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October 28, 2004

VIA HAND DELIVERY

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OCT 28 2004

PUBLIC SERVICE  
COMMISSION

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

**Re: Application of Kentucky Utilities Company for an Order Pursuant to KRS  
278.300 and for Approval of Long-Term Purchase Contract  
Case No. 2004-00395**

Dear Ms. O'Donnell:

In its Order of October 15, 2004 in the above referenced case, the Commission denied in part Kentucky Utilities Company's ("KU") request for a deviation from the applicable filing requirements under 807 KAR 5:001, Section (6) and (11), relating to financial exhibits. Accordingly, enclosed please find an original and ten (10) copies, with an additional copy to be file stamped and returned to the undersigned, of Exhibits 1 and 3 to KU's Application, which comply with the Commission's regulations.

Please do not hesitate to contact me if you have any questions.

Very truly yours,

J. Wade Hendricks

JWH/cjg

cc: Robert A. Amato  
Richard Raff, Esq.  
Elizabeth E. Blackford, Esq.  
Michael S. Beer, Esq.  
Kent W. Blake  
Charles A. Friebert  
Elizabeth L. Cocanougher, Esq.  
Steven D. Phillips, Esq.  
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KENTUCKY UTILITIES COMPANY  
 (807 KAR 5:001, Section 11, Item I (a))

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

SEPTEMBER 30, 2004

The applicant owns and operates four coal fired steam electric generating stations having an estimated total effective capacity, with all equipment in service, of about 2,949,000 Kw; a hydroelectric generating station having an estimated total effective capability of about 24,000 Kw; and thirteen gas/oil peaking units having an estimated total effective capability of about 1,095,000 Kw.

The applicant's owned electric transmission system includes 112 substations with a total capacity of approximately 16,991,000 Kva and approximately 4,233 structure miles of lines, The electric distribution system includes 466 substations with a total capacity of approximately 4,509,000 Kva, and 12,744 structure miles of lines.

Other properties include office buildings, service centers, warehouses, garages, and other structures and equipment.

The net original cost of the property and cost thereof to the applicant at September 30, 2004, was:

	<u>Utility Plant</u>
Original Cost	
Intangible Plant	\$ 29,431,512
Production Plant	1,754,899,509
Transmission Plant	484,080,930
Distribution Plant	969,377,802
General Plant	81,187,276
Transportation Plant	23,738,711
Construction Work in Progress	327,991,384
Plant Purchased or Sold	-
Total Plant at Original Cost	<u>\$ 3,670,707,124</u>
Less Reserve for Depreciation	1,666,553,840
Net Original Cost	<u><u>\$ 2,004,153,284</u></u>



KENTUCKY UTILITIES COMPANY

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

SEPTEMBER 30, 2004

(1) Amount and kinds of stock authorized.

80,000,000 shares of Common Stock, without par value.  
5,300,000 shares of Cumulative Preferred Stock, without par value.

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

Common Stock:  
37,817,878 shares issued and outstanding.

Preferred Stock  
\$100 stated value, 4-3/4% cumulative, 200,000 shares issued and outstanding.  
\$100 stated value, 6.53% cumulative, 200,000 shares issued and outstanding.

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

Preferred Stock outstanding has cumulative provision on dividends.

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

Mortgage indenture dated May 1, 1947, executed by and between the Company and U.S. Bank National Association (the "Trustee") and Richard Prokosch, as trustees and amended by the several indentures supplemental thereto. As of September 30, 2004, the amount of indebtedness secured thereby was \$385,030,000. The indenture does not fix an overall limitation on the aggregate principal amount of bonds of all series that may be issued or outstanding thereunder.

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

First Mortgage Bonds authorized and issued by Kentucky Utilities Company at September 30, 2004, secured by a first mortgage lien, subject only to permitted encumbrances, on all or substantially all the permanent fixed properties, other than excluded property, owned by the Company:

Series	Date of Issue	Date of Maturity	Rate of Interest	Principal Amount		Interest Expense
				Authorized	Outstanding at September 30, 2004	Year Ended September 30, 2004
P	05/15/92	05/15/07	7.92%	\$ 53,000,000	\$ 53,000,000	\$ 4,197,600
P	05/15/92	05/15/27	8.55%	33,000,000	-	431,063
Q	06/15/93	06/15/03	6.32%	62,000,000	-	-
R	06/01/95	06/01/25	7.55%	50,000,000	50,000,000	3,775,000
S	01/15/96	01/15/06	5.99%	36,000,000	36,000,000	2,156,400
<b>Pollution Control Bonds</b>						
9	12/01/93	12/01/23	5.75%	50,000,000	50,000,000	2,875,000
10	11/01/94	11/01/24	Variable	54,000,000	54,000,000	645,566
11	05/01/00	05/01/23	Variable	12,900,000	12,900,000	143,575
12	02/01/02	02/01/32	Variable	20,930,000	20,930,000	244,450
13	02/01/02	02/01/32	Variable	2,400,000	2,400,000	28,031
14	02/01/02	02/01/32	Variable	7,400,000	7,400,000	86,428
15	02/01/02	02/01/32	Variable	7,200,000	2,400,000	64,826
16	07/01/02	10/01/32	Variable	96,000,000	96,000,000	1,148,291
					385,030,000	15,796,230
Interest rate swap						(6,079,146)
Long term debt mark to market						148,239
Total					<u>\$ 394,694,251</u>	<u>\$ 9,865,323</u>

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

<u>Payee</u>	<u>Date of Issue</u>	<u>Amount</u>	<u>Rate of Interest</u>	<u>Date of Maturity</u>	<u>Interest Expense Year Ended September 30, 2004</u>
LG&E Energy LLC	12/31/00	\$ 29,830,542	Various	Various	\$ 518,221
Fidelia Corp.	04/30/03	100,000,000	4.55%	04/30/13	4,562,639
Fidelia Corp.	08/15/03	75,000,000	5.31%	08/15/13	3,993,563
Fidelia Corp.	11/24/03	33,000,000	4.24%	11/24/10	1,193,207
Fidelia Corp.	12/18/03	75,000,000	2.29%	12/19/05	1,350,146
Fidelia Corp.	01/15/04	50,000,000	4.39%	01/16/12	1,560,889

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

None, other than current and accrued liabilities.

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

Dividends on Common Stock, without par value

1999	73,000,000
2000	94,500,000
2001	30,500,000
2002	-
2003	-
2004	42,000

- (1) As of May 1998, the 37,817,878 shares are all owned by LG&E Energy LLC and all dividends declared by KU's Board of Directors are paid to LG&E Energy LLC.



Dividends on 4 3/4% Cumulative Preferred Stock

For each of the quarters in the previous five fiscal years, the Company declared and paid dividends of \$1.1875 per share on the 200,000 outstanding shares of 4 3/4% Cumulative Preferred Stock, \$100 stated value, for a total of \$ 237,500 per quarter. On an annual basis the dividend amounted to \$4.75 per share, or \$950,000.

Dividends on 6.53% Cumulative Preferred Stock

For each of the quarters in the previous five fiscal years, the Company declared and paid dividends of \$1.6325 per share on the 200,000 outstanding shares of 6.53% Cumulative Preferred Stock, \$100 stated value, for a total of \$326,500 per quarter. On an annual basis the dividend amounted to \$6.53 per share, or \$1,306,000.

(9) Detailed Income Statement and Balance Sheet

Monthly Financial and Operating Reports are filed each month with the Commission. Our most recent mailing covered financial statements for periods through September 30, 2004. Attached are detailed Statements of Income, Balance sheets and Retained Earnings for the Company for the period ending September 30, 2004.

KENTUCKY UTILITIES COMPANY  
(807 KAR 5:001, Section 11, Item 2(a))

The 2003 Form 10-K Annual Report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 (combined form 10-K, separately filed by Louisville Gas and Electric Company and Kentucky Utilities Company) contains Statements of Income, Balance Sheets, Statements of Retained Earnings, Statements of Cash Flows, Statements of Capitalization, Statements of Other Comprehensive Income, Management's Discussions and Analysis of Financial Condition and Results of Operation, and Notes to Financial Statements, for Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU"). The Annual Report, the FERC Form 1, and subsequent monthly reports of KU have been previously filed with the Commission.

We have also attached the succeeding three pages, detailed Statements of Income, Balance Sheets, and Statements of Retained Earnings for KU for the period ending September 30, 2004.

KENTUCKY UTILITIES COMPANY  
COMPARATIVE BALANCE SHEETS AS OF SEPTEMBER 30, 2004

EXHIBIT 3

	THIS YEAR	THIS YEAR	
<b>ASSETS AND OTHER DEBITS</b>		<b>LIABILITIES AND OTHER CREDITS</b>	
Utility Plant		Capitalization	
Utility Plant at Original Cost.....	3,670,707,125.22	Common Stock.....	308,139,977.56
Less Reserves for Depreciation & Amortization....	1,666,553,840.49	Common Stock Expense.....	(321,288.87)
	2,004,153,284.73	Paid-In Capital.....	15,000,000.00
Total.....	2,004,153,284.73	Other Comprehensive Income.....	(186,919.50)
Investments - At Cost		Retained Earnings.....	630,862,876.95
Nonutility Property-Less Reserve.....	896,269.74	Unappropriated Undistributed Subsidiary Earnings.....	11,442,331.00
Investments in Subsidiary Companies.....	12,738,131.00	Total Common Equity.....	964,936,977.14
Investments in KU-R.....	-	Preferred Stock.....	39,726,894.58
Ohio Valley Electric Corporation.....	250,000.00	First Mortgage Bonds.....	385,030,000.00
Other.....	494,027.49	Other Long-Term Debt.....	-
Special Funds.....	5,342,188.27	LT Notes Payable to Associated Companies.....	333,000,000.00
Total.....	19,720,616.50	Long-Term Debt Marked to Market.....	9,664,251.00
Current and Accrued Assets		Total Long-Term Debt.....	727,694,251.00
Cash.....	4,439,680.49	Total Capitalization.....	1,732,358,122.72
Special Deposits.....	142,586.89	Current and Accrued Liabilities	
Temporary Cash Investments.....	-	Advances from Associated Companies.....	-
Accounts Receivable-Less Reserve.....	97,531,649.76	Long-Term Debt Due in 1 Year.....	-
Notes Receivable from Assoc. Companies.....	-	Notes Payable.....	-
Notes Receivable from KU-R.....	-	Notes Payable to Associated Companies.....	29,830,541.95
Accounts Receivable from Assoc Companies.....	10,047,668.40	Accounts Payable.....	41,317,322.04
Materials & Supplies-At Average Cost		Accounts Payable to Associated Companies.....	29,026,252.44
Fuel.....	30,260,166.13	Customer Deposits.....	14,162,646.20
Plant Materials & Operating Supplies.....	22,305,462.93	Taxes Accrued.....	20,864,630.70
Stores Expense.....	5,347,729.44	Interest Accrued.....	6,884,980.95
Allowance Inventory.....	4,720,269.63	Dividends Declared.....	187,998.42
Prepayments.....	1,573,749.83	Misc. Current & Accrued Liabilities.....	8,283,125.01
Miscellaneous Current & Accrued Assets.....	508,349.87	Total.....	150,557,497.71
Total.....	176,877,133.37	Deferred Credits and Other	
Deferred Debits and Other		Accumulated Deferred Income Taxes.....	338,973,115.95
Unamortized Debt Expense.....	4,294,703.29	Investment Tax Credit.....	4,318,513.32
Unamortized Loss on Bonds.....	9,946,230.90	Regulatory Liabilities.....	48,572,567.52
Accumulated Deferred Income Taxes.....	60,783,873.35	Customer Advances for Construction.....	1,607,839.45
Deferred Regulatory Assets.....	70,378,638.52	Asset Retirement Obligations.....	20,660,704.38
Other Deferred Debits.....	36,951,937.17	Other Deferred Credits.....	20,561,957.78
Total.....	182,355,383.23	Misc. Long-Term Liabilities.....	4,728,350.08
Total Assets and Other Debits.....	2,383,106,597.83	Misc. Long-Term Liab. Due to Assoc. Co.....	-
		Accum Provision for Post-Retirement Benefits.....	60,767,928.92
		Total.....	500,190,977.40
		Total Liabilities and Other Credits.....	2,383,106,597.83

KENTUCKY UTILITIES COMPANY  
COMPARATIVE STATEMENT OF INCOME  
SEPTEMBER 30, 2004

	<u>YEAR ENDED CURRENT</u>
	<u>THIS YEAR</u>
	<u>AMOUNT</u>
Electric Operating Revenues.....	957,497,075.62
Rate Refunds.....	9,122,574.79
Total Operating Revenues.....	<u>966,619,650.41</u>
Operating Expenses	
Fuel .....	280,336,851.78
Power Purchased.....	138,664,649.28
Other Operation Expenses.....	146,261,593.95
Maintenance.....	51,848,900.72
Depreciation.....	100,027,155.62
Amortization Expense.....	5,587,740.96
Regulatory Credits.....	(1,490,883.21)
Taxes	
Federal Income.....	48,329,529.05
State Income.....	18,945,291.40
Deferred Federal Income - Net.....	14,862,008.01
Deferred State Income - Net.....	(1,603,745.87)
Federal Income - Estimated.....	-
State Income - Estimated.....	-
Property and Other.....	16,599,837.96
Loss (Gain) from Disposition of Utility Plant.....	-
Loss (Gain) from Disposition of Allowances.....	(444,234.89)
Accretion Expense.....	1,281,846.00
Total Operating Expenses.....	<u>819,206,540.76</u>
Net Operating Income.....	147,413,109.65
Other Income Less Deductions	
Interest and Dividend Income.....	811,270.71
Other Income Less Deductions.....	6,689,148.63
AFUDC - Equity.....	1,188,085.95
Total Other Income Less Deductions.....	<u>8,688,505.29</u>
Income Before Interest Charges.....	156,101,614.94
Interest on Long Term Debt.....	22,525,764.32
Amortization of Debt Expense - Net.....	1,010,984.43
Other Interest Expenses.....	3,245,007.46
AFUDC - Borrowed Funds.....	(597,828.50)
Total Interest Charges.....	<u>26,183,927.71</u>
Net Inc Before Cumulative Effect of Acctg Chg.....	129,917,687.23
Cumulative Effect of Accounting Chg Net of Tax.....	-
Net Income.....	129,917,687.23
Preferred Dividend Requirements.....	<u>2,256,003.20</u>
Earnings Available for Common.....	<u>127,661,684.03</u>

**KENTUCKY UTILITIES COMPANY**  
**ANALYSIS OF RETAINED EARNINGS**  
**SEPTEMBER 30, 2004**

	Year Ended Current Month
	Total
Retained Earnings and Undistributed Earnings	Retained Earnings
Balance Beginning of Period.....	547,690,647.47
Net Income To Date.....	129,917,687.23
Other.....	9,597.45
Adjust for Equity in Subsidiary Earnings for Year	
-EE Inc.....	(2,499,052.00)
 Dividends Rec'd Current Year	
-EE Inc.....	-
 Preferred Stock Dividends.....	(2,256,003.20)
Common Stock Dividends.....	(42,000,000.00)
 Balance End of Period.....	630,862,876.95

KENTUCKY UTILITIES COMPANY  
(801 KAR 5:001, Section 11, Item 2(b))

The Applicant's Indenture of Mortgage or Deed of Trust dated May 1, 1947, as heretofore amended, securing Applicant's outstanding First Mortgage Bonds has heretofore been filed with the Commission. The most recent Supplemental Indenture, dated September 1, 2002, is on file with the Commission in Case No. 2002-231 (In the Matter of: Application of Kentucky Utilities Company for an Order Authorizing the Issue of Securities).