



Ernie Fletcher
Governor

Teresa J. Hill, Secretary
Environmental and Public
Protection Cabinet

Timothy J. LeDonne
Commissioner
Department of Public Protection

Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

Mark David Goss
Chairman

John W. Clay
Commissioner

June 15, 2007

Honorable John P. Fendig
Senior Corporate Attorney
Louisville Gas and Electric Company
P. O. Box 32010
Louisville, KY 40232-2010

RE: Case No. 2007-00232
Louisville Gas and Electric Company
(Financing)

Application of LG&E authorizing the issuance of securities and assumption of obligations

This letter is to acknowledge receipt of initial application in the above case. The application was date-stamped received June 13, 2007 and has been assigned Case No. 2007-00232. In all future correspondence or filings in connection with this case, please reference the above case number.

If you need further assistance, please contact my staff at (502) 564-3940.

Sincerely,

A handwritten signature in black ink, appearing to read "Beth O'Donnell".

Beth O'Donnell
Executive Director

BOD/tw



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June 15, 2007

Honorable J. Wade Hendricks
Stoll Keenon Ogden, PLLC
2000 PNC Plaza
500 W Jefferson Street
Louisville, KY 40202-2828

RE: Case No. 2007-00232
Louisville Gas and Electric Company
(Financing)

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Beth O'Donnell
Executive Director

BOD/tw



STOLL · KEENON · OGDEN
P L L C

2000 PNC PLAZA
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J. WADE HENDRICKS
DIRECT DIAL 502-560-4227
DIRECT FAX 502-627-8727
wade.hendricks@skofirm.com

June 13, 2007

HAND DELIVERY

RECEIVED

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

JUN 13 2007

PUBLIC SERVICE
COMMISSION

Re: Louisville Gas and Electric Company

Dear Ms. O'Donnell:

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

Very truly yours,

J. Wade Hendricks

JWH/dvg
Enclosure

cc: Elizabeth E. Blackford, Esq.
Daniel Arbough
Kent W. Blake
Rick Lovekamp
John Fendig, Esq.
Allyson Sturgeon, Esq.
John Wiedmar
Elliott Horne
Don Harris

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In The Matter Of:

THE APPLICATION OF LOUISVILLE)	
GAS AND ELECTRIC COMPANY FOR)	
AN ORDER AUTHORIZING THE)	CASE NO. 2007-<u>00232</u>
ISSUANCE OF SECURITIES AND THE)	
ASSUMPTION OF OBLIGATIONS)	

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. Specifically, LG&E requests authority to enter into one or more multi-year revolving credit facilities (each a “Credit Facility” and collectively the “Credit Facilities”), with one or more financial institutions. In support of this Application, LG&E states as follows:

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 March 31, 2007, provides retail electric service to approximately 400,000 customers and retail gas service to approximately 328,000 customers in seventeen counties in Kentucky. A description of LG&E’s properties is set out in Exhibit 1 to this Application. 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).

2. This Application relates to one or more Credit Facilities between LG&E and one or more banks or other financial institutions (each such financial institution hereinafter a “Bank”) under which a Bank would make available to LG&E a revolving line of credit. The aggregate maximum amount of credit available under all Credit Facilities would not exceed \$125,000,000. Each individual draw of funds under a Credit Facility would be short-term debt, with a term not to exceed 364 days. However, a Credit Facility itself would be for a term not to exceed five (5) years. The Company believes that market conditions are currently very favorable for entrance into multi-year Credit Facilities, hence it is advantageous for the Company to enter into the proposed long-term credit arrangement(s), even though the individual debt under such arrangement(s) will be short-term. In addition, a multi-year Credit Facility would avoid the time and costs of negotiation and renewal on an annual basis during the term of the credit commitment.¹

3. A Credit Facility would be on the most favorable terms that can be negotiated by LG&E. The Company would negotiate terms for fees, such as commitment fees, as well as interest rates for funds borrowed under the Credit Facility. Negotiations concerning interest rates could include interest rate options which would set interest rates at some spread in relation to such indices as the Bank’s prime rate, the Federal Funds Rate or the London Inter-Bank Offered Rate (“LIBOR”), as well as provisions for converting from one interest rate to another. Based upon market conditions today, the Company believes that current interest rates under a Credit Facility would not exceed 5.80%, or approximately 40 basis points above current LIBOR. However, interest rates would be expected to vary over the five-year term of the credit commitment.

¹ LG&E would not be under any obligation to make draws under any Credit Facility, rather “credit commitment” refers to the Bank’s obligation to make funds available to LG&E if LG&E so requests.

4. In addition to interest on funds that may actually be borrowed, the Company may be required to pay an initial fee to establish the Credit Facility, as well as an ongoing facility fee, to maintain the credit commitment. Based upon current conditions, LG&E does not believe the initial fee would exceed five basis points or .05% of the Bank's commitment, and the facility fee would not exceed seven basis points or .07% annually.

5. LG&E's variable rate external debt contains provisions whereby liquidity or credit support may be provided by instruments such as the Credit Facilities, thereby both enhancing the marketability of LG&E's external long-term debt and eliminating the need for bond insurance. In this role, the Credit Facilities would ensure that LG&E has readily available funds with which to make payments with respect to variable rate bonds that have been tendered for purchase and not remarketed. It is anticipated that the Credit Facilities would serve this function, and in such role, funds available under the Credit Facilities would not necessarily be drawn.

6. In addition, it is possible that loan proceeds under the Credit Facilities could be used to provide short-term financing for the Company's general financing needs--for example, general costs of operation or costs of the Company's various construction programs such as costs associated with construction of the Company's Ghent Unit Two², until permanent or long-term financing can be arranged. However, borrowing under the Credit Facilities would be used to meet short-term financing needs as they arise and LG&E does not assign specific financing to any particular capital project or use, and does not project finance projects. Thus, these uses are general reasons that LG&E might have need for additional short-term financing, rather than projects to which such financing would be assigned.

² See, e.g., Case No. 2004-00507 (*In the Matter of: The Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for a Certificate of Public Convenience and Necessity and a Site Compatibility Certificate, for the Expansion of the Trimble County Generating Station*), Orders dated November 1, 2005 and November 9, 2005.

7. No contracts have been made with respect to any of the Credit Facilities which LG&E proposes to enter into. However, because of currently favorable market conditions, LG&E may enter into one or more short-term Credit Facilities, for terms less than one (1) year, not requiring Commission approval. Such short-term Credit Facilities could contain provisions giving LG&E the option to extend the term of the short-term Credit Facilities to a multi-year term, in the event that LG&E received all regulatory approvals necessary to enter into the extension. Any extension could be exercised only after all regulatory approvals, including the approval of this Commission, were received, and if approval was not received, the extension option would be of no effect and void.

8. LG&E will, within thirty (30) days of its entrance into any multi-year Credit Facility, file with the Commission a statement setting forth the date or dates of implementation of the Credit Facility, or of exercise of any extension option as discussed in Section 7, as well as all fees and expenses.

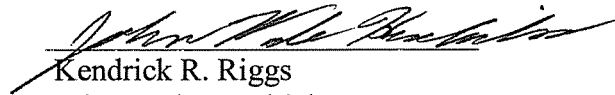
9. Exhibit 2 to this Application contains the Financial Exhibit required by 807 KAR 5:001, Section 11(2)(a) as described by 807 KAR 5:001, Section 6. It also contains information required by 807 KAR 5:001, Section 11(2)(b).

10. Exhibit 3 to this Application is a certified copy of LG&E's Board of Directors' resolution authorizing the proposed Credit Facilities.

11. Other requirements of the Commission's regulations regarding this Application, 807 KAR 5:001, Section 11, including (1)(b) regarding the amount and kind of the proposed debt, etc. and (1)(c) regarding the use to be made of the proceeds, have been supplied in the discussion above in sections 2 through 6 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 enter into, execute, deliver and perform the obligations of LG&E under the Credit Facilities.

Respectfully submitted,



Kendrick R. Riggs
John Wade Hendricks
Stoll Keenon Ogden PLLC
2000 PNC Plaza
500 West Jefferson Street
Louisville, Kentucky 40202
(502) 333-6000

John P. Fendig
Allyson Sturgeon
E.ON U.S. LLC
220 West Main Street
Louisville, KY 40202

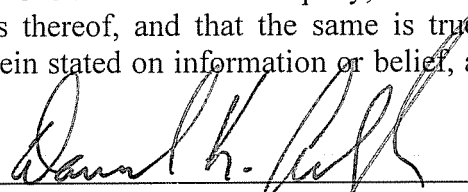
Counsel for Louisville Gas and Electric Company

VERIFICATION

COMMONWEALTH OF KENTUCKY

COUNTY OF JEFFERSON

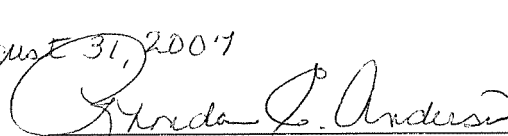
Daniel K. Arbough being first duly sworn, deposes and says that he is Director, Corporate Finance and Treasurer for Louisville Gas and Electric Company, that he has read the foregoing Application and knows the contents thereof, and that the same is true of his own knowledge, except as to matters which 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 12th day of JUNE, 2007.

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

March 31, 2007

The applicant owns and operates thermal-electric generating units with an aggregate station rating totaling 3,083 Mw. This total consists of 2,418 Mw of steam generation capacity and 665 Mw of combustion turbine peaking units. The applicant also owns an 80 Mw 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 included substation capacity of approximately 11,900 Mva and approximately 894 miles of lines, and is interconnected with the systems of neighboring utilities. The applicant's electric distribution system includes substation capacity of approximately 4,940 Mva, approximately 3,931 miles of overhead lines and approximately 2,161 miles of underground conduit.

The applicant operated 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 included 260 miles of transmission mains, and the gas distribution system includes 4,175 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 March 31, 2007, was:

	<u>Electric</u>		<u>Gas</u>		<u>Common</u>		<u>Total</u>
Original Cost	\$ 3,377,133,833	\$	588,061,407	\$	189,887,423	\$	4,155,082,663
Less Reserve for Depreciation	\$ 1,513,648,304	\$	199,435,669	\$	82,093,260	\$	1,795,177,233
Net Original Cost	\$ 1,863,485,529	\$	388,625,738	\$	107,794,163	\$	2,359,905,430
Allocation of Common To Electric and Gas	\$ 79,767,681	\$	28,026,482	\$	(107,794,163)	\$	-
Total	\$ 1,943,253,210	\$	416,652,220	\$	-	\$	2,359,905,430

LOUISVILLE GAS AND ELECTRIC COMPANY

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

March 31, 2007

(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.
6,500,000 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.

On January 31, 2007, the Kentucky Commission issued an Order approving LG&E's application for certain financial transactions, including arrangements which provide a source of funds for the possible redemption of LG&E's preferred stock. In March 2007, a committee of LG&E's board authorized the redemption of the preferred stock, effective in April 2007, pursuant to existing redemption provisions applicable to such series. LG&E will redeem on such redemption date all of its outstanding shares of its series of preferred stock at the following redemption prices, respectively, plus an amount equal to accrued and unpaid dividends to the redemption date:

- 860,287 shares of 5% cumulative preferred stock (par value \$25 per share) at \$28 per share;
 - 200,000 shares of \$5.875 cumulative preferred stock (without par value) at \$100 per share; and
 - 500,000 shares of auction rate, series A, cumulative preferred stock (without par value) at \$100 per share.
- (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.

Pursuant to the terms of the Applicant's Indenture of Mortgage or Deed of Trust dated November 1, 1949, when all first mortgage bonds of the Company issued under the Company's first mortgage bond indenture prior to the date of the issuance of the Bonds shall have been retired through payment, redemption or otherwise (including those bonds "deemed to be redeemed" within the meaning of that term as used in Article X of the Company's first mortgage indenture) (the "Release Date"), the First Mortgage Bonds shall be released and cancelled and shall no longer serve as security for the Bonds. By Order dated January 31, 2007 in Case No. 2006-00445, the Commission granted Applicant authority to undertake a financial restructure necessary to effect such release, and on April 26, 2007, the First Mortgage Bonds of the Applicant were released and terminated pursuant to their terms.

As of March 31, 2007, the Company had 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 March 31, 2007</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
			\$574,304,000

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

Louisville Gas and Electric Company had issued the following Pollution Control Bonds, which were secured by the Trust Indenture at March 31, 2007, as amended and supplemented, to The Bank of New York, Trustee:

<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Rate of Interest</u>	<u>Principal Amount</u>		<u>Interest Expense</u>
			<u>Authorized</u>	<u>Outstanding at March 31, 2007</u>	<u>Year Ended March 31, 2007</u>
The following are Pollution Control Series (a)					
Sept. 17, 1992	Sept. 1, 2017	Variable	\$31,000,000	\$31,000,000	\$1,128,126
Sept. 17, 1992	Sept. 1, 2017	Variable	60,000,000	60,000,000	2,148,140
Aug. 15, 1993	Aug. 15, 2013	Variable	35,200,000	35,200,000	1,271,790
May 1, 2000	May 1, 2027	Variable	25,000,000	25,000,000	902,396
Aug. 1, 2000	Aug. 1, 2030	Variable	83,335,000	83,335,000	3,093,238
Sept. 11, 2001	Sept. 1, 2027	Variable	10,104,000	10,104,000	369,113
Mar. 6, 2002	Sept. 1, 2026	Variable	22,500,000	22,500,000	807,867
Mar. 6, 2002	Sept. 1, 2026	Variable	27,500,000	27,500,000	987,393
Mar. 22, 2002	Nov. 1, 2027	Variable	35,000,000	35,000,000	1,269,052
Mar. 22, 2002	Nov. 1, 2027	Variable	35,000,000	35,000,000	1,269,052
Oct. 15, 2002	Oct. 1, 2032	Variable	41,665,000	41,665,000	1,492,646
Nov. 20, 2003	Oct. 1, 2033	Variable	128,000,000	128,000,000	4,574,453
Apr. 13, 2005	Feb. 1, 2035	Variable	40,000,000	40,000,000	1,401,883
Interest Rate Swaps					1,664,227
					\$22,379,376

(a) As of March 31, 2007, 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 March 31, 2007, 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.

Payee	Date of Issue	Intercompany Notes Payable			Amount	Interest Expense
		Date of Maturity	Rate of Interest	Year Ended March 31, 2007		
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, and the amount of capital stock on which dividends were paid each year. (1)

2002	\$69,000,000
2003	-
2004	57,000,000
2005	39,000,000
2006	95,000,000

As of May 1998, the 21,294,223 shares are all owned by E.ON U.S. LLC and all dividends declared by LG&E's Board of Directors are paid to E.ON U.S. LLC.

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

For each of the quarters in the previous five fiscal years, 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. The annual amount of dividends for each of the previous five fiscal years was \$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 March 31, 2007.

Annual dividends for the previous five fiscal years were:

2002	1,468,750
2003	1,432,034
2004	1,358,594
2005	1,285,156
2006	1,211,719

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	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	4/15/2006	1.20000	\$600,000
June	2006	7/15/2006	1.33750	668,750
September	2006	10/15/2006	1.44750	723,750
December	2006	1/15/2007	1.27500	637,500
				<u>2,630,000</u>

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

(9) Detailed Income Statement and Balance Sheet.

See pages 6 through 8.

LOUISVILLE GAS AND ELECTRIC COMPANY
 STATEMENT OF INCOME
 MARCH 31, 2007

YEAR ENDED CURRENT MONTH

	THIS YEAR AMOUNT
Electric Operating Revenues.....	951,368,378.63
Gas Operating Revenues.....	347,880,835.19
<u>Total Operating Revenues.....</u>	<u>1,299,249,213.82</u>
Fuel for Electric Generation.....	304,713,510.12
Power Purchased.....	111,229,293.42
Gas Supply Expenses.....	247,743,110.35
Other Operation Expenses.....	180,718,749.87
Maintenance.....	78,605,052.33
Depreciation.....	118,267,178.35
Amortization Expense.....	6,059,589.17
Regulatory Credits.....	(2,277,728.32)
Taxes	
Federal Income.....	50,386,272.72
State Income.....	11,357,905.36
Deferred Federal Income - Net.....	4,854,721.98
Deferred State Income - Net.....	(1,043,008.48)
Federal Income - Estimated.....	-
State Income - Estimated.....	-
Property and Other.....	22,238,519.69
Investment Tax Credit.....	5,600,000.00
Amortization of Investment Tax Credit.....	(3,998,905.41)
Gain from Disposition of Allowances.....	(553,138.60)
Accretion Expense.....	2,091,070.48
<u>Total Operating Expenses.....</u>	<u>1,135,992,193.03</u>
Net Operating Income.....	163,257,020.79
Other Income Less Deductions.....	(2,264,966.65)
<u>Income Before Interest Charges.....</u>	<u>160,992,054.14</u>
Interest on Long Term Debt.....	34,567,457.65
Amortization of Debt Expense - Net.....	1,430,280.45
Other Interest Expenses.....	2,803,314.63
<u>Total Interest Charges.....</u>	<u>38,801,052.73</u>
Net Inc Before Cumulative Effect of Acctg Chg.....	122,191,001.41
Cumulative Effect of Accounting Change Net of Tax.....	-
Net Income.....	122,191,001.41
Preferred Dividend Requirements.....	4,208,305.62
<u>Earnings Available for Common.....</u>	<u>117,982,695.79</u>

LOUISVILLE GAS AND ELECTRIC COMPANY
BALANCE SHEET AS OF MARCH 31, 2007

ASSETS AND OTHER DEBITS	THIS YEAR	LIABILITIES AND OTHER CREDITS	THIS YEAR
Utility Plant		Capitalization	
Utility Plant at Original Cost.....	4,155,082,663.30	Common Stock.....	425,170,424.09
Less Reserves for Depreciation & Amortization....	1,795,177,233.59	Common Stock Expense.....	(835,888.64)
Total.....	2,359,905,429.71	Paid-In Capital.....	40,000,000.00
		Other Comprehensive Income.....	(8,940,830.00)
Investments - At Cost		Retained Earnings.....	633,853,554.55
Ohio Valley Electric Corporation.....	594,286.00	Total Common Equity.....	1,089,247,260.00
Nonutility Property-Less Reserve.....	17,337.47	Preferred Stock.....	70,424,594.05
Other.....	-	First Mortgage Bonds.....	574,304,000.00
Total.....	611,623.47	Mandatory Redeemable Preferred Stock.....	-
		LT Notes Payable to Associated Companies.....	225,000,000.00
Current and Accrued Assets		Total Capitalization.....	1,958,975,854.05
Cash.....	6,197,275.51	Current and Accrued Liabilities	
Special Deposits.....	25,185,662.29	Long-Term Debt Due in 1 Year.....	20,000,000.00
Temporary Cash Investments.....	5,527.08	ST Notes Payable to Associated Companies.....	24,117,000.00
Accounts Receivable-Less Reserve.....	137,988,112.42	Notes Payable to Associated Companies.....	-
Notes Receivable from Assoc. Companies.....	-	Notes Payable.....	91,525,196.06
Accounts Receivable from Assoc Companies.....	17,242,521.50	Accounts Payable.....	65,066,430.73
Materials & Supplies-At Average Cost		Accounts Payable to Associated Companies.....	18,785,941.04
Fuel.....	42,494,238.95	Customer Deposits.....	31,787,124.28
Plant Materials & Operating Supplies.....	25,202,158.50	Taxes Accrued.....	5,027,345.92
Stores Expense.....	4,456,265.65	Interest Accrued.....	36,371,780.74
Gas Stored Underground.....	29,721,586.88	Dividends Declared.....	12,047,841.34
Allowance Inventory.....	14,277.55	Misc. Current & Accrued Liabilities.....	-
Prepayments.....	4,690,382.17	Total.....	304,728,660.11
Miscellaneous Current & Accrued Assets.....	1,411,273.01	Deferred Credits and Other	
Total.....	294,609,281.51	Accumulated Deferred Income Taxes.....	390,473,578.71
		Investment Tax Credit.....	42,676,199.74
Deferred Debits and Other		Regulatory Liabilities.....	54,933,101.05
Unamortized Debt Expense.....	8,029,882.84	Customer Advances for Construction.....	21,363,714.40
Unamortized Loss on Bonds.....	19,367,865.03	Asset Retirement Obligations.....	28,851,515.37
Accumulated Deferred Income Taxes.....	54,915,404.57	Other Deferred Credits.....	36,317,943.03
Deferred Regulatory Assets.....	164,428,075.41	Misc. Long-Term Liabilities.....	6,752,934.37
Other Deferred Debits.....	39,304,501.40	Accum Provision for Post-Retirement Benefits.....	96,098,563.11
Total.....	286,045,729.25	Total.....	677,467,549.78
Total Assets and Other Debits.....	2,941,172,063.94	Total Liabilities and Other Credits.....	2,941,172,063.94

LOUISVILLE GAS AND ELECTRIC COMPANY
ANALYSIS OF RETAINED EARNINGS
MARCH 31, 2007

	<u>YEAR ENDED CURRENT MONTH</u>
	<u>THIS YEAR</u>
Balance at Beginning of Period.....	605,612,676.76
Add:	
Credits from Income.....	122,191,001.41
FIN 48 Adjustment.....	258,182.00
Deduct:	
Preferred Dividends	
\$25 Par Value	
5% Series.....	1,553,305.62
Without Par Value	
Auction Rate.....	2,655,000.00
Preferred Dividends Accrued	
\$25 Par Value	
5% Series.....	
Without Par Value	
Auction Rate.....	
Common Dividends	
Common Stock Without Par Value.....	<u>90,000,000.00</u>
Balance at End of Period.....	<u><u>633,853,554.55</u></u>

OFFICER'S CERTIFICATE

I, S. Bradford Rives, do hereby certify that I am a duly qualified and acting Chief Financial Officer of Louisville Gas and Electric Company (the "Company"), a Kentucky corporation, and that as such officer, 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 are a true and correct copy of the resolutions of the Company approved by unanimous written consent in lieu of a meeting on June 7, 2007 and that the same have not been altered, amended or repealed.

IN WITNESS WHEREOF, I have executed this Certificate this 12 day of June 2007.



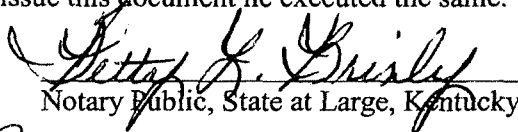
S. Bradford Rives
Chief Financial Officer

COMMONWEALTH OF KENTUCKY)

SS:

COUNTY OF JEFFERSON)

On this 12 day of June, 2007, before me, Jeffrey L. Brisley, a duly appointed Notary Public in and for the Commonwealth of Kentucky, appeared S. Bradford Rives, to me known and known to me to be the Chief Financial Officer of Louisville Gas and Electric Company, and the person who executed the foregoing instrument personally acknowledged to me that in this capacity and with authority to issue this document he executed the same.



Notary Public, State at Large, Kentucky

MY COMMISSION expires: June 21, 2010

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

June 7, 2007

REVISED BILATERAL LINES OF CREDIT STRUCTURE

WHEREAS, on January 11, 2007, this Board previously granted authority to extend or renew bilateral revolving lines of credit facilities in a total amount not to exceed \$185 million with various external financial institutions to be used for general corporate purposes, which bilateral lines of credit have been the subject of successive annual Board approvals since approximately May, 2004; and

WHEREAS, discussions with financial markets representatives and financial institutions indicate that a modified structure is appropriate for the facilities, including (i) reducing the aggregate Company total authorized amount to \$125 million, (ii) establishing facilities in total authorized amount of \$35 million at Kentucky Utilities Company, an affiliate, and (iii) structuring the facilities for an approximate 5 year term, with individual borrowings having borrowings of less than 1 year (collectively, the "Modified Bilateral Lines of Credit"); and

WHEREAS, the Company desires to implement the Modified Bilateral Lines of Credit during June 2007, which will become effective on or about the expiration of the current facilities; and

WHEREAS, it is deemed advisable and in the best interest of the Company to grant approval authority regarding the Modified Bilateral Lines of Credit.

NOW, THEREFORE, BE IT RESOLVED, that the Company is hereby authorized to establish appropriate Modified Bilateral Lines of Credit facilities, in an amount not to exceed \$125 million; 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 to enter into the Modified Bilateral Lines of Credit and execute and deliver loan agreements, credit agreements, notes, guarantees and such other agreements and documents, as the Chief Executive Officer, President, Chief Financial Officer, any Vice President, Treasurer and Controller of the Company, 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 *Modified Bilateral Lines of Credit*, 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.