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October 13, 2006

HAND DELIVERY

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PUBLIC SERVICE
COMMISSION

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

Re: Louisville Gas and Electric Company

Dear Ms. O'Donnell:

Case No. 2006-00445

Enclosed for filing please find the original and ten copies of the Application of Louisville Gas and Electric Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations. An extra copy of the Application is enclosed to be file stamped and returned to the undersigned.

Please note that the Application requests authority with respect two types of financings--long-term unsecured debt financing from an affiliate within the E.ON AG holding company system to be used to redeem three series of outstanding preferred stock and new, unsecured tax-exempt pollution control debt to be used to refund three series of secured, tax-exempt pollution control debt.

Please do not hesitate to contact me if you have any questions or require additional information.

Very truly yours,

J. Wade Hendricks

JWH/cjg
Enclosures

Elizabeth O'Donnell
October 13, 2006
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cc: Elizabeth E. Blackford, Esq.
Daniel Arbough
Kent W. Blake
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John Fendig, Esq.
Allyson K. Sturgeon, Esq.
Roger Hickman
Elliott Horne
Stephanie Pryor

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED
OCT 13 2006
PUBLIC SERVICE
COMMISSION

In the Matter of:

THE APPLICATION OF LOUISVILLE GAS)
AND ELECTRIC COMPANY FOR AN)
ORDER AUTHORIZING THE ISSUANCE)
OF SECURITIES AND THE ASSUMPTION)
OF OBLIGATIONS)

Case No. 2006 20445

APPLICATION

Louisville Gas and Electric Company (“LG&E” or the “Company”) hereby requests, pursuant to KRS 278.300, that the Commission authorize the issuance of securities, assumption of obligations and entrance into all necessary agreements and other documents relating thereto as more fully described herein.

The Company incurs filing costs and dedicates significant labor time to complying with the restrictive requirements of its Trust Indenture dated November 1, 1949 (the “Company Indenture”), which imposes numerous operational and administrative burdens on the Company. Additionally, on account of both debt secured under the Company Indenture and the Company’s outstanding preferred stock, LG&E is subject to extensive filing and reporting requirements and sustains ongoing administrative costs attributable to the preparation of reports and external legal, accounting and printing costs associated with the reporting requirements of the Securities Exchange Act of 1934 and the Sarbanes-Oxley Act of 2002. Beginning January 1, 2007, when LG&E becomes subject to certain additional reporting requirements relating to Section 404 of the

Sarbanes-Oxley Act, the Company will incur further costs to issue secured forms of debt and to maintain its publicly held preferred stock.

In recent years, LG&E's external debt documentation has included provisions that provide for the release of the security which collateralizes all outstanding first mortgage and tax-exempt pollution control bond issues upon repayment, redemption or refinancing of the first mortgage bonds, thereby rendering these recently issued bonds unsecured. The necessary steps for LG&E to reduce its administrative costs associated with the extensive filing requirements are the subject of this Application.

LG&E requests authority to issue new, unsecured tax-exempt pollution control debt in order to refund three series of secured, tax-exempt pollution control debt. This will allow for the release of the first mortgage lien as to all outstanding LG&E secured debt instruments and subsequent termination of the Company Indenture which will give LG&E operational flexibility due to the elimination of the lien of the Company Indenture on the Company's assets.¹ In addition, LG&E requests authority to obtain long-term unsecured debt financing from an affiliate within the E.ON AG ("E.ON") holding company system in order to redeem three series of outstanding preferred stock. In turn, LG&E will realize cost savings for lower external accounting and legal fees and for

¹ LG&E is not alone in seeking to reduce or eliminate its secured debt. In addition to a similar application filed recently by LG&E's sister utility, Kentucky Utilities Company (Case No. 2006-00390), a number of other utilities have moved in this direction, including AEP Texas Central, AEP Texas North, Dominion Resources, Pacific Gas & Electric, Oklahoma Gas & Electric, Southwestern Public Service and the Southern Companies (Alabama Power, Georgia Power, Gulf Power and Mississippi Power). A number of operating companies have also de-registered with the SEC and are reported on a consolidated basis with their parent company: NYSE&G and Central Maine Power (subsidiaries of Energy East Corporation), Orange & Rockland Utilities (subsidiary of Consolidated Edison), West Penn Power and Potomac Edison (subsidiaries of Allegheny Energy), Southern Indiana Gas and Electric (subsidiary of Vectren Corp.), Madison Gas & Electric (subsidiary of MGE Energy), Massachusetts Electric and Narrangensett Electric (subsidiaries of National Grid) and Brooklyn Union Gas (subsidiary of KeySpan Corp.).

administrative cost savings on an ongoing basis. As discussed below, these administrative savings are expected to more than offset the slightly higher interest rate associated with the new unsecured debt. In addition, the new debt replacing a majority of the preferred shares will have a lower after-tax cost than the existing preferred stock. In support of this Application, LG&E states as follows:

I. Applicant

1. The Company's full name is Louisville Gas and Electric Company. The post office address of the Company is 220 West Main Street, Louisville, Kentucky 40202. LG&E is a Kentucky corporation, a utility as defined by KRS 278.010(3)(a), and (b), and as of June 30, 2006, provides retail electric service to approximately 398,000 customers and retail gas service to approximately 323,000 customers in seventeen counties in Kentucky. A description of LG&E's properties is set out in Exhibit 1 to this Application.

2. A certified copy of the Company's Articles of Incorporation was filed with the Commission in Case No. 2005-00471 (In the Matter of: Application of Louisville Gas and Electric Company and Kentucky Utilities Company for Authority to Transfer Functional Control of Their Transmission System) and is incorporated by reference herein pursuant to 807 KAR 5:001, Section 8(3).

II. Financing for Potential Redemption of Preferred Stock

3. E.ON U.S. LLC ("E.ON US") is an indirect subsidiary of E.ON. The Company is a wholly owned subsidiary of E.ON US. E.ON US Holding GmbH, is also a subsidiary of E.ON. Fidelia Corporation ("Fidelia"), a finance company subsidiary organized in Delaware, is a subsidiary of E.ON US Holding GmbH. Fidelia lends money to companies in the E.ON Holding Company System, and upon request of the Company

will lend money to the Company as set out in this Application. The Commission has previously approved long-term debt financing between LG&E and Fidelia. See Case No. 2003-00300, Order of September 22, 2003, Case No. 2003-00058, Orders of April 14, 2003 and April 30, 2003.

Although the Company is requesting authority for intercompany financing sufficient to fund the redemption in its entirety, it currently anticipates using proceeds from the loan from Fidelia to fund approximately 90% of the costs of redeeming the three outstanding series of LG&E's preferred stock - LG&E's 5% Cumulative Preferred, LG&E's \$5.875 Cumulative Preferred, and LG&E's Preferred Stock, Auction Series A (all of the preceding, collectively, the "Preferred Stock"). The remaining, approximately 10%, may be funded from an increase in the common equity for the Company, likely realized by reducing a future common stock dividend payment. To the extent that common equity is increased, a corresponding portion of the financing authority from Fidelia would not be used. A copy of the redemption provisions with respect to all the Preferred Stock is attached as Exhibit 2.

4. LG&E's 5% Cumulative Preferred Stock (the "5% Preferred") was initially authorized by this Commission by Order dated 28, 1941 in Case No. 942. Currently, there are 860,287 shares of 5% Preferred outstanding. In 1941, 780,792 shares of the 5% Preferred were issued for the purpose of redeeming those shares of the Company's 7% Cumulative Preferred Stock and 6% Cumulative Preferred Stock not exchanged pursuant to an exchange offer, excluding the shares of such stock exchanged by the Company's immediate parent company for Common Stock. In addition, in 1956, the Company completed an exchange transaction which converted 20,000 shares of a separate series of

5% preferred stock having a different par value into 80,000 shares of the 5% Preferred at a 1 to 4 exchange ratio. Thereafter, the Company redeemed any remaining unexchanged shares of the prior converted stock and, presumably, cancelled any remaining unnecessary shares of the 5% Preferred. Currently, there are 860,287 shares of 5% Preferred outstanding. The following table shows: (i) the public offering price, (ii) proceeds to LG&E from the issuance, and (iii) LG&E's expenses associated with the issuance of the 5% Preferred:

<u>5% Cumulative Preferred Stock</u> ²	<u>Public Offering Price</u> \$21,276,582	<u>Proceeds</u> \$20,690,988	<u>Expenses</u> \$99,775
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The 5% Preferred are currently redeemable at a price of \$28.00 per share, which represents a redemption premium of \$3.00 per share or \$2,580,861 in the aggregate.

5. LG&E's \$5.875 Cumulative Preferred Stock (the "\$5.875 Preferred") was authorized by this Commission by Order dated April 12, 1993 in Case No. 93-087. The proceeds from the issuance were used to redeem LG&E's outstanding \$8.90 Cumulative Preferred Stock. Currently, there are 200,000 shares of \$5.875 Preferred outstanding. The following table shows (i) the public offering price, (ii) proceeds to LG&E from the issuance, and (iii) LG&E's expenses associated with the issuance of the \$5.875 Preferred:

<u>\$5.875 Cumulative Preferred Stock</u>	<u>Public Offering Price</u> \$25,000,000	<u>Proceeds</u> \$24,781,250	<u>Expenses</u> \$284,247
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The \$5.875 Preferred are currently redeemable at par with no redemption premium. In addition, pursuant to their terms, the \$5.875 Preferred are currently already the subject of

² Please note that this chart refers to the 5% Preferred issued in 1941 only.

mandatory sinking fund obligations, whereby the Company redeems 12,500 shares annually and will redeem all remaining shares by summer 2008.

6. LG&E's Preferred Stock, Auction Series A (the "Auction Series A Preferred") was authorized by this Commission by Orders dated October 11, 1991 and December 6, 1991 in Case No. 91-284. Currently, there are 500,000 shares of Auction Series A Preferred outstanding. The proceeds from the Auction Series A Preferred were used, along with other funds, to redeem the Company's \$9.54 Cumulative Preferred Stock and the Company's \$8.72 Cumulative Preferred Stock. The following table shows (i) the public offering price, (ii) proceeds to LG&E from the issuance, and (iii) LG&E's expenses associated with the issuance of the Auction Series A Preferred:

<u>Auction Series A Preferred</u>	<u>Public Offering Price</u>	<u>Proceeds</u>	<u>Expenses</u>
	\$ 50,000,000	\$49,312,500	\$1,088,280

The Auction Series A Preferred are currently redeemable at par on dividend payment dates with no redemption premium.

7. The after-tax cost of the new debt will be lower than the after-tax cost of the Preferred Stock. This is true even if the Company utilizes long-term fixed rate debt – the most expensive form of debt. This results from the fact that the majority of the Preferred Stock dividends are not tax deductible. Only the dividends on the 5% Preferred are tax deductible whereas the dividends on the other two series are not deductible, making the cost for these two series higher than debt. The use of debt and equity to replace the Preferred Stock will result in savings after taxes of approximately \$1.8 million annually. The Company has had discussions with the rating agencies about whether this

restructuring of the balance sheet will impact the rating of LG&E and has been told that there will be none.

8. The Company proposes to borrow money from Fidelity in an amount not to exceed \$92,000,000 for the purpose of redeeming the Preferred Stock. The Company anticipates issuing unsecured notes to Fidelity with final maturity not to exceed 30 years. Such borrowing would only occur if the interest rate on the loan will result in an equal or lower cost of borrowing than the Company could obtain in the capital markets on its own.³ All borrowings from Fidelity would be at the lowest of (1) E.ON's effective cost of capital; (2) Fidelity's effective cost of capital; and (3) the Company's effective cost of capital determined by reference to the indicated effective cost of potential direct borrowing by the Company from an independent third-party for a comparable term loan that could be obtained at the time of the loan ("The Best Rate Method"). The Best Rate Method assures the Company that it will not pay more for a loan from Fidelity than it would pay in the capital markets for a similar loan. In addition, loans from Fidelity can be completed more expeditiously than external loans, thus allowing LG&E to take advantage of favorable market conditions more readily. Currently, the Company has

³ The methodology described in this Application and similar intrasystem loans have been repeatedly approved by this Commission. See, e.g., *The Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*, PSC Case No. 2003-00059 (April 30, 2003); *The Application of Louisville Gas and Electric Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*, PSC Case No. 2003-00058 (April 30, 2003); *The Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*, PSC Case No. 2006-00155 (May 22, 2006); *The Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*, PSC Case No. 2005-00117 (May 10, 2005); *The Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*, PSC Case No. 2003-00301 (September 22, 2003); *The Application of Louisville Gas and Electric Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*, PSC Case No. 2003-00300 (September 22, 2003).

determined that it is cost effective to borrow money from Fidelia through the proposed intercompany loan facility and desires to take advantage of this opportunity.

9. The interest rate on the proposed Fidelia loan will be set at the time of issuance of the note and would depend on the maturity of the note. The interest rate on the note would be lower of (a) the average of three indications or quotes obtained by the affiliate company from international investment banks for an unsecured bond issued by E.ON for the applicable term of the loan and (b) the lowest of three indications or quotes obtained by the Company from international investment banks for an unsecured bond issued by the Company with the applicable term of the loan. This method complies with the Best Rate Method because this rate would be determined using the lower of the average of actual quotes obtained based upon the credit of E.ON or the lowest of three actual quotes obtained by the Company. This ensures that LG&E has access to competitively priced debt, with the additional benefit that LG&E does not have to pay for costs relating to legal and trustee fees, or for printing and other services. The proposed restructuring should not impact the rates paid by LG&E in these intercompany loans because E.ON's quotes are typically lower than LG&E's quotes due to the superior bond rating of E.ON.

10. The interest rate would be determined as described in Paragraph 9 herein. The term of the loan would not exceed 30 years as determined by the Company based on, among other things, the Company's financing needs. A note would be executed by the Company at the time of the loan stating the interest rate, maturity date and payment terms. Attached to the Application as Exhibit 3, is the general form of the intercompany loan agreement and note. Issuance expenses for the intercompany loan described herein

will not exceed in total, the sum of \$50,000. In connection with the issuance of the debt, LG&E may enter into one or more interest hedging agreements (T-Bill lock, swap or similar agreement, collectively the “Intercompany Loan Hedging Facility”) either with an affiliate within the E.ON system or with a bank or financial institution. The Intercompany Loan Hedging Facility would be an interest rate agreement designed to allow the Company to lock in the underlying interest rate on the loan in advance of the closing of the loan. The Intercompany Loan Hedging Facility will set forth the specific terms under which the Company will agree to make payments, and the other terms and conditions of any rights or obligations thereunder.

III. Refinancing of Pollution Control Debt

11. The Company also proposes to redeem the \$31,000,000 principal amount of County of Jefferson, Kentucky Pollution Control Revenue Bonds, 1992 Series A, due September 1, 2017 (“Jefferson County 1992 Series A Bonds”) secured by the Company’s First Mortgage Bonds, Series S (“Series S Bonds”), the \$35,200,000 principal amount of County of Jefferson, Kentucky Pollution Control Revenue Bonds, 1993 Series A, due August 15, 2013 (“Jefferson County 1993 Series A Bonds”) secured by the Company’s First Mortgage Bonds, Series U (“Series U Bonds”), and the \$60,000,000 principal amount of County of Trimble, Kentucky Pollution Control Revenue Bonds, 1992 Series A, due September 1, 2017 (“Trimble County 1992 Series A Bonds”) secured by the Company’s First Mortgage Bonds, Series T (“Series T Bonds”). The Jefferson County 1992 Series A Bonds, Jefferson County 1993 Series A Bonds, and the Trimble County 1992 Series A Bonds are sometimes collectively, the “Existing Bonds.” The Series S

Bonds, Series U Bonds, and the Series T Bonds, are sometimes collectively, the “Outstanding First Mortgage Bonds.”

12. LG&E was authorized to undertake its obligations in regard to the Jefferson County 1992 Series A Bonds and the Series S Bonds by this Commission by Order dated August 12, 1992, in Case No. 92-250. The following table shows: (1) the initial public offering price, (ii) proceeds to LG&E from the sale (after deducting underwriting discounts and commissions), and (iii) LG&E’s expenses associated with the sale:

<u>Jefferson County 1992 Series A Bonds</u>	<u>Public Offering Price</u>	<u>Proceeds</u>	<u>Expenses</u>
	\$31,000,000	\$30,872,280	\$312,946

13. The proceeds of the Jefferson County 1992 Series A Bonds were used to discharge or refund the Jefferson County, Kentucky 7-1/4 percent Pollution Control Revenue Bonds, 1975 Series A, due September 1, 2000

14. LG&E was authorized to undertake its obligations in regard to the Jefferson County 1993 Series A Bonds and the Series U Bonds by this Commission by Order dated July 28, 1993 in Case No. 93-223. The following table shows: (i) the initial public offering price, (ii) proceeds to LG&E from the sale (after deducting underwriting discounts and commissions) and (iii) LG&E’s expenses associated with the sale:

<u>Jefferson County 1993 Series A Bonds</u>	<u>Public Offering Price</u>	<u>Proceeds</u>	<u>Expenses</u>
	\$35,200,000	\$35,094,400	\$234,448

15. The proceeds of the Jefferson County 1993 Series A Bonds were used to discharge or refund the Jefferson County, Kentucky 6-1/8% Pollution Control Revenue Bonds, 1976 Series A, due September 1, 2006.

16. LG&E was authorized to undertake its obligation in regard to the Trimble County 1992 Series A Bonds and the Series T Bonds by this Commission by Order dated August 12, 1992 in Case No. 92-250. The following table shows: (i) the initial public offering price, (ii) proceeds to LG&E from the sale (after deducting underwriting discounts and commissions), and (iii) LG&E's expenses associated with the sale:

<u>Trimble County 1992 Series A Bonds</u>	<u>Public Offering Price</u>	<u>Proceeds</u>	<u>Expenses</u>
	\$60,000,000	\$59,752,800	\$418,276

17. The proceeds of the Trimble County 1992 Series A Bonds were used to discharge or refund the Trimble County, Kentucky 6-7/8 percent Pollution Control Revenue Bonds, 1987 Series A, due August 1, 1997.

18. The Jefferson County 1992 Series A Bonds have a variable rate of interest and are currently redeemable at 100% of par, plus accrued interest to the date of redemption. The Jefferson County 1993 Series A Bonds have a variable rate of interest and are currently redeemable at 100% of par, plus accrued interest to the date of redemption. The Trimble County 1992 Series A Bonds have a variable rate of interest and are currently redeemable at 100% of par, plus accrued interest to the date of redemption. A copy of the redemption provisions with respect to all the Existing Bonds is attached hereto as Exhibit 4.

19. LG&E requests authority to assume certain obligations under various agreements in an aggregate principal amount not to exceed \$126,200,000 in connection with the proposed issuance of one or more series of new Louisville/Jefferson County

Metro Government, Kentucky (“Metro Government”)⁴ and County of Trimble, Kentucky Environmental Facilities Revenue Bonds (the “Refunding Bonds”).

20. In connection with refinancing the Existing Bonds, LG&E would assume certain obligations under one or more loan agreements with Metro Government and with Trimble County and may enter into guarantee agreements, bond insurance agreements or other similar undertakings guaranteeing payment of all or any part of the obligations under the Refunding Bonds for the benefit of the holders of such Bonds.

21. It is expected that the structure and documentation for the issuance of the Refunding Bonds and related agreements would be similar to the structure and documentation of other pollution control financings of LG&E approved by the Commission in the past, except that First Mortgage Bonds of LG&E would be omitted and not issued to secure the Refunding Bonds as they have in the past. The Refunding Bonds would be issued pursuant to one or more indentures (each an “Indenture”), between Metro Government and with Trimble County and one or more trustees (each a “Trustee”). The proceeds from the sale of the Refunding Bonds would be loaned to LG&E pursuant to one or more loan agreements between each of Metro Government or Trimble County and LG&E (each, a “Loan Agreement”) and collectively the “Loan Agreements”).

⁴ In November 2000, the voters of Jefferson County approved consolidation of the governmental and corporate functions of Jefferson County and the City of Louisville into a new form of government known as Louisville/Jefferson County Metro Government. This new government commenced operations on January 6, 2003. Metro Government will be the governmental issuer of the proposed Refunding Bonds with respect to those projects located within Jefferson County. Trimble County will be the governmental issuer with respect to those projects located within the corporate limits of Trimble County, Kentucky.

22. The payments to be made by LG&E under the Loan Agreements together with other funds available for the purpose would be sufficient to pay the principal of, premium, if any, and interest on the Refunding Bonds. The Loan Agreements and the payments to be made by LG&E pursuant thereto would be assigned by Metro Government or Trimble County, as applicable, to secure the payment of the principal of, premium, if any, and interest on related Refunding Bonds. Upon issuance of Refunding Bonds, LG&E may issue one or more guaranties (collectively, the “Guaranties”) in favor of the Trustees guaranteeing the payment of all or any part of the obligations under such Refunding Bonds for the benefit of the holders of such Refunding Bonds.

23. Simultaneously with the redemption of any part of the Existing Bonds and the issuance of the related Refunding Bonds, an identical principal amount of the Outstanding First Mortgage Bonds that secure the Existing Bonds to be refunded, will be cancelled. Thus, the issuance of the Refunding Bonds would decrease the outstanding principal amount of the First Mortgage Bonds of LG&E.

24. Metro Government and Trimble County each have the power, pursuant to the provisions of the Industrial Building Revenue Bond Act, Sections 103.200 to 103.285, inclusive, of the Kentucky Revised Statutes, to enter into the transactions contemplated by the Loan Agreements and to carry out their obligations thereunder by issuing and selling negotiable bonds and lending the proceeds from the sale of such bonds to LG&E to finance the acquisition, construction, and installation at certain pollution control facilities, being within the corporate limits of Jefferson County or Trimble County, respectively, and to refinance existing debt.

25. The Refunding Bonds would be sold in one or more underwritten public offerings, negotiated sales, or private placement transactions utilizing the proper documentation. The price, maturity date(s), interest rates, redemption provisions, and other terms and provisions of each series of Refunding Bonds (including in the event all or a portion of Refunding Bonds initially bear a variable rate of interest, the method of determining the interest rate) would be determined on the basis of negotiations among LG&E and Metro Government or Trimble County, as the case may be, and the purchasers of such bonds. However, the amount of compensation to be paid to underwriters for their services would not exceed 2% of the principal amount of the refunding bonds to be sold. Based upon past experience with similar refinancing, LG&E estimates the issuance costs, excluding underwriting fees for the Refunding Bonds, will be approximately, \$300,000. LG&E anticipates that because the Refunding Bonds will be unsecured, the bond rating on this and the Company's other external debt will go from A1/A-for secured debt to A2/BBB+ for unsecured debt. Based on historical data and information from remarketing agents, there would be an approximate 10 basis points increase in interest rates on LG&E's non-insured floating rate debt totaling \$246.2 million, and a 12 basis point average increase in annual bond insurance premiums on five series of debt totaling \$288.1 million. These costs are reflected in the analysis provided in Exhibit 5. Other bonds will not be impacted by this change because their interest rates are based on the rating of the bond insurer.

26. The interest rate or rates (and, if applicable the method of determining the interest rate) applicable to the Refunding Bonds of each such series would be the most favorable rate or method that can be negotiated by LG&E. LG&E's Bond Counsel also

believes that certain Existing Bonds are candidates for extension of maturity, which would preserve and extend use of this tax-exempt funding source. The extension, which is not reflected in Exhibit 5, would allow the continued use of low-cost tax-exempt financing beyond the current maturity of the Existing Bonds, thus reducing costs.

27. Because of the historical spread between long-term fixed interest rates and short-term rates, all or a portion of the Refunding Bonds may be issued initially with an interest rate that fluctuates on a weekly, monthly or other basis as determined from time to time by LG&E. LG&E would have the option to convert such Refunding Bonds at a later date to a fixed rate of interest. Refunding Bonds that bear interest at such variable rates (the “Variable Rate Refunding Bonds”) may also be subject to tender by the holders thereof for redemption or purchase. In order to provide funds to pay the purchase price of such tendered Variable Rate Refunding Bonds, LG&E would enter into one or more remarketing agreements with one or more remarketing agents whereby the remarketing agent would use its best efforts to remarket such tendered Variable Rate Refunding Bonds to other purchasers at a price equal to the purchase price of such Variable Rate Refunding Bonds. Thus, to the extent Variable Rate Refunding Bonds are issued, the documentation will be very similar to previous issues which had a variable interest rate.

28. Also, in the event that Variable Rate Refunding Bonds are issued, LG&E may enter into one or more liquidity facilities (the “Current Facility”) with a bank or banks to be selected by LG&E (the “Bank”). The Current Facility would be a credit agreement designed to provide LG&E with immediately available funds with which to make payments with respect to any Variable Rate Refunding Bonds which have been tendered for purchase and not remarketed. The Current Facility is not expected to be

pledged for the payment of the Variable Rate Refunding Bonds or to constitute security therefore. The Current Facility in the present case may consist in whole or part of such liquidity facilities. Pursuant to the Current Facility, LG&E may be required to execute and deliver to the Bank a note (the "Current Facility Note") evidencing LG&E's obligations to the Bank under the Current Facility.

29. In order to obtain terms and conditions more favorable to LG&E than those provided in the Current Facility or to provide for additional liquidity or credit support to enhance the marketability of the Variable Rate Refunding Bonds, LG&E desires to be able to replace the Current Facility with (or to initially use) one or more substitute liquidity support and or credit support facilities (the instrument providing the liquidity support and or credit support and any subsequent replacement support facility thereof, including any replacement facility which replaces a replacement facility is hereinafter referred to as a "Facility") with one or more Banks, insurance companies or other financial institutions to be selected by LG&E from time to time (each such financial institution hereinafter referred to as a "Facility Provider"). A Facility may be in the nature of a letter of credit, revolving credit agreement, standby credit agreement, bond purchase agreement, bond insurance or other similar arrangement designed to provide liquidity and or credit support for the Variable Rate Refunding Bonds. It is contemplated that, in the event the Variable Rate Refunding Bonds are converted to bear interest at a fixed rate, the Current Facility (if not already replaced or terminated) or, if applicable, the Facility (unless earlier terminated) will be terminated in whole or in part following the date of conversion of such Variable Rate Refunding Bonds.

30. In connection with any Facility, LG&E may enter into one or more credit or similar agreements (“Credit Agreements”) with the Facility Provider, or providers of such facility which would contain the terms of reimbursement or payment to be made by LG&E to the subject Facility Providers for amounts advanced by the Facility Providers under the particular Facility. Depending on the exact nature of a Facility, LG&E may be required to execute and deliver to the subject Facility Provider a promissory note (each such note hereinafter referred to as a “Facility Note”) evidencing LG&E’s repayment obligation to the Facility Provider under the related Credit Agreement; and the Trustee under the Indenture for the Variable Rate Refunding Bonds may be authorized, upon the terms set forth in such Indenture and in any Credit Agreement, to draw upon the Facility for the purpose of paying the purchase price of Variable Rate Refunding Bonds tendered or required to be tendered for purchase in accordance with the terms of the Indenture which are not re-marketed by their marketing agent as provided in their marketing agreement and/or for the purpose of paying accrued interest on the Variable Rate Refunding Bonds when due and paying principal, whether at maturity, upon redemption, acceleration or otherwise.

31. In connection with the issuance of the Refunding Bonds, LG&E may enter into one or more interest rate hedging agreements (including an interest rate cap, swap, collar, or similar agreement, collectively the “Hedging Facility”) with a bank or financial institution (the “Counterparty”). The Hedging Facility would be an interest rate agreement designed to allow LG&E to actively manage and to limit its exposure to variable interest rates or to lower its overall borrowing costs on any fixed rate Refunding Bond. The Hedging Facility will set forth the specific terms upon which LG&E will

agree to pay the Counterparty payments and/or fees for limiting its exposure to interest rates or lowering its fixed rate borrowing costs, and the other terms and conditions of any rights or obligations thereunder.

32. The terms of each current Facility, Credit Agreement, Facility, Note, and Hedging Facility will be negotiated by LG&E with the respective Bank, Facility Provider, or Counterparty and would be the most favorable terms that can be negotiated by LG&E. The aggregate outstanding principal amount of the obligations of LG&E at any time under the Loan Agreement, the Guarantees, and the credit facilities and related Notes set forth in the immediately preceding sentence will not exceed the original principal amount of the Refunding Bonds (which will not exceed an aggregate principal amount of \$126,200,000, plus accrued but unpaid interest or premium, if any, on such bonds).

IV. Elimination of Secured Debt and Realization of Administrative Savings

33. Debt secured under the Company Indenture is subject to the Trust Indenture Act of 1939, 15 U.S.C Section 77aaa, et. seq. As a result of this and the fact that the Company has publicly-held Preferred Stock, LG&E is subject to extensive filing and reporting requirements pursuant to the Securities Exchange Act of 1934 and certain provisions of the Sarbanes-Oxley Act of 2002, including filing quarterly and audited annual reports, and future compliance with reporting provisions relating to Section 404 of Sarbanes-Oxley which will apply to the Company in 2007. As previously stated, by redeeming the Preferred Stock and refunding three series of secured, tax-exempt pollution control debt (the latter thereby permitting the cancellation of all first mortgage bonds), LG&E will be able to eliminate administrative costs of SEC compliance.

34. Complying with these reporting requirements is also not needed to protect the interests of LG&E's debt holders. LG&E's recent pollution control debt contains provisions whereby, on the "Release Date," as defined in the Bond Documents, the Pollution Control Bonds will cease to be secured by First Mortgage Bonds (which will then be cancelled) and will be secured solely by payments to be made by LG&E under the respective Loan Agreements, after which the obligation becomes a general unsecured obligation of the Company. Thus, the bond market has determined both that the security provided by the Company Indenture may be released, and that consequently the SEC reporting requirements, which will terminate following such release, are not necessary to protect bond holders.

35. The Redemption of the Preferred Stock and the Redemption of the Existing Bonds are components of a broader transaction that will allow LG&E to realize annual savings of approximately \$334,975 by reducing its administrative and accounting costs. Detailed in the following table are costs related to the preparation of the periodic SEC reports, compliance documentation related to Sarbanes-Oxley provisions as well as costs related to the Company Indenture that would be avoided as a result of the proposed actions.

Outside Legal Counsel (SEC Filings)	\$ 53,106
Indenture Legal Work (State Filings)	4,000
First Mortgage Bond Trustee Fee	51,300
Financial Printer Costs	51,569
Internal Accounting Work	100,000
Outside Accounting Costs	25,000
Sarbanes-Oxley Compliance	50,000
TOTAL	\$334,975

Attached to this Application as Exhibit 5, is a financial analysis demonstrating the net present value of the transaction. Additionally, the transaction would provide LG&E operational flexibility by eliminating the Company Indenture. For example, LG&E currently must obtain lien releases whenever property covered by the lien of the Company Indenture is sold. Because the Company Indenture dates back almost 60 years, some of the required documentation and procedures to obtain these releases are antiquated. Moreover, once the Company has complied with the lien release provisions, LG&E must wire the proceeds to the trustee, and then request that they be wired back to the Company.

V. Continuing KPSC Financial Oversight

36. In prior cases, most recently in Case No. 2001-104 (The Joint Application of E.ON AG, PowerGen PLC, LG&E Energy Corp., Louisville Gas and Electric Company, and Kentucky Utilities for Approval of An Acquisition), LG&E agreed to file with this Commission copies of all reports that it was required to file with the Securities and Exchange Commission (“SEC”), including 10-K's and 10-Q's. If LG&E's Application is granted, these SEC reports will no longer be available. Accordingly, LG&E proposes to file with the Commission its un-audited quarterly reports and audited annual financial statements. The Company will continue to provide the monthly financial statements in the same format made available currently. Also, LG&E will continue to provide FERC disclosures that include annual reports (Form 1 and Form 2) and the new quarterly Form 3Q disclosure. E.ON US will continue to provide the FERC Form 60, which is the annual financial report of the service company. LG&E commits to provide the Commission with copies of these forms as filed with FERC until such time as the

Kentucky Public Service Commission determines that such information is no longer necessary or required to file. These will contain the relevant variations of the information currently contained in the 10K's and 10Q's. E.ON will continue to provide the Commission with a copy of its SEC Form 20-F, as filed with the SEC annually. In addition, LG&E will provide the Commission on a monthly basis a report of material events that would otherwise be clearly reportable to the SEC on Form 8-K. Exhibit 6 to this application presents a comparison of the information presently provided in the 10-K and 10-Q reports filed with the SEC and the location of comparable data in other reports which will be filed with the commission if this application is granted. Exhibit 6 shows the Commission will continue to receive relevant and comprehensive information on all aspects of LG&E's operations. It is also important to note that although LG&E will not be subject to direct regulation under the Securities Exchange Act of 1934, as a subsidiary of a public company (E.ON AG), LG&E is, and will continue to be, indirectly subject to many of the reporting obligations under the 1934 Act to the extent information about LG&E is contained in E.ON AG's filings. Similarly, because E.ON AG is subject to the Sarbanes-Oxley Act provisions regarding auditor independence and internal controls, LG&E is complying and will necessarily have to comply with these provisions to the extent applicable for E.ON AG to remain in compliance in the future.

VI. Additional Information

37. No contracts have been made for the disposition of any of the securities which LG&E proposes to issue, or for the proceeds of such sale.

38. LG&E shall, as soon as reasonably practical after the issuance of the Refunding Bonds, file with the Commission the statement setting forth the date or dates

of issuance of the securities, the price paid therefore, the interest rate(s) (and if applicable, their method of determination), and all fees and expenses, including underwriting discounts or commissions or other commission compensation, involved in the issuance and distribution.

39. LG&E shall, as soon as reasonably practical after the issuance of each note to Fidelity referenced to herein, file with the Commission a statement setting forth the date or dates of issuance of the notes, the proceeds of such notes, the interest rates, costs or gains with the Intercompany Loan Hedging Facility related to such notes, and all fees and expenses involved in such issuance.

40. Exhibit 7 to this Application contains the financial exhibit required by 807 KAR 5:001, Section 11(2)(a) and described by 807 KAR 5:001, Section 6. It also contains information required by 807 KAR 5:001, Section 11(2)(b).

41. Exhibit 8 to this Application is a certified copy of LG&E's Board of Directors' resolutions conditionally authorizing the Redemption of the Preferred Stock, the issuance of the notes to Fidelity, as well as LG&E's obligations under the Loan Agreements, the Guaranties and all transactions related to the Refunding Bonds as discussed in this Application. Such authorization is subject to the approval of this Commission as well as further conditions described in such resolutions.

42. Other requirements of the Commission's regulation regarding this Application, 807 KAR 5:001, Section 11, including (1)(i)(b) regarding the amount, kinds of note, etc. and (1)(i)(c) regarding the use to be made of the proceeds have been supplied in the extensive discussion of in Paragraphs 2 through 35 of this Application.

WHEREFORE, Louisville Gas and Electric Company respectfully requests that the Commission enter its Order authorizing LG&E to issue securities and to execute, deliver and perform the obligations of LG&E under the Loan Agreement with Fidelity and the related notes as set forth in this Application. LG&E further requests that the Commission authorize it to issue securities and to execute, deliver and perform the obligations of LG&E under the Loan Agreements and any Guarantees, remarketing agreements and Credit Agreements and the various Credit and Hedging Facilities and other documents and related notes as set forth in this Application as they relate to the Refunding Bonds. Louisville Gas and Electric Company further requests that the Order of the Commission specifically include provisions stating:

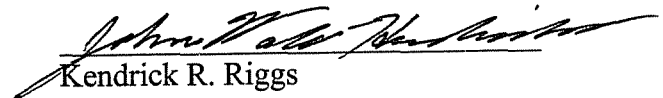
1. LG&E is authorized to issue and deliver its unsecured notes to Fidelity in an aggregate principal amount not to exceed \$92,000,000 as set forth in the Application.

2. LG&E is authorized to execute, deliver and perform the obligations of LG&E under, inter alia the Loan Agreements with the Fidelity Corporation, the Notes and such other agreements and documents as set forth in this Application, and to perform the transactions contemplated by such agreements, and

3. LG&E is authorized, with regard to the Refunding Bonds, to execute, deliver and perform the obligations of LG&E under, inter alia the Loan Agreements with Metro Government and with Trimble County, Kentucky and under any Guarantees, remarketing agreements, hedging agreements, auction agreements, bond insurance agreements, Credit Agreements, Facilities and such other agreements and documents as set forth in this Application and perform the transactions contemplated by such agreements.

4. That the Commission find that the financial information that LG&E proposes to file with the Commission is sufficient and that LG&E be released from its obligation to file with the Commission copies of Securities and Exchange Commission reports that will no longer be available.

Respectfully submitted,



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John Wade Hendricks
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Telephone: (502) 333-6000

John P. Fendig
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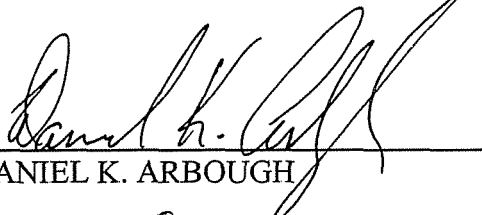
Counsel for Louisville Gas and Electric
Company

VERIFICATION

COMMONWEALTH OF KENTUCKY

COUNTY OF JEFFERSON

Daniel K. Arbough, being first duly sworn, deposes and says that he is Director, Corporate Finance and Treasurer for Louisville Gas and Electric Company, that he has read the foregoing Application and knows the contents thereof, and that the same is true of his own knowledge, except as to matters which are therein stated on information or belief, and that as to these matters, he believes them to be true.



DANIEL K. ARBOUGH

Subscribed and sworn before me this 13th day of October, 2006.

My Commission Expires: August 31, 2007



NOTARY PUBLIC, STATE AT LARGE

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

JULY 31, 2006

The applicant owns and operates thermal-electric generating units with an aggregate station rating totaling 3,105,000 Kw. This total consists of 2,418,000 Kw of steam generation capacity and 687,000 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 12,000 Mva and approximately 899 miles of lines, and is interconnected with the systems of neighboring utilities. The applicant's electric distribution system includes substation capacity of approximately 4,865 Mva, approximately 3,934 miles of overhead lines and approximately 2,035 miles of underground conduit.

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 257 miles of transmission mains, and the gas distribution system includes 4,133 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 departments.

The net original cost of the property and cost thereof to the applicant at July 31, 2006, was:

	<u>Electric</u>		<u>Gas</u>		<u>Common</u>		<u>Total</u>
Original Cost	\$ 3,310,882,182	\$	564,178,124	\$	208,134,675	\$	4,083,194,981
Less Reserve for Depreciation	\$ 1,467,669,706	\$	192,824,109	\$	96,784,295	\$	1,757,278,110
Net Original Cost	\$ 1,843,212,476	\$	371,354,015	\$	111,350,380	\$	2,325,916,871
Allocation of Common To Electric and Gas	\$ 82,399,281	\$	28,951,099	\$	(111,350,380)	\$	-
Total	\$ 1,925,611,757	\$	400,305,114	\$	-	\$	2,325,916,871

PROSPECTUS

Louisville Gas and Electric Company

(A Kentucky Corporation)

780,792 Shares

5% Cumulative Preferred Stock

\$25 Par Value

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED
BY THE SECURITIES AND EXCHANGE COMMISSION.

Louisville Gas and Electric Company has registered the securities by filing certain information with the Commission. The Commission has not passed on the merits of any securities registered with it.

IT IS A CRIMINAL OFFENSE TO REPRESENT THAT THE COMMISSION HAS APPROVED THESE SECURITIES OR HAS MADE ANY FINDING THAT THE STATEMENTS IN THIS PROSPECTUS OR IN THE REGISTRATION STATEMENT ARE CORRECT.

5% Cumulative Preferred Stock, \$25 Par Value	Price to Public	Underwriting Discounts* or Commissions	Proceeds to* Company
Total	\$21,276,582.00†	Maximum \$585,594.00 Minimum \$317,196.75	Minimum \$20,690,988.00 Maximum \$20,959,385.25
Per Unit	\$27.25‡	Maximum \$0.75000 Minimum \$0.40625	Minimum \$26.50000 Maximum \$26.84375

*Plus dividends accrued after the date of delivery to the several Underwriters.

†The maximum underwriting commissions and the minimum proceeds shown above are calculated on the assumption that none of the holders of the Company's outstanding 7% Cumulative Preferred Stock or 6% Cumulative Preferred Stock will have accepted the Company's Exchange Offer summarized within. Such proceeds will be increased and such underwriting commissions will be decreased by \$0.34375 for each share of 5% Cumulative Preferred Stock, \$25 Par Value, issued pursuant to the Exchange Offer. Shares issued pursuant to the Exchange Offer are deemed, for the purpose of calculating Price to Public and Maximum Proceeds to the Company, to have been sold at the initial public offering price of \$27.25 per share applicable to the shares not taken pursuant to said Exchange Offer.

Holders of the Company's 7% and 6% Cumulative Preferred Stock now outstanding who exchange such stock under its Exchange Offer expiring May 26, 1941, at 10:00 A. M., Central Standard Time, will be entitled to receive, in exchange for each share thereof, four shares of 5% Cumulative Preferred Stock, \$25 Par Value, \$6.00 in cash, and an additional sum in cash representing dividend adjustments, all on the terms and subject to the conditions more fully set forth on pages 3 and 23-29 of this Prospectus.

The shares of 5% Cumulative Preferred Stock, \$25 Par Value, are offered by the several Underwriters when, as and if accepted by them, and subject to approval of their counsel, Messrs. Simpson, Thatcher & Bartlett, and to certain further conditions and, if offered prior to the termination of the Exchange Offer, also subject to the prior rights under said Exchange Offer of the holders of the Company's outstanding 7% Cumulative Preferred Stock and 6% Cumulative Preferred Stock. It is expected that delivery of the certificates, in temporary form, will be made at the office of Lehman Brothers, One William Street, New York, N. Y., on or about May 29, 1941, against payment in New York funds.

Among the Principal Underwriters named herein under the caption Underwriting are:

Lehman Brothers

No dealer, salesman or any other person has been authorized to give any information or to make any representations, other than those contained in this Prospectus, in connection with the offering contained in this Prospectus, and information or representations not herein contained, if given or made, must not be relied upon as having been authorized. This Prospectus does not constitute an offering by any Underwriter in any State in which such Underwriter is not qualified to act as a dealer or broker.

The date of issue of this Prospectus is May 16, 1941.

5% series

Louisville Gas and Electric Company
5% Cumulative Preferred Stock
\$25 Par Value

Redeemable prior to June 1, 1946, at \$28.75 per share and on and after June 1, 1946, at \$28.00 per share, plus accrued dividends in each case.

Transfer Agent
 Louisville Gas and Electric Company

Registrar
 Kentucky Title Trust Company

Purpose of Issue

The net proceeds from the sale or exchange of the Preferred Stock offered hereby, calculated as set forth on the cover page of this Prospectus, will amount to at least \$20,591,212.66 after deducting expenses estimated at \$99,775.34. The cash proceeds, together with treasury funds of the Company to the extent necessary, will be used for the redemption on or about July 28, 1941 of all shares of 7% Cumulative Preferred Stock and 6% Cumulative Preferred Stock not exchanged pursuant to the Company's Exchange Offer, excluding the shares of such stock exchanged by Louisville Gas and Electric Company (Delaware) for shares of reclassified Common Stock, as more fully set forth below in note (b) under the caption "Capitalization". The Company intends to add approximately \$1,700,000 to its treasury funds through a short-term bank loan or loans made in connection with this financing.

FUNDED DEBT:	Capitalization		To Be Outstanding upon Consummation of Present Offering(c)
	Amount Authorized by Indenture or Charter	Outstanding December 31, 1940	
First and Refunding Mortgage Bonds, 3½% Series due 1966.....	Not limited (a)	\$28,000,000.00	\$28,000,000.00
Louisville Lighting Company—First Mortgage Five Per Cent. Fifty-Year Gold Bonds, due April 1, 1953 (assumed by Company).....	\$ 4,000,000.00	1,009,000.00	1,009,000.00
CAPITAL STOCK:			
7% Cumulative Preferred Stock, par value \$100 per share.....		115,000 shs.	None(b)
6% Cumulative Preferred Stock, par value \$100 per share.....	500,000 shs.(b)	115,000 shs.(b)	None(b)
5% Cumulative Preferred Stock, par value \$100 per share.....		20,000 shs.	20,000 shs.
5% Cumulative Preferred Stock, \$25 Par Value	860,792 shs.(b)	None	780,792 shs.
Class A Common Stock, par value \$100 per share.....	150,000 shs.(b)	103,243 shs.	None
Class B Common Stock, par value \$10 per share.....	2,500,000 shs.(b)	205,150 shs.	None
Common Stock, no par value.....	2,000,000 shs.(b)	None	883,839 shs.

NOTES:

- (a) The Trust Indenture states that the amount of bonds which may be issued thereunder is not limited except that no further bonds shall be issued at any time if the total amount of bonds to be outstanding, after such issue, would in any event exceed the limit of indebtedness of the Company (now \$150,000,000).
- (b) Louisville Gas and Electric Company (Delaware), the Company's immediate parent, has agreed that, prior to, or concurrently with, the issue and delivery of the 5% Cumulative Preferred Stock, \$25 Par Value, offered hereby, it will exchange the 31,268 shares of the par value of \$100 each of 7% Cumulative Preferred Stock and the 3,534 shares of the par value of \$100 each of 6% Cumulative Preferred Stock of the Company, now owned by it, for 160,089 shares of no par value Common Stock of the Company into which the presently authorized Class A Common Stock and Class B Common Stock are to be reclassified.

Prior to, or concurrently with, the issue and delivery of the 5% Cumulative Preferred Stock, \$25 Par Value, offered hereby, provision will be made (1) for the redemption of all of the Company's 7% Cumulative Preferred Stock and 6% Cumulative Preferred Stock now outstanding (except the shares thereof which Louisville Gas and Electric Company (Delaware)

5% Series

cured notes, debentures or other unsecured securities representing unsecured indebtedness issued or assumed by the Company and then outstanding (including unsecured securities then to be issued or assumed but excluding unsecured securities theretofore consented to by the holders of the Preferred Stock), will exceed 10% of the sum of (a) the total principal amount of all bonds or other securities representing secured indebtedness issued or assumed by the Company and then to be outstanding, and (b) the capital and surplus of the Company as then to be stated on the books of account of the Company. Provided, however, that if, at any such meeting, at least one-third of all shares of such Preferred Stock then outstanding shall be voted against the action then proposed, of the character aforesaid, such action may be taken only with the affirmative vote of a majority of all shares of such Preferred Stock then outstanding.

If at any meeting of the Preferred Stock for the purpose of taking action on matters set forth in the immediately preceding paragraph, the presence in person or by proxy of the holders of a majority of such stock shall not have been obtained and shall not be obtained for a period of thirty days from the date of such meeting, the presence in person or by proxy of the holders of one-third of such stock then outstanding shall be sufficient to constitute a quorum.

Liquidation Rights

Before any amount shall be paid to, or any assets distributed among, the holders of the Common Stock or of any other stock ranking junior to the 5% Cumulative Preferred Stock or to the Preferred Stock of each series upon any liquidation, dissolution or winding up of the Company, and after paying or providing for the payment of all creditors of the Company, the holders of each series of the Preferred Stock of the par value of \$25 each shall be entitled, *pari passu* with the holders of the Preferred Stock of the par value of \$100 each, to be paid in cash the amount for the particular series fixed therefor, together with dividends accumulated but unpaid thereon.

The preferential amounts to which the holders of the 5% Cumulative Preferred Stock, \$25 Par Value shall be entitled upon any liquidation, dissolution or winding up of the Company, in addition to dividends accumulated but unpaid thereon, is as follows: (a) \$27.25 per share, in the event of any voluntary liquidation, dissolution or winding up of the Company, except that if such voluntary liquidation, dissolution or winding up of the Company shall have been approved by the vote in favor thereof, given at a meeting called for that purpose, or by the written consent of the holders of a majority of the total shares of the 5% Cumulative Preferred Stock, \$25 Par Value then outstanding, the amount so payable on such voluntary liquidation, dissolution, or winding up shall be \$25 per share; or (b) \$25 per share, in the event of any involuntary liquidation, dissolution or winding up of the Company.

Redemption Provisions

The 5% Cumulative Preferred Stock, \$25 Par Value, is redeemable in whole or in part on any date on not less than thirty days notice at \$28.75 per share prior to June 1, 1946 and at \$28.00 per share on and after June 1, 1946, in each case plus the amount of dividends accumulated and unpaid thereon.

Certain Other Provisions

The terms of the authorized but unissued Preferred Stock of the par value of \$25 per share of series other than the 5% Cumulative Preferred Stock, \$25 Par Value, are identical with those of such stock except that holders thereof shall be entitled to receive cumulative dividends thereon when and as declared at such rate for each series but not to exceed eight per cent (8%) per annum as may be determined therefor by the Board of Directors, prior to the issuance of each series thereof respectively, payable out of any funds available therefor, before any dividends are paid upon the Common Stock, and such stock shall be subject to redemption at the option of the Company on any date at par and the amount of dividends accumulated and unpaid thereon at the date of redemption plus such premium as the Board of Directors may determine for each series respectively. Such other series of Preferred Stock may also vary as to the amounts which shall be paid to the holders in case of voluntary or involuntary dissolution.

The 5% Cumulative Preferred Stock, \$25 Par Value has no preemptive, subscription or conversion rights. Holders of such stock are not liable for further calls.

PROSPECTUS SUPPLEMENT
(To Prospectus dated April 22, 1993)

250,000 Shares

Louisville Gas and Electric Company

\$5.875 CUMULATIVE PREFERRED STOCK

(without par value)

STATED VALUE \$100 PER SHARE

The \$5.875 Cumulative Preferred Stock, without par value (the "New Preferred Stock") of Louisville Gas and Electric Company (the "Company") will not be redeemable prior to July 1, 1998. On or after such date, the New Preferred Stock will be redeemable at the option of the Company, in whole or in part, upon not less than 30 days' notice, at the redemption prices set forth herein, together, in each case, with accrued dividends. The New Preferred Stock is subject to a mandatory sinking fund sufficient to retire 12,500 shares on each July 15, beginning July 15, 2003, and 187,500 shares on July 15, 2008, in each case at \$100 per share plus accrued dividends. The Company has the option to satisfy the mandatory sinking fund requirement in whole or in part by crediting shares of the New Preferred Stock acquired by the Company. See "Supplemental Description of the New Preferred Stock" herein.

Dividends on the New Preferred Stock will be cumulative from the date of issuance and are payable quarterly, commencing July 15, 1993, for the period ending June 30, 1993.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS SUPPLEMENT OR THE ACCOMPANYING PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

PRICE \$100 PER SHARE

	Price to Public(1)	Underwriting Discounts and Commissions(2)	Proceeds to Company(1)(3)
Per Share	\$100.00	\$8.75	\$99.125
Total	\$25,000,000	\$218,750	\$24,781,250

(1) Plus accrued dividends, if any, from the date of issuance.

(2) The Company has agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended.

(3) Before deduction of expenses payable by the Company, estimated at \$110,000.

The New Preferred Stock is offered, subject to prior sale, when, as and if issued by the Company and accepted by the Underwriters, and subject to approval of certain legal matters by Winston & Strawn, counsel for the Underwriters. It is expected that delivery of the New Preferred Stock will be made on or about May 27, 1993 at the office of Morgan Stanley & Co. Incorporated, New York, N. Y., against payment therefor in immediately available funds.

MORGAN STANLEY & CO.
Incorporated

SMITH BARNEY, HARRIS UPHAM & CO.
Incorporated

May 13, 1993

\$5.875 series

No dealer, salesman or other person has been authorized to give any information or to make any representation not contained in this Prospectus Supplement or the Prospectus and, if given or made, such information or representation must not be relied upon as having been authorized by the Company or the Underwriters. This Prospectus Supplement and the Prospectus do not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. Neither the delivery of this Prospectus Supplement or the Prospectus nor any sales hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Company since the date hereof.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NEW PREFERRED STOCK AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

SELECTED FINANCIAL INFORMATION
(In thousands except percentages and ratios)

	12 Months Ended March 31, 1993 (Unaudited)	Year Ended December 31,	
		1992	1991
Income Statement Information:			
Operating Revenues	\$726,127	\$700,195	\$703,706
Net Income	78,664	73,793	94,643
Ratio of Earnings To Combined Fixed Charges and Preferred Stock Dividends(1).....	2.83	2.63	2.93
		Actual, As Adjusted(2)	% of Capitalization
Capitalization as of March 31, 1993, as adjusted:			
Long-Term Debt	\$ 661,511		47.8%
Preferred Stock	116,740		8.4
Common Stock	605,700		43.8
Total Capitalization	<u>\$1,383,951</u>		<u>100.0%</u>

- (1) For purposes of this ratio, (i) 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 less preferred dividends; (ii) fixed charges consist of interest charges (before deduction of interest income) and one-third of rentals charged to operating expenses; and (iii) preferred stock dividends have been increased to an amount representing the pre-tax earnings required to cover such dividend requirements.
- (2) Adjusted for the issuance of the New Preferred Stock and the redemption of the Company's outstanding \$8.90 Cumulative Preferred Stock.

USE OF PROCEEDS

The proceeds from the sale of the New Preferred Stock will be added to the general funds of the Company and are expected to be used, along with other funds of the Company, to redeem 250,000 shares of the Company's \$8.90 Cumulative Preferred Stock, without par value, on July 1, 1993 at a redemption price of \$102.23 per share plus accrued and unpaid dividends, if any.

#5.875 series

**SUPPLEMENTAL DESCRIPTION OF THE
NEW PREFERRED STOCK**

The following description of the particular terms of the New Preferred Stock supplements the description of the general terms and provisions of the New Preferred Stock set forth in the Prospectus under the caption "Description of New Preferred Stock," to which description reference is hereby made. The following description does not purport to be complete and is subject to and qualified in its entirety by reference to the Articles of Incorporation and the Articles of Amendment relating to the New Preferred Stock, copies of which have been filed or incorporated by reference as exhibits to the Registration Statement. Certain capitalized terms not defined herein are used as defined in the accompanying Prospectus.

Dividends

Dividends on the New Preferred Stock will be cumulative from and including the date of original issue of such New Preferred Stock. The holders of the New Preferred Stock will be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available therefor, an annual cash dividend of \$5.875 per share, payable in quarterly installments on January 15, April 15, July 15 and October 15 in each year (or the next business date thereafter), for the quarterly period ending on the last day of the preceding month. The initial dividend on the New Preferred Stock will be payable on July 15, 1993, to holders of record on, and for the period ending on, June 30, 1993, and will accrue from and including the date of original issue of such stock.

Optional Redemption

The New Preferred Stock will not be redeemable prior to July 1, 1998. On or after July 1, 1998, the Company may, at its option, upon not less than 30 days' written notice, redeem all or any part of the New Preferred Stock at the following prices per share if redeemed during the twelve-month period beginning July 1, in each of the following years:

If Redeemed During Twelve-Month Period Beginning July 1	Per Share Redemption Price
1998.....	\$105.875
1999.....	104.700
2000.....	103.525
2001.....	102.350
2002.....	101.175

and thereafter at \$100 per share, plus, in each case, accrued, but unpaid, dividends to the redemption date.

Provisions have been made whereby, subject to certain conditions, all rights (other than the right to receive the redemption price per share plus accrued and unpaid dividends) of the holders of New Preferred Stock called for redemption, whether at the option of the Company or through the sinking fund described below, will terminate before the redemption date upon the deposit with a bank or trust company of the funds necessary for redemption and the giving of appropriate notice. The Company's Articles of Incorporation provide that, upon any redemption of less than all of the shares of the New Preferred Stock (whether at the option of the Company or through the sinking fund), the Company's Board of Directors shall determine the shares to be redeemed either by lot or by redemption pro rata or by designation of particular shares for redemption or in any other manner the Board deems appropriate.

Sinking Fund Redemption

The New Preferred Stock will be entitled to a cumulative sinking fund sufficient to retire a minimum of 12,000 shares of the New Preferred Stock (5% of the number originally issued) on July 15 of each year.

PROSPECTUS SUPPLEMENT TO PROSPECTUS DATED SEPTEMBER 16, 1991

500 Units
Louisville Gas and Electric Company
Each Unit Consists of 1,000 Shares of
Preferred Stock, Auction Series A
 (without par value)
Stated Value \$100 Per Share (\$100,000 Per Unit)

Louisville Gas and Electric Company (the "Company") is offering 500,000 shares of Preferred Stock, Auction Series A (without par value) with a stated value of \$100 per share (the "New Preferred Stock"), in units, each consisting of 1,000 shares ("Units"). The dividend rate for the Initial Dividend Period, commencing on February 11, 1992 (the "Date of Original Issue"), and ending on April 14, 1992, will be 3.30% per annum. The dividend rate per annum for each subsequent Dividend Period lasting, at the Company's election, either (i) three months (a "Quarterly Period") or (ii) 49 days or 13 weeks, subject to certain exceptions (a "Short-Term Period"), will be determined on the basis of Orders placed in an Auction conducted on the Business Day next preceding the commencement of such Dividend Period, except upon the occurrence and continuance of a Payment Failure. The Company may not designate a Short-Term Period unless and until its Articles of Incorporation are amended to permit the payment of dividends on a basis other than quarterly. If the Company designates a Short-Term Period, all subsequent Dividend Periods will be Short-Term Periods.

Dividends on the New Preferred Stock will be cumulative from the Date of Original Issue and are payable, when and as declared by the Company. Dividends for Quarterly Periods will be payable in arrears on the fifteenth day of each January, April, July and October (or if one of such days is not a Business Day, then the next Business Day thereafter in each case). Dividends for Short-Term Periods will be payable in arrears on the first Business Day following the end of each such Short-Term Period. The dividend rate for any Dividend Period will not exceed a Maximum Rate ranging between 110% and 250% of the Applicable AA Composite Commercial Paper Rate depending on the prevailing credit rating of the New Preferred Stock. Notwithstanding the foregoing, the maximum dividend rate payable on the New Preferred Stock will be 25% per annum, until such restriction is eliminated by the Company's shareholders.

The shares of the New Preferred Stock will be redeemable at the option of the Company, in whole or in part, on any Dividend Payment Date at a redemption price of \$100 per share (\$100,000 per Unit) plus an amount equal to accrued and unpaid dividends. The shares of the New Preferred Stock may be purchased, transferred or redeemed only in whole Units, except upon the occurrence and continuance of a Payment Failure.

Units may be transferred only pursuant to an irrevocable Order placed in an Auction, or to or through a Broker-Dealer or to a person that has delivered or caused to be delivered a signed Master Purchaser's Letter to the Trust Company. Ownership of Units will be maintained in book entry form by or through the Securities Depository.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Initial Public Offering Price(1)	Underwriting Commissions(2)	Proceeds to Company(3)
Per Unit	\$100,000	\$1,375	\$98,625
Total	\$50,000,000	\$687,500	\$49,312,500

(1) Plus accrued dividends, if any, from the Date of Original Issue.

(2) The Company has agreed to indemnify the Underwriters with respect to certain liabilities, including certain liabilities under the Securities Act of 1933, as amended.

(3) Before deducting estimated expenses of \$175,000 payable by the Company.

The shares of the New Preferred Stock are offered severally by the Underwriters as specified herein, subject to receipt and acceptance by them and subject to their right to reject any order in whole or in part. It is expected that delivery of one certificate representing the shares of the New Preferred Stock will be made through the facilities of The Depository Trust Company in New York, New York, on or about February 11, 1992.

Goldman, Sachs & Co.

Morgan Stanley & Co.
Incorporated

The date of this Prospectus Supplement is February 4, 1992.

*Auction series***THE COMPANY**

Louisville Gas and Electric Company is an operating public utility engaged in the electric and gas business in Louisville and surrounding territory in Kentucky, including Jefferson County and Trimble County. The Company is a subsidiary of LG&E Energy Corp., a Kentucky corporation (the "Parent Corporation").

For the 12 months ended December 31, 1991, approximately 77% of the Company's total operating revenues was derived from its electric operations and the balance from its gas operations. Approximately 90% of the Company's present electric generating capacity is coal-fired, the remainder consisting of a hydro plant and combustion turbine peaking units fueled by oil and natural gas.

The estimated population of the Company's service area is 800,000, exclusive of the Fort Knox Military Reservation, which the Company serves with both electricity and gas. The Company's executive offices are located at 220 West Main Street, P.O. Box 32010, Louisville, Kentucky 40232. Telephone: (502) 627-2000.

On December 16, 1991, LG&E Energy Systems, Inc., a wholly-owned subsidiary of the Parent Corporation, acquired Hadson Power Systems, Incorporated ("Hadson") for approximately \$50 million. Hadson is a fully-integrated non-utility power company involved in the development, design, construction, operation and ownership of qualifying cogeneration facilities in the United States. The Parent Corporation, through LG&E Energy Systems, may make similar acquisitions in the energy field in the future. All or a portion of the purchase price of such acquisitions may be financed through bank borrowings or other obligations of the Parent Corporation or LG&E Energy Systems. These obligations of the Parent Corporation and of LG&E Energy Systems will not be obligations of the Company.

USE OF PROCEEDS

The proceeds from the sale of the shares of the New Preferred Stock offered hereby will be added to the general funds of the Company and are expected to be used, along with other funds of the Company, to redeem 250,000 shares of the Company's \$9.54 Cumulative Preferred Stock (without par value) and 250,000 shares of the Company's \$8.72 Cumulative Preferred Stock (without par value).

DESCRIPTION OF THE NEW PREFERRED STOCK AND UNITS**General**

The following description of the particular terms of the New Preferred Stock and Units offered hereby supplements the description of the general terms and provisions of the New Preferred Stock set forth in the Prospectus under the caption "Description of New Preferred Stock," to which description reference is hereby made. The following description does not purport to be complete and is subject to and qualified in its entirety by reference to the Articles of Incorporation and the Articles of Amendment (the "Articles of Amendment") relating to the New Preferred Stock, copies of which have been filed or incorporated by reference as exhibits to the Registration Statement. Certain capitalized words not defined herein are used as defined in the accompanying Prospectus.

The New Preferred Stock will be offered and sold and, except as set forth under the caption "The Auction—General—Securities Depository" below, may be transferred only in Units of 1,000 shares.

Auction series

"Redemption Provisions" (in each case, a "Payment Failure"), then the Applicable Rate for each Dividend Period commencing on or after any such Dividend Payment Date or redemption date and until such Payment Failure has been cured, shall be equal to the lesser of: (i) 250% of the Applicable AA Composite Commercial Paper Rate on the Business Day next preceding the commencement of each such Dividend Period or (ii) 25% per annum until the Company's shareholders eliminate such provision and, following elimination of such provision, 250% of the Applicable AA Composite Commercial Paper Rate. If the Company remedies such Payment Failure by paying all dividends accrued and unpaid, and any unpaid redemption payments, on all shares of the New Preferred Stock, the Applicable Rate for the Dividend Period commencing after the date on which such Payment Failure is remedied shall again be determined by implementation of the Auction Procedures (as defined below).

"Applicable AA Composite Commercial Paper Rate," on any date, means (i) with respect to a 49-day Short-Term Period, the (A) Interest Equivalent (as defined below) of the 60-day rate on commercial paper placed on behalf of issuers whose corporate bonds are rated "AA" by Standard & Poor's Corporation or its successor ("S&P"), or the equivalent of such rating by S&P or another rating agency, as such 60-day rate is made available on a discount basis or otherwise by the Federal Reserve Bank of New York for the Business Day immediately preceding that date, or (B) in the event that the Federal Reserve Bank of New York does not make available such rate, then the arithmetic average of the Interest Equivalent of the 60-day rate on commercial paper placed on behalf of such issuers, and as quoted, on a discount basis or otherwise, to the Trust Company for the close of business on the Business Day immediately preceding that date by Goldman, Sachs & Co. and Morgan Stanley & Co. Incorporated or, in lieu thereof, their respective affiliates or successors that are engaged in the business of buying or selling commercial paper ("Commercial Paper Dealers"), or (ii) with respect to a Quarterly Period or a 13-week Short-Term Period, the Interest Equivalent of the 90-day rate on such commercial paper as so determined. In the event that either of the Commercial Paper Dealers does not quote a rate required to determine the Applicable AA Composite Commercial Paper Rate, the Applicable AA Composite Commercial Paper Rate shall be determined on the basis of quotations furnished by the remaining Commercial Paper Dealer and the Substitute Commercial Paper Dealer (as defined below) selected by the Company to provide such rate or, if the Company does not select any such Substitute Commercial Paper Dealer, by the remaining Commercial Paper Dealer. If the Company adjusts the number of days in any Short-Term Period as a result of a change in the Minimum Holding Period with the result that (i) any such Short-Term Period shall have 70 or more days but fewer than 85 days, the rate will be the arithmetic average of the Interest Equivalent of the 60-day and 90-day rates on such commercial paper or (ii) any such Short-Term Period shall have 85 or more days but 98 or fewer days, the rate will be the Interest Equivalent of the 90-day rate on such commercial paper. The term "Interest Equivalent" means the equivalent yield on a 360-day basis of a discount basis security to an interest-bearing security and the term "Substitute Commercial Paper Dealer" means any commercial paper dealer that is a leading dealer in the commercial paper market.

Redemption Provisions

At the option of the Company, shares of New Preferred Stock may be redeemed, in whole or from time to time in part, on any Dividend Payment Date at a redemption price of \$100 per share (\$100,000 per Unit) plus an amount equal to accrued and unpaid dividends to the date fixed for redemption. Unless shares of New Preferred Stock are registered for transfer and exchange as described under the caption "The Auction—General—Securities Depository," the shares of New Preferred Stock are redeemable only in whole Units.

If shares of New Preferred Stock are to be redeemed, the Company's Articles of Incorporation currently provide that notice of redemption shall be given by publication at least once in one daily

Auction series

newspaper printed in the English language and of general circulation in Louisville, Kentucky, the first publication to be at least 30 days prior to the date fixed for such redemption. Notice also shall be mailed to the holders of record of the New Preferred Stock to be redeemed at the respective addresses as the same shall appear on the books of the Company at least 30 days prior to the date fixed for redemption, but failure to mail such notice or any defect therein or in the mailing thereof shall not affect the validity of the proceedings for the redemption of any shares so to be redeemed. At their 1992 Annual Meeting, the Company's shareholders are expected to consider an amendment to the Articles of Incorporation which, if adopted, would have the effect of eliminating the requirement to publish the notice of redemption. So long as shares of New Preferred Stock are held of record by the nominee of the Securities Depository, the Company only will give notice to the Securities Depository of any such redemption. The notice of redemption will include a statement setting forth (i) the number of shares of New Preferred Stock (if applicable, to be denominated in Units) to be redeemed, (ii) the date fixed for redemption and (iii) the redemption price.

If less than all of the outstanding shares are to be redeemed, the shares of New Preferred Stock to be redeemed shall be selected by lot on a per Unit basis. So long as shares of New Preferred Stock are held of record by the nominee of the Securities Depository, the Company will give notice to the Securities Depository of any such partial redemption, and the Securities Depository shall determine the number of Units to be redeemed from the account of the Agent Member of each Existing Holder. An Agent Member may determine to redeem Units from some Existing Holders (which may include an Agent Member holding Units for its own account) without redeeming Units from the accounts of other Existing Holders.

So long as shares of New Preferred Stock are held of record by the nominee of the Securities Depository, the redemption price for such shares shall be paid to the nominee of the Securities Depository on the date fixed for redemption. The Securities Depository will credit the accounts of the Agent Members of Existing Holders with the amount of the redemption price in accordance with the Securities Depository's normal procedures. The Agent Member of an Existing Holder will be responsible for holding or disbursing such payments to such Existing Holder in accordance with the instructions of such Existing Holder.

Shares of New Preferred Stock which have been redeemed or otherwise acquired by the Company or any affiliate of the Company are not subject to reissuance as New Preferred Stock.

Transfer Agent, Registrar and Dividend Disbursing Agent

Bankers Trust Company initially will be the transfer agent, registrar and dividend disbursing agent for shares of the New Preferred Stock.

Liquidation Rights

Upon voluntary or involuntary liquidation, the holders of shares of the New Preferred Stock will be entitled to receive \$100 per share (\$100,000 per Unit) plus an amount equal to accrued and unpaid dividends before any distribution of assets may be made to the holders of any junior stock including the Company's Common Stock.

THE AUCTION**General**

The Applicable Rate for each Dividend Period following the Initial Dividend Period will be equal to the rate per annum that the Trust Company advises has resulted from the Auction held on the Business Day preceding the first day of such Dividend Period pursuant to the Auction Procedures.

_____,' _____

Louisville Gas & Electric Company
(as Borrower)

Fidelia Corporation
(as Lender)

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LOAN AGREEMENT

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THIS AGREEMENT made on _____, _____

Between

LOUISVILLE GAS & ELECTRIC COMPANY a Kentucky corporation, as borrower (the *Borrower*); and

FIDELIA CORPORATION, a Delaware corporation, as lender (the *Lender*).

Whereas

(A) The Lender and the Borrower hereby enter into an agreement for the provision by the Lender to the Borrower of a loan in the amount of \$_____ (the Loan Amount).

Now it is hereby agreed as follows:

1. Definitions

1.1 In this Agreement

Business Day means a day on which banks in New York are generally open

Default Interest Rate means: the rate, as determined by the Lender, applying to the principal element of an overdue amount under Clause 6.3, calculated as the sum of the interest rate in effect immediately before the due date of such amount, plus 1%;

Effective Date shall have the meaning given to it in Clause 2.1;

Final Repayment Date means _____, _____;

Interest Payment Date means _____ and _____ of each year during the term of this agreement, provided, that:

any Interest Payment Date which is not a Business Day shall be extended to the next succeeding Business Day;

Loan Amount means \$_____;

Maturity Date means the Final Repayment Date;

Request means a request for the Loan Amount from the Borrower to the Lender under the terms of clause 3.1;

Termination Event means an event specified as such in Clause 7;

Value Date means the date upon which cleared funds are made available to the Borrower by the Lender pursuant to a Request made in accordance with Clause 3.1. Such date shall be a Business Day as defined herein.

2. Term Loan

- 2.1 This Agreement shall come into effect on _____, ____ (the "Effective Date").
- 2.2 The Lender grants to the Borrower upon the terms and conditions of this Agreement a term loan in an amount of \$_____.
- 2.3 The new indebtedness shall be evidenced by a note in substantially the form of Exhibit "A" attached hereto.

3. Availability of Requests

- 3.1 On the Effective Date, the Borrower will submit a request (the "Request") to the Lender for the Loan Amount, such Request specifying the Value Date, the Maturity Date and the bank account to which payment is to be made. The Request shall be submitted to the Lender by the Borrower and delivered in accordance with Clause 9.3.

4. Interest

- 4.1 The rate of interest on the Loan Amount is ____%.
- 4.2 Interest shall accrue on the basis of a 360-day year consisting of twelve 30 day months upon the Loan Amount.
- 4.3 Interest shall be payable in arrears on each Interest Payment Date.

5. Repayment and Prepayment

- 5.1 The Borrower shall repay the Loan Amount together with all interest accrued thereon and all other amounts due from the Borrower hereunder on the Final Repayment Date, whereupon this Agreement shall be terminated.
- 5.2 On any Interest Payment Date, and with at least three business day's prior written notice, the Borrower shall be entitled to prepay any amount of the loan outstanding, provided such payment is not less than \$1,000,000 and provided further, the Borrower shall pay a prepayment charge equal to the present value of the difference between (i) the interest payable provided in this loan agreement and (ii) the interest payable at the prevailing interest rate at the time of prepayment, for the period from the date of prepayment through the Maturity Date, which difference, if negative, shall be deemed to be zero. The present value will be determined using the prevailing interest rate at the time of the prepayment as the discount rate.
- 5.3 A certificate from the Lender as to the amount due at any time from the Borrower to the Lender under this Agreement shall, in the absence of manifest error, be conclusive.

6. Payments

- 6.1 All payments of principal to be made to the Lender by the Borrower shall be made on the Final Repayment Date, or on an Interest Payment Date under Clause (5.2) to such account as the Lender shall have specified.
- 6.2 Interest shall be payable in arrears on each Interest Payment Date.
- 6.3 If and to the extent that full payment of any amount due hereunder is not made by the Borrower on the due date then, interest shall be charged at the Default Interest Rate on such overdue amount from the date of such default to the date payment is received by the Lender.

7. Termination Events

7.1 The Borrower shall notify the Lender of any Event of Default (and the steps, if any, being taken to remedy it) promptly upon becoming aware of it.

7.2 The following shall constitute an Event of Default hereunder:

7.2.1 Default is made by the Borrower in the payment of any sum due under this Agreement and such default continues for a period of 10 Business Days;

7.2.2 Bankruptcy proceedings are initiated against the Borrower;

7.2.3 The Borrower leaves the E.ON Group (i.e. the companies consolidated in E.ON AG's balance sheet);

If a Termination Event occurs under Clause (7.2.2) of this section, the Loan Amount outstanding together with interest will become due and payable immediately.

If a Termination Event occurs according to Clauses (7.2.1) or (7.2.3) of this Section, Lender shall at its discretion grant Borrower a reasonable grace period unless such grace period shall be detrimental to the Lender. If the Termination Event is uncured at the expiration of such period, the Loan Amount outstanding together with interest will become due and payable immediately.

8. Operational Breakdown

8.1 The Borrower is not liable for any damages incurred by the Lender and the Lender is not liable for any damages incurred by the Borrower caused by Acts of God or other circumstances incurred by one party for which the other party cannot be held responsible (i.e. power outages, strikes, lock-outs, domestic and foreign acts of government and the like).

9. Notices

- 9.1 Each communication to be made in respect of this Agreement shall be made in writing but, unless otherwise stated, may be made by facsimile transmission or letter.
- 9.2 Communications to the Borrower shall be addressed to: Louisville Gas & Electric Company, 220 W. Main St., Louisville, KY 40202, Attn: Treasurer fax# (502)627-4742 except for confirmations which should be sent to the attention of Karen Callahan.
- 9.3 Communications to the Lender shall be addressed to: Fidelity Corporation, 919 N. Market Street, Suite 504, Wilmington, Delaware 19801, Attn: President.

10. Assignment

- 10.1 The Lender may at any time assign, novate or otherwise transfer all or any part of its rights and obligations under this Agreement to any affiliate of the Lender.

11. Severability

- 11.1 If any of the provisions of this Agreement becomes invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired.

12. Counterparts

- 12.1 This Agreement may be executed in any number of counterparts that shall together constitute one Agreement. Any party may enter into an Agreement by signing any such counterpart.

13. Law

13.1 This Agreement shall be governed by and construed for all purposes in accordance with the laws of Delaware.

IN WITNESS whereof the parties have executed this Agreement the day and year first above written.

SIGNED by _____)
for and on behalf of)
Louisville Gas & Electric Company)

SIGNED by _____)
for and on behalf of)
Fidelia Corporation)

EXHIBIT "A"

PROMISSORY NOTE

U.S. \$ _____

Louisville, KY, _____, _____

Louisville Gas & Electric Company ("LG&E"), for value received, hereby promises to pay to the order of Fidelia Corporation ("Fidelia") in lawful money of the United States of America (in freely transferable U.S. dollars and in same day funds), in accordance with the method of payment specified in that certain LG&E Loan Agreement dated as of _____, _____, between LG&E and Fidelia ("the Agreement"), the principal sum of \$ _____, which amount shall be payable at such times as provided in the Agreement.

LG&E promises also to pay interest on the unpaid principal amount hereof in like money and in like manner at the rates which shall be determined in accordance with the provisions of the Agreement, said interest to be payable at the time provided for in the Agreement. This Note is referred to in the Agreement and is entitled to the benefits thereof and the security contemplated thereby. This Note evidences a loan made by Fidelia, during such time as such loan is being maintained. This Note is subject to prepayment as specified in the Agreement. In case LG&E defaults on the loan, the principal and accrued interest on this Note may be declared to be due and payable in the manner and with the effect provided in the Agreement.

LG&E hereby waives presentment, demand, protest or notice of any kind in connection with this Note.

This Note shall be governed and construed and interpreted in accordance with the laws of the State of Delaware

Louisville Gas & Electric Company

By: _____

TWO NEW ISSUES

Subject to the conditions and exceptions set forth under the caption "TAX TREATMENT", Harper, Ferguson & Davis, Louisville, Kentucky ("Bond Counsel"), is of the opinion that, under current law, interest on each issue of 1992 Series A Bonds offered hereby (i) 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 1992 Series A 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 Internal Revenue Code of 1986, as amended (the "Code"), and (ii) 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 taxes imposed on certain corporations, including imposition of the corporate alternative minimum tax on a portion of such interest. Bond Counsel is further of the opinion that interest on each issue of the 1992 Series A Bonds will be excludable from the gross income of the recipients thereof for Kentucky income tax purposes and that, under current law, principal of each issue of the 1992 Series A Bonds will be exempt from ad valorem taxes in Kentucky. Issuance of each issue of the 1992 Series A Bonds is subject to receipt of a favorable tax opinion of Bond Counsel as of the date of delivery of the 1992 Series A Bonds. See "TAX TREATMENT" herein.

\$31,000,000

County of Jefferson, Kentucky
Pollution Control Revenue Bonds,
1992 Series A
 (Louisville Gas and Electric Company Project)

\$60,000,000

County of Trimble, Kentucky
Pollution Control Revenue Bonds,
1992 Series A
 (Louisville Gas and Electric Company Project)

THE 1992 SERIES A BONDS WILL BE SPECIAL AND LIMITED OBLIGATIONS OF EACH RESPECTIVE COUNTY (THE "COUNTY") PAYABLE FROM AMOUNTS RECEIVED UNDER A LOAN AGREEMENT WITH LOUISVILLE GAS AND ELECTRIC COMPANY (THE "COMPANY") AND PLEDGED AS SECURITY FOR SUCH ISSUE OF 1992 SERIES A BONDS. THE 1992 SERIES A BONDS WILL NOT CONSTITUTE AN INDEBTEDNESS OR A GENERAL OBLIGATION OR PLEDGE OF THE FAITH AND CREDIT OF THE COMMONWEALTH OF KENTUCKY OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE RESPECTIVE COUNTY, AND WILL NOT GIVE RISE TO A PECUNIARY LIABILITY OF THE RESPECTIVE COUNTY OR A CHARGE AGAINST ITS GENERAL CREDIT OR TAXING POWERS.

Dated: Date of Issuance

Due: September 1, 2017

The 1992 Series A Bonds of each issue are payable solely from and secured by payments to be received by the respective County pursuant to separate Loan Agreements with Louisville Gas and Electric Company, Louisville, Kentucky, except as payable from accrued interest, if any, 1992 Series A Bond proceeds or investment earnings thereon. Principal of, and interest on, the 1992 Series A Bonds of each issue will be further secured by the delivery to the Trustee of First Mortgage Bonds of

Louisville Gas and Electric Company

and, until the Cross-Over Date, by a pledge of the Escrow Fund (each as defined herein).

Each issue of 1992 Series A Bonds as initially issued will bear interest at Flexible Rates. The Initial Flexible Rate to be borne by each Jefferson County 1992 Series A Bond will be determined and reset by Smith Barney, Harris Upham & Co. Incorporated as Remarketing Agent for such issue and the Initial Flexible Rate to be borne by each Trimble County 1992 Series A Bond will be determined and reset by Goldman, Sachs & Co. as Remarketing Agent for such issue. The rate of interest on each issue of 1992 Series A Bonds may be changed from time to time to Flexible, Daily, Weekly, Semi-Annual, Annual or Long Term Rates upon notice as described herein and, under certain circumstances, the 1992 Series A Bonds may be converted to bear interest at the Long Term Rate until maturity.

The 1992 Series A Bonds will be issued only as fully registered bonds in denominations of \$100,000 and whole multiples thereof while bearing interest at a Daily, Weekly or Semi-Annual Rate; in denominations of \$1,000 and whole multiples thereof with a minimum denomination of \$100,000 while bearing interest at Flexible Rates; and in denominations of \$5,000 and whole multiples thereof while bearing interest at an Annual or Long Term Rate. Security Pacific National Trust Company (New York) is Trustee and Paying Agent for the 1992 Series A Bonds.

Registered owners will be required to tender their 1992 Series A Bonds for purchase: (i) at the end of each Flexible Rate Period; and (ii) upon conversion of the 1992 Series A Bonds from one interest rate mode to a different interest rate mode (except upon conversion between Daily and Weekly Rate Periods) and between Long Term Rate Periods effective for periods of different durations. Tendered 1992 Series A Bonds may be remarketed and remain outstanding.

Price: 100%

The 1992 Series A Bonds of each issue are offered when, as and if issued by the respective County and accepted by the Underwriters, subject to prior sale, to withdrawal or modification of the offer without notice and to the approval of legality by Harper, Ferguson & Davis, Louisville, Kentucky, Bond Counsel, the approval of certain other legal matters by Gardner, Carton & Douglas, Chicago, Illinois, and Susan M. Jenkins, Esq., counsel to the Company, and by Winston & Strawn, Chicago, Illinois, counsel to the Underwriters, and certain other conditions. It is expected that delivery of the 1992 Series A Bonds will be made on or about September 17, 1992, in New York, New York against payment therefor.

Goldman, Sachs & Co.

September 10, 1992

Smith Barney, Harris Upham & Co.
Incorporated

	FLEXIBLE RATE	DAILY RATE	WEEKLY RATE
Interest Payment Dates	With respect to any 1992 Series A Bond, the first Business Day following the last day of each Flexible Rate Period for that Bond.	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 1:00 p.m. 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 5:00 p.m. on the day preceding the first day of each Weekly Rate Period or, if not a Business Day, on the next succeeding Business Day.
Interest Rate Periods	For each Bond, successive periods each of a duration designated by the Remarketing Agent of one day to 270 days (or a lower maximum number as specified in the Indenture); must end on a day preceding 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 Registered Owner; Required Notice	No purchase on demand of the registered owner.	Any Business Day; by written or telephonic notice to the Tender Agent by 10:00 a.m. on such Business Day.	Any Business Day; by written notice to the Tender Agent at or before 5:00 p.m. on a Business Day not later than 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 (other than to the Weekly Rate).	Any Conversion Date (other than to the Daily Rate).
Redemption	With respect to each Bond, optional at par on any Interest Payment Date for such Bond; Extraordinary Optional at par; and Extraordinary Mandatory at par.	Optional at par on any Interest Payment Date; Extraordinary Optional at par; and Extraordinary Mandatory at par.	Optional at par on any Interest Payment Date; Extraordinary Optional at par; and Extraordinary Mandatory at par.
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 (30 days notice of mandatory purchase if Conversion to the Semi-Annual, Annual or Long Term Rate) or greater than 60 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 60 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 60 days.
Manner of Payments	Principal or redemption price and interest in immediately available funds 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; interest 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 in immediately available funds; purchase price upon surrender of the Bond to the Tender Agent.

SEMI-ANNUAL RATE	ANNUAL RATE	LONG TERM RATE
Each March 1 and September 1.	Each March 1 and September 1.	Each March 1 and September 1; any Conversion Date and the effective date of any change to a new Long Term Rate Period.
Not later than 12:00 noon on the Business Day preceding the first day of each Semi-Annual Rate Period.	Not later than 12:00 noon on the Business Day preceding the first day of each Annual Rate Period.	Not later than 12:00 noon on the Business Day preceding the first day of each Long Term Rate Period.
Each six-month period from and including each March 1 and September 1 to and including the day preceding the next Interest Payment Date.	Each one-year period from and including March 1 and September 1 to and including the day immediately preceding the second Interest Payment Date 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 (March 1 and September 1) to and including the day immediately preceding the last Interest Payment Date for that period.
On any Interest Payment Date; by written notice to the Tender Agent on a 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 a 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.
Any Conversion Date.	Any Conversion Date.	Any Conversion Date; and the effective date of a change of Long Term Rate Period.
Optional at par on any Interest Payment Date; Extraordinary Optional at par; and Extraordinary Mandatory at par.	Optional at par on the final Interest Payment Date for the Annual Rate Period; Extraordinary Optional at par; Extraordinary Mandatory at par.	Optional at times and prices dependent on the length of the Long Term Rate Period; Extraordinary Optional at par; Extraordinary Mandatory at par.
Not fewer than 30 days or greater than 60 days.	Not fewer than 30 days or greater than 60 days.	Not fewer than 30 days or greater than 60 days.
Principal or redemption price upon surrender of the Bond to the Paying Agent; interest by check mailed to the registered owner or, upon request of registered owners of \$1,000,000 or more 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 owner or, upon request of registered owners of \$1,000,000 or more 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 owner or, upon request of registered owners of \$1,000,000 or more of Bonds, in immediately available funds; purchase price upon surrender of the Bond to the Tender Agent.

If the registered owner of any 1992 Series A Bond (or portion thereof) that is subject to purchase pursuant to the Indenture fails to deliver such 1992 Series A 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 1992 Series A Bond (or portion thereof) nevertheless will be deemed purchased on the Purchase Date thereof. Any owner who so fails to deliver such 1992 Series A 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 1992 Series A Bond to the Tender Agent properly endorsed for transfer in blank with all signatures guaranteed.

Redemption Provisions

Optional Redemption.

(i) Whenever the Interest Rate Mode for the 1992 Series A Bonds is the Daily Rate, the Weekly Rate or the Semi-Annual Rate, the 1992 Series A Bonds will be subject to redemption, in whole or in part, at the option of the County, upon the direction of the Company, at a redemption price of 100% of the principal amount thereof on any Interest Payment Date.

(ii) Whenever the Interest Rate Mode for a 1992 Series A Bond is the Flexible Rate, such 1992 Series A Bond will be subject to redemption, in whole or in part, at the option of the County, upon the direction of the Company, at a redemption price of 100% of the principal amount thereof on each Interest Payment Date for that 1992 Series A Bond.

(iii) Whenever the Interest Rate Mode for the 1992 Series A Bonds is the Annual Rate, the 1992 Series A Bonds will be subject to redemption, in whole or in part, at the option of the County, upon the direction of the Company, at a redemption price of 100% of the principal amount thereof on the final Interest Payment Date for each Annual Rate Period.

(iv) Whenever the Interest Rate Mode for the 1992 Series A Bonds is the Long Term Rate, the 1992 Series A Bonds will be subject to redemption, in whole or in part, at the option of the County, upon the direction of the Company, (A) on the final Interest Payment Date for the then current Long Term Rate Period 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 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 15 years	Tenth anniversary of commencement of Long Term Rate Period	102%, declining by 1/2% on each succeeding anniversary of the first day of the redemption period until reaching 100% and thereafter 100%
More than 13 but not more than 15 years	Eighth anniversary of commencement of Long Term Rate Period	102%, declining by 1/2% on each succeeding anniversary of the first day of the redemption period until reaching 100% and thereafter 100%
More than 10 but not more than 13 years	Fifth anniversary of commencement of Long Term Rate Period	101½% declining by 1/2% on each succeeding anniversary of the first day of the redemption period until reaching 100% and thereafter 100%

Original Length of Current Long Term Rate Period (Years)	Commencement of Redemption Period	Redemption Price as Percentage of Principal
More than 7, but not more than 10 years	Fifth anniversary of commencement of Long Term Rate Period	101%, declining by 1/2% on each succeeding anniversary of the first day of the redemption period until reaching 100% and thereafter 100%
More than 3 but not more than 7 years	Third anniversary of commencement of Long Term Rate Period	101%, declining to 100% on the next anniversary of the first day of the redemption period and thereafter 100%
3 years or less	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 1992 Series A Bonds will not adversely affect the exclusion from gross income of interest on the 1992 Series A 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.

Extraordinary Optional Redemption in Whole. The 1992 Series A Bonds may be redeemed by the County in whole 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:

(a) if in the judgment of the Company, unreasonable burdens or excessive liabilities shall have been imposed upon the Company after the issuance of the 1992 Series A 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 September 1, 1992, other than *ad valorem* taxes presently levied upon privately owned property used for the same general purpose as the Project;

(b) if the Project or a portion thereof or other property of the Company in connection with which the Project is used shall have 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 unsatisfactory to the Company for its intended use, and such condition shall continue for a period of six months;

(c) there shall have 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;

(d) in the event changes, which the Company cannot reasonably control, in the economic availability of materials, supplies, labor, equipment or other properties or things necessary for the efficient operation of the Generating Station shall have occurred which, in the judgment of the Company, render the continued operation of the Generating Station or any generating unit at such station uneconomical; or changes in circumstances after the issuance of the 1992 Series A Bonds, including but not limited to changes in clean air or other air and water pollution control requirements or solid waste disposal requirements, shall have occurred such that the Company shall determine that use of the Project is no longer required or desirable;

(e) the Loan Agreement shall have 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 or federal) or any final decree, judgment or order of any court or administrative body, whether state or federal; or

(f) a final order or decree of any court or administrative body after the issuance of the 1992 Series A Bonds shall require the Company to cease a substantial part of its operations at the Generating Station to such extent that the Company will be prevented from carrying on its normal operations at such station for a period of six months.

Extraordinary Optional Redemption in Whole or in Part. The 1992 Series A 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 County, the Company or the First Mortgage Trustee in the event of damage, destruction or condemnation of all or a portion of the applicable Project. See "THE LOAN AGREEMENT — Maintenance; Damage, Destruction and Condemnation".

Mandatory Redemption; Event of Taxability. The 1992 Series A Bonds are subject to mandatory redemption by the County at 100% of the principal amount thereof plus accrued interest to the redemption date if the Company is required to prepay the amounts due under the Loan Agreement after a final determination by a court of competent jurisdiction or an administrative agency 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 representations contained in the Loan Agreement or any other agreement or certificate delivered in connection therewith, the interest payable on the 1992 Series A Bonds is included for federal income tax purposes in the gross income of any Bondholder (other than any Bondholder who is 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")). Such mandatory redemption shall take place within 180 days after such final determination.

Such redemption is not obligatory unless the Company has participated in or had the opportunity to participate, to a degree the Company reasonably deems sufficient, in the proceeding which resulted in such determination, either directly or through a Bondholder. No determination will be considered final until the conclusion of any appellate review or the expiration of the time for seeking such review. Further, no redemption obligation will arise unless such Bondholder permits the Company to participate in such proceedings to the degree the Company reasonably deems sufficient and gives the Company prompt written notice of the commencement of such proceedings. The 1992 Series A Bonds will be redeemed in whole, unless the Trustee receives an opinion of Bond Counsel, in accordance with the Indenture, that partial redemption would result in the interest payable on the remaining 1992 Series A Bonds outstanding after such redemption not being included in the gross income of any Bondholder, other than a Bondholder who is a "substantial user" of the Project or a "related person" as such terms are used in Section 147(a) of the Code.

If the Internal Revenue Service or a court of competent jurisdiction determines that the interest paid or to be paid on any 1992 Series A 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 includible 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, the 1992 Series A Bonds are not subject to redemption. In such circumstances, Bondholders would continue to hold their 1992 Series A 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, 1992 Series A Bonds will not be redeemed as described herein.

Mandatory Redemption; Failure to Pay and Discharge Refunded Bonds. The 1992 Series A Bonds are also subject to mandatory redemption in whole at 100% of the principal amount thereof plus accrued interest on or prior to the fifteenth day after the date (the "Failed Cross-Over Date") which is the 90th day after the issuance of the 1992 Series A Bonds if, on or prior to such 90th day, the Company has not caused the payment and discharge of the Refunded Bonds, in accordance with the indenture of trust under which the Refunded Bonds were issued.

General Redemption Terms. Notice of redemption will be given by mailing a redemption notice by first class mail to the registered owners of the 1992 Series A Bonds to be redeemed not less than 15 days (30 days if the interest Rate Mode is the Semi-Annual Rate, the Annual Rate or the Long Term Rate), nor more than 60 days prior to the redemption date, except that in the case of a Failed Cross-Over Date, such notice shall be given at least 10 days prior to the redemption date. Any notice mailed as provided in the Indenture shall be conclusively presumed to have been given, irrespective of whether the registered owner receives the notice. Failure to give any such notice by mailing or any defect therein in respect of any 1992 Series A Bond will not affect the validity of any proceedings for the redemption of any other 1992 Series A Bond. No further interest shall accrue on the principal of any 1992 Series A Bond called for redemption after the redemption date if funds sufficient for such redemption have been deposited with the Trustee as of the redemption date.

Discharge of Indenture. Upon certain terms and conditions specified in the Indenture, the 1992 Series A Bonds or any portion thereof shall be deemed to be paid, and the assignment of payments made in the Indenture for the security of such 1992 Series A Bonds and the security provided by the Pledged First Mortgage Bonds may be discharged, upon the making of provision for payment by irrevocably depositing with the Trustee, cash or Governmental Obligations maturing as to principal and interest at such times as to be sufficient to provide amounts to pay when due the principal of, premium, if any, and interest on such 1992 Series A Bonds and all reasonable and necessary fees and expenses of the Trustee and paying agent associated therewith. See "THE INDENTURE — Discharge of Indenture".

THE LOAN AGREEMENT

General

The term of the Loan Agreement shall commence as of its date and end on the earliest to occur of September 1, 2017, or the date on which all of the 1992 Series A Bonds shall have been fully paid or provision has been made for such payment pursuant to the Indenture. See "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 1992 Series A Bonds on each date upon which any such payments are due. The Company has also agreed to pay (a) the reasonable 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 1992 Series A Bonds and (c) the reasonable expenses of the County.

The Company covenants and agrees with the County that it will cause the purchase of tendered 1992 Series A 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 "THE 1992 SERIES A BONDS — Remarketing and Purchase of 1992 Series A Bonds").

All payments to be made by the Company to the County pursuant to the Loan Agreement (except the reasonable out-of-pocket expenses of the County and amounts related to indemnification) have been assigned by the County 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 County have agreed not to take any action that would result in the interest paid on the 1992 Series A 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 adversely affects the validity of the 1992 Series A Bonds.

TWO NEW ISSUES

Subject to the conditions and exceptions set forth under the caption "TAX TREATMENT", Harper, Ferguson & Davis, Louisville, Kentucky ("Bond Counsel"), is of the opinion that, under current law, interest on each series of the Bonds offered hereby (i) 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" as such terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) 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 taxes imposed on certain corporations, including imposition of the corporate alternative minimum tax on a portion of such interest. Bond Counsel is further of the opinion that interest on each series of the Bonds will be excludable from the gross income of the recipients thereof for Kentucky income tax purposes and that, under current law, principal of each series of the Bonds will be exempt from ad valorem taxes in Kentucky. Issuance of each series 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.

\$35,200,000

County of Jefferson, Kentucky
Pollution Control Revenue Bonds,
1993 Series A, Due August 15, 2013
(Louisville Gas and Electric Company Project)
Dated: Date of Issuance

\$102,000,000

County of Jefferson, Kentucky
Pollution Control Revenue Bonds,
1993 Series B, Due August 15, 2019
(Louisville Gas and Electric Company Project)
Dated: August 15, 1993

THE SERIES A BONDS AND THE SERIES B BONDS (COLLECTIVELY, THE "BONDS") WILL BE SPECIAL AND LIMITED OBLIGATIONS OF JEFFERSON COUNTY, KENTUCKY (THE "COUNTY") PAYABLE FROM AMOUNTS RECEIVED UNDER SEPARATE LOAN AGREEMENTS WITH LOUISVILLE GAS AND ELECTRIC COMPANY (THE "COMPANY") AND PLEDGED AS SECURITY FOR SUCH BONDS. THE BONDS WILL NOT CONSTITUTE AN INDEBTEDNESS OR A GENERAL OBLIGATION OR PLEDGE OF THE FAITH AND CREDIT OF THE COMMONWEALTH OF KENTUCKY OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE COUNTY, AND WILL NOT GIVE RISE TO A PECUNIARY LIABILITY OF THE COUNTY OR A CHARGE AGAINST ITS GENERAL CREDIT OR TAXING POWERS.

The Bonds of each series are payable solely from and secured by payments to be received by the County pursuant to separate Loan Agreements with the Company, except as payable as provided herein from accrued interest, if any, Bond proceeds or investment earnings thereon. Principal of, and interest on, the Bonds of each series will be further secured by the delivery to the applicable Trustee of First Mortgage Bonds of

Louisville Gas and Electric Company

The Series A Bonds and the Series B Bonds are separate series and the sale and delivery of one series is not dependent on the sale and delivery of the other series. The Series A Bonds as initially issued will bear interest at Flexible Rates. The initial Flexible Rate to be borne by each Series A Bond will be determined and reset by Goldman, Sachs & Co. as sole Remarketing Agent. The Series B Bonds will initially be issued with a Long Term Rate Period to maturity of August 15, 2019, at 5 $\frac{1}{8}$ % per annum, payable February 15 and August 15 during such period, commencing February 15, 1994. The interest rate period, interest rate and interest rate mode for each series of Bonds will be subject to change under certain conditions, as described herein.

The Bonds will be issued only as fully registered bonds in denominations of \$100,000 and whole multiples thereof while bearing interest at a Daily, Weekly or Semi-Annual Rate; in denominations of \$1,000 and whole multiples thereof with a minimum denomination of \$100,000 while bearing interest at Flexible Rates; and in denominations of \$5,000 and whole multiples thereof while bearing interest at an Annual or Long Term Rate. BankAmerica National Trust Company is Trustee and Paying Agent for the Series A Bonds. PNC Bank, Kentucky, Inc., Louisville, Kentucky, is Trustee for the Series B Bonds.

The Bonds will be purchased on the demand of the owners thereof on the terms and subject to the conditions described herein. The Bonds will be subject to redemption and mandatory purchase prior to maturity, as described herein, including, but not limited to: (i) at the end of each Flexible Rate Period, and (ii) upon conversion of the Bonds from one interest rate mode to a different interest rate mode (except upon conversion between Daily and Weekly Rate Periods) and between Long Term Rate Periods effective for periods of different durations. Tendered Bonds may be remarketed and remain outstanding.

PRICE: 100%

(Plus accrued interest from August 15, 1993 in the case of the Series B Bonds)

The Bonds of each series are offered when, as and if issued by the County and accepted by the Underwriters therefor, subject to prior sale, to withdrawal or modification of the offer without notice and to the approval of legality by Harper, Ferguson & Davis, Louisville, Kentucky, Bond Counsel, the approval of certain other legal matters by Gardner, Carton & Douglas, Chicago, Illinois, and Susan M. Jenkins, Esq., counsel to the Company, and by Winston & Strawn, Chicago, Illinois, counsel to the Underwriters, and certain other conditions. It is expected that delivery of the Bonds will be made on or about August 31, 1993, in New York, New York against payment therefor.

Goldman, Sachs & Co.

(Series A Bonds only)

Morgan Stanley & Co.
 Incorporated

Donaldson, Lufkin & Jenrette
 Securities Corporation

J.J.B. Hilliard, W.L. Lyons, Inc.

(Series B Bonds only)

August 26, 1993

	FLEXIBLE RATE	DAILY RATE	WEEKLY RATE
Interest Payment Dates	With respect to any Bond, the first Business Day following the last day of each Flexible Rate Period for that Bond.	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 1:00 p.m. 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 5:00 p.m. on the day preceding the first day of each Weekly Rate Period or, if not a Business Day, on the next succeeding Business Day.
Interest Rate Periods	For each Bond, successive periods each of a duration designated by the Remarketing Agent of one day to 270 days (or a lower maximum number as specified in the Indenture); must end on a day preceding 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 Registered Owner; Required Notice	No purchase on demand of the registered owner.	Any Business Day; by written or telephonic notice to the Tender Agent by 10:00 a.m. on such Business Day.	Any Business Day; by written notice to the Tender Agent at or before 5:00 p.m. on a Business Day not later than 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 (other than to the Weekly Rate).	Any Conversion Date (other than to the Daily Rate).
Redemption	With respect to each Bond, optional at par on any Interest Payment Date for such Bond; Extraordinary Optional at par; and Extraordinary Mandatory at par.	Optional at par on any Interest Payment Date; Extraordinary Optional at par; and Extraordinary Mandatory at par.	Optional at par on any Interest Payment Date; Extraordinary Optional at par; and Extraordinary Mandatory at par.
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 (30 days notice of mandatory purchase if Conversion to the Semi-Annual, Annual or Long Term Rate) or greater than 60 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 60 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 60 days.
Manner of Payments	Principal or redemption price and interest in immediately available funds 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; interest 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 in immediately available funds; purchase price upon surrender of the Bond to the Tender Agent.

SEMI-ANNUAL RATE	ANNUAL RATE	LONG TERM RATE
Each February 15 and August 15.	Each February 15 and August 15.	Each February 15 and August 15; any Conversion Date and the effective date of any change to a new Long Term Rate Period.
Not later than 12:00 noon on the Business Day preceding the first day of each Semi-Annual Rate Period.	Not later than 12:00 noon on the Business Day preceding the first day of each Annual Rate Period.	Not later than 12:00 noon on the Business Day preceding the first day of each Long Term Rate Period.
Each six-month period from and including each February 15 and August 15 to and including the day preceding the next Interest Payment Date.	Each one-year period from and including February 15 and August 15 to and including the day immediately preceding the second Interest Payment Date 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 (February 15 and August 15) to and including the day immediately preceding the last Interest Payment Date for that period.
On any Interest Payment Date; by written notice to the Tender Agent on a 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 a 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.
Any Conversion Date.	Any Conversion Date.	Any Conversion Date; and the effective date of a change of Long Term Rate Period.
Optional at par on any Interest Payment Date; Extraordinary Optional at par; and Extraordinary Mandatory at par.	Optional at par on the final Interest Payment Date for the Annual Rate Period; Extraordinary Optional at par; Extraordinary Mandatory at par.	Optional at times and prices dependent on the length of the Long Term Rate Period; Extraordinary Optional at par; Extraordinary Mandatory at par.
Not fewer than 30 days or greater than 60 days.	Not fewer than 30 days or greater than 60 days.	Not fewer than 30 days or greater than 60 days.
Principal or redemption price upon surrender of the Bond to the Paying Agent; interest by check mailed to the registered owner or, upon request of registered owners of \$1,000,000 or more 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 owner or, upon request of registered owners of \$1,000,000 or more 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 owner or, upon request of registered owners of \$1,000,000 or more of Bonds, in immediately available funds; purchase price upon surrender of the Bond to the Tender Agent.

all signatures guaranteed by a bank, trust company or member firm of The New York Stock Exchange, Inc. 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.

Redemption Provisions

Optional Redemption.

Optional Redemption During Initial Long Term Rate Period For Series B Bonds.

During the initial Long Term Rate Period for the Series B Bonds, the Series B Bonds will be subject to redemption, in whole or in part, at the option of the County, upon the direction of the Company, on any day, on or after August 15, 2003, during the redemption periods and at the redemption prices set forth below, plus interest accrued, if any, to the redemption date:

<u>Redemption Period (both dates inclusive)</u>	<u>Redemption Price as Percentage of Principal Amount</u>
August 15, 2003 through August 14, 2004 ..	102%
August 15, 2004 through August 14, 2005 ..	101%
August 15, 2005 and thereafter	100%

Optional Redemption During Other Interest Rate Modes and Subsequent Long Term Rate Periods.

(i) Whenever the Interest Rate Mode for the Bonds is the Daily Rate, the Weekly Rate or the Semi-Annual Rate, the Bonds will be subject to redemption, in whole or in part, at the option of the County, upon the direction of the Company, at a redemption price of 100% of the principal amount thereof on any Interest Payment Date.

(ii) Whenever the Interest Rate Mode for a Bond is the Flexible Rate, such Bond will be subject to redemption, in whole or in part, at the option of the County, upon the direction of the Company, at a redemption price of 100% of the principal amount thereof on each Interest Payment Date for that Bond.

(iii) Whenever the Interest Rate Mode for the Bonds is the Annual Rate, the Bonds will be subject to redemption, in whole or in part, at the option of the County, upon the direction of the Company, at a redemption price of 100% of the principal amount thereof on the final Interest Payment Date for each Annual Rate Period.

(iv) Whenever the Interest Rate Mode for the Series A Bonds is the Long Term Rate or in the event the Interest Rate Mode for the Series B Bonds becomes the Long Term Rate following a Conversion or change of the initial Long Term Rate Period for the Series B Bonds, the Bonds will be subject to redemption, in whole or in part, at the option of the County, upon the direction of the Company, (A) on the final Interest Payment

Date for the then current Long Term Rate Period 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 interest accrued, if any, to the redemption date:

<u>Original Length of Current Long Term Rate Period (Years)</u>	<u>Commencement of Redemption Period</u>	<u>Redemption Price as Percentage of Principal</u>
More than 15 years	First Interest Payment Date on or after the tenth anniversary of commencement of Long Term Rate Period	102%, declining by ½% on each succeeding anniversary of the first day of the redemption period until reaching 100% and thereafter 100%
More than 13 but not more than 15 years	First Interest Payment Date on or after the eighth anniversary of commencement of Long Term Rate Period	102%, declining by ½% on each succeeding anniversary of the first day of the redemption period until reaching 100% and thereafter 100%
More than 10 but not more than 13 years	First Interest Payment Date on or after the fifth anniversary of commencement of Long Term Rate Period	101½% declining by ½% on each succeeding anniversary of the first day of the redemption period until reaching 100% and thereafter 100%
More than 7, but not more than 10 years	First Interest Payment Date on or after the fifth anniversary of commencement of Long Term Rate Period	101%, declining by ½% on each succeeding anniversary of the first day of the redemption period until reaching 100% and thereafter 100%
More than 3 but not more than 7 years	First Interest Payment Date on or after the third anniversary of commencement of Long Term Rate Period	101%, declining to 100% on the next anniversary of the first day of the redemption period and thereafter 100%
3 years or less	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.

Extraordinary Optional Redemption in Whole. The Bonds may be redeemed by the County in whole 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:

- (a) if in the judgment of the Company, unreasonable burdens or excessive liabilities shall 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 August 15, 1993, other than *ad valorem* taxes presently levied upon privately owned property used for the same general purpose as the Project;

(b) if the Project or a portion thereof or other property of the Company in connection with which the Project is used shall have 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 unsatisfactory to the Company for its intended use, and such condition shall continue for a period of six months;

(c) there shall have 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;

(d) 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 shall 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, shall have occurred such that the Company shall determine that use of the Project is no longer required or desirable;

(e) the Loan Agreement shall have 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 or federal) or any final decree, judgment or order of any court or administrative body, whether state or federal; or

(f) a final order or decree of any court or administrative body after the issuance of the Bonds shall require the Company to cease a substantial part of its operations at a Generating Station to such extent that the Company will be prevented from carrying on its normal operations at such 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 County, the Company or the First Mortgage Trustee in the event of damage, destruction or condemnation of all or a portion of the Project. See "THE LOAN AGREEMENT—Maintenance; Damage, Destruction and Condemnation".

Mandatory Redemption; Event of Taxability. The Bonds are subject to mandatory redemption by the County at 100% of the principal amount thereof plus accrued interest to the redemption date if the Company is required to prepay the amounts due under the Loan Agreement after a final determination by a court of competent jurisdiction or an administrative agency 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 representations contained in the Loan Agreement or any other agreement or certificate delivered in connection therewith, the interest payable on the Bonds is included for federal income tax purposes in the gross income of any Bondholder (other than any Bondholder who is 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")). Such mandatory redemption shall take place within 180 days after such final determination.

Such redemption is not obligatory unless the Company has participated in or had the opportunity to participate, to a degree the Company reasonably deems sufficient, in the proceeding which resulted in such determination, either directly or through a Bondholder. No determination will be considered final until the conclusion of any appellate review or the expiration of the time for seeking such reviews. Further, no redemption obligation will arise unless such Bondholder permits the Company to participate in such proceedings to the degree the Company reasonably deems sufficient and gives the Company prompt written notice of the commencement of such proceedings. The Bonds will be redeemed in whole, unless the Trustee receives an opinion of Bond Counsel, in accordance with the Indenture, that partial redemption would result

in the interest payable on the remaining Bonds outstanding after such redemption not being included in the gross income of any Bondholder, other than a Bondholder who is a "substantial user" of the Project or a "related person" as such terms are used in Section 147(a) of the Code.

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 includible 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.

Mandatory Redemption; Failure to Pay and Discharge Refunded Bonds. The Bonds are also subject to mandatory redemption in whole at 100% of the principal amount thereof plus accrued interest on or prior to the fifteenth day after the date (the "Failed Cross-Over Date") which is the 90th day after the issuance of the Bonds if, on or prior to such 90th day, the Company has not caused the payment and discharge of the Refunded Bonds, in accordance with the indenture or indentures of trust under which the Refunded Bonds were issued.

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 15 days (30 days if the Interest Rate Mode is the Semi-Annual Rate, the Annual Rate or the Long Term Rate), nor more than 60 days prior to the redemption date, except that in the case of a Failed Cross-Over Date, such notice shall be given at least 10 days prior to the redemption date. Any notice mailed as provided in the Indenture shall be conclusively presumed to have been given, irrespective of whether the registered 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 shall 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 Trustee as of the redemption date.

Discharge of Indenture. Upon certain terms and conditions specified in the Indenture, the Bonds or any portion thereof shall be deemed to be paid, and the assignment of payments made in the Indenture for the security of such Bonds and the security provided by the Pledged First Mortgage Bonds may be discharged, upon the making of provision for payment by irrevocably depositing with the Trustee, cash or Governmental Obligations maturing as to principal and interest at such times as to be sufficient to provide amounts to pay when due the principal of, premium, if any, and interest on such Bonds and all reasonable and necessary fees and expenses of the Trustee and paying agent associated therewith. See "THE INDENTURE—Discharge of Indenture."

THE LOAN AGREEMENT

General

The term of the Loan Agreement relating to the Series A Bonds shall commence as of its date and end on the earliest to occur of August 15, 2013, or the date on which all of the Series A Bonds shall have been fully paid or provision has been made for such payment pursuant to the Indenture. The term of the Loan Agreement relating to the Series B Bonds shall commence as of its date and end on the earliest to occur of August 15, 2019, or the date on which all of the Series B Bonds shall have been fully paid or provision has been made for such payment pursuant to the Indenture. See "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

LOUISVILLE GAS AND ELECTRIC

Date	Increase in Interest Charges and Ins Premium (1)	Interest on New Debt Replacing Preferred Stk (2)	Additional Debt Expense Amortization	Administrative Savings	Underwriting, Call Premium and Issue Expenses (3)	Taxes	After-Tax Return on Additional Equity (4)	After-Tax Elimination of Pfd Stk Dividend (5)	Net Periodic (Cost) or Savings	Present Value Factor	Present Value SAVINGS
01-Jan-07	\$	\$	\$	\$	(\$3,318,561)	\$	(480,413)	2,391,946	\$ (3,318,561)	1.0000	(\$3,318,561)
01-Jul-07	(291,110)	(2,478,929)	(34,580)	167,488	\$	1,025,844	(480,413)	2,391,946	\$ 334,826	0.9657	\$323,342
01-Jan-08	(291,110)	(2,478,929)	(34,580)	170,000	\$	1,024,867	(480,413)	2,391,946	\$ 336,361	0.9326	\$313,684
01-Jul-08	(291,110)	(2,478,929)	(34,580)	172,550	\$	1,023,875	(480,413)	2,391,946	\$ 337,919	0.9006	\$304,329
01-Jan-09	(291,110)	(2,478,929)	(34,580)	175,138	\$	1,022,868	(480,413)	2,391,946	\$ 339,500	0.8697	\$295,267
01-Jul-09	(291,110)	(2,478,929)	(34,580)	177,765	\$	1,021,846	(480,413)	2,391,946	\$ 341,105	0.8399	\$286,489
01-Jan-10	(291,110)	(2,478,929)	(34,580)	180,432	\$	1,020,809	(480,413)	2,391,946	\$ 342,734	0.8111	\$277,985
01-Jul-10	(291,110)	(2,478,929)	(34,580)	183,138	\$	1,019,756	(480,413)	2,391,946	\$ 344,388	0.7833	\$269,746
01-Jan-11	(291,110)	(2,478,929)	(34,580)	185,885	\$	1,018,687	(480,413)	2,391,946	\$ 346,067	0.7564	\$261,764
01-Jul-11	(291,110)	(2,478,929)	(34,580)	188,673	\$	1,017,603	(480,413)	2,391,946	\$ 347,770	0.7305	\$254,031
01-Jan-12	(291,110)	(2,478,929)	(34,580)	191,504	\$	1,016,502	(480,413)	2,391,946	\$ 349,499	0.7054	\$246,539
01-Jul-12	(291,110)	(2,478,929)	(34,580)	194,376	\$	1,015,384	(480,413)	2,391,946	\$ 351,255	0.6812	\$239,279
01-Jan-13	(291,110)	(2,478,929)	(34,580)	197,292	\$	1,014,250	(480,413)	2,391,946	\$ 353,036	0.6578	\$232,244
01-Jul-13	(291,110)	(2,478,929)	(34,580)	200,251	\$	1,013,099	(480,413)	2,391,946	\$ 354,844	0.6353	\$225,428
01-Jan-14	(291,110)	(2,478,929)	(34,580)	203,255	\$	1,011,931	(480,413)	2,391,946	\$ 356,679	0.6135	\$218,823
01-Jul-14	(291,110)	(2,478,929)	(34,580)	206,304	\$	1,010,745	(480,413)	2,391,946	\$ 358,542	0.5925	\$212,421
01-Jan-15	(291,110)	(2,478,929)	(34,580)	209,398	\$	1,009,541	(480,413)	2,391,946	\$ 360,433	0.5721	\$206,218
01-Jul-15	(291,110)	(2,478,929)	(34,580)	212,539	\$	1,008,319	(480,413)	2,391,946	\$ 362,352	0.5525	\$200,206
01-Jan-16	(291,110)	(2,478,929)	(34,580)	215,727	\$	1,007,079	(480,413)	2,391,946	\$ 364,300	0.5336	\$194,379
01-Jul-16	(291,110)	(2,478,929)	(34,580)	218,963	\$	1,005,820	(480,413)	2,391,946	\$ 366,277	0.5153	\$188,731
01-Jan-17	(291,110)	(2,478,929)	(34,580)	222,248	\$	1,004,542	(480,413)	2,391,946	\$ 368,284	0.4976	\$183,257
01-Jul-17	(291,110)	(2,478,929)	(34,580)	225,581	\$	1,003,246	(480,413)	2,391,946	\$ 370,321	0.4805	\$177,951
01-Sep-17	(98,898)	(842,157)	(11,527)	38,893	\$	355,425	(163,209)	812,606	\$ 102,661	0.4750	\$48,761
	<u>(\$6,212,205)</u>	<u>(\$52,899,674)</u>	<u>(\$73,700)</u>	<u>\$4,137,399</u>	<u>(\$3,318,561)</u>	<u>\$ 21,672,038</u>	<u>(\$ 10,251,875)</u>	<u>\$ 51,043,471</u>	<u>\$4,170,593</u>		<u>\$1,842,313</u>

Assumptions

(1) Interest Increase Insurance Increase	0.100%	\$ 246,200,000	246,200	annually
	0.115%	\$ 83,335,000	95,835	
	0.100%	\$ 10,104,000	10,104	
	0.170%	\$ 41,665,000	70,831	
	0.100%	\$ 128,000,000	128,000	
	0.125%	\$ 25,000,000	31,250	
		\$ 288,104,000	\$ 336,020	annually
Avg BFS Increase	0.122%			

(2) Interest on New Debt replacing Preferred Stock:
 90% of preferred stock would be replaced by new debt at a rate of 6.02%

(3) Underwriting, Call Premium and Issuance Costs:
 Call Premium - Preferred Shares \$ 2,580,861

New Bond Issuance	\$ 126,200,000
Bond Issue Costs	
Underwriting	\$ 441,700
Bond Counsel	\$ 80,000
Company Counsel	\$ 70,000
Underwriters Counsel	\$ 44,000
Ratings	\$ 40,000
Printing	\$ 10,000
Trustee Counsel	\$ 6,000
Accountants	\$ 40,000
Trustee	\$ 6,000
Bond Insurance	\$ -
Issuance costs	\$ 296,000

(4) After-tax Return on Additional Equity:
 10% of preferred stock would be replaced by common equity with an assumed 10.5% equity return

(5) After-tax savings derived from the elimination of the preferred stock dividend

MISCELLANEOUS	
Amortized Debt Expense	\$737,700
Administrative Savings	\$334,975
Inflation every 6 months	1.50%
From January 1, 2007 to Maturity	128.0
Tax rate	38.9000%
Discount rate	7.000%

10 - K	10 - Q	Location of Comparable Data	Notes
Part I			
Item 1 - Business	n/a	E.ON Form 20-F	
Item 1A - Risk Factors	Part II, Item 1A - Risk Factors	Annual Report or E.ON Form 20-F	1, 3
Item 1B - Unresolved Staff Comments	n/a	Annual Report or E.ON Form 20-F	1, 3
Item 2 - Properties	n/a	FERC Form 1 or E.ON Form 20-F	
Item 3 - Legal Proceedings	Part II, Item 1 - Legal Proceedings	Annual/Quarterly Report or FERC Form 1 & 3Q	1, 3, 6
Item 4 - Submission of Matters to a Vote	Part II, Item 4 - Submission, etc.	Not applicable	
Part II			
Item 5 - Market for Common Equity	Part II, Item 2, - Unregistered Sales, etc.	Annual/Quarterly Report or FERC Form 1 & 3Q	1, 3, 6
Item 6 - Selected Financial Data	n/a	Annual/Quarterly Report or FERC Form 1 & 3Q	1, 3, 6
Item 7 - MD&A	Part I, Item 2 - MD&A	Annual Report	1, 2, 3
Item 7A - Disclosures about Market Risk	Part I, Item 3 - Disclosures, etc.	Annual Report	1, 3
Item 8 - Financial Statements	Part I, Item 1 - Financial Statements	Annual/Quarterly Report or FERC Form 1 & 3Q	1, 3, 6
Item 9 - Disagreements w/Auditors	n/a	Annual Report	1, 3
Item 9A - Controls and Procedures	Part I, Item 4 - Controls and Procedures	Annual Report	1, 3
Item 9B - Other Information	Part II, Item 5 - Other Information	Annual Report or FERC Forms 1 & 3Q	1, 3
Part III			
Item 10 - Director and Officer Info	n/a	FERC Form 1	3, 4
Item 11 - Executive Compensation	n/a	FERC Form 1	3, 4
Item 12 - Security Ownership	n/a	Not applicable	
Item 13 - Related Party Transactions	n/a	FERC Forms 1 & 3Q	3
Item 14 - Auditor Fees	n/a	Not applicable	
Part IV			
Item 15 - Exhibits	Part II, Item 6 - Exhibits	Not applicable	4, 5
	Part II, Item 3 - Defaults on Senior Securities	Annual Report, FERC Form 1	1, 3

Notes:

General – Chart represents accurate high-level comparison rather than technical comparison. Certain differences exist due to reporting definitions, thresholds, materiality, etc.

- (1) "Annual Report" includes an abbreviated MD&A comparable to the PSNH – sample provided, plus audited annual financial statements and notes.
- (2) Abbreviated MD&A includes summary Results of Operations and Liquidity & Capital Resources sections.
- (3) Included where material.
- (4) Variants commonly appear in rate case or other periodic requests.
- (5) Generally filed in connection with FAC, GSC, CCN or financing proceedings.
- (6) "Quarterly Report" includes proposed unaudited quarterly financial statements, without MD&A or notes.

LOUISVILLE GAS AND ELECTRIC COMPANY

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

JULY 31, 2006

(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.
200,000 shares of Cumulative Preferred Stock, without par value
(stated value \$100 per share), \$5.875 series, \$20,000,000.

(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 \$28.00 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 July 31, 2006</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
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
Apr. 13, 2005	Feb. 1, 2035	40,000,000	40,000,000
			<u>\$574,304,000</u>

- (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 Authorized</u>	<u>Outstanding at July 31, 2006</u>	<u>Interest Expense Year Ended July 31, 2006</u>
The following are Pollution Control Series (a)					
Sept. 17, 1992	Sept. 1, 2017	Variable	31,000,000	31,000,000	\$985,199
Sept. 17, 1992	Sept. 1, 2017	Variable	60,000,000	60,000,000	1,883,622
Aug. 15, 1993	Aug. 15, 2013	Variable	35,200,000	35,200,000	1,100,574
May 1, 2000	May 1, 2027	Variable	25,000,000	25,000,000	775,764
Aug. 1, 2000	Aug. 1, 2030	Variable	83,335,000	83,335,000	2,667,845
Sept. 11, 2001	Sept. 1, 2027	Variable	10,104,000	10,104,000	316,387
Mar. 6, 2002	Sept. 1, 2026	Variable	22,500,000	22,500,000	706,464
Mar. 6, 2002	Sept. 1, 2026	Variable	27,500,000	27,500,000	864,947
Mar. 22, 2002	Nov. 1, 2027	Variable	35,000,000	35,000,000	1,119,103
Mar. 22, 2002	Nov. 1, 2027	Variable	35,000,000	35,000,000	1,117,053
Oct. 15, 2002	Oct. 1, 2032	Variable	41,665,000	41,665,000	1,301,381
Nov. 20, 2003	Oct. 1, 2033	Variable	128,000,000	128,000,000	3,888,587
Apr. 13, 2005	Feb. 1, 2035	Variable	40,000,000	40,000,000	1,206,828
Interest Rate Swaps					2,771,973
					\$20,705,727

(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 July 31, 2006, 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</u>
		<u>Date of Maturity</u>	<u>Rate of Interest</u>	<u>Expense</u>		
						<u>Year Ended July 31, 2006</u>
Fidelia Corp.	4/30/03	4/30/13	4.55%	100,000,000		\$4,550,000
Fidelia Corp.	8/15/03	8/15/13	5.31%	100,000,000		5,310,000
Fidelia Corp.	1/15/04	1/16/12	4.33%	25,000,000		1,082,500
						<u>\$10,942,500</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 July 31, 2006, 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	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
December	2004	12/20/2004	15,000,000
			<u>\$57,000,000</u>
March	2005	3/21/05	\$29,000,000
June	2005	6/20/2005	10,000,000
September	2005		-
December	2005		-
			<u>\$39,000,000</u>

March	2006	3/21/2006	\$40,000,000
June	2006	6/20/2006	20,000,000
			<hr/>
			\$60,000,000

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 \$268,841. 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 \$1.46875 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 annually on July 15, 2003 through July 15, 2006, leaving 200,000 shares outstanding as of July 31, 2006. Dividends of \$367,187 were paid for all quarters through the third 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 quarters through July 31, 2004. Dividends of \$330,469 were paid for the each of the four quarters through July 31, 2005. Dividends of \$312,109 were paid for the each of the four quarters through July 31, 2006. Preferred dividends for the twelve months ended July 31, 2006 were \$1,248,436.

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	2001	4/16/2001	1.32500	\$662,500
June	2001	7/16/2001	1.16750	583,750
September	2001	10/15/2001	0.94750	473,750
December	2001	1/15/2002	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	1/15/2003	0.84250	421,250
				<u>\$1,701,875</u>
March	2003	4/15/2003	0.60000	\$300,000
June	2003	7/15/2003	0.53750	268,750
September	2003	10/15/2003	0.34750	173,750
December	2003	1/15/2004	0.33000	165,000
				<u>\$907,500</u>
March	2004	4/15/2004	0.37500	\$187,500
June	2004	7/15/2004	0.43750	218,750
September	2004	10/15/2004	0.48750	243,750
December	2004	1/18/2005	0.62500	312,500
				<u>\$962,500</u>
March	2005	4/15/2005	0.75000	\$375,000
June	2005	7/15/2005	0.97500	487,500
September	2005	10/17/2005	0.97500	487,500
December	2005	1/17/2006	1.10000	550,000
				<u>\$1,900,000</u>
March	2006	4/17/2006	1.20000	\$600,000
June	2006	7/17/2006	1.33750	668,750
				<u>\$1,268,750</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
BALANCE SHEET AS OF JULY 31, 2006

ASSETS AND OTHER DEBITS	THIS YEAR	LIABILITIES AND OTHER CREDITS	THIS YEAR
Utility Plant		Capitalization	
Utility Plant at Original Cost.....	4,083,194,981.05	Common Stock.....	425,170,424.09
Less Reserves for Depreciation & Amortization.....	1,757,278,109.70	Common Stock Expense.....	(835,888.64)
Total.....	2,325,916,871.35	Paid-In Capital.....	40,000,000.00
		Other Comprehensive Income.....	(52,019,692.19)
Investments - At Cost		Retained Earnings.....	624,756,775.52
Ohio Valley Electric Corporation.....	594,286.00	Total Common Equity.....	1,037,071,618.78
Nonutility Property-Less Reserve.....	255,143.37	Preferred Stock.....	70,424,594.05
Other.....		First Mortgage Bonds.....	574,304,000.00
Total.....	849,429.37	Mandatory Redeemable Preferred Stock.....	18,750,000.00
		LT Notes Payable to Associated Companies.....	225,000,000.00
Current and Accrued Assets		Total Capitalization.....	1,925,550,212.83
Cash.....	8,669,672.50	Current and Accrued Liabilities	
Special Deposits.....	7,339,023.65	Long-Term Debt Due in 1 Year.....	1,250,000.00
Temporary Cash Investments.....	2,788.88	ST Notes Payable to Associated Companies.....	-
Accounts Receivable-Less Reserve.....	131,858,381.21	Notes Payable to Associated Companies.....	13,314,000.00
Notes Receivable from Assoc. Companies.....		Notes Payable.....	-
Accounts Receivable from Assoc Companies.....	23,663,311.04	Accounts Payable.....	79,815,835.03
Materials & Supplies-At Average Cost		Accounts Payable to Associated Companies.....	31,388,369.20
Fuel.....	44,713,050.24	Customer Deposits.....	17,768,121.75
Plant Materials & Operating Supplies.....	24,705,891.57	Taxes Accrued.....	29,463,176.63
Stores Expense.....	4,350,418.57	Interest Accrued.....	7,128,025.13
Gas Stored Underground.....	48,693,125.27	Dividends Declared.....	330,863.23
Allowance Inventory.....	18,000.42	Misc. Current & Accrued Liabilities.....	7,862,527.87
Prepayments.....	3,795,284.20	Total.....	188,320,918.84
Miscellaneous Current & Accrued Assets.....	514,883.29	Deferred Credits and Other	
Total.....	298,323,830.84	Accumulated Deferred Income Taxes.....	398,281,949.94
		Investment Tax Credit.....	39,723,172.79
Deferred Debits and Other		Regulatory Liabilities.....	43,831,772.21
Unamortized Debt Expense.....	8,302,314.84	Customer Advances for Construction.....	9,803,701.74
Unamortized Loss on Bonds.....	20,048,953.03	Asset Retirement Obligations.....	27,363,090.89
Accumulated Deferred Income Taxes.....	87,007,018.29	Other Deferred Credits.....	67,873,472.34
Deferred Regulatory Assets.....	21,991,790.86	Misc. Long-Term Liabilities.....	68,965,853.40
Other Deferred Debits.....	68,906,217.92	Accum Provision for Post-Retirement Benefits.....	61,632,281.52
Total.....	206,256,294.94	Total.....	717,475,294.83
Total Assets and Other Debits.....	2,831,346,426.50	Total Liabilities and Other Credits.....	2,831,346,426.50

LOUISVILLE GAS AND ELECTRIC COMPANY
STATEMENT OF INCOME
JULY 31, 2006

YEAR ENDED CURRENT MONTH

	THIS YEAR AMOUNT
Electric Operating Revenues.....	975,917,952.48
Gas Operating Revenues.....	465,084,486.72
Rate Refunds.....	-
Total Operating Revenues.....	1,441,002,439.20
Fuel for Electric Generation.....	295,070,740.06
Power Purchased.....	126,775,072.87
Gas Supply Expenses.....	367,388,177.71
Other Operation Expenses.....	221,934,984.65
Maintenance.....	69,745,490.59
Depreciation.....	117,821,596.17
Amortization Expense.....	5,810,690.19
Regulatory Credits.....	(13,689,069.99)
Texas	
Federal Income.....	74,302,244.01
State Income.....	9,560,366.76
Deferred Federal Income - Net.....	(15,490,636.70)
Deferred State Income - Net.....	(2,873,945.42)
Federal Income - Estimated.....	1,653,231.16
State Income - Estimated.....	70,060.85
Property and Other.....	20,276,361.28
Investment Tax Credit.....	-
Amortization of Investment Tax Credit.....	(4,061,934.57)
Gain from Disposition of Allowances.....	(1,004,606.07)
Accretion Expense.....	1,255,637.34
Total Operating Expenses.....	1,274,544,460.89
Net Operating Income.....	166,457,978.31
Other Income Less Deductions.....	(1,152,894.54)
Income Before Interest Charges.....	165,305,083.77
Interest on Long Term Debt.....	32,890,545.07
Amortization of Debt Expense - Net.....	1,429,532.11
Other Interest Expenses.....	4,861,015.83
Total Interest Charges.....	39,181,093.01
Net Inc Before Cumulative Effect of Acctg Chg.....	126,123,990.76
Cumulative Effect of Accounting Change Net of Tax.....	7,421,571.50
Net Income.....	118,702,419.26
Preferred Dividend Requirements.....	3,460,366.24
Earnings Available for Common.....	115,242,053.02

LOUISVILLE GAS AND ELECTRIC COMPANY
ANALYSIS OF RETAINED EARNINGS
JULY 31, 2006

	<u>YEAR ENDED CURRENT MONTH</u>
	<u>THIS YEAR</u>
Balance at Beginning of Period.....	569,514,722.50
Add:	
Credits from Income.....	118,702,419.26
Other.....	-
Deduct:	
Preferred Dividends	
\$25 Par Value	1,075,366.24
5% Series.....	
Without Par Value	
Auction Rate.....	2,385,000.00
Preferred Dividends Accrued	
\$25 Par Value	
5% Series.....	
Without Par Value	
Auction Rate.....	
Common Dividends	
Common Stock Without Par Value.....	<u>60,000,000.00</u>
Balance at End of Period.....	<u><u>624,756,775.52</u></u>

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

Although the current financings will not involve issuance of new debt pursuant to the Company Indenture, prior 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, dated October 1, 2002, was filed in Case No. 2002-230.

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 and 2001-316.

SECRETARY'S CERTIFICATE

I, John R. McCall, do hereby certify that I am the duly qualified and acting Corporate Secretary of Louisville Gas and Electric Company (the "Company"), a Kentucky corporation, and that as Secretary, I have access to all original records of the Company and that I am authorized to make certified copies of Company records on its behalf. I further hereby certify that the attached resolutions were adopted by the Board of Directors of the Company by unanimous written consent in lieu of a meeting on September 15, 2006, and that the attached is a full, true and correct copy of said resolutions as they appear on the records of the Company and that the same have not been altered, amended or repealed.

IN WITNESS WHEREOF, I have executed this Certificate this 13th day of October 2006.



John R. McCall
Executive Vice President, General
Counsel and Corporate Secretary

**ACTION OF THE BOARD OF DIRECTORS
OF
LOUISVILLE GAS AND ELECTRIC COMPANY
TAKEN BY WRITTEN CONSENT**

September 15, 2006

REDEMPTION OF PREFERRED STOCK

WHEREAS, the Company currently has issued and outstanding 860,287 shares of its 5% Preferred Stock, par value \$25 per share (the "5% Series"), 200,000 shares of its \$5.875 Preferred Stock, without par value (the "\$5.875 Series"), and 500,000 shares of its Auction Rate, Series A Preferred Stock, without par value (the "Auction Series" and, collectively with the 5% Series and the \$5.875 Series, the "Preferred Stock"); and

WHEREAS, subject to any applicable regulatory approvals and the Redemption Committee action described below, the Company desires to redeem all of its outstanding shares of its Preferred Stock, on such date or dates as may be determined as set forth below (each a "Redemption Date" and collectively, the "Redemption Dates") pursuant to the Company's Amended and Restated Articles of Incorporation, as amended (the "Articles"), and it is appropriate that action be taken to conditionally authorize such undertaking (the "Redemption"); and

WHEREAS, subject to any applicable regulatory approvals and the Redemption Committee action described below, the Company desires to declare and pay a dividend, where necessary, on each series of Preferred Stock, covering the period, if any, from (a) the last date of the period covered by the last regular quarterly dividend declared prior to the Redemption Date for such series to (b) the Redemption Date for such series; and

WHEREAS, subject to any applicable regulatory approvals, it has been determined that it is in the best interest of the Company for the Board of Directors to conditionally authorize the Redemption of the Preferred Stock, and to delegate to a committee of the Board of Directors (the "Redemption Committee") and appropriate officers the authority to take actions related thereto in order to permit the prompt and orderly consummation of such Redemption, as set forth in these preambles and resolutions.

NOW, THEREFORE, BE IT RESOLVED, that, upon appropriate decision of the Redemption Committee and subject to any necessary regulatory and other approvals (including approval for the financing transactions funding or associated with the Redemption), the Company is authorized to redeem, in accordance with the Company's Articles and the Kentucky Business Corporation Act, as amended, all of its outstanding shares of the (i) 5% Series, at \$28.00 per share, plus, if applicable, accrued and unpaid dividends on such shares to the relevant Redemption Date, (ii) \$5.875 Series at \$100.00 per share, plus, if applicable,

accrued and unpaid dividends on such shares to the relevant Redemption Date, and (iii) Auction Series at \$100.00 per share, plus, if applicable, accrued and unpaid dividends on such shares to the relevant Redemption Date; and

FURTHER RESOLVED, that there is hereby established a three-member Redemption Committee of the Board of Directors to consider, decide, authorize and otherwise exercise the powers of the Board of Directors on matters relating to the Redemption of the Preferred Stock, which Redemption Committee shall have as its initial members Victor A. Staffieri, John R. McCall and S. Bradford Rives; and

FURTHER RESOLVED, that the Redemption Date(s), if any, and, in conjunction therewith, applicable amounts representing accrued and unpaid dividends, if any, at the pro rated amount of the stated or applicable regular dividend rate, for each series of the Preferred Stock may and shall be determined and declared by the Redemption Committee at a later date; and

FURTHER RESOLVED, that, upon appropriate decision of the Redemption Committee and subject to any necessary regulatory and other approvals, the Chief Executive Officer, President, Chief Financial Officer, each of the Vice Presidents, Secretary, Treasurer and Controller of the Company (collectively, the "Authorized Officers") are, and each of them hereby is, authorized and empowered for and on behalf of the Company, to (i) cause to be made a deposit with appropriate financial institutions for the account of the holders of Preferred Stock to be redeemed, so as to be and continue to be available therefor, funds necessary for the Redemption of such Preferred Stock at the applicable redemption prices, in accordance with the provisions of Article Fifth of the Company's Articles, and (ii) cause all necessary notices of such Redemption to be provided in accordance with the provisions of the Articles;

FURTHER RESOLVED, that the Authorized Officers or any persons such Authorized Officers may designate are, and each of them hereby is, authorized, empowered and directed for and on behalf of the Company, to negotiate, execute and deliver a Redemption Agent Agreement or similar agreement with redemption agents, with such terms and conditions as the Authorized Officers or any persons such Authorized Officers may designate executing the same shall approve, such execution and delivery to conclusively evidence the authorization and approval thereof by the Company and authorize the payment of redemption agent fees as set forth therein;

FURTHER RESOLVED, that each of the Authorized Officers be, and hereby is, authorized and empowered to do any and all acts and things necessary, proper or appropriate in their judgment or in the judgment of counsel of the Company, and to execute and to deliver any document, agreement, certificate or other instrument that may be necessary or appropriate, in connection with the transactions referred to above in order to carry out the foregoing resolutions and to incur all such fees and expenses as shall be necessary, advisable or appropriate in their judgment in order to carry into effect the purpose and intent of any and all of the foregoing resolutions; and

RESOLVED FURTHER, that any acts of the officers, employees and agents of this Company, which acts would have been authorized by the foregoing resolutions except that such acts were taken prior to the adoption of such resolutions, are hereby severally ratified, confirmed, approved and adopted as acts in the name of and on behalf of this Company.

APPROVAL OF INTERCOMPANY LOAN FACILITIES

WHEREAS, the Company desires to enter into intercompany long-term loans with Fidelia Corporation or other affiliates of E.ON North America, Inc. (collectively, "Fidelia"), in the amount of up to approximately \$92 million (the "Intercompany Loans"), and

WHEREAS, the Intercompany Loans will enable the Company to complete the redemption of the Preferred Stock and related financing projects.

NOW, THEREFORE, BE IT RESOLVED, that the Company is hereby authorized and directed to proceed with the Intercompany Loans as generally described in these resolutions; and

FURTHER RESOLVED, that, subject to receipt of all required regulatory approvals regarding the Intercompany Loans, the Company is authorized to enter into such loans; and

FURTHER RESOLVED, that the appropriate officers of the Company be, and each of them hereby is, authorized and directed, for and on behalf of the Company to take such actions and to execute, deliver and file the Intercompany Loans and such other agreements and documents, and to make changes thereto, as they shall, in their discretion, deem necessary, appropriate or advisable to consummate the transactions contemplated by these resolutions, with the taking of such actions and the execution of such agreements or documents conclusively to evidence the authorization thereof by the Board of Directors; and

FURTHER RESOLVED, that the appropriate officers of the Company be, and each of them hereby is, authorized and directed to prepare, execute and deliver such applications, filings or notices to governmental, commercial or financial entities as they may deem necessary or advisable in connection with the Intercompany Loans, including but not limited to submissions to federal and state regulatory agencies; and

FURTHER RESOLVED, that all actions heretofore or hereafter taken by any officer of the Company in connection with the transactions contemplated by these resolutions be, and they hereby are, approved, ratified and confirmed in all respects.

AMENDMENT OF SECURED INTERCOMPANY LOAN FACILITIES

WHEREAS, the Company currently has certain intercompany long-term loans, which loans include security, pledge or collateral rights, from Fidelia Corporation

("Fidelia"), in an aggregate principal amount of approximately \$125 million (the "Intercompany Loans"); and

WHEREAS, the Company desires to amend such Intercompany Loans to eliminate provisions thereunder granting Fidelia security, pledge or collateral interests in substantially all of the Company's assets, or alternatively to enter into replacement lending arrangements omitting such security, pledge or collateral rights (the "Intercompany Loan Amendments"), and

WHEREAS, it has been determined that it is in the best interest of the Company for the Board of Directors to authorize the Intercompany Loan Amendments, and to delegate to one or more officers the authority to take actions related thereto in order to permit the timely and orderly consummation of such Intercompany Loan Amendments.

NOW, THEREFORE, BE IT RESOLVED, that the Company is hereby authorized and directed to proceed with the Intercompany Loan Amendments as described in these resolutions; and

FURTHER RESOLVED, that, subject to receipt of any necessary regulatory authorizations and other approvals regarding the Intercompany Loan Amendments, the Company is authorized to enter such transactions; and

FURTHER RESOLVED, that the appropriate officers of the Company be, and each of them hereby is, authorized and directed, for and on behalf of the Company to take such actions and to execute, deliver and file the Intercompany Loan Amendments and such other agreements and documents, and to make changes thereto, as they shall, in their discretion, deem necessary, appropriate or advisable to consummate the transactions contemplated by these resolutions, with the taking of such actions and the execution of such agreements or documents conclusively to evidence the authorization thereof by the Board of Directors; and

FURTHER RESOLVED, that the appropriate officers of the Company be, and each of them hereby is, authorized and directed to prepare, execute and deliver such applications, filings or notices to governmental, commercial or financial entities as they may deem necessary or advisable in connection with the Intercompany Loan Amendments, including but not limited to submissions to federal and state regulatory agencies; and

FURTHER RESOLVED, that all actions heretofore or hereafter taken by any officer of the Company in connection with the transactions contemplated by these resolutions be, and they hereby are, approved, ratified and confirmed in all respects.

REFINANCING OF CERTAIN TAX-EXEMPT REVENUE BONDS

WHEREAS, the County of Jefferson, Kentucky has previously issued and there are outstanding: (a) \$31,000,000 in principal amount of its Pollution Control Revenue Bonds, 1992 Series A (Louisville Gas and Electric Company Project) due September 1, 2017 and (b) \$35,200,000 in principal amount of its Pollution

Control Revenue Bonds, 1993 Series A (Louisville Gas and Electric Company Project) due August 15, 2013 (each series of bonds being herein collectively referred to as the "Existing Jefferson County Pollution Control Bonds"); and

WHEREAS, the County of Trimble, Kentucky has previously issued and there are outstanding: \$60,000,000 of its Pollution Control Revenue Bonds, 1992 Series A (Louisville Gas and Electric Company Project) due September 1, 2017 (the "Existing Trimble County Pollution Control Bonds" and collectively with the Existing Jefferson County Pollution Control Bonds", the "Existing Pollution Control Bonds"); and

WHEREAS, the Existing Pollution Control Bonds provided financing or refinancing for the acquisition and construction of certain pollution control facilities (the "Projects") of the Company in Jefferson and Trimble Counties, Kentucky; and

WHEREAS, Louisville/Jefferson County Metro Government, Kentucky ("Louisville/Jefferson County, Kentucky") has become the successor to the County of Jefferson, Kentucky (Louisville/Jefferson County and County of Trimble, Kentucky are each referred to herein individually as an "Issuer" and, collectively, as the "Issuers"); and

WHEREAS, market or other business conditions may warrant, in the foreseeable future, refinancing of all or a portion of the Existing Pollution Control Bonds, and it is appropriate and in the best interests of the Company that action be taken to authorize such an undertaking; and

WHEREAS, in connection with the refinancing of the Existing Pollution Control Bonds, the Company may secure its payment obligations under one or more loan agreements with the Issuers and may further include the purchasing of bond insurance.

NOW, THEREFORE, BE IT RESOLVED, by the Board of Directors of the Company as follows:

- (a) That the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, Treasurer, or any other officer of the Company be, and each of them hereby is, authorized and directed to cause the preparation of, and to approve, the following documents in connection with the refinancing of the Existing Pollution Control Bonds referred to above: (i) a loan agreement or loan agreements to be entered into between the Company and the Issuers whereby such Issuers will issue one or more series of Environmental Facilities Revenue Bonds (collectively, the "Environmental Facilities Bonds") and loan the proceeds to the Company to refund, pay and discharge the Existing Pollution Control Bonds and pursuant to which the Company will be obligated to make loan payments sufficient to pay the principal of, premium, if any, and interest on such Environmental Facilities Bonds to be issued by such Issuers, and any related expenses, (ii) one or more guaranties from the Company in favor of a trustee or trustees chosen or appointed by such officers of the Company (the "Trustee") for the benefit of the holders of

the Environmental Facilities Bonds guaranteeing repayment of all or any part of the obligations under such Environmental Facilities Bonds, (iii) such contracts of purchase, underwriting agreements or similar contracts or agreements with the Issuer and with other appropriate parties relating to the issuance of the Environmental Facilities Bonds, (iv) a preliminary official statement or preliminary official statements and a final official statement or final official statements which will describe the Company, the Issuers, the Projects, the Environmental Facilities Bonds, the loan agreements, and indentures of trust pursuant to which such Environmental Facilities Bonds are to be issued, and which will be used by the underwriter or underwriters chosen by such officers of the Company (the "Underwriters") in connection with the sale of such Environmental Facilities Bonds to the public, (v) a form or forms of escrow agreement, or such other documents as may be deemed appropriate, by and between the Issuers and the trustees under the indentures pursuant to which the Existing Pollution Control Bonds were issued and pursuant to which certain securities may be held by such trustees in order to provide for the payment and discharge of the Existing Pollution Control Bonds, (vi) such reimbursement agreements, remarketing agreements, auction agreements, broker-dealer agreements, credit agreements, bond insurance documents or agreements or other similar documents or agreements as may be reasonably required, in the event the Environmental Facilities Bonds, or any of them, are issued as variable rate demand or similar instruments, in the discretion of such officers, (vii) one or more Notes which the Company may issue to secure the transaction, and (viii) such other related documents, forms, certificates or agreements as shall be necessary or appropriate to effectuate such financing.

- (b) That the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, Treasurer, or any other officer of the Company be, and each of them hereby is, authorized and empowered (i) to execute and file, or cause to be filed, on behalf of the Company such applications or petitions with any federal, state, or local commission, court, agency or body having jurisdiction as may be required to obtain any approvals, consents, orders or rulings as such officers or counsel for the Company may deem to be necessary or desirable in connection with the Company's participation in such financing and the transactions and documents contemplated thereby, and (ii) to execute and deliver or file such amendments or supplements to said applications or petitions as may be required by law or as may be deemed to be proper or appropriate in their judgment or in the judgment of counsel for the Company in connection with the foregoing.
- (c) That, subject to the receipt of all necessary regulatory authorizations and other approvals, the Company shall borrow the sums of not to exceed \$66,200,000 from Louisville/Jefferson County, Kentucky and \$60,000,000 from County of Trimble, Kentucky, respectively, in accordance with the terms of the loan agreement or loan agreements, and the proceeds of such borrowings shall be used by the Company to pay and discharge the Existing Pollution Control Bonds and for such other purposes, if any, as

may be provided in any of the agreements and documents required to be executed and delivered in connection with the issuance of the Environmental Facilities Bonds.

- (d) That, subject to the receipt of all necessary regulatory authorizations and other approvals, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, Treasurer or any other officer of the Company be, and each of them, hereby is authorized to approve offers for the purchase from (i) Louisville/Jefferson County, Kentucky, of not to exceed \$66,200,000 principal amount of Environmental Facilities Bonds and (ii) the County of Trimble, Kentucky, of not to exceed \$60,000,000 principal amount of Environmental Facilities Bonds. Such purchases may be through negotiation, competitive bidding, or private placement transaction, as determined to be reasonable. The proceeds will be loaned to the Company, at such purchase prices, which shall be not less than the principal amount thereof plus accrued interest from the date of such Environmental Facilities Bonds to the date of closing, and at such interest rate or rates, as determined to be reasonable.
- (e) That, subject to the receipt of all necessary regulatory authorizations and other approvals, the appropriate officers of the Company be, and each of them, hereby is authorized to execute, on behalf of the Company, one or more loan agreements with (i) Louisville/Jefferson County, Kentucky, providing for the loan to the Company of the proceeds of not to exceed \$66,200,000 principal amount of Environmental Facilities Bonds; and (ii) the County of Trimble, Kentucky, providing for the loan to the Company of the proceeds of not to exceed \$60,000,000 principal amount of Environmental Facilities Bonds, each in accordance with the terms and provisions thereof.
- (f) That, subject to the receipt of all necessary regulatory authorizations and other approvals, the appropriate officers of the Company be, and each of them, hereby is authorized to execute, on behalf of the Company, one or more guaranties in favor of the Trustee for the benefit of the holders of the Environmental Facilities Bonds guaranteeing the payment of all or any part of the obligations under such Environmental Facilities Bonds.
- (g) That, subject to the receipt of all necessary regulatory authorizations and other approvals, the appropriate officers of the Company be, and each of them hereby is, authorized to execute, on behalf of the Company, one or more contracts of purchase, underwriting agreements or similar contracts or agreements with (i) Louisville/Jefferson County, Kentucky and other appropriate parties relating to the sale of not to exceed \$66,200,000 principal amount of Environmental Facilities Bonds and (ii) County of Trimble, Kentucky and other appropriate parties relating to the sale of not to exceed \$60,000,000 principal amount of Environmental Facilities Bonds.
- (h) That, subject to the receipt of all necessary regulatory authorizations and other approvals, the officers of the Company be, and each of them hereby is, authorized by and on behalf of the Company, to negotiate and enter

into one or more bond insurance or similar agreements with a bond insurer to be selected by the Chief Executive Officer, the President, Chief Financial Officer, any Vice President or the Treasurer, each in substantially the form presented to and approved by any such officer with such changes thereto as the officer executing each of such documents shall deem necessary or advisable, the execution of such documents thereby to conclusively evidence such officer's approval and the approval of this Board of Directors.

- (i) That in the event all or a portion of the Environmental Facilities Bonds bear a variable rate of interest, the appropriate officers of the Company be, and each of them, hereby is authorized to execute on behalf of the Company one or more remarketing agreements, auction agreements, reimbursement agreements or similar agreements with appropriate parties providing for the remarketing of such Environmental Facilities Bonds, a credit agreement or credit agreements or similar agreements and any promissory notes to be issued pursuant to such agreements for the purpose of providing a source of funds upon tender of such bonds, and any other agreements in order to consummate the transactions contemplated by the loan agreement or loan agreements.
- (j) That the appropriate officers of the Company be, and each of them, hereby is authorized to execute on behalf of the Company: (i) one or more interest rate swap, collar, or cap agreements or similar agreements with one or more underwriters, banks or other financial institutions providing for the hedging of the interest rate on the Environmental Facilities Bonds and (ii) any other agreement, document or instrument that may be necessary or appropriate in connection with any such transaction.
- (k) That the Chief Executive Officer, the President, any Vice President, or any other officer of the Company be, and each one of them is, authorized, empowered and directed to take any action and to execute and deliver any document, certificate or other instrument, including one or more escrow agreements, that may be necessary or appropriate: (i) to call for redemption the Existing Pollution Control Bonds and first mortgage bonds which secure such Existing Pollution Control Bonds on such date as said officer or officers may deem appropriate, or (ii) to otherwise effect the payment and discharge of the Existing Pollution Control Bonds and first mortgage bonds which secure such Existing Pollution Control Bonds.
- (l) That the officers of the Company be, and each of them hereby is, authorized in the name and on behalf of the Company and under its corporate seal or otherwise, to take or cause to be taken all such further actions and to execute and deliver or cause to be executed and delivered all such further documents, bond insurance documents or agreements, certificates and agreements (including without limitation, instruments authorizing or consenting to amendment, modifications or waivers to any of the agreements or disclosure documents executed in connection with the issuance, execution and delivery of the Notes or Bonds, and the execution and delivery of the bond insurance documents or agreements)

as such persons may deem necessary, advisable or appropriate in connection with the transactions contemplated thereby and hereby, and to incur all such fees and expenses as shall be necessary, advisable or appropriate in their judgment in order to carry into effect the purpose and intent of any and all of the foregoing resolutions.

- (m) That the Chief Executive Officer, the President, Chief Financial Officer, any Vice President, Treasurer or any other officer of the Company be and they are hereby authorized and empowered to take all steps or actions, and to execute and deliver any other documents, certificates or other instruments, deemed necessary, proper or appropriate in their judgment or in the judgment of counsel for the Company in connection with the financing referred to above and to carry out the purposes of the foregoing resolutions.
- (n) That Daniel K. Arbough is hereby appointed as "Company Representative" and S. Bradford Rives and Paul W. Thompson are hereby appointed as "Alternate Company Representatives," respectively, under the provisions of the indentures and the loan agreements. The President and any Vice President, the Chief Financial Officer or the Treasurer of the Company are authorized to appoint from time to time other persons (who may be employees of the Company) to act as "Company Representative" or "Alternate Company Representative" under the indentures and the loan agreements.
- (o) That any acts of the officers of this Company, which acts would have been authorized by the foregoing resolutions except that such acts were taken prior to the adoption of such resolutions, are hereby severally ratified, confirmed, approved and adopted as acts in the name of and on behalf of this Company.
- (p) That the Board of Directors does hereby adopt, as if fully set out herein, the form of any resolutions with respect to the Environmental Facilities Bonds as may be required by the Underwriters, and any other entities requiring such resolutions to effect the intent of these resolutions.
- (q) That each of the Chief Executive Officer, President, Chief Financial Officer, any Vice President, the Treasurer, the Secretary or any Assistant Secretary of the Company be, and hereby is, authorized and directed to take any and all further action to see that the intent of the above resolutions are carried forth.