



J. WADE HENDRICKS

DIRECT DIAL 502-560-4227

DIRECT FAX 502-627-8727

whendricks@ogdenlaw.com

1700 PNC PLAZA  
500 WEST JEFFERSON STREET  
LOUISVILLE, KENTUCKY 40202-2874  
(502) 582-1601  
FAX (502) 581-9564  
www.ogdenlaw.com

October 28, 2004

VIA HAND DELIVERY

RECEIVED

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 Louisville Gas and Electric Company for an Order Pursuant to KRS 278.300 and for Approval of Long-Term Purchase Contract Case No. 2004-00396**

Dear Ms. O'Donnell:

In its Order of October 15, 2004 in the above referenced case, the Commission denied in part Louisville Gas and Electric Company's ("LG&E") request for a deviation from the applicable filing requirements under 807 KAR 5:001, Sections (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 LG&E'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.  
Roger Hickman  
Elliott Horne



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

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

SEPTEMBER 30, 2004

The applicant owns and operates thermal-electric generating units with an aggregate station rating totaling 2,878,000 Kw. This total consists of 2,427,000 Kw of steam generation capacity and 451,000 Kw of combustion turbine peaking units. The applicant also owns an 80,000 Kw hydroelectric generating station, the operation of which is affected by the water level and flow of the Ohio River.

The applicant's electric transmission system includes substation capacity of approximately 11,037,000 Kva and approximately 668 structure miles of lines, and is interconnected with the systems of neighboring utilities.

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

The applicant's gas transmission system includes 254 miles of transmission mains, and the gas distribution system includes 3,898 miles of distribution mains.

Other properties include an office building, service centers, warehouses, garages, and other structures and equipment, the use of which is common to both the Electric and Gas Lines of Business.

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

	<u>Electric</u>		<u>Gas</u>		<u>Common</u>		<u>Total</u>
Original Cost	\$ 3,181,085,446	\$	500,661,306	\$	199,154,111	\$	3,880,900,863
Less Reserve for Depreciation	\$ 1,340,580,415	\$	172,220,773	\$	92,449,614	\$	1,605,250,802
Net Original Cost	\$ 1,840,505,031	\$	328,440,533	\$	106,704,497	\$	2,275,650,061
Allocation of Common To Electric and Gas	\$ 80,028,373	\$	26,676,124	\$	(106,704,497)	\$	-
Total	\$ 1,920,533,404	\$	355,116,657	\$	-	\$	2,275,650,061



LOUISVILLE GAS AND ELECTRIC COMPANY

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

SEPTEMBER 30, 2004

(1) Amount and kinds of stock authorized.

75,000,000 shares of Common Stock, without par value.  
1,720,000 shares of Cumulative Preferred Stock, \$25 par value.  
6,750,000 shares of Cumulative Preferred Stock, without par value.

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

21,294,223 shares of Common Stock, without par value, recorded at  
\$425,170,424.  
860,287 shares of Cumulative Preferred Stock, \$25 par value, 5%  
series, \$21,507,175.  
500,000 shares of Cumulative Preferred Stock, without par value  
(stated value \$100 per share), Auction Rate, \$50,000,000.  
225,000 shares of Cumulative Preferred Stock, without par value  
(stated value \$100 per share), \$5.875 series, \$22,500,000.

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

The holders of the 5% Cumulative Preferred Stock, \$25 par value, are entitled to receive cumulative dividends at an annual rate of 5% of the par value thereof and no more. The holders of the Auction Rate Cumulative Preferred Stock are entitled to receive cumulative dividends at an annual rate of that which results from the auction and no more. The holders of the \$5.875 Cumulative Preferred Stock are entitled to receive cumulative dividends at an annual rate of \$5.875 per share and no more. Unless dividends on all outstanding shares of each series of the preferred stock, at the respective annual dividend rates and from the dates for accumulation thereof, have been paid for all quarter-yearly periods, no dividends may be paid or declared and no other distribution may be made on the Common Stock, without par value.

In the event of a voluntary liquidation, the holders of the 5% Cumulative Preferred Stock are entitled to \$27.25 per share, together with any accumulated but unpaid dividends thereon; provided that, if such voluntary liquidation is approved by the affirmative vote

or the written consent of the holders of a majority of a series of preferred stock then outstanding, the amount so payable is \$25 per share, together with any accumulated but unpaid dividends thereon. In the event of any involuntary liquidation, the holders of the 5% Cumulative Preferred Stock are entitled to \$25 per share, together with any accumulated but unpaid dividends thereon. In the event of a voluntary or involuntary liquidation, the holders of the Auction Rate Cumulative Preferred Stock and the \$5.875 Cumulative Preferred Stock are entitled to \$100 per share, together with any accumulated but unpaid dividends thereon. After any such liquidation, whether voluntary or involuntary, the holders of the Common Stock, without par value, are entitled to the remaining assets.

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

The Trust Indenture from Louisville Gas and Electric Company to The Bank of New York, Trustee, dated November 1, 1949, and amended February 15, 1979, secures the First Mortgage Bonds of Louisville Gas and Electric Company. In the opinion of counsel for the Company, the Indenture, as amended and supplemented, constitutes a first mortgage lien, subject only to permissible encumbrances, upon all the property of the Company (with certain specified exceptions) for the equal pro-rata security of all bonds issued or to be issued thereunder, subject to the provisions relating to any sinking fund or similar fund for the benefit of bonds of any particular series. The Indenture contains provisions for subjecting to the lien thereof property acquired by the Company after the date of the Indenture.

The Company has issued First Mortgage Bonds in accordance with the provisions of the Indenture and Supplemental Indentures as follows:

<u>Date of Indenture</u>	<u>Series of Bonds Due</u>	<u>Principal Amount</u>	
		<u>Authorized</u>	<u>Outstanding at June 30, 2004</u>
Sept. 17, 1992	Sept. 1, 2017	31,000,000	31,000,000
Sept. 17, 1992	Sept.1, 2017	60,000,000	60,000,000
Aug. 15, 1993	Aug. 15, 2013	35,200,000	35,200,000
Apr. 15, 1995	Apr. 15, 2023	40,000,000	40,000,000
May. 1, 2000	May. 1, 2027	25,000,000	25,000,000
Aug. 1, 2000	Aug. 1, 2030	83,335,000	83,335,000
Sept. 11, 2001	Sept. 1, 2027	10,104,000	10,104,000
Mar. 6, 2002	Sept. 1, 2026	22,500,000	22,500,000
Mar. 6, 2002	Sept. 1, 2026	27,500,000	27,500,000
Mar. 22, 2002	Nov. 1, 2027	35,000,000	35,000,000
Mar. 22, 2002	Nov. 1, 2027	35,000,000	35,000,000
Oct. 23, 2002	Oct. 1, 2032	41,665,000	41,665,000
Nov. 20, 2003	Oct. 1, 2033	128,000,000	128,000,000
			\$574,304,000

- (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 which amount of interest paid thereon during the last fiscal year.

Louisville Gas and Electric Company has issued the following First Mortgage Bonds, which are secured by the Trust Indenture, as amended and supplemented, to The Bank of New York, Trustee:

<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Rate of Interest</u>	<u>Principal Amount</u>		<u>Interest Expense</u>
			<u>Authorized</u>	<u>Outstanding at September 30, 2004</u>	<u>Year Ended September 30, 2004</u>
The following are Pollution Control Series (a)					
Sept. 17, 1992	Sept. 1, 2017	Variable	31,000,000	31,000,000	355,564
Sept. 17, 1992	Sept. 1, 2017	Variable	60,000,000	60,000,000	679,539
Aug. 15, 1993	Aug. 15, 2013	Variable	35,200,000	35,200,000	397,957
Aug. 15, 1993	Aug. 15, 2015	5 5/8%	102,000,000	102,000,000	1,306,878
Oct. 15, 1993	Oct. 15, 2020	5.45%	26,000,000	26,000,000	322,761
Apr. 15, 1995	Apr. 15, 2023	5.90%	40,000,000	40,000,000	2,360,000
May 1, 2000	May 1, 2027	Variable	25,000,000	25,000,000	267,535
Aug. 1, 2000	Aug. 1, 2030	Variable	83,335,000	83,335,000	987,983
Sept. 11, 2001	Sept. 1, 2027	Variable	10,104,000	10,104,000	104,673
Mar. 6, 2002	Sept. 1, 2026	Variable	22,500,000	22,500,000	243,526
Mar. 6, 2002	Sept. 1, 2026	Variable	27,500,000	27,500,000	302,172
Mar. 22, 2002	Nov. 1, 2027	Variable	35,000,000	35,000,000	394,762
Mar. 22, 2002	Nov. 1, 2027	Variable	35,000,000	35,000,000	389,991
Oct. 15, 2002	Oct. 1, 2032	Variable	41,665,000	41,665,000	511,544
Nov. 20, 2003	Oct. 1, 2033	Variable	128,000,000	128,000,000	1,238,364
Interest Rate Swap					7,124,793
					\$16,988,042

(a) Pollution Control Revenue Bonds (Louisville Gas and Electric Company Projects) issued by Jefferson and Trimble Counties, Kentucky, are secured by the assignment of loan payments by the Company to the County pursuant to loan agreements, and further secured by the delivery from time to time of an equal amount of the Company's First Mortgage Bonds, Pollution Control Series. First Mortgage Bonds so delivered are summarized in the table above. No principal or interest on these First Mortgage Bonds is payable unless default on the loan agreements occurs. The interest rate stated in the table applies to the Pollution Control Revenue Bonds, not the First Mortgage Bonds. At September 30, 2004, First Mortgage Bonds had been delivered to the trustees as security for all outstanding Pollution Control Revenue Bonds.

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

<u>Payee</u>	<u>Date of Issue</u>	<u>Intercompany Notes Payable</u>			<u>Amount</u>	<u>Interest Expense</u>
		<u>Date of Maturity</u>	<u>Rate of Interest</u>	<u>Year Ended September 30, 2004</u>		
LG&E Energy LLC	12/31/00	Various	Various	\$ 25,950,000	\$ 343,055	
Fidelia Corp.	4/30/03	4/30/13	4.55%	100,000,000	4,562,639	
Fidelia Corp.	8/15/03	8/15/13	5.31%	100,000,000	5,324,750	
Fidelia Corp.	1/6/04	1/6/05	1.53%	50,000,000	803,250	
Fidelia Corp.	1/15/04	1/16/12	4.33%	25,000,000	769,777	
					<u>\$11,803,471</u>	

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

None, other than current and accrued liabilities.

- (8) Rate and amount of dividends paid during the five previous fiscal years through September 30, 2004, and the amount of capital stock on which dividends were paid each year.

Dividends on Common Stock, without par value

<u>Month Declared</u>		<u>Payment Date</u>	<u>Amount</u>
March	1999	4/15/99	\$22,000,000
June	1999	7/15/99	22,000,000
September	1999	10/15/97	23,000,000
December	1999	1/14/00	23,000,000
			<u>\$90,000,000</u>
March	2000	4/15/00	\$16,500,000
June	2000	7/15/00	16,500,000
September	2000	10/15/00	17,000,000
December	2000		-
			<u>\$50,000,000</u>
March	2001		\$-
June	2001		-
September	2001		-
December	2001	12/18/01	23,000,000
			<u>\$23,000,000</u>
March	2002	4/15/02	\$23,000,000
June	2002		
September	2002	10/15/02	23,000,000
December	2002	12/19/02	23,000,000
			<u>\$69,000,000</u>
March	2003		\$-
June	2003		-
September	2003		-
December	2003		-
			<u>-</u>



			\$-
May	2004	6/18/04	\$21,000,000
June	2004		-
September	2004	9/20/2004	21,000,000
			<u>\$42,000,000</u>

Number of shares outstanding was 21,294,223 for each period.

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

For each of the quarters shown for the Common Stock above the Company declared and paid dividends of \$.3125 per share on the 860,287 shares of 5% Cumulative Preferred Stock, \$25 par value, outstanding for a total of \$268,842. On an annual basis the dividend amounted to \$1.25 per share, or \$1,075,366.

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

For each of the quarters shown for Common Stock on the previous page the Company declared and paid dividends of \$1.4687 per share on the \$5.875 series preferred stock outstanding. The preferred stock has a sinking fund requirement sufficient to retire a minimum of 12,500 shares on July 15 of each year commencing with July 15, 2003, and the remaining 187,500 shares on July 15, 2008 at \$100 per share. The Company redeemed 12,500 shares in accordance with these provisions on July 15, 2003 and another 12,500 on July 15, 2004, leaving 225,000 shares outstanding as of September 30, 2004. Dividends of \$367,187 were paid for all quarters through the second quarter of 2003 for a total of \$1,468,750 on an annual basis. Dividends of \$348,828 were paid for the each of the four remaining quarters through June 30, 2004 and \$330,469 were paid for the quarter ended September 30, 2004. Preferred dividends for the twelve months ended September 30, 2004 was \$1,376,953.

Dividends on Auction Rate Cumulative Preferred Stock, without par value

<u>Month Declared</u>		<u>Payment Date</u>	<u>Rate Per Share</u>	<u>Amount</u>
March	1999			\$453,750
June	1999			449,875
September	1999	10/15/1999	0.90750	471,250
December	1999	1/14/2000	1.20000	600,000
				<u>\$1,974,875</u>
March	2000	4/15/2000	1.05750	\$528,750
June	2000	7/15/2000	1.36250	681,250
September	2000	10/15/2000	1.45000	725,000
December	2000	1/15/2001	1.46250	731,250
				<u>\$2,666,250</u>
March	2001	4/15/2001	1.32500	\$662,500
June	2001	7/15/2001	1.16750	583,750
September	2001	10/15/2001	0.94750	473,750
December	2001	1/14/2002	0.95000	475,000
				<u>\$2,195,000</u>
March	2002	4/15/2002	0.85875	\$429,375
June	2002	7/15/2002	0.82500	412,500
September	2002	10/15/2002	0.87750	438,750
December	2002	1/15/03	0.84250	421,250
				<u>\$1,701,875</u>
March	2003	4/15/03	0.60000	\$300,000
June	2003	7/15/03	0.53750	268,750
September	2003	10/15/03	0.34750	173,750
December	2003	1/15/04	0.33000	165,000
				<u>\$907,500</u>
March	2004	4/15/04	0.37500	\$187,500
June	2004	7/15/04	0.43750	218,750
September	2004	10/15/04	0.6944	276,736
				<u>\$682,986</u>

Dividend is based on 500,000 shares for all periods.

(9) Detailed Income Statement and Balance Sheet.

See pages 7 through 9

LOUISVILLE GAS AND ELECTRIC COMPANY  
COMPARATIVE BALANCE SHEETS AS OF SEPTEMBER 30, 2004

EXHIBIT 3

	THIS YEAR	THIS YEAR
ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS
Utility Plant		Capitalization
Utility Plant at Original Cost.....	3,880,900,863.09	Common Stock.....
Less Reserves for Depreciation & Amortization....	<u>1,605,250,801.52</u>	Common Stock Expense.....
		Paid-In Capital.....
Total.....	<u>2,275,650,061.57</u>	Other Comprehensive Income.....
		Retained Earnings.....
Investments - At Cost		Total Common Equity.....
Ohio Valley Electric Corporation.....	490,000.00	Preferred Stock.....
Investments in LG&E-R.....	-	First Mortgage Bonds.....
Nonutility Property-Less Reserve.....	<u>17,337.47</u>	Mandatory Redeemable Preferred Stock.....
Other.....	-	LT Notes Payable to Associated Companies.....
Total.....	<u>507,337.47</u>	Total Capitalization.....
Current and Accrued Assets		<u>1,876,542,015.88</u>
Cash.....	5,831,261.07	Current and Accrued Liabilities
Special Deposits.....	11,535,420.18	Long-Term Debt Due in 1 Year.....
Temporary Cash Investments.....	-	ST Notes Payable to Associated Companies.....
Accounts Receivable-Less Reserve.....	108,820,448.75	Notes Payable to Associated Companies.....
Notes Receivable from Assoc. Companies.....	-	Accounts Payable.....
Notes Receivable from LG&E-R.....	-	Accounts Payable to Associated Companies.....
Accounts Receivable from Assoc Companies.....	9,865,375.42	Customer Deposits.....
Materials & Supplies-At Average Cost		Taxes Accrued.....
Fuel.....	22,268,505.81	Interest Accrued.....
Plant Materials & Operating Supplies.....	22,587,773.99	Dividends Declared.....
Stores Expense.....	3,625,822.92	Misc. Current & Accrued Liabilities.....
Gas Stored Underground.....	76,416,033.73	Total.....
Allowance Inventory.....	36,875.41	<u>228,565,904.04</u>
Prepayments.....	1,089,241.63	Deferred Credits and Other
Miscellaneous Current & Accrued Assets.....	<u>508,349.86</u>	Accumulated Deferred Income Taxes.....
Total.....	<u>262,585,108.77</u>	Investment Tax Credit.....
Deferred Debits and Other		Regulatory Liabilities.....
Unamortized Debt Expense.....	8,554,456.36	Customer Advances for Construction.....
Unamortized Loss on Bonds.....	20,537,017.75	Asset Retirement Obligations.....
Accumulated Deferred Income Taxes.....	89,579,246.78	Other Deferred Credits.....
Deferred Regulatory Assets.....	101,277,100.50	Misc. Long-Term Liabilities.....
Other Deferred Debits.....	<u>62,133,630.91</u>	Accum Provision for Post-Retirement Benefits.....
Total.....	<u>282,081,452.30</u>	Total.....
Total Assets and Other Debits.....	<u>2,820,823,960.11</u>	<u>715,716,040.19</u>
		Total Liabilities and Other Credits.....
		<u>2,820,823,960.11</u>

LOUISVILLE GAS AND ELECTRIC COMPANY  
 COMPARATIVE STATEMENT OF INCOME  
 SEPTEMBER 30, 2004

EXHIBIT 3

YEAR ENDED CURRENT MONTH

	THIS YEAR AMOUNT
Electric Operating Revenues.....	800,998,557.38
Gas Operating Revenues.....	353,572,361.43
Rate Refunds.....	<u>(6,083,539.08)</u>
Total Operating Revenues.....	<u>1,148,487,379.73</u>
Fuel for Electric Generation.....	199,375,090.52
Power Purchased.....	84,952,927.14
Gas Supply Expenses.....	263,940,987.88
Other Operation Expenses.....	221,909,802.79
Maintenance.....	64,939,874.09
Depreciation.....	110,056,523.71
Amortization Expense.....	3,580,633.60
Regulatory Credits.....	<u>(842,334.50)</u>
Taxes	
Federal Income.....	44,862,916.05
State Income.....	13,963,870.95
Deferred Federal Income - Net.....	3,457,612.95
Deferred State Income - Net.....	<u>(1,614,240.89)</u>
Federal Income - Estimated.....	-
State Income - Estimated.....	-
Property and Other.....	18,699,884.35
Investment Tax Credit.....	-
Amortization of Investment Tax Credit.....	(4,178,322.11)
Gain from Disposition of Allowances.....	<u>(347,605.08)</u>
Accretion Expense.....	<u>647,274.00</u>
Total Operating Expenses.....	<u>1,023,404,895.45</u>
Net Operating Income.....	125,082,484.28
Other Income Less Deductions.....	<u>(2,573,941.82)</u>
Income Before Interest Charges.....	<u>122,508,542.46</u>
Interest on Long Term Debt.....	29,825,411.75
Amortization of Debt Expense - Net.....	1,465,519.86
Other Interest Expenses.....	<u>1,371,798.90</u>
Total Interest Charges.....	<u>32,662,730.51</u>
Net Inc Before Cumulative Effect of Acctg Chg.....	89,845,811.95
Cumulative Effect of Accounting Change Net of Tax...	-
Net Income.....	89,845,811.95
Preferred Dividend Requirements.....	<u>1,890,367.39</u>
Earnings Available for Common.....	<u><u>87,955,444.56</u></u>

**LOUISVILLE GAS AND ELECTRIC COMPANY  
ANALYSIS OF RETAINED EARNINGS  
SEPTEMBER 30, 2004**

EXHIBIT 3

YEAR ENDED CURRENT MONTH

	<u>THIS YEAR</u>
Balance at Beginning of Period.....	481,916,069.36
Add:	
Credits from Income.....	89,845,811.95
Other.....	9,714.36
Deduct:	
Preferred Dividends	
\$25 Par Value	
5% Series.....	1,075,364.26
Without Par Value	
Auction Rate.....	815,000.01
\$5.875 Series.....	3.12
Preferred Dividends Accrued	
\$25 Par Value	
5% Series.....	
Without Par Value	
Auction Rate.....	
\$5.875 Series.....	
Common Dividends	
Common Stock Without Par Value.....	42,000,000.00
Balance at End of Period.....	527,881,228.28

LOUISVILLE GAS AND ELECTRIC COMPANY  
(807 KAR 5:001, Section 11, Item 2(b))

Applications to the Commission for authority to issue First Mortgage Bonds included copies of the Trust Indenture and Supplemental Indentures from Louisville Gas and Electric Company to Harris Trust and Savings Bank, Trustee.

The most recent Supplemental Indenture was filed in Case No. 2003-00299.

Copies of the Supplemental Indentures related to prior First Mortgage Bonds were filed in Case Nos. 90-110, 90-271, 92-250, 93-087, 93-223, 2000-051, 2000-052, 2000-275, 2001-205, 2001-316 and 2002-230.