,801,570.87	
TAXES ACCRUED		12,960,868.84
Taxes Accrued	12,960,868.84	
INTEREST ACCRUED		5,656,167.70
Interest on Long-Term Debt		
First Mortgage Bonds		
Series due Aug. 15, 2003, 6 %	1,171,500.00	
Loan Agreement - Pol. Cont. Bonds 1992 Series A	54,012.34	
Loan Agreement - Pol. Cont. Bonds 1992 Series A-TC	38,687.20	
Loan Agreement - Pol. Cont. Bonds 1993 Series A	17,376.70	
Loan Agreement - Pol. Cont. Bonds 1993 Series B	2,629,686.13	
Loan Agreement - Pol. Cont. Bonds 1993 Series C	413,291.64	
Loan Agreement - Pol. Cont. Bonds 1995 Series A	688,333.29	
Loan Agreement - Pol. Cont. Bonds 2000 Series A	6,875.00	
Loan Agreement - Pol. Cont. Bonds 2000 Series A-TC	197,226.17	
Loan Agreement - Pol. Cont. Bonds 2001 Series A	1,291.03	
Loan Agreement - Pol. Cont. Bonds 2001 Series A	21,543.83	
Loan Agreement - Pol. Cont. Bonds 2001 Series A-TC	32,352.06	
Loan Agreement - Pol. Cont. Bonds 2001 Series B	42,282.18	
Loan Agreement - Pol. Cont. Bonds 2001 Series B-TC	45,684.93	
Loan Agreement - Pol. Cont. Bonds 2002 Series A-TC	47,258.37	
Interest Rate Swaps	248,766.83	

LOUISVILLE GAS AND ELECTRIC COMPANY
TRIAL BALANCE - GENERAL LEDGER
JANUARY 31, 2003

Account - Subsidiary Account	Balance Subsidiary Account	Balance as Shown On Balance Sheet
MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES		4,365,387.13
Vacation Pay Accrued	3,526,984.60	
Revenue Subject to Refund	153,137.00	
Mark to Market Liabilities	685,265.53	
CUSTOMERS' ADVANCES FOR CONSTRUCTION		9,992,473.97
Line Extensions		
Electric	558,257.79	
Gas	9,434,216.18	
ASSET RETIREMENT OBLIGATIONS	10,013,156.00	10,013,156.00
OTHER DEFERRED CREDITS		22,515,237.39
Other Deferred Credits	22,515,237.39	
REGULATORY LIABILITIES		47,964,336.00
Asset Retirement Obligations	631,000.00	
Federal		
Electric	40,493,070.00	
Gas	2,787,225.00	
State		
Electric	4,205,109.00	
Gas	(152,068.00)	
INVESTMENT TAX CREDIT		54,185,333.63
Investment Tax Credit (prior law)		
Electric	4,531.17	
Gas	(13.23)	
Job Development Credit		
Electric	52,132,915.34	
Gas	2,047,900.35	
ACCUMULATED DEFERRED INCOME TAXES		442,665,339.10
Federal		
Electric	307,215,711.70	
Gas	50,584,275.95	
Common	72,959.20	
State		
Electric	72,462,667.85	
Gas	12,311,483.60	
Common	18,240.80	
MISCELLANEOUS LONG-TERM LIABILITIES		86,068,284.25
Pension Payable	76,204,486.00	
Pension Payable - Supplemental	3,049,293.11	
Pension Payable - Pension Restoration	207,003.02	
Workers' Compensation	4,238,263.12	
Post Employment Benefits - FAS 112	2,369,239.00	
ACCUMULATED PROVISION FOR BENEFITS		62,092,102.17
Post Retirement Benefits - FAS 106	62,092,102.17	
Total Liabilities and Other Credits	2,698,914,909.93	2,698,914,909.93

LOUISVILLE GAS AND ELECTRIC COMPANY
STATEMENT OF CASH FLOWS
JANUARY 31, 2003

	Year to Date	
	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	9,879,592.73	11,094,128.51
Items not requiring cash currently:		
Depreciation and amortization	9,075,136.16	8,487,542.73
Investment tax credit - net	(351,111.00)	(351,111.00)
Other	7,560,604.98	3,192,513.32
(Increase) decrease in certain net current assets:		
Accounts receivable	(21,902,129.50)	11,627,959.97
Materials and supplies	16,154,743.91	6,722,606.08
Accounts payable	(23,027,346.42)	(67,432,454.57)
Accrued taxes	11,521,566.52	8,246,406.48
Accrued interest	716,527.04	1,025,027.60
Prepayments and other	(572,249.35)	(454,521.73)
Other	(86,080,874.89)	5,278,387.57
Net cash provided from operating activities	(77,025,539.82)	(12,563,515.04)
CASH FLOWS FROM INVESTING ACTIVITIES		
Long term investment in securities	162,506.84	56,061.35
Construction expenditures	(6,475,456.74)	1,495,042.45
Net cash used for investing activities	(6,312,949.90)	1,551,103.80
CASH FLOWS FROM FINANCING ACTIVITIES		
Short-term borrowing	83,100,000.00	23,056,250.00
Payment of dividends	(1,057,279.10)	(1,111,029.12)
Net cash used for financing activities	82,042,720.90	21,945,220.88
NET INCREASE (DECREASE) IN CASH AND TEMP. CASH INVESTMENTS	(1,295,768.82)	10,932,809.64
CASH AND TEMPORARY CASH INVESTMENTS AT BEGINNING OF PERIOD	17,015,073.79	2,111,980.59
CASH AND TEMPORARY CASH INVESTMENTS AT END OF PERIOD	15,719,304.97	13,044,790.23

LOUISVILLE GAS AND ELECTRIC COMPANY
ANALYSIS OF INTEREST CHARGES
JANUARY 31, 2003

	CURRENT MONTH		YEAR TO DATE		YEAR ENDED CURRENT MONTH	
	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR
Interest On Long-Term Debt						
First Mortgage Bonds						
Series Due Aug. 15 2003, 6%	213,000.00	213,000.00	213,000.00	213,000.00	2,556,000.00	2,556,000.00
Loan Agreement - Poll. Control Bonds						
1990 Series B (6.55%) TC	(30.00)	227,421.49	(30.00)	227,421.49	2,149,512.16	2,729,057.55
1992 Series A Variable	34,331.50	42,671.25	34,331.50	42,671.25	426,189.62	869,651.69
1992 Series A Variable TC	80,193.16	100,764.38	80,193.16	100,764.38	884,087.04	2,022,603.54
1993 Series A Variable Rate	46,442.46	59,166.77	46,442.46	59,166.77	526,940.02	1,177,881.65
1993 Series B (5 5/8%)	478,125.01	478,129.93	478,125.01	478,129.93	5,737,500.12	5,737,504.93
1993 Series C (5.45%)	118,083.34	118,083.34	118,083.34	118,083.34	1,417,000.08	1,417,000.11
1995 Series A (5.90%)	196,666.66	196,666.66	196,666.66	196,666.66	2,359,999.92	2,359,999.88
2000 Series A Variable Rate	25,972.23	33,784.72	25,972.23	33,784.72	356,041.68	716,388.90
2000 Series A Variable TC	100,002.00	98,126.95	100,002.00	98,126.95	1,208,174.62	2,351,519.21
2001 Series A Variable Rate	10,917.93	12,377.41	10,917.93	12,377.41	148,611.60	73,282.07
2001 Series A Variable Rate	21,932.88	-	21,932.88	-	293,080.12	-
2001 Series A Variable Rate TC	25,832.05	-	25,832.05	-	356,847.07	-
2001 Series B Variable Rate	34,445.21	-	34,445.21	-	452,557.50	-
2001 Series B Variable Rate TC	34,390.41	-	34,390.41	-	452,198.62	-
2002 Series A Variable Rate TC	48,913.57	-	48,913.57	-	166,774.13	-
Loan Agreement - Unsecured Bonds						
1996 Series A Variable Rate	-	32,210.95	-	32,210.95	46,795.30	769,549.37
1996 Series A Variable Rate TC	-	46,523.97	-	46,523.97	64,380.12	984,224.65
1997 Series A Variable Rate	-	49,821.92	-	49,821.92	108,431.36	1,212,656.29
1997 Series A Variable Rate TC	-	64,007.02	-	64,007.02	119,335.62	1,198,370.64
Interest Rate Swaps	397,960.52	377,643.88	397,960.52	377,643.88	4,426,858.56	3,542,451.36
Marked to Market	-	-	-	-	-	-
Total	1,867,178.93	2,150,400.64	1,867,178.93	2,150,400.64	24,257,315.26	29,718,141.84
Amortization of Debt Expense - Net						
Amortization of Debt Expense	29,206.18	26,503.59	29,206.18	26,503.59	421,283.11	306,505.81
Amortization of Premium on Debt - Cr.	-	-	-	-	-	-
Amort. of Loss on Reacquired Debt	95,991.02	94,522.03	95,991.02	94,522.03	1,140,018.97	1,134,274.80
Total	125,197.20	121,025.62	125,197.20	121,025.62	1,561,302.08	1,440,780.61
Other Interest Charges						
Note Payable	-	73,783.43	-	73,783.43	11,465.68	130,234.81
Customers' Deposits	32,775.88	32,570.39	32,775.88	32,570.39	417,448.63	393,860.36
Federal Income Tax Deficiencies	-	-	-	-	-	-
Other Tax Deficiencies	-	-	-	-	-	-
Gas Refunds	330.46	-	330.46	-	1,554.03	-
Interest on Dsm Cost Recovery	-	-	-	-	-	-
Deferred Compensation	-	-	-	-	28,145.17	28,013.37
Interest on Debt to Associated Companies	252,479.57	94,208.18	252,479.57	94,208.18	2,333,984.86	2,470,729.47
Interest Costs from A/R Securitization	164,888.84	58,882.77	164,888.84	58,882.77	1,101,985.92	2,569,382.95
Total	450,474.75	259,444.77	450,474.75	259,444.77	3,894,584.29	5,592,220.96
Total Interest	2,442,850.88	2,530,871.03	2,442,850.88	2,530,871.03	29,713,201.63	36,751,143.41

LOUISVILLE GAS AND ELECTRIC COMPANY
ANALYSIS OF TAXES CHARGED
JANUARY 31, 2003

Kind of Taxes	Current Month		Year To Date	
	This Year	Last Year	This Year	Last Year
Taxes Charged to Accounts 408.1 and 409.1				
Property Taxes	978,656.00	903,620.00	978,656.00	903,620.00
State Unemployment	-	6,720.44	-	6,720.44
Federal Unemployment	44,372.81	37,077.89	44,372.81	37,077.89
Federal Old Age and Survivors Insurance	426,405.75	540,207.25	426,405.75	540,207.25
Public Service Commission Fee	150,000.00	140,000.00	150,000.00	140,000.00
Federal Income	10,428,138.06	5,701,567.90	10,428,138.06	5,701,567.90
State Income	2,753,568.84	1,515,606.66	2,753,568.84	1,515,606.66
Miscellaneous	3,664.96	8,315.82	3,664.96	8,315.82
Total Charged to Operating Expense	14,784,806.42	8,853,115.96	14,784,806.42	8,853,115.96
Taxes Charged to Other Accounts	(2,305,740.77)	201,043.03	(2,305,740.77)	201,043.03
Taxes Accrued on Intercompany Accounts	(135,565.33)	(114,775.70)	(135,565.33)	(114,775.70)
Total Taxes Charged	12,343,500.32	8,939,383.29	12,343,500.32	8,939,383.29

ANALYSIS OF TAXES ACCRUED - ACCOUNT 236

Kind of Taxes	Taxes Accrued At Beginning Of Year	Accruals To Date This Year	Payments To Date This Year	Taxes Accrued At End Of Month
Property Taxes	191,066.78	991,666.00	50,628.75	1,132,104.03
State Unemployment	10,768.97	104.53	252.44	10,621.06
Federal Unemployment	17,650.80	33,053.27	356.08	50,347.99
Federal Old Age and Survivors	215,620.04	396,112.84	317,840.47	293,892.41
Public Service Commission Fee	-	150,000.00	-	150,000.00
Federal Income	(4,740,983.04)	8,373,211.27	-	3,632,228.23
State Income	5,299,487.96	2,225,790.33	-	7,525,278.29
Kentucky Sales and Use Tax	446,561.55	166,959.74	446,561.55	166,959.74
Miscellaneous	(870.74)	6,602.34	6,294.51	(562.91)
Totals	1,439,302.32	12,343,500.32	821,933.80	12,960,868.84

LOUISVILLE GAS AND ELECTRIC COMPANY
SUMMARY OF UTILITY PLANT
JANUARY 31, 2003

UTILITY PLANT IN SERVICE	NET BALANCE FIRST OF YEAR	DEBITS-GROSS	CREDITS FOR RETIREMENTS	NET ADDITIONS	ADJUSTMENTS	BALANCE TO DATE
Electric						
Intangible	2,340.29	-	-	-	-	2,340.29
Steam Production	1,665,684,137.81	12,153,441.99	(2,219,001.87)	9,934,440.12	-	1,675,618,577.93
Hydro	9,324,683.24	-	-	-	-	9,324,683.24
Other Production	152,479,851.71	-	-	-	-	152,479,851.71
Transmission	213,912,790.08	1,705,693.51	-	1,705,693.51	-	215,618,483.59
Distribution	656,405,005.49	1,733,542.70	-	1,733,542.70	-	658,138,548.19
General	19,378,595.64	17,841.70	-	17,841.70	-	19,396,437.34
Total Electric	2,717,187,404.26	15,610,519.90	(2,219,001.87)	13,391,518.03	-	2,730,578,922.29
Gas						
Intangible	553,232.59	-	-	-	-	553,232.59
Natural Gas Storage Plant Underground	54,336,273.67	917,559.73	-	917,559.73	-	55,253,833.40
Transmission	12,414,633.91	98,825.22	-	98,825.22	-	12,513,459.13
Distribution	356,807,061.42	1,100,114.13	(36,788.18)	1,063,325.95	-	357,870,387.37
General	8,983,446.29	16,997.70	(4,222.23)	12,775.47	-	8,996,221.76
Gas Stored Underground Non-Current	2,139,990.00	-	-	-	-	2,139,990.00
Total Gas	435,234,637.88	2,133,496.78	(41,010.41)	2,092,486.37	-	437,327,124.25
Common						
Intangible	24,532,730.28	62,979.05	-	62,979.05	-	24,595,709.33
General	145,044,129.61	36,816.25	-	36,816.25	-	145,080,945.86
Total Common	169,576,859.89	99,795.30	-	99,795.30	-	169,676,655.19
Total Plant in Service	3,321,998,902.03	17,843,811.98	(2,260,012.28)	15,583,799.70	-	3,337,582,701.73
Construction Work In Progress						
Electric	261,760,776.30	(9,501,417.57)	-	(9,501,417.57)		252,259,358.73
Gas	25,501,848.83	(1,754,030.20)	-	(1,754,030.20)		23,747,818.63
Common	13,723,766.35	(112,907.47)	-	(112,907.47)	-	13,610,858.88
Total Construction Work In Progress	300,986,391.48	(11,368,355.24)	-	(11,368,355.24)	-	289,618,036.24
Total Utility Plant at Original Cost	3,622,985,293.51	6,475,456.74	(2,260,012.28)	4,215,444.46	-	3,627,200,737.97

RESERVE FOR DEPRECIATION OF UTILITY	NET BALANCE FIRST OF YEAR	ACCRUALS	RETIREMENTS	COST OF REMOVAL	SALVAGE	OTHER CREDITS	BALANCE TO DATE
Plant In Service							
Electric	1,235,700,821.25	8,104,448.28	2,219,001.87	(376,980.57)	-	(4,503,699.37)	1,241,143,591.46
Gas	159,276,235.08	1,045,111.46	41,010.41	-	-	-	160,362,356.95
Common	55,289,741.92	776,251.40	-	-	-	-	56,065,993.32
Total Reserve For Depreciation Of Utility Plant In Service	1,450,266,798.25	9,925,811.14	2,260,012.28	(376,980.57)	-	(4,503,699.37)	1,457,571,941.73
Reserve For Amortization Of Utility Plant In Service							
Electric	100.00						100.00
Gas	574,193.92	-				-	574,193.92
Common	18,101,954.13	416,595.64	-	-	-	-	18,518,549.77
Total Reserve For Amortization Of Utility Plant In Service	18,676,248.05	416,595.64	-	-	-	-	19,092,843.69
Retirement Work In Progress							
Electric	(4,845,891.80)			(109,971.82)	(58,745.73)	(35,416.17)	(5,050,025.52)
Gas	(43,721.15)			(110,213.63)	-	-	(153,934.78)
Common	(379,491.56)	-	-	1,615.56	500.00	(26,000.00)	(403,376.00)
Total Retirement Work In Progress	(5,269,104.51)	-	-	(218,569.89)	(58,245.73)	(61,416.17)	(5,607,336.30)
Total Reserve For Depreciation and Amortization - Utility Plant In Service	1,463,673,941.79	10,342,406.78	2,260,012.28	(595,550.46)	(58,245.73)	(4,565,115.54)	1,471,057,449.12
Utility Plant at Original Cost Less Reserve For Depreciation and Amortization	2,159,311,351.72						2,156,143,288.85

LG&E Monthly Report to KPSC-December 31,2002

LOUISVILLE GAS AND ELECTRIC COMPANY
COMPARATIVE STATEMENT OF INCOME
DECEMBER 31, 2002

	CURRENT MONTH			
	THIS YEAR AMOUNT	LAST YEAR AMOUNT	INCREASE OR DECREASE AMOUNT	%
Electric Operating Revenues	55,300,874.86	53,266,966.75	2,033,908.11	3.82
Gas Operating Revenues	47,502,908.76	38,258,445.14	9,244,463.62	24.16
Rate Refunds	10,764,426.62	1,280,098.38	9,484,328.24	740.91
Total Operating Revenues	113,568,210.24	92,805,510.27	20,762,699.97	22.37
Fuel for Electric Generation	15,912,024.54	13,489,445.58	2,422,578.96	17.96
Power Purchased	8,458,325.64	6,820,611.43	1,637,714.21	24.01
Gas Supply Expenses	35,639,026.86	24,844,687.44	10,794,339.42	43.45
Other Operation Expenses	20,223,156.33	(116,713,618.54)	136,936,774.87	(117.33)
Maintenance	1,500,462.53	10,194,136.15	(8,693,673.62)	(85.28)
Depreciation	8,284,112.80	2,743,917.03	5,540,195.77	201.91
Amortization Expense	397,867.63	811,164.59	(413,296.96)	(50.95)
Taxes				
Federal Income	(1,729,113.15)	2,620,323.14	(4,349,436.29)	(165.99)
State Income	843,901.47	(1,166,958.85)	2,010,860.32	(172.32)
Deferred Federal Income - Net	10,837,631.85	45,656,945.15	(34,819,313.30)	(76.26)
Deferred State Income - Net	2,482,163.22	11,845,554.96	(9,363,391.74)	(79.05)
Federal Income - Estimated	(3,117,491.06)	(840,664.65)	(2,276,826.41)	270.84
State Income - Estimated	(828,700.16)	(221,189.36)	(607,510.80)	274.66
Property and Other	1,167,152.55	1,410,302.57	(243,150.02)	(17.24)
Investment Tax Credit	-	-	-	-
Amortization of Investment Tax Credit	(350,407.65)	(398,527.54)	48,119.89	(12.07)
Gain from Disposition of Allowances	-	-	-	-
Total Operating Expenses	99,720,113.40	1,096,129.10	98,623,984.30	-
Net Operating Income	13,848,096.84	91,709,381.17	(77,861,284.33)	(84.90)
Other Income Less Deductions	748,825.33	909,435.44	(160,610.11)	(17.66)
Income Before Interest Charges	14,596,922.17	92,618,816.61	(78,021,894.44)	(84.24)
Interest on Long Term Debt	1,873,094.27	2,313,256.58	(440,162.31)	(19.03)
Amortization of Debt Expense - Net	125,197.19	121,429.95	3,767.24	3.10
Other Interest Expenses	263,873.42	319,585.36	(55,711.94)	(17.43)
Total Interest Charges	2,262,164.88	2,754,271.89	(492,107.01)	(17.87)
Net Income	12,334,757.29	89,864,544.72	(77,529,787.43)	(86.27)
Preferred Dividend Requirements	352,426.36	370,343.00	(17,916.64)	(4.84)
Earnings Available for Common	11,982,330.93	89,494,201.72	(77,511,870.79)	(86.61)

LOUISVILLE GAS AND ELECTRIC COMPANY
COMPARATIVE STATEMENT OF INCOME
DECEMBER 31, 2002

	YEAR TO DATE			
	THIS YEAR AMOUNT	LAST YEAR AMOUNT	INCREASE OR DECREASE AMOUNT	%
Electric Operating Revenues	746,835,187.00	704,335,798.01	42,499,388.99	6.03
Gas Operating Revenues	267,693,155.35	290,775,362.76	(23,082,207.41)	(7.94)
Rate Refunds	11,655,363.82	1,588,408.53	10,066,955.29	633.78
Total Operating Revenues	1,026,183,706.17	996,699,569.30	29,484,136.87	2.96
Fuel for Electric Generation	194,900,189.12	159,230,538.28	35,669,650.84	22.40
Power Purchased	84,330,007.58	81,475,058.05	2,854,949.53	3.50
Gas Supply Expenses	182,108,257.97	206,165,135.18	(24,056,877.21)	(11.67)
Other Operation Expenses	211,967,206.20	168,064,639.09	43,902,567.11	26.12
Maintenance	56,782,185.48	58,687,684.98	(1,905,499.50)	(3.25)
Depreciation	101,054,753.72	94,478,759.32	6,575,994.40	6.96
Amortization Expense	4,851,090.81	5,877,631.90	(1,026,541.09)	(17.47)
Taxes				
Federal Income	26,232,676.90	42,987,716.33	(16,755,039.43)	(38.98)
State Income	8,082,758.70	8,665,054.47	(582,295.77)	(6.72)
Deferred Federal Income - Net	20,463,170.17	12,310,314.51	8,152,855.66	66.23
Deferred State Income - Net	4,409,722.25	3,767,259.70	642,462.55	17.05
Federal Income - Estimated	-	-	-	-
State Income - Estimated	-	-	-	-
Property and Other	17,458,357.09	17,743,298.75	(284,941.66)	(1.61)
Investment Tax Credit	-	-	-	-
Amortization of Investment Tax Credit	(4,152,178.94)	(4,289,898.10)	137,719.16	(3.21)
Gain from Disposition of Allowances	(216,947.35)	(248,032.91)	31,085.56	(12.53)
Total Operating Expenses	908,271,249.70	854,915,159.55	53,356,090.15	6.24
Net Operating Income	117,912,456.47	141,784,409.75	(23,871,953.28)	(16.84)
Other Income Less Deductions	820,297.42	2,930,108.19	(2,109,810.77)	(72.00)
Income Before Interest Charges	118,732,753.89	144,714,517.94	(25,981,764.05)	(17.95)
Interest on Long Term Debt	24,540,536.97	30,507,423.34	(5,966,886.37)	(19.56)
Amortization of Debt Expense - Net	1,557,130.50	1,439,130.95	117,999.55	8.20
Other Interest Expenses	3,703,554.31	6,004,328.58	(2,300,774.27)	(38.32)
Total Interest Charges	29,801,221.78	37,950,882.87	(8,149,661.09)	(21.47)
Net Income	88,931,532.11	106,763,635.07	(17,832,102.96)	(16.70)
Preferred Dividend Requirements	4,245,990.96	4,739,116.37	(493,125.41)	(10.41)
Earnings Available for Common	84,685,541.15	102,024,518.70	(17,338,977.55)	(16.99)

LOUISVILLE GAS AND ELECTRIC COMPANY
COMPARATIVE STATEMENT OF INCOME
DECEMBER 31, 2002

	YEAR ENDED CURRENT MONTH			
	THIS YEAR AMOUNT	LAST YEAR AMOUNT	INCREASE OR DECREASE AMOUNT	%
Electric Operating Revenues	746,835,187.00	704,335,798.01	42,499,388.99	6.03
Gas Operating Revenues	267,693,155.35	290,775,362.76	(23,082,207.41)	(7.94)
Rate Refunds	11,655,363.82	1,588,408.53	10,066,955.29	633.78
Total Operating Revenues	1,026,183,706.17	996,699,569.30	29,484,136.87	2.96
Fuel for Electric Generation	194,900,189.12	159,230,538.28	35,669,650.84	22.40
Power Purchased	84,330,007.58	81,475,058.05	2,854,949.53	3.50
Gas Supply Expenses	182,108,257.97	206,165,135.18	(24,056,877.21)	(11.67)
Other Operation Expenses	211,967,206.20	168,064,639.09	43,902,567.11	26.12
Maintenance	56,782,185.48	58,687,684.98	(1,905,499.50)	(3.25)
Depreciation	101,054,753.72	94,478,759.32	6,575,994.40	6.96
Amortization Expense	4,851,090.81	5,877,631.90	(1,026,541.09)	(17.47)
Taxes				
Federal Income	26,232,676.90	42,987,716.33	(16,755,039.43)	(38.98)
State Income	8,082,758.70	8,665,054.47	(582,295.77)	(6.72)
Deferred Federal Income - Net	20,463,170.17	12,310,314.51	8,152,855.66	66.23
Deferred State Income - Net	4,409,722.25	3,767,259.70	642,462.55	17.05
Federal Income - Estimated	-	-	-	-
State Income - Estimated	-	-	-	-
Property and Other	17,458,357.09	17,743,298.75	(284,941.66)	(1.61)
Investment Tax Credit	-	-		-
Amortization of Investment Tax Credit	(4,152,178.94)	(4,289,898.10)	137,719.16	(3.21)
Gain from Disposition of Allowances	(216,947.35)	(248,032.91)	31,085.56	(12.53)
Total Operating Expenses	908,271,249.70	854,915,159.55	53,356,090.15	6.24
Net Operating Income	117,912,456.47	141,784,409.75	(23,871,953.28)	(16.84)
Other Income Less Deductions	820,297.42	2,930,108.19	(2,109,810.77)	(72.00)
Income Before Interest Charges	118,732,753.89	144,714,517.94	(25,981,764.05)	(17.95)
Interest on Long Term Debt	24,540,536.97	30,507,423.34	(5,966,886.37)	(19.56)
Amortization of Debt Expense - Net	1,557,130.50	1,439,130.95	117,999.55	8.20
Other Interest Expenses	3,703,554.31	6,004,328.58	(2,300,774.27)	(38.32)
Total Interest Charges	29,801,221.78	37,950,882.87	(8,149,661.09)	(21.47)
Net Income	88,931,532.11	106,763,635.07	(17,832,102.96)	(16.70)
Preferred Dividend Requirements	4,245,990.96	4,739,116.37	(493,125.41)	(10.41)
Earnings Available for Common	84,685,541.15	102,024,518.70	(17,338,977.55)	(16.99)

LOUISVILLE GAS AND ELECTRIC COMPANY
ANALYSIS OF RETAINED EARNINGS
DECEMBER 31, 2002

	CURRENT MONTH		YEAR TO DATE		YEAR ENDED CURRENT MONTH	
	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR
Balance at Beginning of Period	420,321,555.11	327,124,143.17	393,618,344.89	314,593,826.19	393,618,344.89	314,593,826.19
Add:						
Credits from Income	12,334,757.29	89,864,544.72	88,931,532.11	106,763,635.07	88,931,532.11	106,763,635.07
Deduct:						
Preferred Dividends						
$25 Par Value						
5% Series			1,075,365.82	1,075,366.34	1,075,365.82	1,075,366.34
Without Par Value						
Auction Rate			1,701,874.97	2,195,000.04	1,701,874.97	2,195,000.04
$5.875 Series			1,468,750.17	1,468,749.99	1,468,750.17	1,468,749.99
Preferred Dividends Accrued						
$25 Par Value						
5% Series	89,613.86	89,613.86				
Without Par Value						
Auction Rate	140,416.66	158,333.32				
$5.875 Series	122,395.84	122,395.82				
Common Dividends						
Common Stock Without Par Value	23,000,000.00	23,000,000.00	69,000,000.00	23,000,000.00	69,000,000.00	23,000,000.00
Balance at End of Period	409,303,886.04	393,618,344.89	409,303,886.04	393,618,344.89	409,303,886.04	393,618,344.89

LOUISVILLE GAS AND ELECTRIC COMPANY
COMPARATIVE BALANCE SHEETS AS OF DECEMBER 31, 2002 AND 2001

ASSETS AND OTHER DEBITS	THIS YEAR	LAST YEAR
Utility Plant		
Utility Plant at Original Cost	3,622,985,293.51	3,423,036,729.84
Less Reserves for Depreciation & Amortization	1,463,673,941.79	1,381,873,772.11
Total	2,159,311,351.72	2,041,162,957.73
Investments - At Cost		
Ohio Valley Electric Corporation	490,000.00	490,000.00
Investments in LG&E-R	5,000,000.00	5,000,000.00
Nonutility Property-Less Reserve	274,044.63	685,897.26
Other	-	-
Total	5,764,044.63	6,175,897.26
Current and Accrued Assets		
Cash	9,461,071.63	1,399,684.99
Special Deposits	7,554,002.16	712,295.60
Temporary Cash Investments	-	-
Accounts Receivable-Less Reserve	40,647,693.53	54,341,499.86
Notes Receivable from Assoc. Companies	-	-
Notes Receivable from LG&E-R	22,766,637.00	26,296,208.00
Accounts Receivable from Assoc Companies	-	-
Materials & Supplies-At Average Cost		
Fuel	36,600,574.09	22,024,120.04
Plant Materials & Operating Supplies	21,938,383.21	26,046,410.33
Stores Expense	3,712,278.80	3,003,518.56
Gas Stored Underground	50,266,007.55	46,394,602.83
Allowance Inventory	43,564.79	48,614.01
Prepayments	5,169,063.65	4,558,907.94
Miscellaneous Current & Accrued Assets	85,530.45	80,808.83
Total	198,244,806.86	184,906,670.99
Deferred Debits and Other		
Unamortized Debt Expense	6,531,855.16	5,921,200.05
Unamortized Loss on Bonds	18,842,728.49	17,901,766.42
Accumulated Deferred Income Taxes	129,440,086.13	146,328,499.89
Deferred Regulatory Assets	101,655,764.52	134,770,774.00
Other Deferred Debits	72,499,937.97	59,283,081.33
Total	328,970,372.27	364,205,321.69
Total Assets and Other Debits	2,692,290,575.48	2,596,450,847.67

LIABILITIES AND OTHER CREDITS	THIS YEAR	LAST YEAR
Capitalization		
Common Stock	425,170,424.09	425,170,424.09
Common Stock Expense	(835,888.64)	(835,888.64)
Paid-In Capital	40,000,000.00	40,000,000.00
Unrealized Gain (Loss) on Investment	-	-
Other Comprehensive Income	(40,512,168.20)	(19,899,973.80)
Retained Earnings	409,303,886.04	393,618,344.89
Total Common Equity	833,126,253.29	838,052,906.54
Preferred Stock	95,140,346.77	95,140,346.77
First Mortgage Bonds	574,304,000.00	496,904,000.00
Pollution Control Bonds (Unsecured)	-	120,000,000.00
Long-Term Debt Marked to Market	-	-
Total Capitalization	1,502,570,600.06	1,550,097,253.31
Current and Accrued Liabilities		
Long-Term Debt Due in 1 Year	42,600,000.00	-
Notes Payable to Associated Companies	193,052,943.44	64,252,943.44
Notes Payable	-	29,943,750.00
Accounts Payable	96,410,090.82	102,696,128.22
Accounts Payable to Associated Companies	26,360,781.81	46,373,836.80
Customer Deposits	9,735,471.75	8,528,114.77
Taxes Accrued	1,439,302.32	20,244,996.84
Interest Accrued	4,939,640.66	5,817,920.77
Dividends Declared	1,057,279.10	1,111,029.04
Misc. Current & Accrued Liabilities	3,802,767.69	3,201,189.97
Total	379,398,277.59	282,169,909.85
Deferred Credits and Other		
Accumulated Deferred Income Taxes	442,665,339.10	444,471,289.28
Investment Tax Credit	54,536,444.63	58,688,623.57
Regulatory Liability - Deferred Taxes	47,333,336.00	50,500,606.00
Customer Advances for Construction	10,267,270.48	9,744,989.92
Other Deferred Credits	24,205,918.06	25,475,114.17
Misc. Long-Term Liabilities	169,221,287.39	114,985,670.57
Misc. Long-Term Liab. Due to Assoc. Co.	-	-
Accum Provision for Post-Retirement Benefits	62,092,102.17	60,317,391.00
Total	810,321,697.83	764,183,684.51
Total Liabilities and Other Credits	2,692,290,575.48	2,596,450,847.67

LOUISVILLE GAS AND ELECTRIC COMPANY
STATEMENT OF CAPITALIZATION AND SHORT-TERM DEBT
DECEMBER 31, 2002

	AUTHORIZED SHARES	ISSUED & OUTSTANDING SHARES	ISSUED & OUTSTANDING AMOUNT	PERCENT OF TOTAL CAPITAL & S/T DEBT	PERCENT OF TOTAL CAPITAL
Common Equity					
Common Stock - Without Par	75,000,000	21,294,223	425,170,424.09		
Common Stock Expense			(835,888.64)		
Paid-In Capital			40,000,000.00		
Unrealized Gain (Loss) on Investment			-		
Other Comprehensive Income			(40,512,168.20)		
Retained Earnings			409,303,886.04		
Total Common Equity			833,126,253.29	47.93	55.45
Preferred Stock, Cumulative					
$25 Par Value	1,720,000				
5% Series		860,287	21,507,175.00		
Without Par Value ($100 Stated)	6,750,000				
NPV-Stated Value Auction Rate		500,000	50,000,000.00		
$5.875 Series		250,000	25,000,000.00		
Subtotal			96,507,175.00		
Gain on Reacquired Preferred Stock			5,698.75		
Preferred Stock Expense			(1,372,526.98)		
Total Preferred Stock			95,140,346.77	5.47	6.33
Total Stockholder's Equity			928,266,600.06	53.40	61.78
Long-Term Debt					
First Mortgage Bonds	Not Limited				
PCB S JC 09/01/92 Due 09/01/17 VAR%			31,000,000.00		
PCB T TC 09/01/92 Due 09/01/17 VAR%			60,000,000.00		
PCB U JC 08/15/93 Due 08/15/13 VAR%			35,200,000.00		
PCB V JC 08/15/93 Due 08/15/19 5 5/8%			102,000,000.00		
PCB W JC 10/15/93 Due 10/15/20 5.45%			26,000,000.00		
PCB X JC 04/15/95 Due 04/15/23 5.90%			40,000,000.00		
PCB Y JC 05/01/00 Due 05/01/27 VAR%			25,000,000.00		
PCB Z JC 08/01/00 Due 08/01/30 VAR%			83,335,000.00		
PCB AA JC 09/11/01 Due 09/01/27 VAR%			10,104,000.00		
PCB BB JC 03/06/02 Due 09/01/26 VAR%			22,500,000.00		
PCB CC TC 03/06/02 Due 09/01/26 VAR%			27,500,000.00		
PCB DD JC 03/22/02 Due 11/01/27 VAR%			35,000,000.00		
PCB EE TC 03/22/02 Due 11/01/27 VAR%			35,000,000.00		
PCB FF TC 10/23/02 Due 10/01/32 VAR%			41,665,000.00		
Total First Mortgage Bonds			574,304,000.00	33.04	38.22
Total Capitalization			1,502,570,600.06	86.44	100.00
Long-Term Debt Due in 1 Year			42,600,000.00	2.45	
Notes Payable to Associated Companies			193,052,943.44	11.11	
Total Capitalization and Short-Term Debt			1,738,223,543.50	100.00	

LOUISVILLE GAS AND ELECTRIC COMPANY
TRIAL BALANCE - GENERAL LEDGER
DECEMBER 31, 2002

Account - Subsidiary Account	Balance Subsidiary Account	Balance as Shown On Balance Sheet
UTILITY PLANT		
At Original Cost	3,622,985,293.51	3,622,985,293.51
Reserves for Depreciation and Amortization		(1,463,673,941.79)
Electric	(1,230,854,929.45)	
Gas	(159,232,513.93)	
Common	(54,910,250.36)	
Amortization of Plant		
Underground Storage Land and Land Rights	(573,293.92)	
Limited - Term Plant	(18,102,954.13)	
INVESTMENTS - AT COST		5,764,044.63
Nonutility Property - less reserve ($63,360.36)	17,337.47	
Coal for Resale 6,893 Tons @ $37.24	256,707.16	
Investments in LG&E-R	5,000,000.00	
Ohio Valley Electric Corporation	490,000.00	
CASH		9,461,071.63
PNC Bank	8,375,972.93	
Harris Trust and Savings Bank	4,665.70	
Bank of Louisville	11,926.93	
Citibank	10,358.25	
Farmers Bank and Trust Company	91,135.93	
US Bank	629,245.19	
Bedford Loan and Deposit Bank	10,000.00	
Farmers Bank of Milton	10,000.00	
Meade County Bank	313,766.70	
Payroll Funds	4,000.00	
OTHER SPECIAL DEPOSITS		7,554,002.16
Other Special Deposits	7,554,002.16	
ACCOUNTS RECEIVABLE - LESS RESERVE		40,647,693.53
Working Funds	66,065.00	
Customers	76,626,860.18	
Customer Accounts Receivable Sold to LG&E-R	(93,027,000.00)	
Wholesale Sales	7,342,842.70	
Transmission Sales	580,905.81	
Unbilled Revenues	40,652,000.00	
Other		
Officers and Employees	41,551.54	
Other	3,471,482.71	
IMEA	898,219.53	
IMPA	918,023.34	
Reserves for Uncollectible Accounts		
Utility Customers		
Accrual	(2,125,069.29)	
Accrual Sold to LG&E-R	1,875,070.00	
Damage Claims	794,852.68	
Interest and Dividends Receivable	44,100.00	
RAR Settlements	2,286,816.00	
Tax Refunds	30,415.00	
Beyond the Meter	10,917.63	
Rents Receivable	159,640.70	
NOTES RECEIVABLE FROM LG&E-R		22,766,637.00
Notes Receivable from LG&E-R	22,766,637.00	
FUEL		36,600,574.09
Coal 1,479,809 Tons @ $24.61; MMBTU 33,531,745 @ 108.61¢	36,420,226.95	
Fuel Oil 173,762 Gallons @ 85.90¢	149,263.19	
Gas Pipeline	31,083.95	
PLANT MATERIALS AND OPERATING SUPPLIES		21,938,383.21
Regular Materials and Supplies	21,751,796.38	
Limestone 36,274 Tons @ $5.14	186,586.83	

LOUISVILLE GAS AND ELECTRIC COMPANY
TRIAL BALANCE - GENERAL LEDGER
DECEMBER 31, 2002

Account - Subsidiary Account	Balance Subsidiary Account	Balance as Shown On Balance Sheet
STORES EXPENSE		3,712,278.80
Stores Expense Undistributed	3,712,278.80	
GAS STORED UNDERGROUND - CURRENT		50,266,007.55
Gas St. Underground*12,550,581 MCF (14.73 psia) @ 400.51¢	50,266,007.55	
ALLOWANCE INVENTORY		43,564.79
Allowance Inventory	43,564.79	
PREPAYMENTS		5,169,063.65
Unexpired Insurance	4,646,303.98	
Permit Fees	133,505.47	
Real Estate Commissions	42,586.20	
Rights of Way	346,668.00	
MISCELLANEOUS CURRENT ASSETS		85,530.45
Derivative Asset	85,530.45	
UNAMORTIZED DEBT EXPENSE		6,531,855.16
First Mortage Bonds Series due August 15, 2003, 6 %	24,783.88	
Pollution Control Series S due Sept. 1, 2017	184,129.66	
Pollution Control Series T due Sept. 1, 2017	243,526.66	
Pollution Control Series U due Aug. 15, 2013	123,791.59	
Pollution Control Series V due Aug. 15, 2019	742,413.92	
Pollution Control Series W due Oct. 15, 2020	340,401.89	
Pollution Control Series X due Apr. 15, 2023	671,667.32	
Pollution Control Series Y due May 1, 2027	581,242.49	
Pollution Control Series Z due Aug. 1, 2030	1,055,830.99	
Pollution Control Series AA due Sept. 1, 2027	491,133.49	
Pollution Control Series BB due Sept. 1, 2026	226,668.36	
Pollution Control Series CC Sept. 1, 2026	246,943.81	
Pollution Control Series DD due Nov. 1, 2027	267,267.38	
Pollution Control Series EE due Nov. 1, 2027	267,306.92	
Pollution Control Series FF due Oct. 1, 2032	1,064,746.80	
UNAMORTIZED LOSS ON BONDS		18,842,728.49
Refinanced and Called Bonds	18,842,728.49	
OTHER DEFERRED DEBITS		72,499,937.97
Gas Supply Cost Adjustments	17,957,187.48	
Other	54,542,750.49	
DEFERRED REGULATORY ASSET		101,655,764.52
KU Merger Expenses	1,814,670.00	
VDT Expenses	98,043,606.52	
Deferred Taxes - FAS 109		
Federal		
Electric	1,241,183.00	
Gas	350,093.00	
State		
Electric	166,350.00	
Gas	39,862.00	
ACCUMULATED DEFERRED INCOME TAXES		129,440,086.13
Federal		
Electric	81,927,952.99	
Gas	11,813,929.16	
Common	13,898,876.24	
State		
Electric	15,909,235.45	
Gas	2,357,689.73	
Common	3,532,402.56	
Total Assets and Other Debits	2,692,290,575.48	2,692,290,575.48

* Excludes:

	$	MCF
Non-recoverable Base Gas	9,648,855.00	7,880,000
Recoverable Base Gas	2,139,990.00	2,930,000
	11,788,845.00	10,810,000

LOUISVILLE GAS AND ELECTRIC COMPANY
TRIAL BALANCE - GENERAL LEDGER
DECEMBER 31, 2002

Account - Subsidiary Account	Balance Subsidiary Account	Balance as Shown On Balance Sheet
COMMON EQUITY		833,126,253.29
Common Stock	425,170,424.09	
Retained Earnings	409,303,886.04	
Common Stock Expense	(835,888.64)	
Additional Paid-In Capital	40,000,000.00	
Other Comprehensive Income	(40,512,168.20)	
PREFERRED STOCK		95,140,346.77
5% Series	21,507,175.00	
Auction Rate	50,000,000.00	
$5.875 Series	25,000,000.00	
Gain on Reacquired Preferred Stock	5,698.75	
Preferred Stock Expense		
Auction Rate	(1,088,279.70)	
$5.875 Series	(284,247.28)	
BONDS		574,304,000.00
First Mortgage Bonds	574,304,000.00	
LONG-TERM DEBT DUE WITHIN ONE YEAR		42,600,000.00
Mandatory Redemption-FMB due August 15, 2003	42,600,000.00	
NOTES PAYABLE TO ASSOCIATED COMPANIES		193,052,943.44
Notes Payable to Associated Companies	193,052,943.44	
ACCOUNTS PAYABLE		96,410,090.82
Regular	93,541,029.84	
Salaries and Wages Accrued	1,311,558.10	
Nonqualified Savings Plan	564,163.71	
Dividends Payable	21,007.67	
Tax Collections - Payable	972,331.50	
ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES		26,360,781.81
LG&E Energy Corp	26,360,781.81	
CUSTOMERS' DEPOSITS		9,735,471.75
Customers' Deposits	9,735,471.75	
TAXES ACCRUED		1,439,302.32
Taxes Accrued	1,439,302.32	
INTEREST ACCRUED		4,939,640.66
Interest on Long-Term Debt		
First Mortgage Bonds		
Series due Aug. 15, 2003, 6 %	958,500.00	
Loan Agreement - Pol. Cont. Bonds 1992 Series A	27,386.31	
Loan Agreement - Pol. Cont. Bonds 1992 Series A-TC	231,337.34	
Loan Agreement - Pol. Cont. Bonds 1993 Series A	132,551.36	
Loan Agreement - Pol. Cont. Bonds 1993 Series B	2,151,561.13	
Loan Agreement - Pol. Cont. Bonds 1993 Series C	295,208.31	
Loan Agreement - Pol. Cont. Bonds 1995 Series A	491,666.62	
Loan Agreement - Pol. Cont. Bonds 2000 Series A	11,284.72	
Loan Agreement - Pol. Cont. Bonds 2000 Series A-TC	97,224.17	
Loan Agreement - Pol. Cont. Bonds 2001 Series A	406.94	
Loan Agreement - Pol. Cont. Bonds 2001 Series A	19,682.17	
Loan Agreement - Pol. Cont. Bonds 2001 Series A-TC	20,635.08	
Loan Agreement - Pol. Cont. Bonds 2001 Series B	29,309.57	
Loan Agreement - Pol. Cont. Bonds 2001 Series B-TC	28,246.57	
Loan Agreement - Pol. Cont. Bonds 2002 Series A-TC	(1,655.20)	
Interest Rate Swaps	446,295.57	

LOUISVILLE GAS AND ELECTRIC COMPANY
TRIAL BALANCE - GENERAL LEDGER
DECEMBER 31, 2002

Account - Subsidiary Account	Balance Subsidiary Account	Balance as Shown On Balance Sheet
DIVIDENDS DECLARED		1,057,279.10
Louisville Gas and Electric Company		
Preferred		
$25 par value		
5% Series	268,841.58	
Without par value		
Auction Rate	421,250.00	
$5.875 Series	367,187.52	
MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES		3,802,767.69
Vacation Pay Accrued	3,526,984.60	
Revenue Subject to Refund	34,679.00	
Mark to Market Liabilities	241,104.09	
CUSTOMERS' ADVANCES FOR CONSTRUCTION		10,267,270.48
Line Extensions		
Electric	599,059.45	
Gas	9,668,211.03	
OTHER DEFERRED CREDITS		24,205,918.06
Other Deferred Credits	24,205,918.06	
REGULATORY LIABILITY - DEFERRED TAXES		47,333,336.00
Federal		
Electric	40,493,070.00	
Gas	2,787,225.00	
State		
Electric	4,205,109.00	
Gas	(152,068.00)	
INVESTMENT TAX CREDIT		54,536,444.63
Investment Tax Credit (prior law)		
Electric	4,744.17	
Gas	111.77	
Job Development Credit		
Electric	52,467,163.34	
Gas	2,064,425.35	
ACCUMULATED DEFERRED INCOME TAXES		442,665,339.10
Federal		
Electric	307,215,711.70	
Gas	50,584,275.95	
Common	72,959.20	
State		
Electric	72,462,667.85	
Gas	12,311,483.60	
Common	18,240.80	
MISCELLANEOUS LONG-TERM LIABILITIES		169,221,287.39
Pension Payable	159,329,834.00	
Pension Payable - Supplemental	3,075,172.11	
Pension Payable - Pension Restoration	208,779.16	
Workers' Compensation	4,238,263.12	
Post Employment Benefits - FAS 112	2,369,239.00	
ACCUMULATED PROVISION FOR BENEFITS		62,092,102.17
Post Retirement Benefits - FAS 106	62,092,102.17	
Total Liabilities and Other Credits	2,692,290,575.48	2,692,290,575.48

LOUISVILLE GAS AND ELECTRIC COMPANY
STATEMENT OF CASH FLOWS
DECEMBER 31, 2002

	Year to Date	
	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	88,931,532.11	106,763,635.07
Items not requiring cash currently:		
Depreciation and amortization	105,905,844.53	100,356,391.22
Deferred income taxes - net	11,915,193.58	3,019,881.87
Investment tax credit - net	(4,152,178.94)	(4,289,898.10)
Other	37,260,152.63	(527,944.03)
(Increase) decrease in certain net current assets:		
Accounts receivable	17,223,377.33	90,213,877.66
Materials and supplies	(15,048,591.89)	(2,017,067.48)
Accounts payable	(26,299,092.39)	12,043,831.79
Accrued taxes	(18,805,694.52)	12,171,736.19
Accrued interest	(878,280.11)	(531,751.85)
Prepayments and other	1,199,107.17	(7,470,114.61)
Other	15,128,975.57	(17,669,107.39)
Net cash provided from operating activities	212,380,345.07	292,063,470.34
CASH FLOWS FROM INVESTING ACTIVITIES		
Long term investment in securities	411,852.63	(763,799.34)
Construction expenditures	(220,415,479.40)	(252,957,491.48)
Net cash used for investing activities	(220,003,626.77)	(253,721,290.82)
CASH FLOWS FROM FINANCING ACTIVITIES		
Short-term borrowing	98,856,250.00	(20,391,998.83)
Retirement of pollution control bonds	(161,665,000.00)	-
Net proceeds from issuance of pollution control bonds	158,634,866.38	9,661,854.89
Payment of dividends	(73,299,741.48)	(27,995,366.64)
Net cash used for financing activities	22,526,374.90	(38,725,510.58)
NET INCREASE (DECREASE) IN CASH AND TEMP. CASH INVESTMENTS	14,903,093.20	(383,331.06)
CASH AND TEMPORARY CASH INVESTMENTS AT BEGINNING OF PERIOD	2,111,980.59	2,495,311.65
ASH AND TEMPORARY CASH INVESTMENTS AT END OF PERIOD	17,015,073.79	2,111,980.59

LOUISVILLE GAS AND ELECTRIC COMPANY
ANALYSIS OF INTEREST CHARGES
DECEMBER 31, 2002

	CURRENT MONTH		YEAR TO DATE		YEAR ENDED CURRENT MONTH	
	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR
Interest On Long-Term Debt						
First Mortgage Bonds						
Series Due Aug. 15 2003, 6%	213,000.00	213,000.00	2,556,000.00	2,556,000.00	2,556,000.00	2,556,000.00
Loan Agreement - Poll. Control Bonds						
1990 Series B (6.55%) TC	(1,447.15)	227,421.46	2,376,963.65	2,729,057.52	2,376,963.65	2,729,057.52
1992 Series A Variable	36,043.83	48,012.33	434,529.37	939,432.57	434,529.37	939,432.57
1992 Series A Variable TC	88,789.31	113,973.98	904,658.26	2,163,306.03	904,658.26	2,163,306.03
1993 Series A Variable Rate	52,130.82	67,368.35	539,664.33	1,254,152.09	539,664.33	1,254,152.09
1993 Series B (5 5/8%)	478,125.01	478,125.00	5,737,505.04	5,737,500.00	5,737,505.04	5,737,500.00
1993 Series C (5.45%)	118,083.34	118,083.34	1,417,000.08	1,417,000.12	1,417,000.08	1,417,000.12
1995 Series A (5.90%)	196,666.66	196,666.65	2,359,999.92	2,359,999.88	2,359,999.92	2,359,999.88
2000 Series A Variable Rate	29,409.71	39,826.38	363,854.17	776,597.24	363,854.17	776,597.24
2000 Series A Variable TC	86,112.83	110,418.86	1,206,299.57	2,595,991.70	1,206,299.57	2,595,991.70
2001 Series A Variable Rate	10,988.10	13,612.33	150,071.08	60,904.66	150,071.08	60,904.66
2001 Series A Variable Rate	23,822.58	-	271,147.24	-	271,147.24	-
2001 Series A Variable Rate TC	28,456.71	-	331,015.02	-	331,015.02	-
2001 Series B Variable Rate	38,235.61	-	418,112.29	-	418,112.29	-
2001 Series B Variable Rate TC	38,109.58	-	417,808.21	-	417,808.21	-
2002 Series A Variable Rate TC	51,310.72	-	117,860.56	-	117,860.56	-
Loan Agreement - Unsecured Bonds						
1996 Series A Variable Rate	-	40,341.77	79,006.25	832,057.18	79,006.25	832,057.18
1996 Series A Variable Rate TC	-	51,835.63	110,904.09	1,057,961.55	110,904.09	1,057,961.55
1997 Series A Variable Rate	-	64,363.02	158,253.28	1,313,056.02	158,253.28	1,313,056.02
1997 Series A Variable Rate TC	-	69,520.55	183,342.64	1,282,754.47	183,342.64	1,282,754.47
Interest Rate Swaps	385,256.61	460,686.93	4,406,541.92	3,431,652.31	4,406,541.92	3,431,652.31
Marked to Market	-	-	-	-	-	-
Total	1,873,094.27	2,313,256.58	24,540,536.97	30,507,423.34	24,540,536.97	30,507,423.34
Amortization of Debt Expense - Net						
Amortization of Debt Expense	29,206.19	26,909.95	418,580.52	304,853.22	418,580.52	304,853.22
Amortization of Premium on Debt - Cr.	-	-	-	-	-	-
Amort. of Loss on Reacquired Debt	95,991.00	94,520.00	1,138,549.98	1,134,277.73	1,138,549.98	1,134,277.73
Total	125,197.19	121,429.95	1,557,130.50	1,439,130.95	1,557,130.50	1,439,130.95
Other Interest Charges						
Note Payable	-	30,687.50	85,249.11	56,451.38	85,249.11	56,451.38
Customers' Deposits	35,630.80	31,144.83	417,243.14	394,034.30	417,243.14	394,034.30
Federal Income Tax Deficiencies	-	-	-	-	-	-
Other Tax Deficiencies	-	-	-	-	-	-
Gas Refunds	342.24	-	1,223.57	-	1,223.57	-
Interest on Dsm Cost Recovery	-	-	-	-	-	-
Deferred Compensation	7,415.57	7,714.49	28,145.17	28,013.37	28,145.17	28,013.37
Interest on Debt to Associated Companies	198,619.81	155,812.78	2,175,713.47	3,015,329.35	2,175,713.47	3,015,329.35
Interest Costs from A/R Securitization	21,865.00	94,225.76	995,979.85	2,510,500.18	995,979.85	2,510,500.18
Total	263,873.42	319,585.36	3,703,554.31	6,004,328.58	3,703,554.31	6,004,328.58
Total Interest	2,262,164.88	2,754,271.89	29,801,221.78	37,950,882.87	29,801,221.78	37,950,882.87

LOUISVILLE GAS AND ELECTRIC COMPANY
ANALYSIS OF TAXES CHARGED
DECEMBER 31, 2002

Kind of Taxes	Current Month This Year	Current Month Last Year	Year To Date This Year	Year To Date Last Year
Taxes Charged to Accounts 408.1 and 409.1				
Property Taxes	1,003,620.00	916,203.00	11,655,255.46	10,794,436.00
State Unemployment	18,469.01	4,005.99	103,722.27	31,524.71
Federal Unemployment	33,359.45	8,776.57	167,864.23	116,597.35
Federal Old Age and Survivors Insurance	(6,823.19)	340,071.74	3,963,376.05	5,201,455.53
Public Service Commission Fee	122,684.10	139,024.36	1,558,788.52	1,564,734.07
Federal Income	(4,846,604.21)	1,779,658.49	26,232,676.90	42,987,716.33
State Income	15,201.31	(1,388,148.21)	8,082,758.70	8,665,054.47
Miscellaneous	(4,156.82)	2,220.91	9,350.56	34,551.09
Total Charged to Operating Expense	(3,664,250.35)	1,801,812.85	51,773,792.69	69,396,069.55
Taxes Charged to Other Accounts	1,029,393.53	328,377.05	2,349,949.42	1,536,812.57
Taxes Accrued on Intercompany Accounts	(227,664.61)	-	(1,817,517.34)	-
Total Taxes Charged	(2,862,521.43)	2,130,189.90	52,306,224.77	70,932,882.12

ANALYSIS OF TAXES ACCRUED - ACCOUNT 236

Kind of Taxes	Taxes Accrued At Beginning Of Year	Accruals To Date This Year	Payments To Date This Year	Taxes Accrued At End Of Month
Property Taxes	83,940.39	11,799,980.00	11,692,853.61	191,066.78
State Unemployment	615.20	63,104.19	52,950.42	10,768.97
Federal Unemployment	3,630.77	76,805.48	62,785.45	17,650.80
Federal Old Age and Survivors	6,750.20	4,488,624.04	4,279,754.20	215,620.04
Public Service Commission Fee	-	1,558,788.52	1,558,788.52	-
Federal Income	8,367,457.35	24,263,845.61	37,372,286.00	(4,740,983.04)
State Income	11,512,298.94	7,954,682.02	14,167,493.00	5,299,487.96
Miscellaneous	270,303.99	2,100,394.91	1,925,008.09	445,690.81
Totals	20,244,996.84	52,306,224.77	71,111,919.29	1,439,302.32

LOUISVILLE GAS AND ELECTRIC COMPANY
SUMMARY OF UTILITY PLANT
DECEMBER 31, 2002

UTILITY PLANT IN SERVICE	NET BALANCE FIRST OF YEAR	DEBITS-GROSS	CREDITS FOR RETIREMENTS	NET ADDITIONS	ADJUSTMENTS	BALANCE TO DATE
Electric						
Intangible	2,340.29	-	-	-	-	2,340.29
Steam Production	1,621,112,711.59	50,385,517.09	(5,814,090.87)	44,571,426.22	-	1,665,684,137.81
Hydro	9,312,841.36	15,488.38	(3,646.50)	11,841.88	-	9,324,683.24
Other Production	117,940,910.87	34,779,450.68	(240,509.84)	34,538,940.84	-	152,479,851.71
Transmission	203,259,417.15	11,876,001.11	(1,222,628.18)	10,653,372.93	-	213,912,790.08
Distribution	625,486,834.52	33,257,180.95	(2,339,009.98)	30,918,170.97	-	656,405,005.49
General	21,037,062.11	912,236.09	(1,797,147.92)	(884,911.83)	(773,554.64)	19,378,595.64
Total Electric	2,598,152,117.89	131,225,874.30	(11,417,033.29)	119,808,841.01	(773,554.64)	2,717,187,404.26
Gas						
Intangible	553,232.59	-	-	-	-	553,232.59
Natural Gas Storage Plant Underground	52,484,751.23	2,179,993.43	(328,470.99)	1,851,522.44	-	54,336,273.67
Transmission	12,414,633.91	-	-	-	-	12,414,633.91
Distribution	332,059,099.76	27,104,469.20	(2,356,507.54)	24,747,961.66	-	356,807,061.42
General	10,342,209.37	507,239.28	(1,866,002.36)	(1,358,763.08)	-	8,983,446.29
Gas Stored Underground Non-Current	2,139,990.00	-	-	-	-	2,139,990.00
Total Gas	409,993,916.86	29,791,701.91	(4,550,980.89)	25,240,721.02	-	435,234,637.88
Common						
Intangible	24,683,931.68	913,483.50	(1,064,684.90)	(151,201.40)	-	24,532,730.28
General	135,133,087.43	12,571,704.19	(3,434,216.65)	9,137,487.54	773,554.64	145,044,129.61
Total Common	159,817,019.11	13,485,187.69	(4,498,901.55)	8,986,286.14	773,554.64	169,576,859.89
Total Plant in Service	3,167,963,053.86	174,502,763.90	(20,466,915.73)	154,035,848.17	-	3,321,998,902.03
Construction Work In Progress						
Electric	207,177,010.93	54,583,765.37	-	54,583,765.37		261,760,776.30
Gas	33,824,350.03	(8,322,501.20)	-	(8,322,501.20)		25,501,848.83
Common	14,072,315.02	(348,548.67)	-	(348,548.67)	-	13,723,766.35
Total Construction Work In Progress	255,073,675.98	45,912,715.50	-	45,912,715.50	-	300,986,391.48
Total Utility Plant at Original Cost	3,423,036,729.84	220,415,479.40	(20,466,915.73)	199,948,563.67	-	3,622,985,293.51

RESERVE FOR DEPRECIATION OF UTILITY	NET BALANCE FIRST OF YEAR	ACCRUALS	RETIREMENTS	COST OF REMOVAL	SALVAGE	OTHER CREDITS	BALANCE TO DATE
Plant In Service							
Electric	1,169,761,585.61	79,231,616.27	(11,417,033.29)	(2,108,081.93)	360,202.33	(127,467.74)	1,235,700,821.25
Gas	152,114,823.68	12,299,353.17	(4,550,980.89)	(457,047.10)	(129,913.78)	-	159,276,235.08
Common	47,468,448.83	11,144,385.57	(3,434,216.65)	(11,845.48)	711.78	122,257.87	55,289,741.92
Total Reserve For Depreciation Of Utility Plant In Service	1,369,344,858.12	102,675,355.01	(19,402,230.83)	(2,576,974.51)	231,000.33	(5,209.87)	1,450,266,798.25
Reserve For Amortization Of Utility Plant In Service							
Electric	100.00						100.00
Gas	576,024.66	(1,830.74)				-	574,193.92
Common	14,315,548.22	4,851,090.81	(1,064,684.90)	-	-	-	18,101,954.13
Total Reserve For Amortization Of Utility Plant In Service	14,891,672.88	4,849,260.07	(1,064,684.90)	-	-	-	18,676,248.05
Retirement Work In Progress							
Electric	(2,126,159.26)			(3,060,368.26)	(223,359.74)	563,995.46	(4,845,891.80)
Gas	(300,526.92)			(41,587.03)	286,014.30	12,378.50	(43,721.15)
Common	63,927.29	-	-	(421,933.40)	(21,485.45)	-	(379,491.56)
Total Retirement Work In Progress	(2,362,758.89)	-	-	(3,523,888.69)	41,169.11	576,373.96	(5,269,104.51)
Total Reserve For Depreciation and Amortization - Utility Plant In Service	1,381,873,772.11	107,524,615.08	(20,466,915.73)	(6,100,863.20)	272,169.44	571,164.09	1,463,673,941.79
Utility Plant at Original Cost Less Reserve For Depreciation and Amortization	2,041,162,957.73						2,159,311,351.72

LG&E Monthly Report to KPSC-November 30,2002

LOUISVILLE GAS AND ELECTRIC COMPANY
COMPARATIVE STATEMENT OF INCOME
NOVEMBER 30, 2002

	CURRENT MONTH			
	THIS YEAR AMOUNT	LAST YEAR AMOUNT	INCREASE OR DECREASE AMOUNT	%
Electric Operating Revenues	50,704,225.68	44,366,412.91	6,337,812.77	14.29
Gas Operating Revenues	33,276,504.67	17,506,629.70	15,769,874.97	90.08
Rate Refunds	-	-	-	-
Total Operating Revenues	83,980,730.35	61,873,042.61	22,107,687.74	35.73
Fuel for Electric Generation	14,006,031.45	10,511,027.76	3,495,003.69	33.25
Power Purchased	7,390,036.98	6,194,202.48	1,195,834.50	19.31
Gas Supply Expenses	24,382,465.53	12,180,550.14	12,201,915.39	100.18
Other Operation Expenses	18,446,129.16	14,044,431.38	4,401,697.78	31.34
Maintenance	3,947,915.32	5,663,457.36	(1,715,542.04)	(30.29)
Depreciation	8,523,964.55	8,636,333.21	(112,368.66)	(1.30)
Amortization Expense	406,099.13	1,051,026.11	(644,926.98)	(61.36)
Taxes				
Federal Income	-	-	-	-
State Income	-	-	-	-
Deferred Federal Income - Net	-	-	-	-
Deferred State Income - Net	-	-	-	-
Federal Income - Estimated	1,164,562.15	(223,197.57)	1,387,759.72	(621.76)
State Income - Estimated	309,567.15	(59,330.99)	368,898.14	(621.76)
Property and Other	979,685.02	1,945,696.28	(966,011.26)	(49.65)
Investment Tax Credit	-	-	-	-
Amortization of Investment Tax Credit	(351,111.00)	(353,118.00)	2,007.00	(0.57)
Gain from Disposition of Allowances	-	-	-	-
Total Operating Expenses	79,205,345.44	59,591,078.16	19,614,267.28	32.91
Net Operating Income	4,775,384.91	2,281,964.45	2,493,420.46	109.27
Other Income Less Deductions	69,494.59	357,735.86	(288,241.27)	(80.57)
Income Before Interest Charges	4,844,879.50	2,639,700.31	2,205,179.19	83.54
Interest on Long Term Debt	2,007,878.60	2,198,185.20	(190,306.60)	(8.66)
Amortization of Debt Expense - Net	125,870.47	121,156.49	4,713.98	3.89
Other Interest Expenses	289,953.96	146,846.17	143,107.79	97.45
Total Interest Charges	2,423,703.03	2,466,187.86	(42,484.83)	(1.72)
Net Income	2,421,176.47	173,512.45	2,247,664.02	-
Preferred Dividend Requirements	352,426.36	370,343.03	(17,916.67)	(4.84)
Earnings Available for Common	2,068,750.11	(196,830.58)	2,265,580.69	-

LOUISVILLE GAS AND ELECTRIC COMPANY
COMPARATIVE STATEMENT OF INCOME
NOVEMBER 30, 2002

	YEAR TO DATE			
	THIS YEAR AMOUNT	LAST YEAR AMOUNT	INCREASE OR DECREASE AMOUNT	%
Electric Operating Revenues	691,534,312.14	651,068,831.26	40,465,480.88	6.22
Gas Operating Revenues	220,190,246.59	252,516,917.62	(32,326,671.03)	(12.80)
Rate Refunds	890,937.20	308,310.15	582,627.05	188.97
Total Operating Revenues	912,615,495.93	903,894,059.03	8,721,436.90	0.96
Fuel for Electric Generation	178,988,164.58	145,741,092.70	33,247,071.88	22.81
Power Purchased	75,871,681.94	74,654,446.62	1,217,235.32	1.63
Gas Supply Expenses	146,469,231.11	181,320,447.74	(34,851,216.63)	(19.22)
Other Operation Expenses	191,744,049.87	284,778,257.63	(93,034,207.76)	(32.67)
Maintenance	55,281,722.95	48,493,548.83	6,788,174.12	14.00
Depreciation	92,770,640.92	91,734,842.29	1,035,798.63	1.13
Amortization Expense	4,453,223.18	5,066,467.31	(613,244.13)	(12.10)
Taxes				
Federal Income	27,961,790.05	40,367,393.19	(12,405,603.14)	(30.73)
State Income	7,238,857.23	9,832,013.32	(2,593,156.09)	(26.37)
Deferred Federal Income - Net	9,625,538.32	(33,346,630.64)	42,972,168.96	(128.87)
Deferred State Income - Net	1,927,559.03	(8,078,295.26)	10,005,854.29	(123.86)
Federal Income - Estimated	3,117,491.06	840,664.65	2,276,826.41	270.84
State Income - Estimated	828,700.16	221,189.36	607,510.80	274.66
Property and Other	16,291,204.54	16,332,996.18	(41,791.64)	(0.26)
Investment Tax Credit	-	-	-	-
Amortization of Investment Tax Credit	(3,801,771.29)	(3,891,370.56)	89,599.27	(2.30)
Gain from Disposition of Allowances	(216,947.35)	(248,032.91)	31,085.56	(12.53)
Total Operating Expenses	808,551,136.30	853,819,030.45	(45,267,894.15)	(5.30)
Net Operating Income	104,064,359.63	50,075,028.58	53,989,331.05	107.82
Other Income Less Deductions	71,472.09	2,020,672.75	(1,949,200.66)	(96.46)
Income Before Interest Charges	104,135,831.72	52,095,701.33	52,040,130.39	99.89
Interest on Long Term Debt	22,667,442.70	28,194,166.76	(5,526,724.06)	(19.60)
Amortization of Debt Expense - Net	1,431,933.31	1,317,701.00	114,232.31	8.67
Other Interest Expenses	3,439,680.89	5,684,743.22	(2,245,062.33)	(39.49)
Total Interest Charges	27,539,056.90	35,196,610.98	(7,657,554.08)	(21.76)
Net Income	76,596,774.82	16,899,090.35	59,697,684.47	353.26
Preferred Dividend Requirements	3,893,564.60	4,368,773.37	(475,208.77)	(10.88)
Earnings Available for Common	72,703,210.22	12,530,316.98	60,172,893.24	480.22

LOUISVILLE GAS AND ELECTRIC COMPANY
COMPARATIVE STATEMENT OF INCOME
NOVEMBER 30, 2002

	YEAR ENDED CURRENT MONTH			
	THIS YEAR AMOUNT	LAST YEAR AMOUNT	INCREASE OR DECREASE AMOUNT	%
Electric Operating Revenues	744,801,278.89	712,535,057.11	32,266,221.78	4.53
Gas Operating Revenues	258,448,691.73	325,884,560.83	(67,435,869.10)	(20.69)
Rate Refunds	2,171,035.58	(2,191,689.85)	4,362,725.43	(199.06)
Total Operating Revenues	1,005,421,006.20	1,036,227,928.09	(30,806,921.89)	(2.97)
Fuel for Electric Generation	192,477,610.16	161,101,217.45	31,376,392.71	19.48
Power Purchased	82,692,293.37	86,688,566.06	(3,996,272.69)	(4.61)
Gas Supply Expenses	171,313,918.55	238,661,752.67	(67,347,834.12)	(28.22)
Other Operation Expenses	75,030,431.33	291,328,997.30	(216,298,565.97)	(74.25)
Maintenance	65,475,859.10	56,178,097.78	9,297,761.32	16.55
Depreciation	95,514,557.95	99,973,798.75	(4,459,240.80)	(4.46)
Amortization Expense	5,264,387.77	5,408,484.77	(144,097.00)	(2.66)
Taxes				
Federal Income	30,582,113.19	48,985,332.18	(18,403,218.99)	(37.57)
State Income	6,071,898.38	11,002,138.85	(4,930,240.47)	(44.81)
Deferred Federal Income - Net	55,282,483.47	(27,124,493.86)	82,406,977.33	(303.81)
Deferred State Income - Net	13,773,113.99	(6,213,210.71)	19,986,324.70	(321.67)
Federal Income - Estimated	2,276,826.41	(6,375,325.63)	8,652,152.04	(135.71)
State Income - Estimated	607,510.80	(1,707,650.29)	2,315,161.09	(135.58)
Property and Other	17,701,507.11	18,161,870.75	(460,363.64)	(2.53)
Investment Tax Credit	-	-	-	-
Amortization of Investment Tax Credit	(4,200,298.83)	(4,245,363.04)	45,064.21	(1.06)
Gain from Disposition of Allowances	(216,947.35)	(248,032.91)	31,085.56	(12.53)
Total Operating Expenses	809,647,265.40	971,576,180.12	(161,928,914.72)	(16.67)
Net Operating Income	195,773,740.80	64,651,747.97	131,121,992.83	202.81
Other Income Less Deductions	980,907.53	2,481,518.66	(1,500,611.13)	(60.47)
Income Before Interest Charges	196,754,648.33	67,133,266.63	129,621,381.70	193.08
Interest on Long Term Debt	24,980,699.28	30,860,971.55	(5,880,272.27)	(19.05)
Amortization of Debt Expense - Net	1,553,363.26	1,436,319.04	117,044.22	8.15
Other Interest Expenses	3,759,266.25	6,073,106.62	(2,313,840.37)	(38.10)
Total Interest Charges	30,293,328.79	38,370,397.21	(8,077,068.42)	(21.05)
Net Income	166,461,319.54	28,762,869.42	137,698,450.12	478.74
Preferred Dividend Requirements	4,263,907.60	4,824,533.15	(560,625.55)	(11.62)
Earnings Available for Common	162,197,411.94	23,938,336.27	138,259,075.67	577.56

LOUISVILLE GAS AND ELECTRIC COMPANY
ANALYSIS OF RETAINED EARNINGS
NOVEMBER 30, 2002

	CURRENT MONTH		YEAR TO DATE		YEAR ENDED CURRENT MONTH	
	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR
Balance at Beginning of Period	418,252,805.00	327,320,973.75	393,618,344.89	314,593,826.19	327,124,143.17	303,185,806.90
Add:						
Credits from Income	2,421,176.47	173,512.45	76,596,774.82	16,899,090.35	166,461,319.54	28,762,869.42
Deduct:						
Preferred Dividends						
$25 Par Value						
5% Series			806,524.54	806,524.79	1,075,365.93	1,075,366.43
Without Par Value						
Auction Rate			1,280,624.98	1,720,000.00	1,719,791.66	2,280,416.68
$5.875 Series			1,101,562.52	1,101,562.52	1,468,750.01	1,468,750.04
Preferred Dividends Accrued						
$25 Par Value						
5% Series	89,613.86	89,613.87	179,227.58	179,227.74		
Without Par Value						
Auction Rate	140,416.66	158,333.34	280,833.32	316,666.68		
$5.875 Series	122,395.84	122,395.82	244,791.66	244,791.64		
Common Dividends						
Common Stock Without Par Value			46,000,000.00		69,000,000.00	
Balance at End of Period	420,321,555.11	327,124,143.17	420,321,555.11	327,124,143.17	420,321,555.11	327,124,143.17

LOUISVILLE GAS AND ELECTRIC COMPANY
COMPARATIVE BALANCE SHEETS AS OF NOVEMBER 30, 2002 AND 2001

ASSETS AND OTHER DEBITS	THIS YEAR	LAST YEAR
Utility Plant		
Utility Plant at Original Cost	3,581,843,911.84	3,367,671,740.59
Less Reserves for Depreciation & Amortization	1,456,805,892.27	1,380,098,929.51
Total	2,125,038,019.57	1,987,572,811.08
Investments - At Cost		
Ohio Valley Electric Corporation	490,000.00	490,000.00
Investments in LG&E-R	5,000,000.00	5,000,000.00
Nonutility Property-Less Reserve	686,355.83	707,098.36
Other	-	-
Total	6,176,355.83	6,197,098.36
Current and Accrued Assets		
Cash	917,569.86	1,174,876.83
Special Deposits	7,545,987.08	85,295.60
Temporary Cash Investments	-	-
Accounts Receivable-Less Reserve	32,823,754.99	27,146,970.25
Notes Receivable from Assoc. Companies	-	-
Notes Receivable from LG&E-R	22,979,270.00	26,593,502.00
Accounts Receivable from Assoc Companies	9,868,118.36	5,416,978.25
Materials & Supplies-At Average Cost		
Fuel	38,040,868.58	21,845,560.13
Plant Materials & Operating Supplies	21,712,248.69	26,005,560.69
Stores Expense	3,687,985.92	1,956,735.79
Gas Stored Underground	56,514,371.30	55,545,262.14
Allowance Inventory	49,226.81	56,858.13
Prepayments	1,204,673.66	1,033,347.24
Miscellaneous Current & Accrued Assets	22,660.67	118,490.76
Total	195,366,735.92	166,979,437.81
Deferred Debits and Other		
Unamortized Debt Expense	6,461,041.51	5,879,076.88
Unamortized Loss on Bonds	18,938,719.49	17,996,286.42
Accumulated Deferred Income Taxes	128,519,971.31	144,955,405.94
Deferred Regulatory Assets	103,943,879.00	7,543,943.00
Other Deferred Debits	34,468,037.62	44,938,568.48
Total	292,331,648.93	221,313,280.72
Total Assets and Other Debits	2,618,912,760.25	2,382,062,627.97

LIABILITIES AND OTHER CREDITS	THIS YEAR	LAST YEAR
Capitalization		
Common Stock	425,170,424.09	425,170,424.09
Common Stock Expense	(835,888.64)	(835,888.64)
Paid-In Capital	40,000,000.00	40,000,000.00
Unrealized Gain (Loss) on Investment	-	-
Other Comprehensive Income	(25,972,243.80)	(7,031,625.00)
Retained Earnings	420,321,555.11	327,124,143.17
Total Common Equity	858,683,846.76	784,427,053.62
Preferred Stock	95,140,346.77	95,140,346.77
First Mortgage Bonds	574,304,000.00	496,904,000.00
Pollution Control Bonds (Unsecured)	-	120,000,000.00
Long-Term Debt Marked to Market	-	-
Total Capitalization	1,528,128,193.53	1,496,471,400.39
Current and Accrued Liabilities		
Long-Term Debt Due in 1 Year	42,600,000.00	-
Notes Payable to Associated Companies	184,452,943.44	71,252,943.44
Notes Payable	-	-
Accounts Payable	59,343,327.77	55,973,244.62
Accounts Payable to Associated Companies	16,949,523.98	23,818,028.50
Customer Deposits	9,756,660.17	8,337,124.77
Taxes Accrued	13,024,257.14	35,263,677.69
Interest Accrued	3,799,057.53	4,575,218.52
Dividends Declared	-	-
Misc. Current & Accrued Liabilities	3,486,656.81	4,587,830.60
Total	333,412,426.84	203,808,068.14
Deferred Credits and Other		
Accumulated Deferred Income Taxes	437,394,799.45	393,099,937.33
Investment Tax Credit	54,886,852.28	59,087,151.11
Regulatory Liability - Deferred Taxes	48,902,159.00	51,592,390.00
Customer Advances for Construction	10,268,825.56	9,774,884.25
Other Deferred Credits	34,968,605.85	33,015,016.75
Misc. Long-Term Liabilities	114,985,670.57	78,766,125.68
Misc. Long-Term Liab. Due to Assoc. Co.	-	1,489,223.32
Accum Provision for Post-Retirement Benefits	55,965,227.17	54,958,431.00
Total	757,372,139.88	681,783,159.44
Total Liabilities and Other Credits	2,618,912,760.25	2,382,062,627.97

LOUISVILLE GAS AND ELECTRIC COMPANY
STATEMENT OF CAPITALIZATION AND SHORT-TERM DEBT
NOVEMBER 30, 2002

	AUTHORIZED SHARES	ISSUED & OUTSTANDING SHARES	ISSUED & OUTSTANDING AMOUNT	PERCENT OF TOTAL CAPITAL & S/T DEBT	PERCENT OF TOTAL CAPITAL
Common Equity					
Common Stock - Without Par	75,000,000	21,294,223	425,170,424.09		
Common Stock Expense			(835,888.64)		
Paid-In Capital			40,000,000.00		
Unrealized Gain (Loss) on Investment			-		
Other Comprehensive Income			(25,972,243.80)		
Retained Earnings			420,321,555.11		
Total Common Equity			858,683,846.76	48.92	56.19
Preferred Stock, Cumulative					
$25 Par Value	1,720,000				
5% Series		860,287	21,507,175.00		
Without Par Value ($100 Stated)	6,750,000				
NPV-Stated Value Auction Rate		500,000	50,000,000.00		
$5.875 Series		250,000	25,000,000.00		
Subtotal			96,507,175.00		
Gain on Reacquired Preferred Stock			5,698.75		
Preferred Stock Expense			(1,372,526.98)		
Total Preferred Stock			95,140,346.77	5.42	6.23
Total Stockholder's Equity			953,824,193.53	54.34	62.42
Long-Term Debt					
First Mortgage Bonds	Not Limited				
PCB S JC 09/01/92 Due 09/01/17 VAR%			31,000,000.00		
PCB T TC 09/01/92 Due 09/01/17 VAR%			60,000,000.00		
PCB U JC 08/15/93 Due 08/15/13 VAR%			35,200,000.00		
PCB V JC 08/15/93 Due 08/15/19 5 5/8%			102,000,000.00		
PCB W JC 10/15/93 Due 10/15/20 5.45%			26,000,000.00		
PCB X JC 04/15/95 Due 04/15/23 5.90%			40,000,000.00		
PCB Y JC 05/01/00 Due 05/01/27 VAR%			25,000,000.00		
PCB Z JC 08/01/00 Due 08/01/30 VAR%			83,335,000.00		
PCB AA JC 09/11/01 Due 09/01/27 VAR%			10,104,000.00		
PCB BB JC 03/06/02 Due 09/01/26 VAR%			22,500,000.00		
PCB CC TC 03/06/02 Due 09/01/26 VAR%			27,500,000.00		
PCB DD JC 03/22/02 Due 11/01/27 VAR%			35,000,000.00		
PCB EE TC 03/22/02 Due 11/01/27 VAR%			35,000,000.00		
PCB FF TC 10/23/02 Due 10/01/32 VAR%			41,665,000.00		
Total First Mortgage Bonds			574,304,000.00	32.72	37.58
Total Capitalization			1,528,128,193.53	87.06	100.00
Long-Term Debt Due in 1 Year			42,600,000.00	2.43	
Notes Payable to Associated Companies			184,452,943.44	10.51	
Total Capitalization and Short-Term Debt			1,755,181,136.97	100.00	

LOUISVILLE GAS AND ELECTRIC COMPANY
TRIAL BALANCE - GENERAL LEDGER
NOVEMBER 30, 2002

Account - Subsidiary Account	Balance Subsidiary Account	Balance as Shown On Balance Sheet
UTILITY PLANT		
At Original Cost	3,581,843,911.84	3,581,843,911.84
Reserves for Depreciation and Amortization		(1,456,805,892.27)
Electric	(1,225,576,382.09)	
Gas	(158,663,482.59)	
Common	(54,287,647.17)	
Amortization of Plant		
Underground Storage Land and Land Rights	(573,293.92)	
Limited - Term Plant	(17,705,086.50)	
INVESTMENTS - AT COST		6,176,355.83
Nonutility Property - less reserve ($63,360.36)	17,337.47	
Coal for Resale 18,412 Tons @ $36.34	669,018.36	
Investments in LG&E-R	5,000,000.00	
Ohio Valley Electric Corporation	490,000.00	
CASH		917,569.86
PNC Bank	150.00	
Harris Trust and Savings Bank	4,665.70	
Bank of Louisville	11,926.93	
Citibank	10,358.25	
Farmers Bank and Trust Company	73,266.85	
US Bank	520,166.12	
Bedford Loan and Deposit Bank	10,000.00	
Farmers Bank of Milton	10,000.00	
Meade County Bank	273,036.01	
Payroll Funds	4,000.00	
OTHER SPECIAL DEPOSITS		7,545,987.08
Other Special Deposits	7,545,987.08	
ACCOUNTS RECEIVABLE - LESS RESERVE		32,823,754.99
Working Funds	66,065.00	
Customers	56,863,425.85	
Customer Accounts Receivable Sold to LG&E-R	(80,588,000.00)	
Wholesale Sales	6,335,829.75	
Transmission Sales	1,135,955.15	
Unbilled Revenues	41,982,233.46	
Other		
Officers and Employees	39,781.87	
Other	2,296,590.48	
IMEA	778,393.57	
IMPA	792,498.42	
Reserves for Uncollectible Accounts		
Utility Customers		
Accrual	(5,564,147.41)	
Charged Off	5,553,010.98	
Recoveries	(1,863,932.86)	
Accrual Sold to LG&E-R	1,575,070.00	
Damage Claims	864,787.69	
RAR Settlements	2,290,306.00	
Tax Refunds	30,415.00	
Beyond the Meter	8,500.98	
Rents Receivable	226,971.06	
NOTES RECEIVABLE FROM LG&E-R		22,979,270.00
Notes Receivable from LG&E-R	22,979,270.00	
ACCOUNTS RECEIVABLE FROM ASSOCIATED COMPANIES		9,868,118.36
LG&E Energy Corp., Home Services Inc., Enertech	9,677,026.32	
LG&E Energy Marketing Inc. (LEM)-Power Marketing	191,092.04	
FUEL		38,040,868.58
Coal 1,553,000 Tons @ $24.40; MMBTU 35,236,360 @ 107.53¢	37,891,129.08	
Fuel Oil 174,320 Gallons @ 85.90¢	149,739.50	
PLANT MATERIALS AND OPERATING SUPPLIES		21,712,248.69
Regular Materials and Supplies	21,553,045.73	
Limestone 30,592 Tons @ $5.20	159,202.96	

LOUISVILLE GAS AND ELECTRIC COMPANY
TRIAL BALANCE - GENERAL LEDGER
NOVEMBER 30, 2002

Account - Subsidiary Account	Balance Subsidiary Account	Balance as Shown On Balance Sheet
STORES EXPENSE		3,687,985.92
Stores Expense Undistributed	3,687,985.92	
GAS STORED UNDERGROUND - CURRENT		56,514,371.30
Gas St. Underground*14,189,797 MCF (14.73 psia) @ 398.27¢	56,514,371.30	
ALLOWANCE INVENTORY		49,226.81
Allowance Inventory	49,226.81	
PREPAYMENTS		1,204,673.66
Unexpired Insurance	484,368.46	
Taxes	122,684.10	
Permit Fees	208,366.90	
Real Estate Commissions	42,586.20	
Rights of Way	346,668.00	
MISCELLANEOUS CURRENT ASSETS		22,660.67
Mark to Market Assets	22,660.67	
UNAMORTIZED DEBT EXPENSE		6,461,041.51
First Mortage Bonds Series due August 15, 2003, 6 %	28,323.88	
Pollution Control Series S due Sept. 1, 2017	185,175.66	
Pollution Control Series T due Sept. 1, 2017	244,910.66	
Pollution Control Series U due Aug. 15, 2013	124,766.59	
Pollution Control Series V due Aug. 15, 2019	746,144.92	
Pollution Control Series W due Oct. 15, 2020	341,999.89	
Pollution Control Series X due Apr. 15, 2023	674,409.32	
Pollution Control Series Y due May 1, 2027	583,226.49	
Pollution Control Series Z due Aug. 1, 2030	1,059,020.99	
Pollution Control Series AA due Sept. 1, 2027	492,792.73	
Pollution Control Series BB due Sept. 1, 2026	227,935.94	
Pollution Control Series CC Sept. 1, 2026	248,211.39	
Pollution Control Series DD due Nov. 1, 2027	268,147.47	
Pollution Control Series EE due Nov. 1, 2027	268,187.01	
Pollution Control Series FF due Oct. 1, 2032	967,788.57	
UNAMORTIZED LOSS ON BONDS		18,938,719.49
Refinanced and Called Bonds	18,938,719.49	
OTHER DEFERRED DEBITS		34,468,037.62
Gas Supply Cost Adjustments	19,062,546.19	
Other	15,405,491.43	
DEFERRED REGULATORY ASSET		103,943,879.00
KU Merger Expenses	2,117,115.00	
VDT Expenses	100,029,276.00	
Deferred Taxes - FAS 109		
Federal		
Electric	1,241,183.00	
Gas	350,093.00	
State		
Electric	166,350.00	
Gas	39,862.00	
ACCUMULATED DEFERRED INCOME TAXES		128,519,971.31
Federal		
Electric	87,590,114.32	
Gas	13,372,719.82	
Common	6,064,735.56	
State		
Electric	17,226,608.77	
Gas	2,749,611.20	
Common	1,516,181.64	
Total Assets and Other Debits	2,618,912,760.25	2,618,912,760.25

* Excludes:

	$	MCF
Non-recoverable Base Gas	9,648,855.00	7,880,000
Recoverable Base Gas	2,139,990.00	2,930,000
	11,788,845.00	10,810,000

LOUISVILLE GAS AND ELECTRIC COMPANY
TRIAL BALANCE - GENERAL LEDGER
NOVEMBER 30, 2002

Account - Subsidiary Account	Balance Subsidiary Account	Balance as Shown On Balance Sheet
COMMON EQUITY		858,683,846.76
Common Stock	425,170,424.09	
Retained Earnings	420,321,555.11	
Common Stock Expense	(835,888.64)	
Additional Paid-In Capital	40,000,000.00	
Other Comprehensive Income	(25,972,243.80)	
PREFERRED STOCK		95,140,346.77
5% Series	21,507,175.00	
Auction Rate	50,000,000.00	
$5.875 Series	25,000,000.00	
Gain on Reacquired Preferred Stock	5,698.75	
Preferred Stock Expense		
Auction Rate	(1,088,279.70)	
$5.875 Series	(284,247.28)	
BONDS		574,304,000.00
First Mortgage Bonds	574,304,000.00	
LONG-TERM DEBT DUE WITHIN ONE YEAR		42,600,000.00
Mandatory Redemption-FMB due August 15, 2003	42,600,000.00	
NOTES PAYABLE TO ASSOCIATED COMPANIES		184,452,943.44
Notes Payable to Associated Companies	184,452,943.44	
ACCOUNTS PAYABLE		59,343,327.77
Regular	57,155,503.79	
Salaries and Wages Accrued	976,470.56	
Nonqualified Savings Plan	551,515.32	
Dividends Payable	21,007.67	
Tax Collections - Payable	638,830.43	
ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES		16,949,523.98
LG&E Energy Corp	16,949,523.98	
CUSTOMERS' DEPOSITS		9,756,660.17
Customers' Deposits	9,756,660.17	
TAXES ACCRUED		13,024,257.14
Taxes Accrued	13,024,257.14	
INTEREST ACCRUED		3,799,057.53
Interest on Long-Term Debt		
First Mortgage Bonds		
Series due Aug. 15, 2003, 6 %	745,500.00	
Loan Agreement - Pol. Cont. Bonds 1992 Series A	67,271.25	
Loan Agreement - Pol. Cont. Bonds 1992 Series A-TC	146,374.06	
Loan Agreement - Pol. Cont. Bonds 1993 Series A	88,135.61	
Loan Agreement - Pol. Cont. Bonds 1993 Series B	1,673,436.13	
Loan Agreement - Pol. Cont. Bonds 1993 Series C	177,124.98	
Loan Agreement - Pol. Cont. Bonds 1995 Series A	294,999.96	
Loan Agreement - Pol. Cont. Bonds 2000 Series A	17,118.06	
Loan Agreement - Pol. Cont. Bonds 2000 Series A-TC	11,111.34	
Loan Agreement - Pol. Cont. Bonds 2001 Series A	1,894.48	
Loan Agreement - Pol. Cont. Bonds 2001 Series A	32,202.05	
Loan Agreement - Pol. Cont. Bonds 2001 Series A-TC	52,350.97	
Loan Agreement - Pol. Cont. Bonds 2001 Series B	64,871.23	
Loan Agreement - Pol. Cont. Bonds 2001 Series B-TC	70,301.38	
Loan Agreement - Pol. Cont. Bonds 2002 Series A-TC	6,620.73	
Interest Rate Swaps	349,745.30	

LOUISVILLE GAS AND ELECTRIC COMPANY
TRIAL BALANCE - GENERAL LEDGER
NOVEMBER 30, 2002

Account - Subsidiary Account	Balance Subsidiary Account	Balance as Shown On Balance Sheet
MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES		3,486,656.81
Vacation Pay Accrued	3,230,259.09	
Mark to Market Liabilities	256,397.72	
CUSTOMERS' ADVANCES FOR CONSTRUCTION		10,268,825.56
Line Extensions		
Electric	606,479.45	
Gas	9,662,346.11	
OTHER DEFERRED CREDITS		34,968,605.85
Other Deferred Credits	25,661,572.92	
Clearing Accounts Transferred from Other Deferred Debits	9,307,032.93	
REGULATORY LIABILITY - DEFERRED TAXES		48,902,159.00
Federal		
Electric	41,197,535.00	
Gas	3,447,631.00	
State		
Electric	4,251,131.00	
Gas	5,862.00	
INVESTMENT TAX CREDIT		54,886,852.28
Investment Tax Credit (prior law)		
Electric	4,587.22	
Gas	(82.35)	
Job Development Credit		
Electric	52,801,397.37	
Gas	2,080,950.04	
ACCUMULATED DEFERRED INCOME TAXES		437,394,799.45
Federal		
Electric	301,552,779.52	
Gas	50,712,626.23	
Common	1,175,487.20	
State		
Electric	71,233,023.71	
Gas	12,419,391.99	
Common	301,490.80	
MISCELLANEOUS LONG-TERM LIABILITIES		114,985,670.57
Pension Payable	105,722,383.00	
Pension Payable - Supplemental	3,004,887.45	
Pension Payable - Pension Restoration	172,400.12	
Workers' Compensation	4,000,000.00	
Post Employment Benefits - FAS 112	2,086,000.00	
ACCUMULATED PROVISION FOR BENEFITS		55,965,227.17
Post Retirement Benefits - FAS 106	55,965,227.17	
Total Liabilities and Other Credits	2,618,912,760.25	2,618,912,760.25

LOUISVILLE GAS AND ELECTRIC COMPANY
STATEMENT OF CASH FLOWS
NOVEMBER 30, 2002

	Year to Date 2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	76,596,774.82	16,899,090.35
Items not requiring cash currently:		
Depreciation and amortization	97,223,864.10	96,801,309.60
Deferred income taxes - net	9,133,591.75	(45,886,593.13)
Investment tax credit - net	(3,801,771.29)	(3,891,370.56)
Other	40,153,905.47	13,588,059.96
(Increase) decrease in certain net current assets:		
Accounts receivable	14,966,564.51	111,694,135.02
Materials and supplies	(22,486,822.73)	(9,901,534.47)
Accounts payable	(72,777,113.27)	(57,975,546.15)
Accrued taxes	(7,220,739.70)	27,190,417.04
Accrued interest	(2,018,863.24)	(1,774,454.10)
Prepayments and other	4,220,929.72	(2,794,829.33)
Other	13,792,267.01	90,346,907.39
Net cash provided from operating activities	147,782,587.15	234,295,591.62
CASH FLOWS FROM INVESTING ACTIVITIES		
Long term investment in securities	(458.57)	(785,000.44)
Construction expenditures	(178,457,620.21)	(196,145,502.93)
Net cash used for investing activities	(178,458,078.78)	(196,930,503.37)
CASH FLOWS FROM FINANCING ACTIVITIES		
Short-term borrowing	90,256,250.00	(43,335,748.83)
Retirement of pollution control bonds	(161,665,000.00)	-
Net proceeds from issuance of pollution control bonds	158,735,559.46	9,730,888.00
Payment of dividends	(50,299,741.48)	(4,995,366.64)
Net cash used for financing activities	37,027,067.98	(38,600,227.47)
NET INCREASE (DECREASE) IN CASH AND TEMP. CASH INVESTMENTS	6,351,576.35	(1,235,139.22)
CASH AND TEMPORARY CASH INVESTMENTS AT BEGINNING OF PERIOD	2,111,980.59	2,495,311.65
\SH AND TEMPORARY CASH INVESTMENTS AT END OF PERIOD	8,463,556.94	1,260,172.43

LOUISVILLE GAS AND ELECTRIC COMPANY
ANALYSIS OF INTEREST CHARGES
NOVEMBER 30, 2002

	CURRENT MONTH		YEAR TO DATE		YEAR ENDED CURRENT MONTH	
	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR
Interest On Long-Term Debt						
First Mortgage Bonds						
Series Due Aug. 15 2003, 6%	213,000.00	213,000.00	2,343,000.00	2,343,000.00	2,556,000.00	2,556,000.00
Loan Agreement - Poll. Control Bonds						
1990 Series B (6.55%) TC	104,196.17	227,421.46	2,378,410.80	2,501,636.06	2,605,832.26	2,729,057.52
1992 Series A Variable	41,589.04	56,926.02	398,485.54	891,420.24	446,497.87	1,009,576.93
1992 Series A Variable TC	86,344.11	123,552.06	815,868.95	2,049,332.05	929,842.93	2,287,761.01
1993 Series A Variable Rate	50,823.29	69,783.67	487,533.51	1,186,783.74	554,901.86	1,326,002.38
1993 Series B (5 5/8%)	478,125.01	478,125.00	5,259,380.03	5,259,375.00	5,737,505.03	5,737,500.01
1993 Series C (5.45%)	118,083.34	118,083.34	1,298,916.74	1,298,916.78	1,417,000.08	1,417,000.11
1995 Series A (5.90%)	196,666.66	196,666.66	2,163,333.26	2,163,333.23	2,359,999.91	2,359,999.89
2000 Series A Variable Rate	30,208.33	43,402.79	334,444.46	736,770.86	374,270.84	836,319.47
2000 Series A Variable TC	107,409.57	125,696.95	1,120,186.74	2,485,572.84	1,230,605.60	2,814,977.58
2001 Series A Variable Rate	12,854.53	15,605.07	139,082.98	47,292.33	152,695.31	47,292.33
2001 Series A Variable Rate	30,780.82	-	247,324.66	-	247,324.66	-
2001 Series A Variable Rate TC	35,517.26	-	302,558.31	-	302,558.31	-
2001 Series B Variable Rate	47,712.32	-	379,876.68	-	379,876.68	-
2001 Series B Variable Rate TC	47,054.79	-	379,698.63	-	379,698.63	-
2002 Series A Variable Rate TC	50,925.46	-	66,549.84	-	66,549.84	-
Loan Agreement - Unsecured Bonds						
1996 Series A Variable Rate	-	45,322.60	79,006.25	791,715.41	119,348.02	881,340.42
1996 Series A Variable Rate TC	-	54,246.58	110,904.09	1,006,125.92	162,739.72	1,118,445.65
1997 Series A Variable Rate	-	71,609.59	158,253.28	1,248,693.00	222,616.30	1,389,751.74
1997 Series A Variable Rate TC	-	71,917.81	183,342.64	1,213,233.92	252,863.19	1,361,624.77
Interest Rate Swaps	356,587.90	286,825.60	4,021,285.31	2,970,965.38	4,481,972.24	2,988,321.74
Marked to Market	-	-	-	-	-	-
Total	2,007,878.60	2,198,185.20	22,667,442.70	28,194,166.76	24,980,699.28	30,860,971.55
Amortization of Debt Expense - Net						
Amortization of Debt Expense	29,206.20	26,634.50	389,374.33	277,943.27	416,284.28	302,036.28
Amortization of Premium on Debt - Cr.	-	-	-	-	-	-
Amort. of Loss on Reacquired Debt	96,664.27	94,521.99	1,042,558.98	1,039,757.73	1,137,078.98	1,134,282.76
Total	125,870.47	121,156.49	1,431,933.31	1,317,701.00	1,553,363.26	1,436,319.04
Other Interest Charges						
Note Payable	-	22,083.32	85,249.11	25,763.88	115,936.61	299,653.03
Customers' Deposits	30,995.73	36,484.25	381,612.34	362,889.47	412,757.17	389,095.23
Federal Income Tax Deficiencies	-	-	-	-	-	-
Other Tax Deficiencies	-	-	-	-	-	-
Gas Refunds	345.00	-	881.33	-	881.33	-
Interest on Dsm Cost Recovery	-	-	-	-	-	-
Deferred Compensation	-	(10,498.06)	20,729.60	20,298.88	28,444.09	47,081.34
Interest on Debt to Associated Companies	214,824.10	117,749.54	1,977,093.66	2,859,516.57	2,132,906.44	2,921,002.60
Interest Costs from A/R Securitization	43,789.13	(18,972.88)	974,114.85	2,416,274.42	1,068,340.61	2,416,274.42
Total	289,953.96	146,846.17	3,439,680.89	5,684,743.22	3,759,266.25	6,073,106.62
Total Interest	2,423,703.03	2,466,187.86	27,539,056.90	35,196,610.98	30,293,328.79	38,370,397.21

LOUISVILLE GAS AND ELECTRIC COMPANY
ANALYSIS OF TAXES CHARGED
NOVEMBER 30, 2002

	Current Month		Year To Date	
Kind of Taxes	This Year	Last Year	This Year	Last Year
Taxes Charged to Accounts 408.1 and 409.1				
Property Taxes	1,015,435.46	916,203.00	10,651,635.46	9,878,233.00
State Unemployment	2,844.08	(16,353.99)	85,253.26	27,518.72
Federal Unemployment	5,902.61	20,662.40	134,504.78	107,820.78
Federal Old Age and Survivors Insurance	(169,216.14)	883,522.66	3,970,199.24	4,861,383.79
Public Service Commission Fee	122,684.07	139,024.35	1,436,104.42	1,425,709.71
Federal Income	1,164,562.15	(223,197.57)	31,079,281.11	41,208,057.84
State Income	309,567.15	(59,330.99)	8,067,557.39	10,053,202.68
Miscellaneous	2,034.94	2,637.86	13,507.38	32,330.18
Total Charged to Operating Expense	2,453,814.32	1,663,167.72	55,438,043.04	67,594,256.70
Taxes Charged to Other Accounts	885,309.98	(1,075,611.51)	1,320,555.89	1,208,435.52
Taxes Accrued on Intercompany Accounts	(110,788.67)	-	(1,589,852.73)	-
Total Taxes Charged	3,228,335.63	587,556.21	55,168,746.20	68,802,692.22

ANALYSIS OF TAXES ACCRUED - ACCOUNT 236

Kind of Taxes	Taxes Accrued At Beginning Of Year	Accruals To Date This Year	Payments To Date This Year	Taxes Accrued At End Of Month
Property Taxes	83,940.39	10,783,315.00	11,534,299.07	(667,043.68)
State Unemployment	615.20	50,261.23	52,950.42	(2,073.99)
Federal Unemployment	3,630.77	57,999.68	62,785.45	(1,155.00)
Federal Old Age and Survivors	6,750.20	3,982,084.19	3,977,039.43	11,794.96
Public Service Commission Fee	-	1,436,104.42	1,436,104.42	-
Federal Income	8,367,457.35	29,240,719.09	28,245,410.00	9,362,766.44
State Income	11,512,298.94	7,974,044.76	15,282,519.00	4,203,824.70
Miscellaneous	270,303.99	1,644,217.83	1,798,378.11	116,143.71
Totals	20,244,996.84	55,168,746.20	62,389,485.90	13,024,257.14

LOUISVILLE GAS AND ELECTRIC COMPANY
SUMMARY OF UTILITY PLANT
NOVEMBER 30, 2002

UTILITY PLANT IN SERVICE	NET BALANCE FIRST OF YEAR	DEBITS-GROSS	CREDITS FOR RETIREMENTS	NET ADDITIONS	ADJUSTMENTS	BALANCE TO DATE
Electric						
Intangible	2,340.29	-	-	-	-	2,340.29
Steam Production	1,621,112,711.59	55,073,647.35	(5,428,610.84)	49,645,036.51	-	1,670,757,748.10
Hydro	9,312,841.36	15,488.38	(3,646.50)	11,841.88	-	9,324,683.24
Other Production	117,940,910.87	34,779,450.68	(240,509.84)	34,538,940.84	-	152,479,851.71
Transmission	203,259,417.15	11,876,001.12	(1,222,628.18)	10,653,372.94	-	213,912,790.09
Distribution	625,486,834.52	28,194,697.38	(2,314,948.84)	25,879,748.54	-	651,366,583.06
General	21,037,062.11	895,093.95	(1,797,147.92)	(902,053.97)	(773,554.64)	19,361,453.50
Total Electric	2,598,152,117.89	130,834,378.86	(11,007,492.12)	119,826,886.74	(773,554.64)	2,717,205,449.99
Gas						
Intangible	553,232.59	-	-	-	-	553,232.59
Natural Gas Storage Plant Underground	52,484,751.23	2,262,683.02	(328,470.99)	1,934,212.03	-	54,418,963.26
Transmission	12,414,633.91	-	-	-	-	12,414,633.91
Distribution	332,059,099.76	26,655,557.37	(1,949,571.19)	24,705,986.18	-	356,765,085.94
General	10,342,209.37	507,239.28	(1,866,002.36)	(1,358,763.08)	-	8,983,446.29
Gas Stored Underground Non-Current	2,139,990.00	-	-	-	-	2,139,990.00
Total Gas	409,993,916.86	29,425,479.67	(4,144,044.54)	25,281,435.13	-	435,275,351.99
Common						
Intangible	24,683,931.68	913,483.50	(1,064,684.90)	(151,201.40)	-	24,532,730.28
General	135,133,087.43	12,565,050.63	(3,434,216.65)	9,130,833.98	773,554.64	145,037,476.05
Total Common	159,817,019.11	13,478,534.13	(4,498,901.55)	8,979,632.58	773,554.64	169,570,206.33
Total Plant in Service	3,167,963,053.86	173,738,392.66	(19,650,438.21)	154,087,954.45	-	3,322,051,008.31
Construction Work In Progress						
Electric	207,177,010.93	19,824,550.55	-	19,824,550.55		227,001,561.48
Gas	33,824,350.03	(10,958,970.47)	-	(10,958,970.47)		22,865,379.56
Common	14,072,315.02	(4,146,352.53)	-	(4,146,352.53)	-	9,925,962.49
Total Construction Work In Progress	255,073,675.98	4,719,227.55	-	4,719,227.55	-	259,792,903.53
Total Utility Plant at Original Cost	3,423,036,729.84	178,457,620.21	(19,650,438.21)	158,807,182.00	-	3,581,843,911.84

RESERVE FOR DEPRECIATION OF UTILITY	NET BALANCE FIRST OF YEAR	ACCRUALS	RETIREMENTS	COST OF REMOVAL	SALVAGE	OTHER CREDITS	BALANCE TO DATE
Plant In Service							
Electric	1,169,761,585.61	72,541,587.45	(11,007,492.12)	(2,065,508.03)	360,202.33	(127,467.74)	1,229,462,907.50
Gas	152,114,823.68	11,255,621.56	(4,144,044.54)	(226,382.05)	(130,096.98)	-	158,869,921.67
Common	47,468,448.83	10,370,281.69	(3,434,216.65)	(11,845.48)	711.78	122,257.87	54,515,638.04
Total Reserve For Depreciation Of Utility Plant In Service	1,369,344,858.12	94,167,490.70	(18,585,753.31)	(2,303,735.56)	230,817.13	(5,209.87)	1,442,848,467.21
Reserve For Amortization Of Utility Plant In Service							
Electric	100.00						100.00
Gas	576,024.66	(1,830.74)				-	574,193.92
Common	14,315,548.22	4,453,223.18	(1,064,684.90)	-	-	-	17,704,086.50
Total Reserve For Amortization Of Utility Plant In Service	14,891,672.88	4,451,392.44	(1,064,684.90)	-	-	-	18,278,380.42
Retirement Work In Progress							
Electric	(2,126,159.26)			(2,081,691.17)	(223,359.74)	544,684.76	(3,886,525.41)
Gas	(300,526.92)			(52,813.56)	134,522.90	12,378.50	(206,439.08)
Common	63,927.29	-	-	(283,590.92)	(8,327.24)	-	(227,990.87)
Total Retirement Work In Progress	(2,362,758.89)	-	-	(2,418,095.65)	(97,164.08)	557,063.26	(4,320,955.36)
Total Reserve For Depreciation and Amortization - Utility Plant In Service	1,381,873,772.11	98,618,883.14	(19,650,438.21)	(4,721,831.21)	133,653.05	551,853.39	1,456,805,892.27
Utility Plant at Original Cost Less Reserve For Depreciation and Amortization	2,041,162,957.73						2,125,038,019.57

LG&E Monthly Report to KPSC-October 31,2002

LOUISVILLE GAS AND ELECTRIC COMPANY
COMPARATIVE STATEMENT OF INCOME
OCTOBER 31, 2002

	CURRENT MONTH			
	THIS YEAR AMOUNT	LAST YEAR AMOUNT	INCREASE OR DECREASE AMOUNT	%
Electric Operating Revenues	60,649,249.27	49,119,490.64	11,529,758.63	23.47
Gas Operating Revenues	16,057,458.97	18,904,676.78	(2,847,217.81)	(15.06)
Rate Refunds	(4,211.06)	-	(4,211.06)	-
Total Operating Revenues	76,702,497.18	68,024,167.42	8,678,329.76	12.76
Fuel for Electric Generation	17,498,084.62	10,659,015.09	6,839,069.53	64.16
Power Purchased	7,515,022.73	8,809,343.97	(1,294,321.24)	(14.69)
Gas Supply Expenses	9,175,686.10	11,548,482.40	(2,372,796.30)	(20.55)
Other Operation Expenses	18,595,407.42	14,978,725.44	3,616,681.98	24.15
Maintenance	4,892,256.28	4,911,654.79	(19,398.51)	(0.39)
Depreciation	8,524,906.66	9,453,101.54	(928,194.88)	(9.82)
Amortization Expense	406,099.13	477,423.76	(71,324.63)	(14.94)
Taxes				
Federal Income	-	-	-	-
State Income	-	-	-	-
Deferred Federal Income - Net	-	-	-	-
Deferred State Income - Net	-	-	-	-
Federal Income - Estimated	1,952,928.91	1,063,862.22	889,066.69	83.57
State Income - Estimated	519,133.01	280,520.35	238,612.66	85.06
Property and Other	1,496,111.65	1,433,906.51	62,205.14	4.34
Investment Tax Credit	-	-	-	-
Amortization of Investment Tax Credit	(351,111.00)	(353,118.00)	2,007.00	(0.57)
Gain from Disposition of Allowances	-	-	-	-
Total Operating Expenses	70,224,525.51	63,262,918.07	6,961,607.44	11.00
Net Operating Income	6,477,971.67	4,761,249.35	1,716,722.32	36.06
Other Income Less Deductions	(88,313.37)	(55,739.55)	(32,573.82)	58.44
Income Before Interest Charges	6,389,658.30	4,705,509.80	1,684,148.50	35.79
Interest on Long Term Debt	2,065,056.34	2,321,171.50	(256,115.16)	(11.03)
Amortization of Debt Expense - Net	121,798.07	120,931.79	866.28	0.72
Other Interest Expenses	429,037.14	88,926.81	340,110.33	382.46
Total Interest Charges	2,615,891.55	2,531,030.10	84,861.45	3.35
Net Income	3,773,766.75	2,174,479.70	1,599,287.05	73.55
Preferred Dividend Requirements	352,426.20	370,343.03	(17,916.83)	(4.84)
Earnings Available for Common	3,421,340.55	1,804,136.67	1,617,203.88	89.64

LOUISVILLE GAS AND ELECTRIC COMPANY
COMPARATIVE STATEMENT OF INCOME
OCTOBER 31, 2002

	YEAR TO DATE			
	THIS YEAR AMOUNT	LAST YEAR AMOUNT	INCREASE OR DECREASE AMOUNT	%
Electric Operating Revenues	640,830,086.46	606,702,418.35	34,127,668.11	5.63
Gas Operating Revenues	186,913,741.92	235,010,287.92	(48,096,546.00)	(20.47)
Rate Refunds	890,937.20	308,310.15	582,627.05	188.97
Total Operating Revenues	828,634,765.58	842,021,016.42	(13,386,250.84)	(1.59)
Fuel for Electric Generation	164,982,133.13	135,230,064.94	29,752,068.19	22.00
Power Purchased	68,481,644.96	68,460,244.14	21,400.82	0.03
Gas Supply Expenses	122,086,765.58	169,139,897.60	(47,053,132.02)	(27.82)
Other Operation Expenses	173,297,920.71	270,733,826.25	(97,435,905.54)	(35.99)
Maintenance	51,333,807.63	42,830,091.47	8,503,716.16	19.85
Depreciation	84,246,676.37	83,098,509.08	1,148,167.29	1.38
Amortization Expense	4,047,124.05	4,015,441.20	31,682.85	0.79
Taxes				
Federal Income	27,961,790.05	40,367,393.19	(12,405,603.14)	(30.73)
State Income	7,238,857.23	9,832,013.32	(2,593,156.09)	(26.37)
Deferred Federal Income - Net	9,625,538.32	(33,346,630.64)	42,972,168.96	(128.87)
Deferred State Income - Net	1,927,559.03	(8,078,295.26)	10,005,854.29	(123.86)
Federal Income - Estimated	1,952,928.91	1,063,862.22	889,066.69	83.57
State Income - Estimated	519,133.01	280,520.35	238,612.66	85.06
Property and Other	15,311,519.52	14,387,299.90	924,219.62	6.42
Investment Tax Credit	-	-	-	-
Amortization of Investment Tax Credit	(3,450,660.29)	(3,538,252.56)	87,592.27	(2.48)
Gain from Disposition of Allowances	(216,947.35)	(248,032.91)	31,085.56	(12.53)
Total Operating Expenses	729,345,790.86	794,227,952.29	(64,882,161.43)	(8.17)
Net Operating Income	99,288,974.72	47,793,064.13	51,495,910.59	107.75
Other Income Less Deductions	1,977.50	1,662,936.89	(1,660,959.39)	(99.88)
Income Before Interest Charges	99,290,952.22	49,456,001.02	49,834,951.20	100.77
Interest on Long Term Debt	20,659,564.10	25,995,981.56	(5,336,417.46)	(20.53)
Amortization of Debt Expense - Net	1,306,062.84	1,196,544.51	109,518.33	9.15
Other Interest Expenses	3,149,726.93	5,537,897.05	(2,388,170.12)	(43.12)
Total Interest Charges	25,115,353.87	32,730,423.12	(7,615,069.25)	(23.27)
Net Income	74,175,598.35	16,725,577.90	57,450,020.45	343.49
Preferred Dividend Requirements	3,541,138.24	3,998,430.34	(457,292.10)	(11.44)
Earnings Available for Common	70,634,460.11	12,727,147.56	57,907,312.55	454.99

LOUISVILLE GAS AND ELECTRIC COMPANY
COMPARATIVE STATEMENT OF INCOME
OCTOBER 31, 2002

	YEAR ENDED CURRENT MONTH			
	THIS YEAR AMOUNT	LAST YEAR AMOUNT	INCREASE OR DECREASE AMOUNT	%
Electric Operating Revenues	738,463,466.12	718,566,632.98	19,896,833.14	2.77
Gas Operating Revenues	242,678,816.76	348,805,805.82	(106,126,989.06)	(30.43)
Rate Refunds	2,171,035.58	(2,191,689.85)	4,362,725.43	(199.06)
Total Operating Revenues	983,313,318.46	1,065,180,748.95	(81,867,430.49)	(7.69)
Fuel for Electric Generation	188,982,606.47	161,278,981.82	27,703,624.65	17.18
Power Purchased	81,496,458.87	88,822,258.52	(7,325,799.65)	(8.25)
Gas Supply Expenses	159,112,003.16	256,861,450.09	(97,749,446.93)	(38.06)
Other Operation Expenses	70,628,733.55	289,904,432.56	(219,275,699.01)	(75.64)
Maintenance	67,191,401.14	55,190,004.00	12,001,397.14	21.75
Depreciation	95,626,926.61	99,283,490.35	(3,656,563.74)	(3.68)
Amortization Expense	5,909,314.75	4,699,909.17	1,209,405.58	25.73
Taxes				
Federal Income	30,582,113.19	48,985,332.18	(18,403,218.99)	(37.57)
State Income	6,071,898.38	11,002,138.85	(4,930,240.47)	(44.81)
Deferred Federal Income - Net	55,282,483.47	(27,124,493.86)	82,406,977.33	(303.81)
Deferred State Income - Net	13,773,113.99	(6,213,210.71)	19,986,324.70	(321.67)
Federal Income - Estimated	889,066.69	(2,850,112.93)	3,739,179.62	(131.19)
State Income - Estimated	238,612.66	(765,688.17)	1,004,300.83	(131.16)
Property and Other	18,667,518.37	17,730,177.08	937,341.29	5.29
Investment Tax Credit	-	-	-	-
Amortization of Investment Tax Credit	(4,202,305.83)	(4,248,463.04)	46,157.21	(1.09)
Gain from Disposition of Allowances	(216,947.35)	(248,032.91)	31,085.56	(12.53)
Total Operating Expenses	790,032,998.12	992,308,173.00	(202,275,174.88)	(20.38)
Net Operating Income	193,280,320.34	72,872,575.95	120,407,744.39	165.23
Other Income Less Deductions	1,269,148.80	2,077,609.04	(808,460.24)	(38.91)
Income Before Interest Charges	194,549,469.14	74,950,184.99	119,599,284.15	159.57
Interest on Long Term Debt	25,171,005.88	31,266,466.07	(6,095,460.19)	(19.50)
Amortization of Debt Expense - Net	1,548,649.28	1,433,778.58	114,870.70	8.01
Other Interest Expenses	3,616,158.46	6,740,654.92	(3,124,496.46)	(46.35)
Total Interest Charges	30,335,813.62	39,440,899.57	(9,105,085.95)	(23.09)
Net Income	164,213,655.52	35,509,285.42	128,704,370.10	362.45
Preferred Dividend Requirements	4,281,824.27	4,909,949.90	(628,125.63)	(12.79)
Earnings Available for Common	159,931,831.25	30,599,335.52	129,332,495.73	422.66

LOUISVILLE GAS AND ELECTRIC COMPANY
ANALYSIS OF RETAINED EARNINGS
OCTOBER 31, 2002

	CURRENT MONTH		YEAR TO DATE		YEAR ENDED CURRENT MONTH	
	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR
Balance at Beginning of Period	414,831,464.45	325,516,837.08	393,618,344.89	314,593,826.19	327,320,973.75	296,721,638.23
Add:						
Credits from Income	3,773,766.75	2,174,479.70	74,175,598.35	16,725,577.90	164,213,655.52	35,509,285.42
Deduct:						
Preferred Dividends						
$25 Par Value						
5% Series			806,524.54	806,524.79	1,075,365.94	1,075,366.51
Without Par Value						
Auction Rate			1,280,624.98	1,720,000.00	1,737,708.34	2,365,833.34
$5.875 Series			1,101,562.52	1,101,562.52	1,468,749.99	1,468,750.05
Preferred Dividends Accrued						
$25 Par Value						
5% Series	89,613.72	89,613.87	89,613.72	89,613.87		
Without Par Value						
Auction Rate	140,416.66	158,333.34	140,416.66	158,333.34		
$5.875 Series	122,395.82	122,395.82	122,395.82	122,395.82		
Common Dividends						
Common Stock Without Par Value			46,000,000.00		69,000,000.00	
Balance at End of Period	418,252,805.00	327,320,973.75	418,252,805.00	327,320,973.75	418,252,805.00	327,320,973.75

LOUISVILLE GAS AND ELECTRIC COMPANY
COMPARATIVE BALANCE SHEETS AS OF OCTOBER 31, 2002 AND 2001

ASSETS AND OTHER DEBITS	THIS YEAR	LAST YEAR
Utility Plant		
Utility Plant at Original Cost	3,560,936,340.23	3,350,910,527.91
Less Reserves for Depreciation & Amortization	1,450,356,349.44	1,372,430,946.94
Total	2,110,579,990.79	1,978,479,580.97
Investments - At Cost		
Ohio Valley Electric Corporation	490,000.00	490,000.00
Investments in LG&E-R	5,000,000.00	5,000,000.00
Nonutility Property-Less Reserve	778,254.87	709,967.06
Other	-	-
Total	6,268,254.87	6,199,967.06
Current and Accrued Assets		
Cash	6,206,694.09	6,029,429.67
Special Deposits	7,537,628.17	85,295.60
Temporary Cash Investments	-	-
Accounts Receivable-Less Reserve	6,165,527.39	18,467,274.82
Notes Receivable from Assoc. Companies	-	-
Notes Receivable from LG&E-R	25,280,265.00	40,723,760.00
Accounts Receivable from Assoc Companies	16,837,491.72	4,633,114.46
Materials & Supplies-At Average Cost		
Fuel	37,194,319.24	19,622,919.04
Plant Materials & Operating Supplies	23,911,491.81	25,953,975.69
Stores Expense	3,871,763.66	2,071,397.44
Gas Stored Underground	59,044,312.62	56,732,505.51
Allowance Inventory	52,791.10	63,860.93
Prepayments	1,537,895.69	1,482,968.18
Miscellaneous Current & Accrued Assets	175,240.71	112,704.32
Total	187,815,421.20	175,979,205.66
Deferred Debits and Other		
Unamortized Debt Expense	6,420,628.30	5,532,599.38
Unamortized Loss on Bonds	19,035,383.75	18,090,808.42
Accumulated Deferred Income Taxes	128,519,971.31	144,955,405.94
Deferred Regulatory Assets	106,746,324.00	7,846,388.00
Other Deferred Debits	37,258,592.02	47,333,434.19
Total	297,980,899.38	223,758,635.93
Total Assets and Other Debits	2,602,644,566.24	2,384,417,389.62

LIABILITIES AND OTHER CREDITS	THIS YEAR	LAST YEAR
Capitalization		
Common Stock	425,170,424.09	425,170,424.09
Common Stock Expense	(835,888.64)	(835,888.64)
Paid-In Capital	40,000,000.00	40,000,000.00
Unrealized Gain (Loss) on Investment	-	-
Other Comprehensive Income	(25,972,243.80)	(7,031,625.00)
Retained Earnings	418,252,805.00	327,320,973.75
Total Common Equity	856,615,096.65	784,623,884.20
Preferred Stock	95,140,346.77	95,140,346.77
First Mortgage Bonds	574,304,000.00	496,904,000.00
Pollution Control Bonds (Unsecured)	-	120,000,000.00
Long-Term Debt Marked to Market	-	-
Total Capitalization	1,526,059,443.42	1,496,668,230.97
Current and Accrued Liabilities		
Long-Term Debt Due in 1 Year	42,600,000.00	-
Notes Payable to Associated Companies	151,052,943.44	11,052,943.44
Notes Payable	-	49,977,916.68
Accounts Payable	65,558,614.91	60,689,205.61
Accounts Payable to Associated Companies	26,962,516.36	30,755,546.69
Customer Deposits	9,585,202.37	8,201,497.07
Taxes Accrued	17,332,926.29	35,350,476.86
Interest Accrued	2,552,624.13	3,340,799.76
Dividends Declared	-	-
Misc. Current & Accrued Liabilities	3,636,135.09	4,708,390.80
Total	319,280,962.59	204,076,776.91
Deferred Credits and Other		
Accumulated Deferred Income Taxes	436,009,021.45	393,099,937.33
Investment Tax Credit	55,237,963.28	59,440,269.11
Regulatory Liability - Deferred Taxes	48,902,159.00	51,592,390.00
Customer Advances for Construction	10,301,465.42	9,785,475.79
Other Deferred Credits	35,402,653.34	34,540,529.51
Misc. Long-Term Liabilities	114,985,670.57	78,766,125.68
Misc. Long-Term Liab. Due to Assoc. Co.	-	1,489,223.32
Accum Provision for Post-Retirement Benefits	56,465,227.17	54,958,431.00
Total	757,304,160.23	683,672,381.74
Total Liabilities and Other Credits	2,602,644,566.24	2,384,417,389.62

LOUISVILLE GAS AND ELECTRIC COMPANY
STATEMENT OF CAPITALIZATION AND SHORT-TERM DEBT
OCTOBER 31, 2002

	AUTHORIZED	ISSUED & OUTSTANDING		PERCENT OF TOTAL	
	SHARES	SHARES	AMOUNT	CAPITAL & S/T DEBT	CAPITAL
Common Equity					
Common Stock - Without Par	75,000,000	21,294,223	425,170,424.09		
Common Stock Expense			(835,888.64)		
Paid-In Capital			40,000,000.00		
Unrealized Gain (Loss) on Investment			-		
Other Comprehensive Income			(25,972,243.80)		
Retained Earnings			418,252,805.00		
Total Common Equity			856,615,096.65	49.81	56.13
Preferred Stock, Cumulative					
$25 Par Value	1,720,000				
5% Series		860,287	21,507,175.00		
Without Par Value ($100 Stated)	6,750,000				
NPV-Stated Value Auction Rate		500,000	50,000,000.00		
$5.875 Series		250,000	25,000,000.00		
Subtotal			96,507,175.00		
Gain on Reacquired Preferred Stock			5,698.75		
Preferred Stock Expense			(1,372,526.98)		
Total Preferred Stock			95,140,346.77	5.53	6.24
Total Stockholder's Equity			951,755,443.42	55.34	62.37
Long-Term Debt					
First Mortgage Bonds	Not Limited				
PCB S JC 09/01/92 Due 09/01/17 VAR%			31,000,000.00		
PCB T TC 09/01/92 Due 09/01/17 VAR%			60,000,000.00		
PCB U JC 08/15/93 Due 08/15/13 VAR%			35,200,000.00		
PCB V JC 08/15/93 Due 08/15/19 5 5/8%			102,000,000.00		
PCB W JC 10/15/93 Due 10/15/20 5.45%			26,000,000.00		
PCB X JC 04/15/95 Due 04/15/23 5.90%			40,000,000.00		
PCB Y JC 05/01/00 Due 05/01/27 VAR%			25,000,000.00		
PCB Z JC 08/01/00 Due 08/01/30 VAR%			83,335,000.00		
PCB AA JC 09/11/01 Due 09/01/27 VAR%			10,104,000.00		
PCB BB JC 03/06/02 Due 09/01/26 VAR%			22,500,000.00		
PCB CC TC 03/06/02 Due 09/01/26 VAR%			27,500,000.00		
PCB DD JC 03/22/02 Due 11/01/27 VAR%			35,000,000.00		
PCB EE TC 03/22/02 Due 11/01/27 VAR%			35,000,000.00		
PCB FF TC 10/23/02 Due 10/01/32 VAR%			41,665,000.00		
Total First Mortgage Bonds			574,304,000.00	33.40	37.63
Total Capitalization			1,526,059,443.42	88.74	100.00
Long-Term Debt Due in 1 Year			42,600,000.00	2.48	
Notes Payable to Associated Companies			151,052,943.44	8.78	
Total Capitalization and Short-Term Debt			1,719,712,386.86	100.00	

LOUISVILLE GAS AND ELECTRIC COMPANY
TRIAL BALANCE - GENERAL LEDGER
OCTOBER 31, 2002

Account - Subsidiary Account	Balance Subsidiary Account	Balance as Shown On Balance Sheet
UTILITY PLANT		
At Original Cost	3,560,936,340.23	3,560,936,340.23
Reserves for Depreciation and Amortization		(1,450,356,349.44)
Electric	(1,220,145,708.90)	
Gas	(158,619,372.06)	
Common	(53,718,987.19)	
Amortization of Plant		
Underground Storage Land and Land Rights	(573,293.92)	
Limited - Term Plant	(17,298,987.37)	
INVESTMENTS - AT COST		6,268,254.87
Nonutility Property - less reserve ($63,360.36)	17,337.47	
Coal for Resale 20,931 Tons @ $36.35	760,917.40	
Investments in LG&E-R	5,000,000.00	
Ohio Valley Electric Corporation	490,000.00	
CASH		6,206,694.09
PNC Bank	5,134,301.12	
Harris Trust and Savings Bank	4,665.70	
Bank of Louisville	11,926.93	
Citibank	10,358.25	
Farmers Bank and Trust Company	60,150.87	
US Bank	724,685.13	
Bedford Loan and Deposit Bank	10,000.00	
Farmers Bank of Milton	10,000.00	
Meade County Bank	236,606.09	
Payroll Funds	4,000.00	
OTHER SPECIAL DEPOSITS		7,537,628.17
Other Special Deposits	7,537,628.17	
ACCOUNTS RECEIVABLE - LESS RESERVE		6,165,527.39
Working Funds	66,065.00	
Customers	49,535,868.95	
Customer Accounts Receivable Sold to LG&E-R	(88,255,000.00)	
Wholesale Sales	8,308,118.23	
Transmission Sales	614,930.64	
Unbilled Revenues	30,259,046.85	
Other		
Officers and Employees	40,028.79	
Other	1,820,729.86	
IMEA	106,672.37	
IMPA	775,953.69	
Reserves for Uncollectible Accounts		
Utility Customers		
Accrual	(4,997,017.63)	
Charged Off	5,124,831.39	
Recoveries	(1,702,883.05)	
Accrual Sold to LG&E-R	1,575,070.00	
Damage Claims	342,246.94	
RAR Settlements	2,290,306.00	
Tax Refunds	30,415.00	
Beyond the Meter	688.30	
Rents Receivable	229,456.06	
NOTES RECEIVABLE FROM LG&E-R		25,280,265.00
Notes Receivable from LG&E-R	25,280,265.00	
ACCOUNTS RECEIVABLE FROM ASSOCIATED COMPANIES		16,837,491.72
LG&E Energy Corp., Home Services Inc., Enertech	16,216,441.76	
LG&E Energy Marketing Inc. (LEM)-Power Marketing	621,049.96	
FUEL		37,194,319.24
Coal 1,484,541 Tons @ $24.93; MMBTU 33,700,206 @ 109.81¢	37,004,753.13	
Fuel Oil 211,248 Gallons @ 86.25¢	182,202.90	
Gas Pipeline	7,363.21	
PLANT MATERIALS AND OPERATING SUPPLIES		23,911,491.81
Regular Materials and Supplies	21,673,086.74	
Carbide Lime 465,430 Tons @ $4.57	2,129,152.20	
Limestone 21,163 Tons @ $5.16	109,252.87	

LOUISVILLE GAS AND ELECTRIC COMPANY
TRIAL BALANCE - GENERAL LEDGER
OCTOBER 31, 2002

Account - Subsidiary Account	Balance Subsidiary Account	Balance as Shown On Balance Sheet
STORES EXPENSE		3,871,763.66
Stores Expense Undistributed	3,871,763.66	
GAS STORED UNDERGROUND - CURRENT		59,044,312.62
Gas St. Underground*14,869,752 MCF (14.73 psia) @ 397.08¢	59,044,312.62	
ALLOWANCE INVENTORY		52,791.10
Allowance Inventory	52,791.10	
PREPAYMENTS		1,537,895.69
Unexpired Insurance	887,055.91	
Taxes	245,368.17	
Franchises	16,217.41	
Real Estate Commissions	42,586.20	
Rights of Way	346,668.00	
MISCELLANEOUS CURRENT ASSETS		175,240.71
Mark to Market Assets	175,240.71	
UNAMORTIZED DEBT EXPENSE		6,420,628.30
First Mortage Bonds Series due August 15, 2003, 6 %	31,864.88	
Pollution Control Series S due Sept. 1, 2017	186,221.66	
Pollution Control Series T due Sept. 1, 2017	246,294.66	
Pollution Control Series U due Aug. 15, 2013	125,741.59	
Pollution Control Series V due Aug. 15, 2019	749,875.92	
Pollution Control Series W due Oct. 15, 2020	343,597.89	
Pollution Control Series X due Apr. 15, 2023	677,150.32	
Pollution Control Series Y due May 1, 2027	585,210.49	
Pollution Control Series Z due Aug. 1, 2030	1,062,210.99	
Pollution Control Series AA due Sept. 1, 2027	494,451.97	
Pollution Control Series BB due Sept. 1, 2026	228,906.00	
Pollution Control Series CC Sept. 1, 2026	249,181.45	
Pollution Control Series DD due Nov. 1, 2027	268,730.05	
Pollution Control Series EE due Nov. 1, 2027	268,769.58	
Pollution Control Series FF due Oct. 1, 2032	902,420.85	
UNAMORTIZED LOSS ON BONDS		19,035,383.75
Refinanced and Called Bonds	19,035,383.75	
OTHER DEFERRED DEBITS		37,258,592.02
Gas Supply Cost Adjustments	20,785,492.94	
Other	16,473,099.08	
DEFERRED REGULATORY ASSET		106,746,324.00
KU Merger Expenses	2,419,560.00	
VDT Expenses	102,529,276.00	
Deferred Taxes - FAS 109		
Federal		
Electric	1,241,183.00	
Gas	350,093.00	
State		
Electric	166,350.00	
Gas	39,862.00	
ACCUMULATED DEFERRED INCOME TAXES		128,519,971.31
Federal		
Electric	87,590,114.32	
Gas	13,372,719.82	
Common	6,064,735.56	
State		
Electric	17,226,608.77	
Gas	2,749,611.20	
Common	1,516,181.64	
Total Assets and Other Debits	2,602,644,566.24	2,602,644,566.24

* Excludes:

	$	MCF
Non-recoverable Base Gas	9,648,855.00	7,880,000
Recoverable Base Gas	2,139,990.00	2,930,000
	11,788,845.00	10,810,000

LOUISVILLE GAS AND ELECTRIC COMPANY
TRIAL BALANCE - GENERAL LEDGER
OCTOBER 31, 2002

Account - Subsidiary Account	Balance Subsidiary Account	Balance as Shown On Balance Sheet
COMMON EQUITY		856,615,096.65
Common Stock	425,170,424.09	
Retained Earnings	418,252,805.00	
Common Stock Expense	(835,888.64)	
Additional Paid-In Capital	40,000,000.00	
Other Comprehensive Income	(25,972,243.80)	
PREFERRED STOCK		95,140,346.77
5% Series	21,507,175.00	
Auction Rate	50,000,000.00	
$5.875 Series	25,000,000.00	
Gain on Reacquired Preferred Stock	5,698.75	
Preferred Stock Expense		
Auction Rate	(1,088,279.70)	
$5.875 Series	(284,247.28)	
BONDS		574,304,000.00
First Mortgage Bonds	574,304,000.00	
LONG-TERM DEBT DUE WITHIN ONE YEAR		42,600,000.00
Mandatory Redemption-FMB due August 15, 2003	42,600,000.00	
NOTES PAYABLE TO ASSOCIATED COMPANIES		151,052,943.44
Notes Payable to Associated Companies	151,052,943.44	
ACCOUNTS PAYABLE		65,558,614.91
Regular	62,128,543.25	
Salaries and Wages Accrued	2,431,432.65	
Nonqualified Savings Plan	546,834.03	
Dividends Payable	21,007.67	
Tax Collections - Payable	430,797.31	
ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES		26,962,516.36
LG&E Energy Corp	26,962,516.36	
CUSTOMERS' DEPOSITS		9,585,202.37
Customers' Deposits	9,585,202.37	
TAXES ACCRUED		17,332,926.29
Taxes Accrued	17,332,926.29	
INTEREST ACCRUED		2,552,624.13
Interest on Long-Term Debt		
First Mortgage Bonds		
Series due Aug. 15, 2003, 6 %	532,500.00	
Loan Agreement - Pol. Cont. Bonds 1990 Series B-TC	(159,196.16)	
Loan Agreement - Pol. Cont. Bonds 1992 Series A	30,860.29	
Loan Agreement - Pol. Cont. Bonds 1992 Series A-TC	65,499.81	
Loan Agreement - Pol. Cont. Bonds 1993 Series A	39,798.62	
Loan Agreement - Pol. Cont. Bonds 1993 Series B	1,195,311.13	
Loan Agreement - Pol. Cont. Bonds 1993 Series C	59,041.65	
Loan Agreement - Pol. Cont. Bonds 1995 Series A	98,333.30	
Loan Agreement - Pol. Cont. Bonds 2000 Series A	(11,874.99)	
Loan Agreement - Pol. Cont. Bonds 2000 Series A-TC	33,334.00	
Loan Agreement - Pol. Cont. Bonds 2001 Series A	1,389.29	
Loan Agreement - Pol. Cont. Bonds 2001 Series A	27,878.76	
Loan Agreement - Pol. Cont. Bonds 2001 Series A-TC	46,659.46	
Loan Agreement - Pol. Cont. Bonds 2001 Series B	45,268.49	
Loan Agreement - Pol. Cont. Bonds 2001 Series B-TC	45,438.36	
Loan Agreement - Pol. Cont. Bonds 2002 Series A-TC	15,624.38	
Interest Rate Swaps	486,757.74	

LOUISVILLE GAS AND ELECTRIC COMPANY
TRIAL BALANCE - GENERAL LEDGER
OCTOBER 31, 2002

Account - Subsidiary Account	Balance Subsidiary Account	Balance as Shown On Balance Sheet
MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES		3,636,135.09
Vacation Pay Accrued	3,230,259.09	
Mark to Market Liabilities	405,876.00	
CUSTOMERS' ADVANCES FOR CONSTRUCTION		10,301,465.42
Line Extensions		
Electric	606,479.45	
Gas	9,694,985.97	
OTHER DEFERRED CREDITS		35,402,653.34
Other Deferred Credits	26,095,620.41	
Clearing Accounts Transferred from Other Deferred Debits	9,307,032.93	
REGULATORY LIABILITY - DEFERRED TAXES		48,902,159.00
Federal		
Electric	41,197,535.00	
Gas	3,447,631.00	
State		
Electric	4,251,131.00	
Gas	5,862.00	
INVESTMENT TAX CREDIT		55,237,963.28
Investment Tax Credit (prior law)		
Electric	4,800.22	
Gas	42.65	
Job Development Credit		
Electric	53,135,645.37	
Gas	2,097,475.04	
ACCUMULATED DEFERRED INCOME TAXES		436,009,021.45
Federal		
Electric	301,552,779.52	
Gas	50,712,626.23	
Common	72,959.20	
State		
Electric	71,233,023.71	
Gas	12,419,391.99	
Common	18,240.80	
MISCELLANEOUS LONG-TERM LIABILITIES		114,985,670.57
Pension Payable	105,722,383.00	
Pension Payable - Supplemental	3,004,887.45	
Pension Payable - Pension Restoration	172,400.12	
Workers' Compensation	4,000,000.00	
Post Employment Benefits - FAS 112	2,086,000.00	
ACCUMULATED PROVISION FOR BENEFITS		56,465,227.17
Post Retirement Benefits - FAS 106	56,465,227.17	
Total Liabilities and Other Credits	2,602,644,566.24	2,602,644,566.24

LOUISVILLE GAS AND ELECTRIC COMPANY
STATEMENT OF CASH FLOWS
OCTOBER 31, 2002

	Year to Date 2002	Year to Date 2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	74,175,598.35	16,725,577.90
Items not requiring cash currently:		
Depreciation and amortization	88,293,800.42	87,113,950.28
Deferred income taxes - net	7,747,813.75	(45,886,592.13)
Investment tax credit - net	(3,450,660.29)	(3,538,252.56)
Other	36,875,858.68	12,784,675.77
(Increase) decrease in certain net current assets:		
Accounts receivable	32,354,423.75	107,027,436.24
Materials and supplies	(26,553,235.57)	(8,929,213.40)
Accounts payable	(56,548,833.75)	(45,581,380.93)
Accrued taxes	(2,912,070.55)	27,277,216.21
Accrued interest	(3,265,296.64)	(3,008,872.86)
Prepayments and other	4,062,010.20	(3,260,734.12)
Other	12,947,293.91	89,387,395.27
Net cash provided from operating activities	163,726,702.26	230,111,205.67
CASH FLOWS FROM INVESTING ACTIVITIES		
Long term investment in securities	(92,357.61)	(787,869.14)
Construction expenditures	(155,698,017.08)	(177,254,724.14)
Net cash used for investing activities	(155,790,374.69)	(178,042,593.28)
CASH FLOWS FROM FINANCING ACTIVITIES		
Short-term borrowing	56,856,250.00	(53,557,832.15)
Retirement of pollution control bonds	(161,665,000.00)	-
Net proceeds from issuance of pollution control bonds	158,804,505.58	10,104,000.00
Payment of dividends	(50,299,741.48)	(4,995,366.62)
Net cash used for financing activities	3,696,014.10	(48,449,198.77)
NET INCREASE (DECREASE) IN CASH AND TEMP. CASH INVESTMENTS	11,632,341.67	3,619,413.62
CASH AND TEMPORARY CASH INVESTMENTS AT BEGINNING OF PERIOD	2,111,980.59	2,495,311.65
\SH AND TEMPORARY CASH INVESTMENTS AT END OF PERIOD	13,744,322.26	6,114,725.27

LOUISVILLE GAS AND ELECTRIC COMPANY
ANALYSIS OF INTEREST CHARGES
OCTOBER 31, 2002

	CURRENT MONTH		YEAR TO DATE		YEAR ENDED CURRENT MONTH	
	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR
Interest On Long-Term Debt						
First Mortgage Bonds						
Series Due Aug. 15 2003, 6%	213,000.00	213,000.00	2,130,000.00	2,130,000.00	2,556,000.00	2,556,000.00
Loan Agreement - Poll. Control Bonds						
1990 Series B (6.55%) TC	227,421.46	227,421.46	2,274,214.63	2,274,214.60	2,729,057.55	2,729,057.52
1992 Series A Variable	41,883.57	62,102.74	356,896.50	834,494.22	461,834.85	1,065,915.20
1992 Series A Variable TC	85,600.00	138,397.27	729,524.84	1,925,779.99	967,050.88	2,393,402.96
1993 Series A Variable Rate	50,326.03	80,303.08	436,710.22	1,117,000.07	573,862.24	1,390,220.56
1993 Series B (5 5/8%)	478,125.01	478,125.00	4,781,255.02	4,781,250.00	5,737,505.02	5,737,500.02
1993 Series C (5.45%)	118,083.34	118,083.35	1,180,833.40	1,180,833.44	1,417,000.08	1,417,000.10
1995 Series A (5.90%)	196,666.66	196,666.66	1,966,666.60	1,966,666.57	2,359,999.91	2,359,999.90
2000 Series A Variable Rate	30,590.29	47,708.34	304,236.13	693,368.07	387,465.30	885,069.45
2000 Series A Variable TC	107,178.08	162,156.02	1,012,777.17	2,359,875.89	1,248,892.98	2,998,939.61
2001 Series A Variable Rate	13,261.51	19,253.74	126,228.45	31,687.26	155,445.85	31,687.26
2001 Series A Variable Rate	27,878.75	-	216,543.84	-	216,543.84	-
2001 Series A Variable Rate TC	33,403.55	-	267,041.05	-	267,041.05	-
2001 Series B Variable Rate	45,268.49	-	332,164.36	-	332,164.36	-
2001 Series B Variable Rate TC	45,438.37	-	332,643.84	-	332,643.84	-
2002 Series A Variable Rate TC	15,624.38	-	15,624.38	-	15,624.38	-
Loan Agreement - Unsecured Bonds						
1996 Series A Variable Rate	-	50,911.64	79,006.25	746,392.81	164,670.62	922,419.45
1996 Series A Variable Rate TC	-	66,671.24	110,904.09	951,879.34	216,986.30	1,169,998.53
1997 Series A Variable Rate	-	80,102.74	158,253.28	1,177,083.41	294,225.89	1,455,027.40
1997 Series A Variable Rate TC	-	86,205.48	183,342.64	1,141,316.11	324,781.00	1,433,311.00
Interest Rate Swaps	335,306.85	294,062.74	3,664,697.41	2,684,139.78	4,412,209.94	2,720,917.11
Marked to Market	-	-	-	-	-	-
Total	2,065,056.34	2,321,171.50	20,659,564.10	25,995,981.56	25,171,005.88	31,266,466.07
Amortization of Debt Expense - Net						
Amortization of Debt Expense	27,813.39	26,410.79	360,168.13	251,308.77	413,712.58	299,492.78
Amortization of Premium on Debt - Cr.	-	-	-	-	-	-
Amort. of Loss on Reacquired Debt	93,984.68	94,521.00	945,894.71	945,235.74	1,134,936.70	1,134,285.80
Total	121,798.07	120,931.79	1,306,062.84	1,196,544.51	1,548,649.28	1,433,778.58
Other Interest Charges						
Note Payable	-	3,680.56	85,249.11	3,680.56	138,019.93	1,013,653.32
Customers' Deposits	38,000.45	32,318.13	350,616.61	326,405.22	418,245.69	383,087.45
Federal Income Tax Deficiencies	-	-	-	-	-	-
Other Tax Deficiencies	-	-	-	-	-	-
Gas Refunds	370.45	-	536.33	-	536.33	-
Interest on Dsm Cost Recovery	-	-	-	-	-	-
Deferred Compensation	-	-	20,729.60	30,796.94	17,946.03	57,579.40
Interest on Debt to Associated Companies	201,324.75	143,673.58	1,762,269.56	2,741,767.03	2,035,831.88	2,851,087.45
Interest Costs from A/R Securitization	189,341.49	(90,745.46)	930,325.72	2,435,247.30	1,005,578.60	2,435,247.30
Total	429,037.14	88,926.81	3,149,726.93	5,537,897.05	3,616,158.46	6,740,654.92
Total Interest	2,615,891.55	2,531,030.10	25,115,353.87	32,730,423.12	30,335,813.62	39,440,899.57

LOUISVILLE GAS AND ELECTRIC COMPANY
ANALYSIS OF TAXES CHARGED
OCTOBER 31, 2002

Kind of Taxes	Current Month		Year To Date	
	This Year	Last Year	This Year	Last Year
Taxes Charged to Accounts 408.1 and 409.1				
Property Taxes	1,003,620.00	916,203.00	9,636,200.00	8,962,030.00
State Unemployment	4,238.46	3,046.74	82,409.18	43,872.71
Federal Unemployment	9,017.37	7,135.80	128,602.17	87,158.38
Federal Old Age and Survivors Insurance	353,031.51	359,505.34	4,139,415.38	3,977,861.13
Public Service Commission Fee	122,684.07	139,024.35	1,313,420.35	1,286,685.36
Federal Income	1,952,928.91	1,063,862.22	29,914,718.96	41,431,255.41
State Income	519,133.01	280,520.35	7,757,990.24	10,112,533.67
Miscellaneous	3,520.24	8,991.28	11,472.44	29,692.32
Total Charged to Operating Expense	3,968,173.57	2,778,289.08	52,984,228.72	65,931,088.98
Taxes Charged to Other Accounts	319,477.58	1,675,985.39	435,245.91	2,284,047.03
Taxes Accrued on Intercompany Accounts	(132,960.34)	-	(1,479,064.06)	-
Total Taxes Charged	4,154,690.81	4,454,274.47	51,940,410.57	68,215,136.01

ANALYSIS OF TAXES ACCRUED - ACCOUNT 236

Kind of Taxes	Taxes Accrued At Beginning Of Year	Accruals To Date This Year	Payments To Date This Year	Taxes Accrued At End Of Month
Property Taxes	83,940.39	9,766,650.00	4,859,691.21	4,990,899.18
State Unemployment	615.20	50,266.34	52,950.42	(2,068.88)
Federal Unemployment	3,630.77	57,892.57	62,785.45	(1,262.11)
Federal Old Age and Survivors	6,750.20	3,539,919.22	3,534,514.51	12,154.91
Public Service Commission Fee	-	1,313,420.35	1,313,420.35	-
Federal Income	8,367,457.35	28,037,343.91	28,245,410.00	8,159,391.26
State Income	11,512,298.94	7,654,160.22	15,282,519.00	3,883,940.16
Miscellaneous	270,303.99	1,520,757.96	1,501,190.18	289,871.77
Totals	20,244,996.84	51,940,410.57	54,852,481.12	17,332,926.29

LOUISVILLE GAS AND ELECTRIC COMPANY
SUMMARY OF UTILITY PLANT
OCTOBER 31, 2002

UTILITY PLANT IN SERVICE	NET BALANCE FIRST OF YEAR	DEBITS-GROSS	CREDITS FOR RETIREMENTS	NET ADDITIONS	ADJUSTMENTS	BALANCE TO DATE
Electric						
Intangible	2,340.29	-	-	-	-	2,340.29
Steam Production	1,621,112,711.59	55,133,473.21	(5,428,610.84)	49,704,862.37	-	1,670,817,573.96
Hydro	9,312,841.36	15,488.38	(3,646.50)	11,841.88	-	9,324,683.24
Other Production	117,940,910.87	34,779,450.68	(240,509.84)	34,538,940.84	-	152,479,851.71
Transmission	203,259,417.15	11,876,001.12	(1,222,628.18)	10,653,372.94	-	213,912,790.09
Distribution	625,486,834.52	27,630,170.89	(2,224,625.85)	25,405,545.04	-	650,892,379.56
General	21,037,062.11	895,093.95	(961,482.14)	(66,388.19)	(773,554.64)	20,197,119.28
Total Electric	2,598,152,117.89	130,329,678.23	(10,081,503.35)	120,248,174.88	(773,554.64)	2,717,626,738.13
Gas						
Intangible	553,232.59	-	-	-	-	553,232.59
Natural Gas Storage Plant Underground	52,484,751.23	2,018,279.04	(328,470.99)	1,689,808.05	-	54,174,559.28
Transmission	12,414,633.91	-	-	-	-	12,414,633.91
Distribution	332,059,099.76	22,695,550.50	(1,796,802.69)	20,898,747.81	-	352,957,847.57
General	10,342,209.37	507,239.28	(1,092,728.11)	(585,488.83)	-	9,756,720.54
Gas Stored Underground Non-Current	2,139,990.00	-	-	-	-	2,139,990.00
Total Gas	409,993,916.86	25,221,068.82	(3,218,001.79)	22,003,067.03	-	431,996,983.89
Common						
Intangible	24,683,931.68	913,483.50	(1,064,684.90)	(151,201.40)	-	24,532,730.28
General	135,133,087.43	12,616,805.75	(3,434,216.65)	9,182,589.10	773,554.64	145,089,231.17
Total Common	159,817,019.11	13,530,289.25	(4,498,901.55)	9,031,387.70	773,554.64	169,621,961.45
Total Plant in Service	3,167,963,053.86	169,081,036.30	(17,798,406.69)	151,282,629.61	-	3,319,245,683.47
Construction Work In Progress						
Electric	207,177,010.93	3,693,541.02	-	3,693,541.02		210,870,551.95
Gas	33,824,350.03	(8,824,273.43)	-	(8,824,273.43)		25,000,076.60
Common	14,072,315.02	(8,252,286.81)	-	(8,252,286.81)	-	5,820,028.21
Total Construction Work In Progress	255,073,675.98	(13,383,019.22)	-	(13,383,019.22)	-	241,690,656.76
Total Utility Plant at Original Cost	3,423,036,729.84	155,698,017.08	(17,798,406.69)	137,899,610.39	-	3,560,936,340.23

RESERVE FOR DEPRECIATION OF UTILITY	NET BALANCE FIRST OF YEAR	ACCRUALS	RETIREMENTS	COST OF REMOVAL	SALVAGE	OTHER CREDITS	BALANCE TO DATE
Plant In Service							
Electric	1,169,761,585.61	65,869,589.86	(10,081,503.35)	(1,929,902.10)	360,202.33	(127,467.74)	1,223,852,504.61
Gas	152,114,823.68	10,208,462.39	(3,218,001.79)	(228,306.09)	21,875.81	-	158,898,854.00
Common	47,468,448.83	9,590,201.02	(3,434,216.65)	(11,845.48)	711.78	122,257.87	53,735,557.37
Total Reserve For Depreciation Of Utility Plant In Service	1,369,344,858.12	85,668,253.27	(16,733,721.79)	(2,170,053.67)	382,789.92	(5,209.87)	1,436,486,915.98
Reserve For Amortization Of Utility Plant In Service							
Electric	100.00						100.00
Gas	576,024.66	(1,830.74)				-	574,193.92
Common	14,315,548.22	4,047,124.05	(1,064,684.90)	-	-	-	17,297,987.37
Total Reserve For Amortization Of Utility Plant In Service	14,891,672.88	4,045,293.31	(1,064,684.90)	-	-	-	17,872,281.29
Retirement Work In Progress							
Electric	(2,126,159.26)			(1,900,233.79)	(225,087.42)	544,684.76	(3,706,795.71)
Gas	(300,526.92)			26,124.80	(17,458.32)	12,378.50	(279,481.94)
Common	63,927.29	-	-	(265,259.00)	184,761.53	-	(16,570.18)
Total Retirement Work In Progress	(2,362,758.89)	-	-	(2,139,367.99)	(57,784.21)	557,063.26	(4,002,847.83)
Total Reserve For Depreciation and Amortization - Utility Plant In Service	1,381,873,772.11	89,713,546.58	(17,798,406.69)	(4,309,421.66)	325,005.71	551,853.39	1,450,356,349.44
Utility Plant at Original Cost Less Reserve For Depreciation and Amortization	2,041,162,957.73						2,110,579,990.79