2

e commission

BLANK

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

CONTROL OVER RESPONDENT

1. If any corporation, business trust, or similar organization or a combination of such organizations jointly held control over the repondent at the end of the year, state name of controlling corporation or organization, manner in which control was held, and extent of control. If control was in a holding company organization, show the chain of ownership or control to the main parent company or organization. If control was held by a trustee(s), state name of trustee(s), name of beneficiary or beneficiearies for whom trust was maintained, and purpose of the trust.

Louisville Gas & Electric Company (LG&E) is a wholly-owned subsidiary of E.ON U.S. LLC. E.ON U.S. LLC. is an indirect wholly-owned subsidiary of E.ON AG, a German corporation, making LG&E an indirect wholly-owned subsidiary of E.ON AG.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

OFFICERS

1. Report below the name, title and salary for each executive officer whose salary is $50,000 or more. An "executive officer" of a respondent includes its president, secretary, treasurer, and vice president in charge of a principal business unit, division or function (such as sales, administration or finance), and any other person who performs similar policy making functions.
2. If a change was made during the year in the incumbent of any position, show name and total remuneration of the previous incumbent, and the date the change in incumbency was made.

Line No.	Title (a)	Name of Officer (b)	Salary for Year (c)
1	CURRENT OFFICERS AT DECEMBER 31, 2008		
2	Chairman of the Board, President and		
3	Chief Executive Officer	Victor A. Staffieri	
4	Executive Vice President, General Counsel,		
5	Corporate Secretary and Chief Compliance Officer	John R. McCall	
6	Chief Financial Officer	S. Bradford Rives	
7	Senior Vice President - Energy Delivery	Chris Hermann	
8	Senior Vice President - Human Resources	Paula H. Pottinger	
9	Senior Vice President - Energy Services	Paul W. Thompson	
10	Senior Vice President - Information Technology	Wendy C. Welsh	
11	Vice President - Federal Regulation and Policy	Michael S. Beer	
12	Vice President - State Regulation and Rates	Lonnie E. Bellar	
13	Vice President - Corporate Planning and Development	Kent W. Blake	
14	Vice President - Power Production	D. Ralph Bowling	
15	Vice President - Corporate Responsibility		
16	and Community Affairs	Laura G. Douglas	
17	Vice President - Communications	R. W. Chip Keeling	
18	Vice President - Energy Delivery - Retail Business	John P. Malloy	
19	Vice President and Deputy General Counsel - Legal		
20	and Environmental Affairs	Dorothy E. O'Brien	
21	Vice President - External Affairs	George R. Siemens	
22	Vice President - Energy Marketing	David S. Sinclair	
23	Vice President - Energy Delivery - Distribution		
24	Operations	P. Greg Thomas	
25	Vice President - Transmission and Generation Services	John N. Voyles, Jr.	
26	Treasurer	Daniel K. Arbough	
27	Controller	Valerie L. Scott	
28			
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			
41			
42			
43			
44			

FOOTNOTE DATA

Schedule Page: 104 Line No.: 1 Column: c

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

Schedule Page: 104 Line No.: 14 Column: b

Effective June 16, 2008, D. Ralph Bowling was appointed Vice President – Power Production.

Schedule Page: 104 Line No.: 22 Column: b

Effective January 31, 2008, David S. Sinclair was appointed Vice President – Energy Marketing.

Schedule Page: 104 Line No.: 25 Column: b

Effective June 16, 2008, John N. Voyles, Jr. was appointed Vice President – Transmission and Generation Services.

BLANK

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

DIRECTORS

1. Report below the information called for concerning each director of the respondent who held office at any time during the year. Include in column (a), abbreviated titles of the directors who are officers of the respondent.
2. Designate members of the Executive Committee by a triple asterisk and the Chairman of the Executive Committee by a double asterisk.

Line No.	Name (and Title) of Director (a)	Principal Business Address (b)
1	CURRENT BOARD OF DIRECTORS AT DECEMBER 31, 2008	
2		
3	Victor A. Staffieri, Chairman of the Board, President	220 West Main Street, Louisville, KY 40202
4	and Chief Executive Officer	
5	John R. McCall, EVP General Counsel, Corporate	220 West Main Street, Louisville, KY 40202
6	Secretary and Chief Compliance Officer	
7	S. Bradford Rives, Chief Financial Officer	220 West Main Street, Louisville, KY 40202
8	Chris Hermann, SVP Energy Delivery	220 West Main Street, Louisville, KY 40202
9	Paul W. Thompson, SVP Energy Services	220 West Main Street, Louisville, KY 40202
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		
29		
30		
31		
32		
33		
34		
35		
36		
37		
38		
39		
40		
41		
42		
43		
44		
45		
46		
47		
48		

Name of Respondent	This Report Is:	Date of Report	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

IMPORTANT CHANGES DURING THE QUARTER/YEAR

Give particulars (details) concerning the matters indicated below. Make the statements explicit and precise, and number them in accordance with the inquiries. Each inquiry should be answered. Enter "none," "not applicable," or "NA" where applicable. If information which answers an inquiry is given elsewhere in the report, make a reference to the schedule in which it appears.

1. Changes in and important additions to franchise rights: Describe the actual consideration given therefore and state from whom the franchise rights were acquired. If acquired without the payment of consideration, state that fact.
2. Acquisition of ownership in other companies by reorganization, merger, or consolidation with other companies: Give names of companies involved, particulars concerning the transactions, name of the Commission authorizing the transaction, and reference to Commission authorization.
3. Purchase or sale of an operating unit or system: Give a brief description of the property, and of the transactions relating thereto, and reference to Commission authorization, if any was required. Give date journal entries called for by the Uniform System of Accounts were submitted to the Commission.
4. Important leaseholds (other than leaseholds for natural gas lands) that have been acquired or given, assigned or surrendered: Give effective dates, lengths of terms, names of parties, rents, and other condition. State name of Commission authorizing lease and give reference to such authorization.
5. Important extension or reduction of transmission or distribution system: State territory added or relinquished and date operations began or ceased and give reference to Commission authorization, if any was required. State also the approximate number of customers added or lost and approximate annual revenues of each class of service. Each natural gas company must also state major new continuing sources of gas made available to it from purchases, development, purchase contract or otherwise, giving location and approximate total gas volumes available, period of contracts, and other parties to any such arrangements, etc.
6. Obligations incurred as a result of issuance of securities or assumption of liabilities or guarantees including issuance of short-term debt and commercial paper having a maturity of one year or less. Give reference to FERC or State Commission authorization, as appropriate, and the amount of obligation or guarantee.
7. Changes in articles of incorporation or amendments to charter: Explain the nature and purpose of such changes or amendments.
8. State the estimated annual effect and nature of any important wage scale changes during the year.
9. State briefly the status of any materially important legal proceedings pending at the end of the year, and the results of any such proceedings culminated during the year.
10. Describe briefly any materially important transactions of the respondent not disclosed elsewhere in this report in which an officer, director, security holder reported on Page 106, voting trustee, associated company or known associate of any of these persons was a party or in which any such person had a material interest.
11. (Reserved.)
12. If the important changes during the year relating to the respondent company appearing in the annual report to stockholders are applicable in every respect and furnish the data required by Instructions 1 to 11 above, such notes may be included on this page.
13. Describe fully any changes in officers, directors, major security holders and voting powers of the respondent that may have occurred during the reporting period.
14. In the event that the respondent participates in a cash management program(s) and its proprietary capital ratio is less than 30 percent please describe the significant events or transactions causing the proprietary capital ratio to be less than 30 percent, and the extent to which the respondent has amounts loaned or money advanced to its parent, subsidiary, or affiliated companies through a cash management program(s). Additionally, please describe plans, if any to regain at least a 30 percent proprietary ratio.

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

1. None.

2. None.

3. None.

4. None of a material nature.

5. None of a material nature.

6. The Company had obtained authorization from the SEC under the Public Utility Holding Company Act of 1935 (PUHCA 1935) SEC File No. 70-09985 for the issuance of short-term debt up to $400 million through May 31, 2008. The Federal Power Act contained an exemption from FERC approval for securities issuances approved by the SEC under PUHCA 2005. In connection with the repeal of the PUHCA of 1935, the Company also received FERC authorization under the FPA Docket No. ES07-59-000 for up to $400 million in short-term debt through November 30, 2009. The Company's money pool balance decreased from $345 million at September 30, 2008 to $222 million at December 31, 2008. During the fourth quarter of 2008, the Company entered into a new $50 million loan agreement with an affiliate which matures in 2015, as authorized by the Kentucky Public Service Commission in its October 21, 2008 Order in Case No. 2008-00428.

7. None.

8. During the year, routine wage increases became effective for union employees in accordance with a collective bargaining agreement. Non-union employees received routine wage increases in accordance with annual salary reviews and job rotations.

9. See Notes 2 and 7 of Notes to Financial Statements.

10. None.

11. N/A

12. N/A

13. Martyn Gallus, formerly Senior Vice President, Energy Marketing, is serving in a position with an international affiliate, effective January 2008. Effective during January 2008, David S. Sinclair was appointed Vice President – Energy Marketing. Effective during June 2008, John N. Voyles, Jr. was appointed Vice President – Transmission and Generation Services. Additionally, during June 2008, D. Ralph Bowling was appointed Vice President – Power Production.

14. The Company is a participant in a cash pooling arrangement, but its proprietary capital ratio is above 30 percent.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
1	**UTILITY PLANT**			
2	Utility Plant (101-106, 114)	200-201	4,130,302,167	3,972,544,417
3	Construction Work in Progress (107)	200-201	374,023,200	344,441,784
4	TOTAL Utility Plant (Enter Total of lines 2 and 3)		4,504,325,367	4,316,986,201
5	(Less) Accum. Prov. for Depr. Amort. Depl. (108, 110, 111, 115)	200-201	1,939,166,902	1,859,847,713
6	Net Utility Plant (Enter Total of line 4 less 5)		2,565,158,465	2,457,138,488
7	Nuclear Fuel in Process of Ref., Conv.,Enrich., and Fab. (120.1)	202-203	0	0
8	Nuclear Fuel Materials and Assemblies-Stock Account (120.2)		0	0
9	Nuclear Fuel Assemblies in Reactor (120.3)		0	0
10	Spent Nuclear Fuel (120.4)		0	0
11	Nuclear Fuel Under Capital Leases (120.6)		0	0
12	(Less) Accum. Prov. for Amort. of Nucl. Fuel Assemblies (120.5)	202-203	0	0
13	Net Nuclear Fuel (Enter Total of lines 7-11 less 12)		0	0
14	Net Utility Plant (Enter Total of lines 6 and 13)		2,565,158,465	2,457,138,488
15	Utility Plant Adjustments (116)	122	0	0
16	Gas Stored Underground - Noncurrent (117)		2,139,990	2,139,990
17	**OTHER PROPERTY AND INVESTMENTS**			
18	Nonutility Property (121)		75,240	75,240
19	(Less) Accum. Prov. for Depr. and Amort. (122)		63,360	63,360
20	Investments in Associated Companies (123)		0	0
21	Investment in Subsidiary Companies (123.1)	224-225	0	0
22	(For Cost of Account 123.1, See Footnote Page 224, line 42)			
23	Noncurrent Portion of Allowances	228-229	0	0
24	Other Investments (124)		594,286	594,286
25	Sinking Funds (125)		0	0
26	Depreciation Fund (126)		0	0
27	Amortization Fund - Federal (127)		0	0
28	Other Special Funds (128)		21,965,162	25,874,231
29	Special Funds (Non Major Only) (129)		0	0
30	Long-Term Portion of Derivative Assets (175)		0	0
31	Long-Term Portion of Derivative Assets – Hedges (176)		0	0
32	TOTAL Other Property and Investments (Lines 18-21 and 23-31)		22,571,328	26,480,397
33	**CURRENT AND ACCRUED ASSETS**			
34	Cash and Working Funds (Non-major Only) (130)		0	0
35	Cash (131)		4,311,461	4,312,502
36	Special Deposits (132-134)		2,405,086	6,919,973
37	Working Fund (135)		21,280	21,280
38	Temporary Cash Investments (136)		27	35,917
39	Notes Receivable (141)		0	0
40	Customer Accounts Receivable (142)		107,862,536	96,948,965
41	Other Accounts Receivable (143)		22,964,043	28,810,091
42	(Less) Accum. Prov. for Uncollectible Acct.-Credit (144)		1,874,661	1,790,471
43	Notes Receivable from Associated Companies (145)		0	0
44	Accounts Receivable from Assoc. Companies (146)		1,391,252	32,982
45	Fuel Stock (151)	227	50,500,488	45,925,807
46	Fuel Stock Expenses Undistributed (152)	227	0	0
47	Residuals (Elec) and Extracted Products (153)	227	0	0
48	Plant Materials and Operating Supplies (154)	227	28,032,517	26,407,267
49	Merchandise (155)	227	0	0
50	Other Materials and Supplies (156)	227	0	0
51	Nuclear Materials Held for Sale (157)	202-203/227	0	0
52	Allowances (158.1 and 158.2)	228-229	5,960	11,459

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

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

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
53	(Less) Noncurrent Portion of Allowances		0	0
54	Stores Expense Undistributed (163)	227	4,196,809	4,584,570
55	Gas Stored Underground - Current (164.1)		112,152,403	81,188,407
56	Liquefied Natural Gas Stored and Held for Processing (164.2-164.3)		0	0
57	Prepayments (165)		5,516,939	5,339,357
58	Advances for Gas (166-167)		0	0
59	Interest and Dividends Receivable (171)		220,223	220,496
60	Rents Receivable (172)		12,000	435,309
61	Accrued Utility Revenues (173)		73,103,000	64,669,000
62	Miscellaneous Current and Accrued Assets (174)		0	3,834
63	Derivative Instrument Assets (175)		1,261,246	537,979
64	(Less) Long-Term Portion of Derivative Instrument Assets (175)		0	0
65	Derivative Instrument Assets - Hedges (176)		0	0
66	(Less) Long-Term Portion of Derivative Instrument Assets - Hedges (176		0	0
67	Total Current and Accrued Assets (Lines 34 through 66)		412,082,609	364,614,724
68	**DEFERRED DEBITS**			
69	Unamortized Debt Expenses (181)		4,014,238	9,898,130
70	Extraordinary Property Losses (182.1)	230	0	0
71	Unrecovered Plant and Regulatory Study Costs (182.2)	230	0	0
72	Other Regulatory Assets (182.3)	232	317,239,677	151,022,049
73	Prelim. Survey and Investigation Charges (Electric) (183)		521,436	384,463
74	Preliminary Natural Gas Survey and Investigation Charges 183.1)		0	0
75	Other Preliminary Survey and Investigation Charges (183.2)		0	0
76	Clearing Accounts (184)		2,017,950	499,108
77	Temporary Facilities (185)		0	0
78	Miscellaneous Deferred Debits (186)	233	40,583,134	34,320,956
79	Def. Losses from Disposition of Utility Plt. (187)		0	0
80	Research, Devel. and Demonstration Expend. (188)	352-353	0	0
81	Unamortized Loss on Reaquired Debt (189)		24,212,029	19,100,231
82	Accumulated Deferred Income Taxes (190)	234	64,982,202	52,162,134
83	Unrecovered Purchased Gas Costs (191)		0	0
84	Total Deferred Debits (lines 69 through 83)		453,570,666	267,387,071
85	TOTAL ASSETS (lines 14-16, 32, 67, and 84)		3,455,523,058	3,117,760,670

Name of Respondent	This Report is:	Date of Report (mo, da, yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Rresubmission	/ /	end of 2008/Q4

COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
1	PROPRIETARY CAPITAL			
2	Common Stock Issued (201)	250-251	425,170,424	425,170,424
3	Preferred Stock Issued (204)	250-251	0	0
4	Capital Stock Subscribed (202, 205)	252	0	0
5	Stock Liability for Conversion (203, 206)	252	0	0
6	Premium on Capital Stock (207)	252	0	0
7	Other Paid-In Capital (208-211)	253	83,530,392	60,000,000
8	Installments Received on Capital Stock (212)	252	0	0
9	(Less) Discount on Capital Stock (213)	254	0	0
10	(Less) Capital Stock Expense (214)	254	835,889	835,889
11	Retained Earnings (215, 215.1, 216)	118-119	740,161,671	689,961,390
12	Unappropriated Undistributed Subsidiary Earnings (216.1)	118-119	0	0
13	(Less) Reaquired Capital Stock (217)	250-251	0	0
14	Noncorporate Proprietorship (Non-major only) (218)		0	0
15	Accumulated Other Comprehensive Income (219)	122(a)(b)	-13,565,683	-13,132,184
16	Total Proprietary Capital (lines 2 through 15)		1,234,460,915	1,161,163,741
17	LONG-TERM DEBT			
18	Bonds (221)	256-257	574,304,000	574,304,000
19	(Less) Reaquired Bonds (222)	256-257	163,200,000	0
20	Advances from Associated Companies (223)	256-257	485,000,000	410,000,000
21	Other Long-Term Debt (224)	256-257	0	0
22	Unamortized Premium on Long-Term Debt (225)		0	0
23	(Less) Unamortized Discount on Long-Term Debt-Debit (226)		0	0
24	Total Long-Term Debt (lines 18 through 23)		896,104,000	984,304,000
25	OTHER NONCURRENT LIABILITIES			
26	Obligations Under Capital Leases - Noncurrent (227)		0	23,649
27	Accumulated Provision for Property Insurance (228.1)		0	0
28	Accumulated Provision for Injuries and Damages (228.2)		5,189,075	5,601,154
29	Accumulated Provision for Pensions and Benefits (228.3)		228,785,290	97,643,181
30	Accumulated Miscellaneous Operating Provisions (228.4)		0	0
31	Accumulated Provision for Rate Refunds (229)		0	0
32	Long-Term Portion of Derivative Instrument Liabilities		30,730,591	0
33	Long-Term Portion of Derivative Instrument Liabilities - Hedges		24,488,280	0
34	Asset Retirement Obligations (230)		32,749,572	29,582,676
35	Total Other Noncurrent Liabilities (lines 26 through 34)		321,942,808	132,850,660
36	CURRENT AND ACCRUED LIABILITIES			
37	Notes Payable (231)		0	0
38	Accounts Payable (232)		114,427,403	115,160,770
39	Notes Payable to Associated Companies (233)		221,999,200	78,241,200
40	Accounts Payable to Associated Companies (234)		37,958,365	56,768,214
41	Customer Deposits (235)		21,644,189	19,373,313
42	Taxes Accrued (236)	262-263	18,381,745	4,746,862
43	Interest Accrued (237)		2,737,649	1,981,717
44	Dividends Declared (238)		0	0
45	Matured Long-Term Debt (239)		0	0

Name of Respondent	This Report is:	Date of Report (mo, da, yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Rresubmission	/ /	end of 2008/Q4

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

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
46	Matured Interest (240)		0	0
47	Tax Collections Payable (241)		1,605,237	1,446,316
48	Miscellaneous Current and Accrued Liabilities (242)		12,127,743	11,357,668
49	Obligations Under Capital Leases-Current (243)		23,650	405,438
50	Derivative Instrument Liabilities (244)		30,773,669	152,956
51	(Less) Long-Term Portion of Derivative Instrument Liabilities		30,730,591	0
52	Derivative Instrument Liabilities - Hedges (245)		24,488,280	0
53	(Less) Long-Term Portion of Derivative Instrument Liabilities-Hedges		24,488,280	0
54	Total Current and Accrued Liabilities (lines 37 through 53)		430,948,259	289,634,454
55	DEFERRED CREDITS			
56	Customer Advances for Construction (252)		10,907,431	9,612,516
57	Accumulated Deferred Investment Tax Credits (255)	266-267	50,349,070	46,098,962
58	Deferred Gains from Disposition of Utility Plant (256)		0	0
59	Other Deferred Credits (253)	269	43,652,016	40,862,253
60	Other Regulatory Liabilities (254)	278	56,266,231	55,115,538
61	Unamortized Gain on Reaquired Debt (257)		0	0
62	Accum. Deferred Income Taxes-Accel. Amort.(281)	272-277	0	0
63	Accum. Deferred Income Taxes-Other Property (282)		372,156,915	368,258,704
64	Accum. Deferred Income Taxes-Other (283)		38,735,413	29,859,842
65	Total Deferred Credits (lines 56 through 64)		572,067,076	549,807,815
66	TOTAL LIABILITIES AND STOCKHOLDER EQUITY (lines 16, 24, 35, 54 and 65)		3,455,523,058	3,117,760,670

BLANK

Schedule Page: 112 Line No.: 32 Column:

During 2008, long-term interest swap hedges became ineffective and were reclassified from account 245 to account 244.

Schedule Page: 112 Line No.: 33 Column:

During 2008, long-term interest swap hedges were reclassified from account 253 to account 245.

Schedule Page: 112 Line No.: 50 Column:

During 2008, long-term interest swap hedges became ineffective and were reclassified from account 245 to account 244.

Schedule Page: 112 Line No.: 51 Column:

During 2008, long-term interest swap hedges became ineffective and were reclassified from account 245 to account 244.

Schedule Page: 112 Line No.: 52 Column:

During 2008, long-term interest swap hedges were reclassified from account 253 to account 245.

Schedule Page: 112 Line No.: 53 Column:

During 2008, long-term interest swap hedges were reclassified from account 253 to account 245.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

STATEMENT OF INCOME

Quarterly

1. Enter in column (d) the balance for the reporting quarter and in column (e) the balance for the same three month period for the prior year.
2. Report in column (f) the quarter to date amounts for electric utility function; in column (h) the quarter to date amounts for gas utility, and in (j) the quarter to date amounts for other utility function for the current year quarter.
3. Report in column (g) the quarter to date amounts for electric utility function; in column (i) the quarter to date amounts for gas utility, and in (k) the quarter to date amounts for other utility function for the prior year quarter.
4. *If additional columns are needed place them in a footnote.*

Annual or Quarterly if applicable

5. Do not report fourth quarter data in columns (e) and (f)
6. Report amounts for accounts 412 and 413, Revenues and Expenses from Utility Plant Leased to Others, in another utility columnin a similar manner to a utility department. Spread the amount(s) over lines 2 thru 26 as appropriate. Include these amounts in columns (c) and (d) totals.
7. Report amounts in account 414, Other Utility Operating Income, in the same manner as accounts 412 and 413 above.
8. Report data for lines 8, 10 and 11 for Natural Gas companies using accounts 404.1, 404.2, 404.3, 407.1 and 407.2.

Line No.	Title of Account (a)	(Ref.) Page No. (b)	Total Current Year to Date Balance for Quarter/Year (c)	Total Prior Year to Date Balance for Quarter/Year (d)	Current 3 Months Ended Quarterly Only No 4th Quarter (e)	Prior 3 Months Ended Quarterly Only No 4th Quarter (f)
1	UTILITY OPERATING INCOME					
2	Operating Revenues (400)	300-301	1,473,319,433	1,285,137,296		
3	Operating Expenses					
4	Operation Expenses (401)	320-323	1,009,662,690	826,345,485		
5	Maintenance Expenses (402)	320-323	94,525,845	82,541,993		
6	Depreciation Expense (403)	336-337	121,162,949	119,425,164		
7	Depreciation Expense for Asset Retirement Costs (403.1)	336-337	188,955	147,902		
8	Amort. & Depl. of Utility Plant (404-405)	336-337	5,880,401	6,199,962		
9	Amort. of Utility Plant Acq. Adj. (406)	336-337				
10	Amort. Property Losses, Unrecov Plant and Regulatory Study Costs (407)					
11	Amort. of Conversion Expenses (407)					
12	Regulatory Debits (407.3)					
13	(Less) Regulatory Credits (407.4)		2,066,612	1,940,744		
14	Taxes Other Than Income Taxes (408.1)	262-263	23,957,072	21,896,663		
15	Income Taxes - Federal (409.1)	262-263	40,043,410	34,624,585		
16	- Other (409.1)	262-263	4,282,425	7,620,509		
17	Provision for Deferred Income Taxes (410.1)	234, 272-277	53,068,787	39,299,707		
18	(Less) Provision for Deferred Income Taxes-Cr. (411.1)	234, 272-277	57,827,400	28,323,682		
19	Investment Tax Credit Adj. - Net (411.4)	266	4,250,108	5,028,725		
20	(Less) Gains from Disp. of Utility Plant (411.6)					
21	Losses from Disp. of Utility Plant (411.7)					
22	(Less) Gains from Disposition of Allowances (411.8)		456,255	553,093		
23	Losses from Disposition of Allowances (411.9)					
24	Accretion Expense (411.10)		1,889,560	1,780,917		
25	TOTAL Utility Operating Expenses (Enter Total of lines 4 thru 24)		1,298,561,935	1,114,094,093		
26	Net Util Oper Inc (Enter Tot line 2 less 25) Carry to Pg117,line 27		174,757,498	171,043,203		

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q4

STATEMENT OF INCOME FOR THE YEAR (Continued)

9. Use page 122 for important notes regarding the statement of income for any account thereof.
10. Give concise explanations concerning unsettled rate proceedings where a contingency exists such that refunds of a material amount may need to be made to the utility's customers or which may result in material refund to the utility with respect to power or gas purchases. State for each year effected the gross revenues or costs to which the contingency relates and the tax effects together with an explanation of the major factors which affect the rights of the utility to retain such revenues or recover amounts paid with respect to power or gas purchases.
11 Give concise explanations concerning significant amounts of any refunds made or received during the year resulting from settlement of any rate proceeding affecting revenues received or costs incurred for power or gas purches, and a summary of the adjustments made to balance sheet, income, and expense accounts.
12. If any notes appearing in the report to stokholders are applicable to the Statement of Income, such notes may be included at page 122.
13. Enter on page 122 a concise explanation of only those changes in accounting methods made during the year which had an effect on net income, including the basis of allocations and apportionments from those used in the preceding year. Also, give the appropriate dollar effect of such changes.
14. Explain in a footnote if the previous year's/quarter's figures are different from that reported in prior reports.
15. If the columns are insufficient for reporting additional utility departments, supply the appropriate account titles report the information in a footnote to this schedule.

ELECTRIC UTILITY		GAS UTILITY		OTHER UTILITY		
Current Year to Date (in dollars) (g)	Previous Year to Date (in dollars) (h)	Current Year to Date (in dollars) (i)	Previous Year to Date (in dollars) (j)	Current Year to Date (in dollars) (k)	Previous Year to Date (in dollars) (l)	Line No.
						1
1,014,954,340	932,455,567	458,365,093	352,681,729			2
						3
617,221,895	533,846,915	392,440,795	292,498,570			4
77,660,813	69,228,361	16,865,032	13,313,632			5
103,022,617	102,299,003	18,140,332	17,126,161			6
179,887	138,748	9,068	9,154			7
4,351,497	4,587,972	1,528,904	1,611,990			8
						9
						10
						11
						12
1,614,369	1,511,554	452,243	429,190			13
18,280,583	16,260,079	5,676,489	5,636,584			14
32,762,857	40,724,342	7,280,553	-6,099,757			15
2,622,685	8,811,442	1,659,740	-1,190,933			16
41,913,482	24,558,126	11,155,305	14,741,581			17
42,809,219	26,116,207	15,018,181	2,207,475			18
4,408,962	5,193,800	-158,854	-165,075			19
						20
						21
456,255	553,093					22
						23
1,446,471	1,360,881	443,089	420,036			24
858,991,906	778,828,815	439,570,029	335,265,278			25
155,962,434	153,626,752	18,795,064	17,416,451			26

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

STATEMENT OF INCOME FOR THE YEAR (continued)

Line No.	Title of Account (a)	(Ref.) Page No. (b)	TOTAL Current Year (c)	TOTAL Previous Year (d)	Current 3 Months Ended Quarterly Only No 4th Quarter (e)	Prior 3 Months Ended Quarterly Only No 4th Quarter (f)
27	Net Utility Operating Income (Carried forward from page 114)		174,757,498	171,043,203		
28	Other Income and Deductions					
29	Other Income					
30	Nonutilty Operating Income					
31	Revenues From Merchandising, Jobbing and Contract Work (415)		7,999	-225		
32	(Less) Costs and Exp. of Merchandising, Job. & Contract Work (416)		19,746	29,494		
33	Revenues From Nonutility Operations (417)		1,555,144	1,555,185		
34	(Less) Expenses of Nonutility Operations (417.1)					
35	Nonoperating Rental Income (418)					
36	Equity in Earnings of Subsidiary Companies (418.1)	119				
37	Interest and Dividend Income (419)		1,811,414	1,391,693		
38	Allowance for Other Funds Used During Construction (419.1)					
39	Miscellaneous Nonoperating Income (421)		864,960	366,121		
40	Gain on Disposition of Property (421.1)		8,757,465	459,948		
41	TOTAL Other Income (Enter Total of lines 31 thru 40)		12,977,236	3,743,228		
42	Other Income Deductions					
43	Loss on Disposition of Property (421.2)			102,931		
44	Miscellaneous Amortization (425)	340				
45	Donations (426.1)	340	1,010,398	1,148,222		
46	Life Insurance (426.2)					
47	Penalties (426.3)		172,173	6,920		
48	Exp. for Certain Civic, Political & Related Activities (426.4)		674,416	728,465		
49	Other Deductions (426.5)		45,523,797	2,263,466		
50	TOTAL Other Income Deductions (Total of lines 43 thru 49)		47,380,784	4,250,004		
51	Taxes Applic. to Other Income and Deductions					
52	Taxes Other Than Income Taxes (408.2)	262-263	1,815	1,444		
53	Income Taxes-Federal (409.2)	262-263	-2,606,715	-554,282		
54	Income Taxes-Other (409.2)	262-263	-479,336	-125,334		
55	Provision for Deferred Inc. Taxes (410.2)	234, 272-277	172,873	986,199		
56	(Less) Provision for Deferred Income Taxes-Cr. (411.2)	234, 272-277	273,424	9,972		
57	Investment Tax Credit Adj.-Net (411.5)					
58	(Less) Investment Tax Credits (420)					
59	TOTAL Taxes on Other Income and Deductions (Total of lines 52-58)		-3,184,787	298,055		
60	Net Other Income and Deductions (Total of lines 41, 50, 59)		-31,218,761	-804,831		
61	Interest Charges					
62	Interest on Long-Term Debt (427)		20,237,321	27,325,819		
63	Amort. of Debt Disc. and Expense (428)		279,654	401,067		
64	Amortization of Loss on Reaquired Debt (428.1)		1,305,972	1,035,406		
65	(Less) Amort. of Premium on Debt-Credit (429)					
66	(Less) Amortization of Gain on Reaquired Debt-Credit (429.1)					
67	Interest on Debt to Assoc. Companies (430)	340	29,104,126	21,171,199		
68	Other Interest Expense (431)	340	2,411,383	-78,484		
69	(Less) Allowance for Borrowed Funds Used During Construction-Cr. (432)					
70	Net Interest Charges (Total of lines 62 thru 69)		53,338,456	49,855,007		
71	Income Before Extraordinary Items (Total of lines 27, 60 and 70)		90,200,281	120,383,365		
72	Extraordinary Items					
73	Extraordinary Income (434)					
74	(Less) Extraordinary Deductions (435)					
75	Net Extraordinary Items (Total of line 73 less line 74)					
76	Income Taxes-Federal and Other (409.3)	262-263				
77	Extraordinary Items After Taxes (line 75 less line 76)					
78	Net Income (Total of line 71 and 77)		90,200,281	120,383,365		

Schedule Page: 114 Line No.: 49 Column: c

Other Deductions increased $43,260,331 primarily due to interest rate swap mark-to-market activity.

Schedule Page: 114 Line No.: 68 Column: d

Other Interest Expense was credited to adjust an interest accrual related to a 2002 amended tax return.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

STATEMENT OF RETAINED EARNINGS

1. Do not report Lines 49-53 on the quarterly version.
2. Report all changes in appropriated retained earnings, unappropriated retained earnings, year to date, and unappropriated undistributed subsidiary earnings for the year.
3. Each credit and debit during the year should be identified as to the retained earnings account in which recorded (Accounts 433, 436 - 439 inclusive). Show the contra primary account affected in column (b)
4. State the purpose and amount of each reservation or appropriation of retained earnings.
5. List first account 439, Adjustments to Retained Earnings, reflecting adjustments to the opening balance of retained earnings. Follow by credit, then debit items in that order.
6. Show dividends for each class and series of capital stock.
7. Show separately the State and Federal income tax effect of items shown in account 439, Adjustments to Retained Earnings.
8. Explain in a footnote the basis for determining the amount reserved or appropriated. If such reservation or appropriation is to be recurrent, state the number and annual amounts to be reserved or appropriated as well as the totals eventually to be accumulated.
9. If any notes appearing in the report to stockholders are applicable to this statement, include them on pages 122-123.

Line No.	Item (a)	Contra Primary Account Affected (b)	Current Quarter/Year Year to Date Balance (c)	Previous Quarter/Year Year to Date Balance (d)
	UNAPPROPRIATED RETAINED EARNINGS (Account 216)			
1	Balance-Beginning of Period		689,961,390	639,104,730
2	Changes			
3	Adjustments to Retained Earnings (Account 439)			
4	FIN 48 Adjustment			202,186
5				
6				
7				
8				
9	TOTAL Credits to Retained Earnings (Acct. 439)			202,186
10	Preferred Stock Buy Back			(3,787,255)
11				
12				
13				
14				
15	TOTAL Debits to Retained Earnings (Acct. 439)			(3,787,255)
16	Balance Transferred from Income (Account 433 less Account 418.1)		90,200,281	120,383,365
17	Appropriations of Retained Earnings (Acct. 436)			
18				
19				
20				
21				
22	TOTAL Appropriations of Retained Earnings (Acct. 436)			
23	Dividends Declared-Preferred Stock (Account 437)			
24	$25 Par Value Auction Rate Cumulative			(316,636)
25	Without Par Value Auction Rate Cumulative			(625,000)
26				
27				
28				
29	TOTAL Dividends Declared-Preferred Stock (Acct. 437)			(941,636)
30	Dividends Declared-Common Stock (Account 438)			
31	Without Par Value		-40,000,000	(65,000,000)
32				
33				
34				
35				
36	TOTAL Dividends Declared-Common Stock (Acct. 438)		-40,000,000	(65,000,000)
37	Transfers from Acct 216.1, Unapprop. Undistrib. Subsidiary Earnings			
38	Balance - End of Period (Total 1,9,15,16,22,29,36,37)		740,161,671	689,961,390
	APPROPRIATED RETAINED EARNINGS (Account 215)			

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

STATEMENT OF RETAINED EARNINGS

1. Do not report Lines 49-53 on the quarterly version.
2. Report all changes in appropriated retained earnings, unappropriated retained earnings, year to date, and unappropriated undistributed subsidiary earnings for the year.
3. Each credit and debit during the year should be identified as to the retained earnings account in which recorded (Accounts 433, 436 - 439 inclusive). Show the contra primary account affected in column (b)
4. State the purpose and amount of each reservation or appropriation of retained earnings.
5. List first account 439, Adjustments to Retained Earnings, reflecting adjustments to the opening balance of retained earnings. Follow by credit, then debit items in that order.
6. Show dividends for each class and series of capital stock.
7. Show separately the State and Federal income tax effect of items shown in account 439, Adjustments to Retained Earnings.
8. Explain in a footnote the basis for determining the amount reserved or appropriated. If such reservation or appropriation is to be recurrent, state the number and annual amounts to be reserved or appropriated as well as the totals eventually to be accumulated.
9. If any notes appearing in the report to stockholders are applicable to this statement, include them on pages 122-123.

Line No.	Item (a)	Contra Primary Account Affected (b)	Current Quarter/Year Year to Date Balance (c)	Previous Quarter/Year Year to Date Balance (d)
39				
40				
41				
42				
43				
44				
45	TOTAL Appropriated Retained Earnings (Account 215)			
	APPROP. RETAINED EARNINGS - AMORT. Reserve, Federal (Account 215.1)			
46	TOTAL Approp. Retained Earnings-Amort. Reserve, Federal (Acct. 215.1)			
47	TOTAL Approp. Retained Earnings (Acct. 215, 215.1) (Total 45,46)			
48	TOTAL Retained Earnings (Acct. 215, 215.1, 216) (Total 38, 47) (216.1)		740,161,671	689,961,390
	UNAPPROPRIATED UNDISTRIBUTED SUBSIDIARY EARNINGS (Account			
	Report only on an Annual Basis, no Quarterly			
49	Balance-Beginning of Year (Debit or Credit)			
50	Equity in Earnings for Year (Credit) (Account 418.1)			
51	(Less) Dividends Received (Debit)			
52				
53	Balance-End of Year (Total lines 49 thru 52)			

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

STATEMENT OF CASH FLOWS

(1) Codes to be used:(a) Net Proceeds or Payments;(b)Bonds, debentures and other long-term debt; (c) Include commercial paper; and (d) Identify separately such items as investments, fixed assets, intangibles, etc.
(2) Information about noncash investing and financing activities must be provided in the Notes to the Financial statements. Also provide a reconciliation between "Cash and Cash Equivalents at End of Period" with related amounts on the Balance Sheet.
(3) Operating Activities - Other: Include gains and losses pertaining to operating activities only. Gains and losses pertaining to investing and financing activities should be reported in those activities. Show in the Notes to the Financials the amounts of interest paid (net of amount capitalized) and income taxes paid.
(4) Investing Activities: Include at Other (line 31) net cash outflow to acquire other companies. Provide a reconciliation of assets acquired with liabilities assumed in the Notes to the Financial Statements. Do not include on this statement the dollar amount of leases capitalized per the USofA General Instruction 20; instead provide a reconciliation of the dollar amount of leases capitalized with the plant cost.

Line No.	Description (See Instruction No. 1 for Explanation of Codes) (a)	Current Year to Date Quarter/Year (b)	Previous Year to Date Quarter/Year (c)
1	Net Cash Flow from Operating Activities:		
2	Net Income (Line 78(c) on page 117)	90,200,281	120,383,365
3	Noncash Charges (Credits) to Income:		
4	Depreciation and Depletion	121,351,904	119,573,066
5	Amortization of Plant	5,880,401	6,199,962
6			
7			
8	Deferred Income Taxes (Net)	-4,758,612	13,357,917
9	Investment Tax Credit Adjustment (Net)	4,250,108	5,028,725
10	Net (Increase) Decrease in Receivables	-7,603,580	-18,938,354
11	Net (Increase) Decrease in Inventory	-36,776,166	-7,710,192
12	Net (Increase) Decrease in Allowances Inventory	5,499	3,944
13	Net Increase (Decrease) in Payables and Accrued Expenses	10,304,951	-74,175,686
14	Net (Increase) Decrease in Other Regulatory Assets	-166,217,628	12,597,654
15	Net Increase (Decrease) in Other Regulatory Liabilities	1,150,693	-255,033
16	(Less) Allowance for Other Funds Used During Construction		
17	(Less) Undistributed Earnings from Subsidiary Companies		
18	Other (provide details in footnote):	136,968,587	-18,354,099
19	Change in Other Deferred Debits	-6,262,178	2,025,610
20	Change in Other Deferred Credits	21,541,469	-10,415,782
21	Gain on Disposal of Assets	-8,757,465	
22	Net Cash Provided by (Used in) Operating Activities (Total 2 thru 21)	161,278,264	149,321,097
23			
24	Cash Flows from Investment Activities:		
25	Construction and Acquisition of Plant (including land):		
26	Gross Additions to Utility Plant (less nuclear fuel)	-197,198,322	-171,137,237
27	Gross Additions to Nuclear Fuel		
28	Gross Additions to Common Utility Plant	-37,182,025	-29,121,326
29	Gross Additions to Nonutility Plant		
30	(Less) Allowance for Other Funds Used During Construction		
31	Other (provide details in footnote):		
32			
33			
34	Cash Outflows for Plant (Total of lines 26 thru 33)	-234,380,347	-200,258,563
35			
36	Acquisition of Other Noncurrent Assets (d)		
37	Proceeds from Disposal of Noncurrent Assets (d)	9,125,685	
38	Loss from Disposal of Fixed Assets (d)		-357,016
39	Investments in and Advances to Assoc. and Subsidiary Companies		
40	Contributions and Advances from Assoc. and Subsidiary Companies		
41	Disposition of Investments in (and Advances to)		
42	Associated and Subsidiary Companies		
43			
44	Purchase of Investment Securities (a)		
45	Proceeds from Sales of Investment Securities (a)		

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

STATEMENT OF CASH FLOWS

(1) Codes to be used:(a) Net Proceeds or Payments;(b)Bonds, debentures and other long-term debt; (c) Include commercial paper; and (d) Identify separately such items as investments, fixed assets, intangibles, etc.
(2) Information about noncash investing and financing activities must be provided in the Notes to the Financial statements. Also provide a reconciliation between "Cash and Cash Equivalents at End of Period" with related amounts on the Balance Sheet.
(3) Operating Activities - Other: Include gains and losses pertaining to operating activities only. Gains and losses pertaining to investing and financing activities should be reported in those activities. Show in the Notes to the Financials the amounts of interest paid (net of amount capitalized) and income taxes paid.
(4) Investing Activities: Include at Other (line 31) net cash outflow to acquire other companies. Provide a reconciliation of assets acquired with liabilities assumed in the Notes to the Financial Statements. Do not include on this statement the dollar amount of leases capitalized per the USofA General Instruction 20; instead provide a reconciliation of the dollar amount of leases capitalized with the plant cost.

Line No.	Description (See Instruction No. 1 for Explanation of Codes) (a)	Current Year to Date Quarter/Year (b)	Previous Year to Date Quarter/Year (c)
46	Loans Made or Purchased		
47	Collections on Loans		
48			
49	Net (Increase) Decrease in Receivables		
50	Net (Increase) Decrease in Inventory		
51	Net (Increase) Decrease in Allowances Held for Speculation		
52	Net Increase (Decrease) in Payables and Accrued Expenses		
53	Other (provide details in footnote):		
54	Change in Restricted Cash	-297,009	-3,036,153
55	Change in Long-Term Non-Hedging Derivative Liability	29,897,446	
56	Net Cash Provided by (Used in) Investing Activities		
57	Total of lines 34 thru 55)	-195,654,225	-203,651,732
58			
59	Cash Flows from Financing Activities:		
60	Proceeds from Issuance of:		
61	Long-Term Debt (b)	74,186,467	308,320,562
62	Preferred Stock		
63	Common Stock		
64	Other (provide details in footnote):		
65	Net Change in Short-Term Capital Lease Obligations	-381,788	-2,471,520
66	Net Increase in Short-Term Debt (c)	143,758,000	10,417,200
67	Other (provide details in footnote):		
68	Net Change in Long-Term Capital Lease Obligations	-23,649	23,650
69	Proceeds from Reissuance of Reacquired Long-Term Debt (b)	96,000,000	
70	Cash Provided by Outside Sources (Total 61 thru 69)	313,539,030	316,289,892
71			
72	Payments for Retirement of:		
73	Long-term Debt (b)		-126,000,000
74	Preferred Stock		-91,643,113
75	Common Stock		
76	Other (provide details in footnote):		
77	Payments for Reacquisition of Long-Term Debt (b)	-259,200,000	
78	Net Decrease in Short-Term Debt (c)		
79	Change in Contributed Capital	20,000,000	20,000,000
80	Dividends on Preferred Stock		-4,416,712
81	Dividends on Common Stock	-40,000,000	-65,000,000
82	Net Cash Provided by (Used in) Financing Activities		
83	(Total of lines 70 thru 81)	34,339,030	49,230,067
84			
85	Net Increase (Decrease) in Cash and Cash Equivalents		
86	(Total of lines 22,57 and 83)	-36,931	-5,100,568
87			
88	Cash and Cash Equivalents at Beginning of Period	4,348,419	9,448,987
89			
90	Cash and Cash Equivalents at End of period	4,311,488	4,348,419

Schedule Page: 120 Line No.: 13 Column:

Restatement due to account reclassifications:

Previous Year to Date, as originally filed	$ (82,471,108)
Plus: Adjustment to Capital Expenditure Accrual	8,295,422
Restated Previous Year to Date	$ (74,175,686)

Schedule Page: 120 Line No.: 18 Column: b

Other operating cash flows:

Depreciation charged to balance sheet accounts	$ 610,155
Other changes in Net Utility Plant	(8,248,249)
Amortization of Debt Expenses and Loss on Bonds	1,585,626
Net increase in Prepayments	(177,582)
Net decrease in Land Options	3,834
Net increase in Preliminary Survey	(136,973)
Net increase in Clearing Accounts	(1,518,842)
Net decrease in Other Comprehensive Income	(433,499)
Net decrease in Customer Advances for Construction	(641,629)
Net increase in Asset Retirement Obligations	3,166,896
Net increase in Provision for Postretirement Benefits	131,142,109
Net increase in Collateral Deposit for Interest Rate Swaps	(10,243,134)
Net decrease in Prepaid Pension	14,152,203
Net increase in Hedging Derivative Liabilities	2,995,344
Deferred income taxes charged to balance sheet accounts	4,712,326
Rounding	2
Total	$ 136,968,587

Schedule Page: 120 Line No.: 18 Column:

Other operating cash flows:

Depreciation charged to balance sheet accounts	$ 483,120
Other changes in Net Utility Plant	(6,394,036)
Amortization of Debt Expenses and Loss on Bonds	1,436,395
Net decrease in Prepayments	40,564
Net decrease in Derivative Assets	353,814
Net increase in Preliminary Survey	(315,428)
Net decrease in Clearing Accounts	257,642
Net decrease in Other Comprehensive Income	(3,826,527)
Net decrease in Customer Advances for Construction	(7,193,877)
Net increase in Asset Retirement Obligations	1,151,974
Net decrease in Provision for Postretirement Benefits	(1,672,968)
Net adjustment to Retained Earnings (Effect of FIN 48)	202,186
Net adjustment for Noncash Capital Lease	(2,876,958)
Total	$ (18,354,099)

Schedule Page: 120 Line No.: 26 Column:

Restatement due to account reclassifications:

Previous Year to Date, as originally filed	$ (165,718,773)
Less: Adjustment to Capital Expenditure Accrual	(8,295,422)
Add: Capitalized Leases	2,876,958
Restated Previous Year to Date	$ (171,137,237)

Schedule Page: 120 Line No.: 37 Column: b

Proceeds from the sale of land

Schedule Page: 120 Line No.: 65 Column:

Restatement due to account reclassifications:

Previous Year to Date, as originally filed	$	405,438
Less: Capitalized Leases		(2,876,958)

Restated Previous Year to Date	$	(2,471,520)

In 2007, leases recorded as operating were reclassified to capital. They are presented as short-term because they were reclassified within one year of the termination dates of the leases.

Schedule Page: 120 Line No.: 90 Column: b

Cash and cash equivalents is comprised of the following amounts:

Cash (Acct 131)	$	4,311,461
Temporary Cash Investments (Acct 136)		27

Total Cash and Cash Equivalents at End of Period	$	4,311,488

Schedule Page: 120 Line No.: 90 Column:

Cash and cash equivalents is comprised of the following amounts:

Cash (Acct 131)	$	4,312,502
Temporary Cash Investments (Acct 136)		35,917

Total Cash and Cash Equivalents at End of Period	$	4,348,419

Name of Respondent	This Report Is:	Date of Report	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

NOTES TO FINANCIAL STATEMENTS

1. Use the space below for important notes regarding the Balance Sheet, Statement of Income for the year, Statement of Retained Earnings for the year, and Statement of Cash Flows, or any account thereof. Classify the notes according to each basic statement, providing a subheading for each statement except where a note is applicable to more than one statement.
2. Furnish particulars (details) as to any significant contingent assets or liabilities existing at end of year, including a brief explanation of any action initiated by the Internal Revenue Service involving possible assessment of additional income taxes of material amount, or of a claim for refund of income taxes of a material amount initiated by the utility. Give also a brief explanation of any dividends in arrears on cumulative preferred stock.
3. For Account 116, Utility Plant Adjustments, explain the origin of such amount, debits and credits during the year, and plan of disposition contemplated, giving references to Commission orders or other authorizations respecting classification of amounts as plant adjustments and requirements as to disposition thereof.
4. Where Accounts 189, Unamortized Loss on Reacquired Debt, and 257, Unamortized Gain on Reacquired Debt, are not used, give an explanation, providing the rate treatment given these items. See General Instruction 17 of the Uniform System of Accounts.
5. Give a concise explanation of any retained earnings restrictions and state the amount of retained earnings affected by such restrictions.
6. If the notes to financial statements relating to the respondent company appearing in the annual report to the stockholders are applicable and furnish the data required by instructions above and on pages 114-121, such notes may be included herein.
7. For the 3Q disclosures, respondent must provide in the notes sufficient disclosures so as to make the interim information not misleading. Disclosures which would substantially duplicate the disclosures contained in the most recent FERC Annual Report may be omitted.
8. For the 3Q disclosures, the disclosures shall be provided where events subsequent to the end of the most recent year have occurred which have a material effect on the respondent. Respondent must include in the notes significant changes since the most recently completed year in such items as: accounting principles and practices; estimates inherent in the preparation of the financial statements; status of long-term contracts; capitalization including significant new borrowings or modifications of existing financing agreements; and changes resulting from business combinations or dispositions. However were material contingencies exist, the disclosure of such matters shall be provided even though a significant change since year end may not have occurred.
9. Finally, if the notes to the financial statements relating to the respondent appearing in the annual report to the stockholders are applicable and furnish the data required by the above instructions, such notes may be included herein.

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

INDEX OF ABBREVIATIONS

AG	Attorney General of Kentucky
ARO	Asset Retirement Obligation
BART	Best Available Retrofit Technology
CAIR	Clean Air Interstate Rule
CAMR	Clean Air Mercury Rule
CAVR	Clean Air Visibility Rule
CCN	Certificate of Public Convenience and Necessity
Clean Air Act	The Clean Air Act, as amended in 1990
CMRG	Carbon Management Research Group
Company	LG&E
CT	Combustion Turbines
DSM	Demand Side Management
ECR	Environmental Cost Recovery
E.ON	E.ON AG
E.ON U.S.	E.ON U.S. LLC (formerly LG&E Energy LLC and LG&E Energy Corp.)
E.ON U.S. Services	E.ON U.S. Services Inc. (formerly LG&E Energy Services Inc.)
EPA	U.S. Environmental Protection Agency
EPAct 2005	Energy Policy Act of 2005
FAC	Fuel Adjustment Clause
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
Fidelia	Fidelia Corporation (an E.ON affiliate)
FIN	FASB Interpretation No.
GHG	Greenhouse Gas
GSC	Gas Supply Clause
IBEW	International Brotherhood of Electrical Workers
IMEA	Illinois Municipal Electric Agency
IMPA	Indiana Municipal Power Agency
IRP	Integrated Resource Plan
IRS	Internal Revenue Service
KCCS	Kentucky Consortium for Carbon Storage
KDAQ	Kentucky Division for Air Quality
Kentucky Commission	Kentucky Public Service Commission
KIUC	Kentucky Industrial Utility Consumers, Inc.
KU	Kentucky Utilities Company
Kwh	Kilowatt hours
LG&E	Louisville Gas and Electric Company
LG&E Energy	LG&E Energy LLC (now E.ON U.S. LLC)
MISO	Midwest Independent Transmission System Operator, Inc.
MMBtu	Million British thermal units
Moody's	Moody's Investor Services, Inc.
Mw	Megawatts

NAAQS	National Ambient Air Quality Standards
NERC	North American Electric Reliability Corporation
NOx	Nitrogen Oxide
OVEC	Ohio Valley Electric Corporation
PBR	Performance-Based Ratemaking
PCB	Polychlorinated Biphenyl
PUHCA 2005	Public Utility Holding Company Act of 2005
RRO	Regional Reliability Organization
RSG	Revenue Sufficiency Guarantee
S&P	Standard & Poor's Rating Service
SERC	SERC Reliability Corporation
SFAS	Statement of Financial Accounting Standards
SIP	State Implementation Plan
SO_2	Sulfur Dioxide
TC2	Trimble County Unit 2
VDT	Value Delivery Team Process

Note 1 - Summary of Significant Accounting Policies

LG&E, incorporated in Kentucky in 1913, is a regulated public utility engaged in the generation, transmission, distribution and sale of electric energy and the storage, distribution and sale of natural gas. LG&E provides electric service to approximately 389,000 customers in Louisville and adjacent areas in Kentucky covering approximately 700 square miles in 9 counties. Natural gas service is provided to approximately 314,000 customers in its electric service area and 8 additional counties in Kentucky. Approximately 97% of the electricity generated by LG&E is produced by its coal-fired generating stations, all equipped with systems to reduce SO_2 emissions. The remainder is generated by a hydroelectric power plant and natural gas and oil fueled CTs.

LG&E is a wholly-owned subsidiary of E.ON U.S., an indirect wholly-owned subsidiary of E.ON, a German corporation. LG&E's affiliate, KU, is a regulated public utility engaged in the generation, transmission, distribution and sale of electric energy in Kentucky, Virginia and Tennessee.

Certain reclassification entries have been made to the previous years' financial statements to conform to the 2008 presentation with no impact on net assets, liabilities and capitalization or previously reported net income and net cash flows.

Presentation. The accompanying financial statements are prepared on the regulatory basis of accounting in accordance with the requirements of the FERC, which is a comprehensive basis of accounting other than Generally Accepted Accounting Principles ("GAAP"). The significant differences between GAAP and FERC reporting are as follows:

- Restricted cash is recorded in cash on the balance sheet for FERC reporting and presented as a separate line item for GAAP statements;

- Certain costs of removal obligations are recorded in accumulated depreciation for FERC reporting and recorded in regulatory liabilities for GAAP reporting;
- Long-term and short-term bonds are recorded in total in the long-term debt section for FERC reporting and are presented separately in current liabilities for the short-term portion and in long-term debt for the long-term portion for GAAP reporting; and
- Deferred taxes are shown gross for FERC reporting in the balance sheet (a deferred asset and a deferred liability are recorded), for GAAP reporting the deferred taxes are netted together and recorded as a liability.

Regulatory Accounting. LG&E is subject to SFAS No. 71, under which regulatory assets are created based on expected recovery from customers in future rates to defer costs that would otherwise be charged to expense. Likewise, regulatory liabilities are created based on expected return to customers in future rates to defer credits that would otherwise be reflected as income, or, in the case of costs of removal, are created to match long-term future obligations arising from the current use of assets. The accounting for regulatory assets and liabilities is based on specific ratemaking decisions or precedent for each item as prescribed by the FERC or the Kentucky Commission. See Note 2, Rates and Regulatory Matters, for additional detail regarding regulatory assets and liabilities.

Cash and Cash Equivalents. LG&E considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Restricted Cash. A deposit in the amount of $22 million, used as collateral for an $83 million interest rate swap expiring in 2020, is classified as restricted cash on LG&E's balance sheet. Advanced deposits of $2 million relating to projects are also restricted for equipment purchases.

Allowance for Doubtful Accounts. The allowance for doubtful accounts is based on the ratio of the amounts charged-off during the last twelve months to the retail revenues billed over the same period multiplied by the retail revenues billed over the last four months. Accounts with no payment activity are charged-off after four months, although collection efforts continue thereafter.

Materials and Supplies. Fuel, natural gas stored underground and other materials and supplies inventories are accounted for using the average-cost method. Emission allowances are included in other materials and supplies and are not currently traded by LG&E. At December 31, 2008 and 2007, the emission allowances inventory was less than $1 million.

Other Property and Investments. Other property and investments, included in other assets on the balance sheets, consists of LG&E's investment in OVEC and non-utility plant. LG&E and 11 other electric utilities are participating owners of OVEC, located in Piketon, Ohio. OVEC owns and operates two coal-fired power plants, Kyger Creek Station in Ohio and Clifty Creek Station in Indiana. Pursuant to current contractual agreements, LG&E's share of OVEC's output is 5.63%, approximately 124 Mw of generation capacity.

As of December 31, 2008 and 2007, LG&E's investment in OVEC totaled less than $1 million. LG&E is not the primary beneficiary of OVEC; therefore, it is not consolidated into the Company's financial statements and is accounted for under the cost method of accounting. The direct exposure to loss as a result of its involvement with OVEC is generally limited to the value of its investment. In the event of the inability of OVEC to fulfill its power provision requirements, LG&E anticipates substituting such power supply with either owned generation or market purchases and believes it would generally recover associated incremental costs through regulatory rate mechanisms. See Note 9, Commitments and Contingencies, for further discussion of developments regarding LG&E's ownership interest and power purchase rights.

Utility Plant. Utility plant is stated at original cost, which includes payroll-related costs such as taxes, fringe benefits and administrative and general costs. Construction work in progress has been included in the rate base for determining retail customer rates. LG&E has not recorded any allowance for funds used during construction, in accordance with Kentucky Commission regulations.

The cost of plant retired or disposed of in the normal course of business is deducted from plant accounts and such cost is charged to the reserve for depreciation. When complete operating units are disposed of, appropriate adjustments are made to the reserve for depreciation and gains and losses, if any, are recognized.

Depreciation and Amortization. Depreciation is provided on the straight-line method over the estimated service lives of depreciable plant. The amounts provided were approximately 3.1% in 2008 (2.9% electric, 2.7% gas and 7.3% common); and 3.2% in 2007 (3.0% electric, 2.8% gas and 7.7% common) of average depreciable plant. Of the amount provided for depreciation, at December 31, 2008, approximately 0.4% electric, 0.9% gas and 0.1% common were related to the retirement, removal and disposal costs of long lived assets. Of the amount provided for depreciation, at December 31, 2007, approximately 0.4% electric, 0.8% gas and 0.1% common were related to the retirement, removal and disposal costs of long lived assets.

Unamortized Debt Expense. Debt expense is capitalized in deferred debits and amortized using the straight-line method, which approximates the effective interest method, over the lives of the related bond issues.

Income Taxes. Income taxes are accounted for under SFAS No. 109, *Accounting for Income Taxes* and FIN 48, *Accounting for Uncertainty in Income Taxes, an Interpretation of SFAS No. 109*. In accordance with these statements, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, as measured by enacted tax rates that are expected to be in effect in the periods when the deferred tax assets and liabilities are expected to be settled or realized. Significant judgment is required in determining the provision for income taxes, and there are transactions for which the ultimate tax outcome is uncertain. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Uncertain tax positions are analyzed periodically and adjustments are made when events occur to warrant a change. See Note 6, Income Taxes.

Deferred Income Taxes. Deferred income taxes are recognized at currently enacted tax rates for all material temporary differences between the financial reporting and income tax bases of assets and liabilities.

Investment Tax Credits. The EPAct 2005 added Section 48A to the Internal Revenue Code, which provides for an investment tax credit to promote the commercialization of advanced coal technologies that will generate electricity in an environmentally responsible manner. LG&E and KU received an investment tax credit related to TC2. See Note 6, Income Taxes. Investment tax credits prior to 2006 resulted from provisions of the tax law that permitted a reduction of LG&E's tax liability based on credits for construction expenditures. Deferred investment tax credits are being amortized to income over the estimated lives of the related property that gave rise to the credits.

Revenue Recognition. Revenues are recorded based on service rendered to customers through month-end. LG&E accrues an estimate for unbilled revenues from each meter reading date to the end of the accounting period based on allocating the daily system net deliveries between billed volumes and unbilled volumes. The allocation is based on a daily ratio of the number of meter reading cycles remaining in the month to the total number of meter reading cycles in each month. Each day's ratio is then multiplied by each day's system net deliveries to determine an estimated billed and unbilled volume for each day of the accounting period. The unbilled revenue estimates included in accounts receivable were $73 million and $65 million at December 31, 2008 and 2007, respectively.

Fuel and Gas Costs. The cost of fuel for electric generation is charged to expense as used, and the cost of natural gas supply is charged to expense as delivered to the distribution system. LG&E operates under a Kentucky Commission-approved performance-based ratemaking mechanism related to natural gas procurement activity. See Note 2, Rates and Regulatory Matters.

Management's Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent items at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accrued liabilities, including legal and environmental, are recorded when they are probable and estimable. Actual results could differ from those estimates.

Recent Accounting Pronouncements. The following are recent accounting pronouncements affecting LG&E:

SFAS No. 161

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133,* which is effective for fiscal years, and interim periods within those fiscal years, beginning on or after November 15, 2008. The objective of this statement is to enhance the current disclosure framework in SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities, as amended.* The adoption of SFAS No. 161 will have no impact on LG&E's statements of operations, financial position and cash flows, however, additional disclosures relating to derivatives will be required beginning in the first quarter of 2009.

SFAS No. 160

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements,* which is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. The objective of this statement is to improve the relevance, comparability and transparency of financial information in a reporting entity's consolidated financial statements. The Company expects the adoption of SFAS No. 160 to have no impact on its statements of operations, financial position and cash flows.

SFAS No. 159

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of FASB Statement No. 115*. SFAS No. 159 permits entities to choose to measure many financial instruments and certain other assets and liabilities at fair value on an instrument-by-instrument basis (the fair value option). Unrealized gains and losses on items for which the fair value option has been elected are to be recognized in earnings at each subsequent reporting date. SFAS No. 159 was adopted effective January 1, 2008 and the Company elected not to fair value its eligible financial assets and liabilities.

SFAS No. 157

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*, which, except as described below, is effective for fiscal years beginning after November 15, 2007. This statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS No. 157 does not expand the application of fair value accounting to new circumstances. In February 2008, the FASB issued FASB Staff Position 157-2, *Effective Date of FASB Statement No. 157,* which delays the effective date of SFAS No. 157 for all nonfinancial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. All other amendments related to SFAS No. 157 have been evaluated and have no impact on the Company's financial statements. SFAS No. 157 was adopted effective January 1, 2008, except as it applies to those nonfinancial assets and liabilities, and had no impact on the statements of operations, financial position and cash flows, however, additional disclosures relating to its financial derivatives and cash collateral on derivatives, as required, are now provided. Per FASB Staff Position 157-2, fair value accounting for all nonrecurring fair value measurements of nonfinancial assets and liabilities will be adopted effective January 1, 2009.

Note 2 - Rates and Regulatory Matters

The Company is subject to the jurisdiction of the Kentucky Commission and the FERC in virtually all matters related to electric and gas utility regulation, and as such, its accounting is subject to SFAS No. 71. Given its position in the marketplace and the status of regulation in Kentucky, there are no plans or intentions to discontinue the application of SFAS No. 71.

Electric and Gas Rate Cases

In July 2008, LG&E filed an application with the Kentucky Commission requesting increases in base electric and gas rates. In conjunction with the filing of the application for changes in base rates, based on previous Orders by the Kentucky Commission approving settlement agreements among all interested parties, the VDT surcredit terminated in August 2008. In January 2009, LG&E, the AG, KIUC and all other parties to the rate cases filed a settlement agreement with the Kentucky Commission, under which LG&E's base gas rates will increase by $22 million annually, and base electric rates will decrease by $13 million annually. An Order approving the settlement agreement was received in February 2009. The new rates were implemented effective February 6, 2009, at which time the merger surcredit terminated.

The VDT surcredit originated in December 2001, when the Kentucky Commission issued an Order approving a settlement agreement allowing LG&E to set up a regulatory asset of $141 million for workforce reduction costs and begin amortizing it over a five-year period starting in April 2001. The Order also provided for a surcredit to be included on customers' bills representing 40% of the annual savings derived from this initiative. For periods beginning January 1, 2006, the VDT surcredit had increased to $9 million per year.

In February 2006, LG&E and all parties to the proceeding reached a unanimous settlement agreement on the future ratemaking treatment of the VDT surcredit. Under the terms of the settlement agreement, the VDT surcredit continued at its current level until such time as LG&E filed for a change in electric or natural gas base rates. The Kentucky Commission issued an Order in March 2006, approving the settlement agreement. In accordance with the Order, the VDT surcredit terminated in August 2008, the first billing month after the July 2008 filing for a change in base rates.

The merger surcredit originated as part of the LG&E Energy merger with KU Energy Corporation in 1998. It was based on estimated non-fuel savings over a ten-year period following the merger. Costs to achieve these savings were deferred and amortized over a five-year period pursuant to regulatory orders. In approving the merger, the Kentucky Commission adopted LG&E's proposal to reduce its retail customers' bills based on one-half of the estimated merger-related savings, net of deferred and amortized amounts, over a five-year period. These savings were provided in the form of a surcredit mechanism on customers' bills. In October 2003, the Kentucky Commission issued an Order approving a unanimous settlement agreement reached with all parties to the case in which the merger surcredit of $18 million per year would remain in place for another five-year term beginning July 1, 2003, and LG&E would file a plan for the merger surcredit six months before its expiration.

In December 2007, LG&E submitted its plan to allow the merger surcredit to terminate as scheduled on June 30, 2008. In June 2008, the Kentucky Commission issued an Order approving a unanimous settlement agreement reached with all parties to the case which provided for a reduction in the merger surcredit to approximately $6 million for a 7-month period beginning July 2008, termination of the merger surcredit when new base rates went into effect on or after January 31, 2009, and that the annual merger surcredit be continued at an annual rate of $12 million thereafter should the Company not file for a change in base rates. In accordance with the Order, the merger surcredit was terminated effective February 6, 2009, with the implementation of new base rates.

Regulatory Assets and Liabilities

The following regulatory assets and liabilities were included in the balance sheets as of December 31:

(in millions)	2008	2007
ARO	$ 29	$ 24
GSC	28	16
MISO exit	12	13
Unamortized loss on bonds	24	19
FAC	7	9
ECR	4	4
Hurricane Ike	24	-
Other	4	9
Subtotal	132	94
Pension and postretirement benefits	250	110
Total regulatory assets	$ 382	$ 204
Deferred income taxes – net	$ 45	$ 50
GSC ($29 million and $10 million at December 31, 2008 and 2007, respectively) and other	46	19
Total regulatory liabilities	$ 91	$ 69

LG&E does not currently earn a rate of return on the GSC, FAC and gas performance-based ratemaking regulatory assets (included in "Other" above), all of which are separate recovery mechanisms with recovery within twelve months. No return is earned on the pension and postretirement benefits regulatory asset that represents the changes in funded status of the plans. LG&E will recover this asset through pension expense included in the calculation of base rates. No return is currently earned on the ARO asset. This regulatory asset will be offset against the associated regulatory liability, ARO asset and ARO liability at the time the underlying asset is retired. The MISO exit amount represents the costs relating to the withdrawal from MISO membership. Approval for the recovery of this asset was received from the Kentucky Commission as part of the 2008 base rate case. LG&E earns a rate of return on remaining regulatory assets, including other regulatory assets comprised of VDT costs (2007 only), merger surcredit, gas performance based ratemaking and Mill Creek Ash Pond costs. Other regulatory assets also include KCCS funding (see CMRG and KCCS Contributions below) and rate case expenses. LG&E will seek recovery of the KCCS funding in the next base rate case and received approval for the recovery of the rate case expenses as part of the 2008 base rate case. Other regulatory liabilities include DSM and MISO costs included in base rates that will be netted against costs of withdrawing from the MISO as part of the settlement agreement in the 2008 base rate case.

ARO. A summary of LG&E's net ARO assets, regulatory assets, ARO liabilities, regulatory liabilities and cost of removal established under FIN 47, *Accounting for Conditional Asset Retirement Obligations, an Interpretation of SFAS No. 143,* and SFAS No. 143, *Accounting for Asset Retirement Obligations* follows:

(in millions)	ARO Net Assets	ARO Liabilities	Regulatory Assets	Regulatory Liabilities	Accumulated Cost of Removal
As of December 31, 2006	$ 4	$ (28)	$ 22	$ -	$ 3
ARO accretion	-	(2)	2	-	-
Removal cost incurred	-	1	-	-	-
As of December 31, 2007	4	(29)	24	-	3
ARO accretion	-	(2)	2	-	-
Removal cost reclass	-	-	3	(3)	-
As of December 31, 2008	$ 4	$ (31)	$ 29	$ (3)	$ 3

Pursuant to regulatory treatment prescribed under SFAS No. 71, an offsetting regulatory credit was recorded in depreciation and amortization in the income statement of $2 million in 2008 and 2007 for the ARO accretion and depreciation expense. LG&E AROs are primarily related to the final retirement of assets associated with generating units and natural gas wells. For assets associated with AROs, the removal cost accrued through depreciation under regulatory accounting is established as a regulatory liability pursuant to regulatory treatment prescribed under SFAS No. 71. There were no FIN 47 net asset additions during 2008 or 2007. For the year ended December 31, 2008, removal costs incurred were less than $1 million. For the years ended December 31, 2008 and 2007, LG&E recorded less than $1 million of depreciation expense related to the cost of removal of ARO related assets. An offsetting regulatory liability was established pursuant to regulatory treatment prescribed under SFAS No. 71.

LG&E transmission and distribution lines largely operate under perpetual property easement agreements which do not generally require restoration upon removal of the property. Therefore, under SFAS No. 143, no material asset retirement obligations are recorded for transmission and distribution assets.

GSC. LG&E's natural gas rates contain a GSC, whereby increases or decreases in the cost of natural gas supply are reflected in LG&E's rates, subject to approval by the Kentucky Commission. The GSC procedure prescribed by Order of the Kentucky Commission provides for quarterly rate adjustments to reflect the expected cost of natural gas supply in that quarter. In addition, the GSC contains a mechanism whereby any over- or under-recoveries of natural gas supply cost from prior quarters is to be refunded to or recovered from customers through the adjustment factor determined for subsequent quarters.

LG&E's GSC was modified in 1997 to incorporate a natural gas procurement incentive mechanism. Since November 1, 1997, LG&E has operated under this PBR mechanism related to its natural gas procurement activities. LG&E's rates are adjusted annually to recover (or refund) its portion of the expense (or savings) incurred during each PBR year (12 months ending October 31). During the PBR year ending in 2008, LG&E achieved $11 million in savings. Of that total savings amount, LG&E's portion was approximately $3 million and the customers' portion was approximately $8 million. Pursuant to the extension of LG&E's natural gas supply cost PBR mechanism effective November 1, 2001, the sharing mechanism under the PBR requires savings (and expenses) to be shared 25% with shareholders and 75% with customers up to 4.5% of the benchmarked natural gas costs. Savings (and expenses) in excess of 4.5% of the benchmarked natural gas costs are shared 50% with shareholders and 50% with customers. The current natural gas supply cost PBR mechanism was extended through 2010 without further modification.

MISO. Following receipt of applicable FERC, Kentucky Commission and other regulatory orders, LG&E withdrew from the MISO effective September 1, 2006. Specific proceedings regarding the costs and benefits of the MISO and exit matters had been underway since July 2003. Since the exit from the MISO, LG&E has been operating under a FERC-approved open access-transmission tariff. LG&E now contracts with the Tennessee Valley Authority to act as its transmission Reliability Coordinator and Southwest Power Pool, Inc. to function as its Independent Transmission Organization, pursuant to FERC requirements.

LG&E and the MISO have agreed upon overall calculation methods for the contractual exit fee to be paid by the Company following its withdrawal. In October 2006, the Company paid $13 million to the MISO pursuant to an invoice regarding the exit fee and made related FERC compliance filings. The Company's payment of this exit fee amount was with reservation of its rights to contest the amount, or components thereof, following a continuing review of its calculation and supporting documentation. LG&E and the MISO resolved their dispute regarding the calculation of the exit fee and, in November 2007, filed an application with the FERC for approval of a recalculation agreement. In March 2008, the FERC approved the parties' recalculation of the exit fee, and the approved agreement provided LG&E with an immediate recovery of less than $1 million and an estimated $2 million over the next seven years for credits realized from other payments the MISO will receive, plus interest. In accordance with Kentucky Commission Orders approving the MISO exit, LG&E has established a regulatory asset for the exit fee, subject to adjustment for possible future MISO credits, and a regulatory liability for certain revenues associated with former MISO administrative charges, which continue to be collected via base rates. The approved base rate case settlement provided for MISO Schedule 10 expenses collected through base rates from May 1, 2008 to February 6, 2009, and any future adjustments to the MISO exit fee, to be established as a regulatory liability until the amounts can be amortized in future base rate cases.

In November 2008, the FERC issued Orders in industry-wide proceedings relating to MISO RSG calculation and resettlement procedures. RSG charges are amounts assessed to various participants active in the MISO trading market which generally seek to compensate for uneconomic generation dispatch due to regional transmission or power market operational considerations, with some customer classes eligible for payments, while others may bear charges. The FERC Orders approved two requests for significantly altered formulas and principles, each of which the FERC applied differently to calculate RSG charges for various historical and future periods. LG&E and other parties have requested rehearing and a delay in any collection of RSG amounts. During January and February 2009, the FERC issued a deficiency letter in the proceeding relating to one prior Order, which delays collection of applicable RSG resettlements by the MISO pending further proceedings. Further developments in the RSG proceeding are expected to occur during 2009. Due to the numerous participants, complex principles at issue and changes from prior precedents, LG&E cannot predict the ultimate outcome of this matter. Based upon the recent FERC Orders, LG&E established a reserve during the fourth quarter of 2008, of $2 million relating to potential RSG resettlement costs for the period ended December 31, 2008.

Unamortized Loss on Bonds. The costs of early extinguishment of debt, including call premiums, legal and other expenses, and any unamortized balance of debt expense are amortized using the straight-line method, which approximates the effective interest method, over the life of either the replacement debt (in the case of refinancing) or the original life of the extinguished debt.

FAC. LG&E's retail electric rates contain an FAC, whereby increases and decreases in the cost of fuel for electric generation are reflected in the rates charged to retail electric customers. The FAC allows the Company to adjust customers' accounts for the difference between the fuel cost component of base rates and the actual fuel cost, including transportation costs. Refunds to customers occur if the actual costs are below the embedded cost component. Additional charges to customers occur if the actual costs exceed the embedded cost component. The amount of the regulatory asset or liability is the amount that has been under- or over-recovered due to timing or adjustments to the mechanism.

The Kentucky Commission requires public hearings at six-month intervals to examine past fuel adjustments, and at two-year intervals to review past operations of the fuel clause and transfer of the then current fuel adjustment charge or credit to the base charges.

In January 2009, the Kentucky Commission initiated a routine examination of LG&E's FAC for the two-year period November 1, 2006 through October 31, 2008. A public hearing is scheduled in March 2009. An order is anticipated in the second quarter of 2009.

In August 2008, the Kentucky Commission initiated a routine examination of LG&E's FAC for the six-month period November 1, 2007 through April 30, 2008. The Kentucky Commission issued an Order in January 2009, approving the charges and credits.billed through the FAC during the review period.

In January 2008, the Kentucky Commission initiated a routine examination of LG&E's FAC for the six-month period May 1, 2007 through October 31, 2007. The Kentucky Commission issued an Order in May 2008, approving the charges and credits billed through the FAC during the review period.

In August 2007, the Kentucky Commission initiated a routine examination of LG&E's FAC for the six-month period of November 1, 2006 through April 30, 2007. The Kentucky Commission issued an Order in January 2008, approving the charges and credits billed through the FAC during the review period.

In December 2006, the Kentucky Commission initiated its periodic two-year review of LG&E's past operations of the fuel clause and transfer of fuel costs from the FAC to base rates for November 1, 2004 through October 31, 2006. In March 2007, the KIUC challenged LG&E's recovery of approximately $1 million in aggregate fuel costs LG&E incurred during a period prior to its exit from the MISO and requested the Kentucky Commission disallow this amount. A public hearing was held in May 2007. In October 2007, the Kentucky Commission issued its Order approving the calculation and application of LG&E's FAC charges and fuel procurement practices and indicated that LG&E was in compliance with the provisions of Administrative Regulation 807 KAR 5:5056. The Kentucky Commission further approved LG&E's recommendation for the transfer of fuel cost from the FAC to base rates. In November 2007, the KIUC filed a petition for rehearing, claiming the Kentucky Commission misinterpreted the KIUC's arguments in the proceeding. In the same month, the Kentucky Commission issued an Order denying the KIUC's request for rehearing. An appeal was not filed by the KIUC.

In January 2003, the Kentucky Commission reviewed KU's FAC and, as part of the Order in that case, required that an independent audit be conducted to examine operational and management aspects of both LG&E's and KU's fuel procurement functions. The final report's recommendations, issued in February 2004, related to documentation and process improvements. Management Audit Action Plans were agreed upon by LG&E and the Kentucky Commission Staff in the second quarter of 2004, and resulted in Audit Progress Reports being filed by LG&E with the Kentucky Commission. In February 2007, the Kentucky Commission staff indicated that LG&E fully complied with all audit recommendations and that no further reports are required.

ECR. Kentucky law permits LG&E to recover the costs of complying with the Federal Clean Air Act, including a return of operating expenses, and a return of and on capital invested, through the ECR mechanism. The amount of the regulatory asset or liability is the amount that has been under- or over-recovered due to timing or adjustments to the mechanism.

In February 2009, the Kentucky Commission approved a settlement agreement in the rate case which provides for an authorized return on equity applicable to the ECR mechanism of 10.63% effective with the March 2009 expense month filing, which represents a slight increase over the current 10.50%.

In January 2009, the Kentucky Commission initiated a six-month review for the period ending October 31, 2008, of LG&E's environmental surcharge. An order is anticipated in the second quarter of 2009.

In June 2008, the Kentucky Commission initiated two six-month reviews for periods ending October 31, 2007 and April 30, 2008, of LG&E's environmental surcharge. The Kentucky Commission issued an Order in August 2008, approving the charges and credits billed through the ECR during the review period and the rate of return on capital.

In September 2007, the Kentucky Commission initiated six-month and two-year reviews for periods ending October 31, 2006 and April 30, 2007, respectively, of LG&E's environmental surcharge. The Kentucky Commission issued a final Order in March 2008, approving the charges and credits billed through the ECR during the review periods, as well as approving billing adjustments, roll-in adjustments to base rates, revisions to the monthly surcharge filing and the rates of return on capital.

Hurricane Ike. In September 2008, high winds from the remnants of Hurricane Ike passed through the service territory causing significant outages and system damage. In October 2008, LG&E filed an application with the Kentucky Commission requesting approval to establish a regulatory asset, and defer for future recovery, approximately $24 million of expenses related to the storm restoration. In December 2008, the Kentucky Commission issued an Order allowing the Company to establish a regulatory asset of up to $24 million based on its actual costs for storm damages and service restoration due to Hurricane Ike.

Mill Creek Ash Pond Costs. In June 2005, the Kentucky Commission issued an Order approving the establishment of a regulatory asset for $6 million in costs related to the removal of ash from the Mill Creek ash pond, and authorized amortization over four years beginning in May 2006.

Rate Case Expenses. LG&E incurred $1 million in expenses related to the development and support of the 2008 Kentucky base rate case. The Kentucky Commission approved the establishment of a regulatory asset for these expenses and authorized amortization over three years beginning in March 2009.

CMRG and KCCS Contributions. In July 2008, LG&E and KU, along with Duke Energy Kentucky, Inc. and Kentucky Power Company, filed an application with the Kentucky Commission requesting approval to establish regulatory assets related to contributions to the CMRG for the development of technologies for reducing carbon dioxide emissions and the KCCS to study the feasibility of geologic storage of carbon dioxide. The filing companies proposed that these contributions be treated as regulatory assets to be deferred until recovery is provided in the next base rate case of each company, at which time the regulatory assets will be amortized over the life of each project: four years with respect to the KCCS and ten years with respect to the CMRG. LG&E and KU jointly agreed to provide less than $2 million over two years to the KCCS and up to $2 million over ten years to the CMRG. In October 2008, an Order approving the establishment of the requested regulatory assets was received and LG&E will seek rate recovery in the Company's next base rate case.

Pension and Postretirement Benefits. LG&E adopted SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans,* in 2006. This statement requires employers to recognize the over-funded or under-funded status of a defined benefit pension and postretirement plan as an asset or liability in the balance sheet and to recognize through other comprehensive income the changes in the funded status in the year in which the changes occur. Under SFAS No. 71, LG&E can defer recoverable costs that would otherwise be charged to expense or equity by non-regulated entities. Current rate recovery in Kentucky is based on SFAS No. 87, *Employers' Accounting for Pensions,* and SFAS No. 106, *Employers' Accounting for Postretirement Benefits Other than Pensions,* both of which were amended by SFAS No. 158. Regulators have been clear and consistent with their historical treatment of such rate recovery, therefore, the Company has recorded a regulatory asset representing the change in funded status of the pension and postretirement plans that is expected to be recovered. The regulatory asset will be adjusted annually as prior service cost and actuarial gains and losses are recognized in net periodic benefit cost.

Deferred Income Taxes – Net. These regulatory liabilities represent the future revenue impact from the reversal of deferred income taxes required for unamortized investment tax credits and deferred taxes provided at rates in excess of currently enacted rates.

DSM. LG&E's rates contain a DSM provision. The provision includes a rate mechanism that provides for concurrent recovery of DSM costs and provides an incentive for implementing DSM programs. The provision allows LG&E to recover revenues from lost sales associated with the DSM programs based on program plan engineering estimates and post-implementation evaluations.

In July 2007, LG&E and KU filed an application with the Kentucky Commission requesting an order approving enhanced versions of the existing DSM programs along with the addition of several new cost effective programs. The total annual budget for these programs is approximately $26 million, an increase over the previous annual costs of approximately $10 million. In March 2008, the Kentucky Commission issued an Order approving the application, with minor modifications. LG&E and KU filed revised tariffs in April 2008, under authority of this Order, which were effective in May 2008.

<u>Other Regulatory Matters</u>

Storm Restoration. In January 2009, a significant winter ice storm passed through LG&E's service territory causing approximately 205,000 customer outages, followed closely by a severe wind storm in February 2009, causing approximately 37,000 customer outages. LG&E currently estimates costs incurred of $34 million of expenses and $6 million of capital expenditures related to the restoration following the two storms. The

Company expects to seek recovery of these costs from the Kentucky Commission.

Regional Reliability Council. LG&E has changed its regional reliability council membership from the Reliability First Corporation to the SERC, effective January 1, 2007. Regional reliability councils are industry consortiums that promote, coordinate and ensure the reliability of the bulk electric supply systems in North America.

Arena. In August 2006, LG&E filed an application with the Kentucky Commission requesting approval for the sale of its Waterside property to the Louisville Arena Authority. The Kentucky Commission issued an Order in September 2006, approving the proposed transaction. In November 2006, LG&E completed certain agreements pursuant to its August 2006 Memorandum of Understanding with the Louisville Arena Authority regarding the proposed construction of an arena in downtown Louisville. LG&E entered into a relocation agreement with the Louisville Arena Authority providing for the reimbursement to LG&E of the costs to be incurred in relocating certain LG&E facilities related to the arena transaction. These costs are currently estimated to be approximately $63 million. As of December 31, 2008, approximately $58 million of the estimated total costs have been received. The relocation work is expected to be completed during 2009. The parties further entered into a property sale contract providing for LG&E's sale of a downtown site to the Louisville Arena Authority which was completed for $9 million in September 2008. The contract amounts are subject to potential adjustments for certain cost or expense variances related to potential future demolition, construction or site environmental developments, although the Company does not currently anticipate such events.

TC2 CCN Application and Transmission Matters. A CCN application for construction of the new base-load, coal fired unit known as TC2, which will be jointly owned by LG&E and KU, together with the IMEA and the IMPA, was approved by the Kentucky Commission in November 2005.

CCN applications for two transmission lines associated with the TC2 unit were approved by the Kentucky Commission in September 2005 and May 2006. All regulatory approvals and rights of way for one transmission line have been obtained.

The CCN for the remaining line has been challenged by certain Hardin County, Kentucky property owners. In August 2006, LG&E and KU obtained a successful dismissal of the challenge at the Franklin County circuit court, which ruling was reversed by the Kentucky Court of Appeals in December 2007, and the proceeding reinstated. The matter is currently before the Kentucky Supreme Court on a motion for discretionary review filed by LG&E and KU in May 2008. The motion, which seeks reversal of the appellate court decision and reinstatement of the circuit court dismissal of the challenge has not yet been ruled upon.

Completion of the transmission lines are also subject to standard construction permit, environmental authorization and real property or easement acquisition procedures and certain Hardin County landowners have raised challenges to such a transmission line in some of these forums as well. During 2008, LG&E and KU obtained various successful rulings at the Hardin County circuit court establishing their condemnation and easement rights. In August 2008, the landowners appealed such rulings to the Kentucky Court of Appeals and received a stay preventing LG&E and KU access to the properties during the appeal. LG&E and KU have petitioned the appellate court to lift the stay and otherwise sustain the lower court ruling, but such matter has not yet been ruled upon. In a separate proceeding, certain Hardin County landowners have also challenged the same transmission line in federal district court in Louisville, Kentucky, claiming that certain National Historic Preservation Act requirements were not fully complied with by the U.S. Army relating to easements for the line through Fort Knox. LG&E and KU are cooperating with the U.S. Army in its defense in this case.

LG&E and KU continue to actively engage in settlement negotiations with the Hardin County property owners involved in the appeals of the condemnation proceedings. During the fourth quarter of 2008, LG&E and KU entered into settlements with certain Meade County landowners and obtained dismissals of prior litigation they had brought challenging the same transmission line. LG&E and KU are not currently able to predict the ultimate outcome and possible effects, if any, on the construction schedule relating to these transmission line approval and land acquisition proceedings.

Market-Based Rate Authority. In July 2006, the FERC issued an Order in LG&E's market-based rate proceeding accepting LG&E's further proposal to address certain market power issues the FERC had claimed would arise upon an exit from the MISO. In particular, the Company received permission to sell power at market-based rates at the interface of control areas in which it may be deemed to have market power, subject to a restriction that such power not be collusively re-sold back into such control areas. However, restrictions exist on sales by LG&E of power at market-based rates in the LG&E/KU and Big Rivers Electric Corporation control areas. In June 2007, the FERC issued Order No. 697 implementing certain reforms to market-based rate regulations, including restrictions similar to those previously in place for LG&E's power sales at control area interfaces. In December 2008, the FERC issued Order No. 697-B potentially placing additional restrictions on certain power sales involving areas where market power is deemed to exist. The Order is subject to a FERC rehearing process during which time the FERC has delayed implementation of the provisions relating to sales at interfaces. The Company cannot determine its ultimate impact at this time. As a condition of receiving and retaining market-based rate authority, LG&E must comply with applicable affiliate restrictions set forth in the FERC's regulation. During September 2008, LG&E submitted a regular tri-annual update filing under market-based rate regulations and FERC review proceedings for such filing remain in progress.

Mandatory Reliability Standards. As a result of the EPAct 2005, certain formerly voluntary reliability standards became mandatory in June 2007, and authority was delegated to various RROs by the NERC, which was authorized by the FERC to enforce compliance with such standards, including promulgating new standards. Failure to comply with mandatory reliability standards can subject a registered entity to sanctions, including potential fines of up to $1 million per day, as well as non-monetary penalties, depending upon the circumstances of the violation. LG&E is a member of the SERC, which acts as LG&E's RRO. During May 2008, the SERC and LG&E agreed to a settlement involving penalties totaling less than $1 million related to LG&E's February 2008 self-report concerning possible violations of certain existing mitigation plans relating to reliability standards. The SERC and LG&E are currently involved in settlement negotiations concerning a June 2008 self-report by LG&E relating to three other standards and an October 2008 self-report of a possible violation relating to an additional standard. SERC proceedings for these June and October self-reports are in the early stages and therefore the outcome is unable to be determined. Mandatory reliability standard settlements commonly include other non-penalty elements, including compliance steps and mitigation plans. Settlements with the SERC proceed to NERC and FERC review before becoming final. In December 2008, the SERC commenced a routine, periodic audit of LG&E and KU relating to certain designated reliability standards. This audit was completed during the first quarter of 2009 with no violations identified. While LG&E believes itself to be in compliance with the mandatory reliability standards, the Company cannot predict the outcome of other analyses, including on-going SERC or other reviews described above.

IRP. Integrated resource planning regulations in Kentucky require major utilities to make triennial IRP filings with the Kentucky Commission. In April 2008, LG&E and KU filed their 2008 joint IRP with the Kentucky Commission. The IRP provides historical and projected demand, resource and financial data, and other operating performance and system information. The AG and the KIUC were granted intervention in the IRP proceeding. During September 2008, LG&E and KU responded to public comments and they are awaiting the Kentucky Commission staff report which will close this proceeding. LG&E and KU are not able to predict further proceedings at this time.

PUHCA 2005. E.ON, LG&E's ultimate parent, is a registered holding company under PUHCA 2005. E.ON, its utility subsidiaries, including LG&E, and certain of its non-utility subsidiaries, are subject to extensive regulation by the FERC with respect to numerous matters, including: electric utility facilities and operations, wholesale sales of power and related transactions, accounting practices, issuances and sales of securities, acquisitions and sales of utility properties, payments of dividends out of capital and surplus, financial matters and inter-system sales of non-power goods and services. LG&E believes that it has adequate authority (including financing authority) under existing FERC orders and regulations to conduct its business and will seek additional authorization when necessary.

EPAct 2005. The EPAct 2005 was enacted in August 2005. Among other matters, this comprehensive legislation contains provisions mandating improved electric reliability standards and performance; granting enhanced civil penalty authority to the FERC; providing economic and other incentives relating to transmission, pollution control and renewable generation assets; increasing funding for clean coal generation incentives; repealing the Public Utility Holding Company Act of 1935; enacting PUHCA 2005 and expanding FERC jurisdiction over public utility holding companies and related matters via the Federal Power Act and PUHCA 2005.

In February 2006, the Kentucky Commission initiated an administrative proceeding to consider the requirements of the EPAct 2005, Subtitle E Section 1252, Smart Metering, which concerns time-based metering and demand response, and Section 1254, Interconnections. EPAct 2005 requires each state regulatory authority to conduct a formal investigation and issue a decision on whether or not it is appropriate to implement certain Section 1252, Smart Metering standards within eighteen months after the enactment of EPAct 2005 and to commence consideration of Section 1254, Interconnection standards within one year after the enactment of EPAct 2005. Following a public hearing with all Kentucky jurisdictional electric utilities, in December 2006, the Kentucky Commission issued an Order in this proceeding indicating that the EPAct 2005 Section 1252, Smart Metering and Section 1254, Interconnection standards should not be adopted. However, all five Kentucky Commission jurisdictional utilities are required to file real-time pricing pilot programs for their large commercial and industrial customers. LG&E developed a real-time pricing pilot for large industrial and commercial customers and filed the details of the plan with the Kentucky Commission in April 2007. Data discovery concluded in July 2007, and no parties to the case requested a hearing. In February 2008, the Kentucky Commission issued an Order approving the real-time pricing pilot program proposed by LG&E for implementation within approximately eight months, for its large commercial and industrial customers. The tariff was filed in October 2008, with an effective date of December 1, 2008. LG&E will file annual reports on the program within 90 days of each plan year-end for the 3-year pilot period.

As part of the LG&E 2004 rate case settlement agreements, and as referred to in the Kentucky Commission EPAct 2005 Administrative Order, LG&E made its responsive pricing and smart metering pilot program filing, which addresses real-time pricing for residential and general service customers, in March 2007. The AG and KIUC were granted full intervention. In July 2007, the Kentucky Commission approved the application as filed, for 100 residential customers and a sampling of other customers, and authorized LG&E to establish the responsive pricing and smart metering pilot program, recovery of non-specific customer costs through the DSM billing mechanism and the filing of annual reports by April 1, 2009, 2010 and 2011. LG&E must also file an evaluation of the program by July 1, 2011.

Hydro Upgrade. In October 2005, LG&E received from the FERC a new license to upgrade, operate and maintain the Ohio Falls Hydroelectric Project. The license is for a period of 40 years, effective November 2005. LG&E began refurbishing the facility to add approximately 20 Mw of generating capacity in 2004, and plans to spend approximately $35 million from 2009 to 2011.

Gas Storage Field Matter. In March 2007, LG&E commenced a review of certain federal and state permitting, licensing and oversight matters relating to existing natural gas operations at its Doe Run, Kentucky storage field, which extends into Indiana. Following this review, LG&E submitted an application for Federal Power Act authorization in April 2007. The FERC accepted this application in July 2007, and granted appropriate permit status for retail gas activities and placed these activities in compliance for future periods. In August 2007, the FERC advised LG&E that it had concluded its investigation related to prior periods and had closed the matter with no further actions.

Green Energy Riders. In February 2007, LG&E and KU filed a Joint Application and Testimony for Proposed Green Energy Riders. The AG and KIUC were granted full intervention. In May 2007, a Kentucky Commission Order was issued authorizing LG&E to establish Small and Large Green Energy Riders, allowing customers to contribute funds to be used for the purchase of renewable energy credits.

Home Energy Assistance Program. In July 2007, LG&E filed an application with the Kentucky Commission for the establishment of a new Home Energy Assistance program. During September 2007, the Kentucky Commission approved the new five-year program as filed, effective in October 2007. The program terminates in September 2012, and is funded through a $0.10 per month meter charge. Effective February 6, 2009, as a result of the settlement agreement in the 2008 base rate case, the program is funded through a $0.15 per month meter charge.

Collection Cycle Revision. In September 2007, LG&E filed an application with the Kentucky Commission to revise the collection cycle for customer bill payments from 15 days to 10 days to more closely align with the KU billing cycle and to avoid confusion for delinquent customers. In April 2008, the Kentucky Commission issued an Order denying LG&E's request to revise its collection cycle without prejudice for refiling the request in a base rate proceeding. As part of the base rate case filed on July 29, 2008, LG&E again proposed to change the due date for customer bill payments from 15 days to 10 days to align its collection cycle with KU. In addition, KU proposed to include a late payment charge if payment is not received within 15 days from the bill issuance date to align with LG&E. The settlement agreement approved in the rate case in February 2009, changed the due date for customer bill payments to 12 days after bill issuance for both LG&E and KU.

Depreciation Study. In December 2007, LG&E filed a depreciation study with the Kentucky Commission as required by a previous Order. An adjustment to the depreciation rates is dependent on an order being received from the Kentucky Commission. In July 2008, LG&E filed a motion to consolidate the procedural schedule of the depreciation study with the application for a change in base rates. In August 2008, the Kentucky Commission issued an Order consolidating the depreciation study with the base rate case proceeding. The settlement agreement in the rate case established new depreciation rates effective February 2009.

Brownfield Development Rider Tariff. In March 2008, LG&E received Kentucky Commission approval for a Brownfield Development Rider, which offers a discounted rate to electric customers who meet certain usage and location requirements, including taking new service at a brownfield site, as certified by the appropriate Kentucky state agency. The rider would permit special contracts with such customers which provide for a series of declining partial rate discounts over an initial five-year period of a longer service arrangement. The tariff is intended to promote local economic redevelopment and efficient usage of utility resources by aiding potential reuse of vacant brownfield sites.

Interconnection and Net Metering Guidelines. In May 2008, the Kentucky Commission on its own motion initiated a proceeding to establish interconnection and net metering guidelines in accordance with amendments to existing statutory requirements for net metering of electricity. The jurisdictional electric utilities and intervenors in this case presented proposed interconnection guidelines to the Kentucky Commission in October 2008. In a January 2009 Order, the Kentucky Commission issued the Interconnection and Net Metering Guidelines – Kentucky that were developed by all parties to the proceeding. LG&E does not expect any impact as a result of this Order. LG&E shall file revised net metering tariffs and application forms within ninety days of the Order to comply with the new guidelines.

EISA 2007 Standards. In November 2008, the Kentucky Commission initiated an administrative proceeding to consider new standards as a result of the Energy Independence and Security Act of 2007 ("EISA 2007"), part of which amends the Public Utility Regulatory Policies Act of 1978 ("PURPA"). There are four new PURPA standards and one non-PURPA standard applicable to electric utilities. The proceeding also considers two new PURPA standards applicable to natural gas utilities. EISA 2007 requires state regulatory commissions and nonregulated utilities to begin consideration of the rate design and smart grid investments no later than December 19, 2008 and to complete the consideration by December 19, 2009.

Note 3 - Financial Instruments

The cost and estimated fair values of LG&E's non-trading financial instruments as of December 31 follow:

	2008		2007	
(in millions)	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt	$ 411	$ 392	$ 574	$ 571
Long-term debt from affiliate	$ 485	$ 458	$ 410	$ 438
Interest-rate swaps - liability	$ 55	$ 55	$ 21	$ 21

The long-term debt valuations reflect prices quoted by dealers. The fair value of the long-term debt from affiliate is determined using an internal valuation model that discounts the future cash flows of each loan at current market rates. The current market rates are determined based on quotes from investment banks that are actively involved in capital markets for utilities and factor in LG&E's credit ratings and default risk. The fair values of the swaps reflect price quotes from dealers, consistent with SFAS No. 157. The fair values of cash and cash equivalents, accounts receivable, accounts payable and notes payable are substantially the same as their carrying values.

LG&E is subject to the risk of fluctuating interest rates in the normal course of business. LG&E's policies allow for the interest rate risk to be managed through the use of fixed rate debt, floating rate debt and interest rate swaps. At December 31, 2008, a 100 basis point change in the benchmark rate on LG&E's variable rate debt, not effectively hedged by an interest rate swap, would impact pre-tax interest expense by $4 million annually.

Interest Rate Swaps. LG&E uses over-the-counter interest rate swaps to hedge exposure to market fluctuations in certain of its debt instruments. Pursuant to Company policy, use of these financial instruments is intended to mitigate risk, earnings and cash flow volatility and is not speculative in nature.

The fair value of the interest rate swaps is determined by a quote from the counterparty. This value is verified monthly by LG&E using a model that calculates the present value of future payments under the swap utilizing current swap market rates obtained from another dealer active in the swap market and validated by market transactions. Market liquidity is considered, however the valuation does not require an adjustment for market liquidity as the market is very active for swaps such as the Company utilizes. LG&E considered the impact of counterparty credit risk by evaluating credit ratings and financial information. All counterparties had strong investment grade ratings at December 31, 2008. LG&E did not have any credit exposure to the swap counterparties, as LG&E was in a liability position at December 31, 2008, therefore, the market valuation required no adjustment for counterparty credit risk. In addition, LG&E and the counterparties have agreed to post margin if the credit exposure exceeds certain thresholds. Using these valuation methodologies, the swap contracts are considered level 2 based on SFAS No. 157 measurement criteria. Cash collateral for interest rate swaps is classified as restricted cash and is a level 1 measurement based on the funds being held in a demand deposit account.

LG&E was party to various interest rate swap agreements with aggregate notional amounts of $179 million and $211 million as of December 31, 2008 and 2007, respectively. Under these swap agreements, LG&E paid fixed rates averaging 4.52% and received variable rates based on LIBOR or the Securities Industry and Financial Markets Association's municipal swap index averaging 1.27% and 3.50% at December 31, 2008 and 2007, respectively. One swap hedging LG&E's $83 million Trimble County 2000 Series A bond has been designated as a cash flow hedge and continues to be highly effective. The remaining interest rate swaps designated to hedge LG&E's $128 million Jefferson County 2003 Series A bond became ineffective during 2008 as a result of the impact of downgrades of the underlying debt associated with issues involving the bond insurers. One swap with a notional value of $32 million was terminated in December 2008. See Note 7, Long-Term Debt.

The interest rate swaps are accounted for on a mark-to-market basis in accordance with SFAS No. 133, as amended. Financial instruments designated as effective cash flow hedges have resulting gains and losses recorded within other comprehensive income and stockholders' equity. See Note 13, Accumulated Other Comprehensive Income. The ineffective portion of financial instruments designated as cash flow hedges is recorded to earnings monthly as is the entire change in the market value of the ineffective swaps. LG&E recorded a pre-tax loss of $8 million in other expense (income) during 2008, to reflect the ineffective portion of the interest rate swaps deemed highly effective. LG&E recorded a $36 million mark-to-market loss in earnings on the interest rate swaps related to the Jefferson County 2003 Series A bond after the swaps were deemed ineffective. Amounts recorded in accumulated other comprehensive income will be reclassified into earnings in the same period during which the hedged forecasted transaction affects earnings. The amount expected to be reclassified from other comprehensive income to earnings in the next twelve months is less than $1 million. A deposit in the amount of $22 million, used as collateral for one of the interest rate swaps, is classified as restricted cash on the balance sheet. The amount of the deposit required is tied to the market value of the swap.

A decline of 100 basis points in the current market interest rates would reduce the fair value of LG&E's interest rate swaps by approximately $35 million. Such a change could affect other comprehensive income if the hedge is effective, or the income statement if the hedge is ineffective.

Energy Trading and Risk Management Activities. LG&E conducts energy trading and risk management activities to maximize the value of power sales from physical assets it owns. Energy trading activities are principally forward financial transactions to manage price risk and are accounted for as non-hedging derivatives on a mark-to-market basis in accordance with SFAS No. 133, as amended.

Energy trading and risk management contracts are valued using prices based on active trades on the Intercontinental Exchange ("ICE"). In the absence of a traded price, midpoints of the best bids and offers will be the primary determinants of valuation. When sufficient trading activity is unavailable, other inputs can include prices quoted by brokers or observable inputs other than quoted prices such as one-sided bids or offers as of the balance sheet date. Using these valuation methodologies, these contracts are considered level 2 based on SFAS No. 157 measurement criteria. Quotes are verified quarterly using an independent pricing source of actual transactions. Quotes for combined off-peak and weekend timeframes are allocated between the two timeframes based on their historical proportional ratios to the integrated cost. No other adjustments are made to the forward prices.

No changes to valuation techniques for energy trading and risk management activities occurred during 2008 or 2007. Changes in market pricing, interest rate and volatility assumptions were made during both years. All contracts outstanding at December 31, 2008 and 2007, had a maturity of less than one year and were considered to be in a liquid market.

LG&E maintains policies intended to minimize credit risk and revalues credit exposures daily to monitor compliance with those policies. At December 31, 2008, 100% of the trading and risk management commitments were with counterparties rated BBB-/Baa3 equivalent or better. LG&E has reserved against counterparty credit risk based on the counterparty's credit rating and applying historical default rates within varying credit ratings over time provided by S&P or Moody's. At December 31, 2008 and 2007, counterparty credit reserves were less than $1 million.

LG&E manages the price volatility of its forecasted electric wholesale sales with the sales of market-traded electric forward contracts. Hedge accounting treatment has not been elected for these transactions, and therefore gains and losses are shown in the statements of income. Unrealized gains and losses are included in other expense – net, whereas realized gains and losses are included in electric revenues. Unrealized losses were $1 million and unrealized gains were less than $1 million in 2008 and 2007, respectively. Realized gains were $3 million and losses were $5 million in 2008 and 2007, respectively.

Effective January 1, 2008, LG&E adopted the required provisions of SFAS No. 157, excluding the exceptions related to nonfinancial assets and liabilities, which will be adopted effective January 1, 2009, consistent with FASB Staff Position 157-2. LG&E has classified the applicable financial assets and liabilities that are accounted for at fair value into the three levels of the fair value hierarchy, as defined by SFAS No. 157.

The following table sets forth by level within the fair value hierarchy LG&E's financial assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2008. Cash collateral related to the energy trading and risk management contracts totals less than $1 million, is categorized as restricted cash and is a level 1 measurement based on the funds being held in liquid accounts. There are no level 3 measurements for this period.

Recurring Fair Value Measurements (in millions)	Level 1	Level 2	Total
Financial Assets:			
Energy trading and risk management contracts	$ -	$ 1	$ 1
Interest rate swap cash collateral	22	-	22
Total Financial Assets	$ 22	$ 1	$ 23
Financial Liabilities:			
Interest rate swaps	$ -	$ 55	$ 55
Total Financial Liabilities	$ -	$ 55	$ 55

Note 4 - Concentrations of Credit and Other Risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counterparties failed to perform as contracted. Concentrations of credit risk (whether on- or off-balance sheet) relate to groups of customers or counterparties that have similar economic or industry characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

LG&E's customer receivables and natural gas and electric revenues arise from deliveries of natural gas to approximately 314,000 customers and electricity to approximately 389,000 customers in Louisville and adjacent areas in Kentucky. For the year ended December 31, 2008, 69% of total revenue was derived from electric operations and 31% from natural gas operations. For the year ended December 31, 2007, 73% of total revenue was derived from electric operations and 27% from natural gas operations. During 2008, LG&E's 10 largest electric and gas customers accounted for less than 10% and less than 15% of total volumes, respectively.

Effective November 2008, LG&E and employees represented by the IBEW Local 2100 signed a three-year collective bargaining agreement. The new agreement provides for negotiated increases or changes to wages, benefits or other provisions. The employees represented by this bargaining agreement comprise approximately 68% of LG&E's workforce at December 31, 2008.

Note 5 - Pension and Other Postretirement Benefit Plans

LG&E employees benefit from both funded and unfunded non-contributory defined benefit pension plans and other postretirement benefit plans that together cover employees hired by December 31, 2005. Employees hired after this date participate in the Retirement Income Account ("RIA"), a defined contribution plan. The Company makes an annual lump sum contribution to the RIA, based on years of service and a percentage of covered compensation. The health care plans are contributory with participants' contributions adjusted annually. LG&E uses December 31 as the measurement date for its plans.

Obligations and Funded Status. The following tables provide a reconciliation of the changes in the plans' benefit obligations and fair value of assets over the two-year period ending December 31, 2008, and a statement of the funded status as of December 31 for LG&E's sponsored defined benefit plans:

(in millions)	Pension Benefits		Other Postretirement Benefits	
	2008	2007	2008	2007
Change in benefit obligation				
Benefit obligation at beginning of year	$ 408	$ 408	$ 89	$ 105
Service cost	4	4	1	1
Interest cost	26	24	5	5
Plan amendments	-	19	2	2
Benefits paid, net of retiree contributions	(28)	(28)	(9)	(9)
Actuarial (gain)/loss and other	19	(19)	-	(15)
Benefit obligation at end of year	$ 429	$ 408	$ 88	$ 89
Change in plan assets				
Fair value of plan assets at beginning of year	$ 409	$ 356	$ 5	$ 6
Actual return on plan assets	(94)	26	-	1
Employer contributions	-	56	7	7
Benefits paid, net of retiree contributions	(28)	(28)	(9)	(9)
Administrative expenses and other	(1)	(1)	-	-
Fair value of plan assets at end of year	$ 286	$ 409	$ 3	$ 5
Funded status at end of year	$ (143)	$ 1	$ (85)	$ (84)

Amounts Recognized in Statement of Financial Position. The following tables provide the amounts recognized in the balance sheets and information for plans with benefit obligations in excess of plan assets as of December 31:

(in millions)	Pension Benefits		Other Postretirement Benefits	
	2008	2007	2008	2007
Regulatory assets	$ 233	$ 93	$ 17	$ 17
Non-current assets	-	14	-	-
Accrued benefit liability (current)	-	-	(3)	(3)
Accrued benefit liability (non-current)	(143)	(13)	(82)	(81)

Additional year-end information for plans with accumulated benefit obligations in excess of plan assets:

(in millions)	Pension Benefits		Other Postretirement Benefits	
	2008	2007	2008	2007
Benefit obligation	$ 429	$ 408	$ 88	$ 89
Accumulated benefit obligation	396	378	-	-
Fair value of plan assets	286	409	3	5

For discussion of the pension and postretirement regulatory assets, see Note 2, Rates and Regulatory Matters.

Components of Net Periodic Benefit Cost. The following tables provide the components of net periodic benefit cost for pension and other postretirement benefit plans. The tables include the costs associated with both LG&E employees and E.ON U.S. Services' employees, who are providing services to the utility. The E.ON U.S. Services' costs that are allocated to LG&E are approximately 42% of E.ON U.S. Services' total cost for both 2008 and 2007.

(in millions)

Pension Benefits

	LG&E 2008	Servco Allocation to LG&E 2008	Total LG&E 2008	LG&E 2007	Servco Allocation to LG&E 2007	Total LG&E 2007
Service cost	$ 4	$ 4	$ 8	$ 4	$ 4	$ 8
Interest cost	26	5	31	24	5	29
Expected return on plan assets	(32)	(5)	(37)	(32)	(5)	(37)
Amortization of prior service costs	6	1	7	5	1	6
Amortization of actuarial loss	1	-	1	2	1	3
Benefit cost at end of year	$ 5	$ 5	$ 10	$ 3	$ 6	$ 9

Other Postretirement Benefits

	LG&E 2008	Servco Allocation to LG&E 2008	Total LG&E 2008	LG&E 2007	Servco Allocation to LG&E 2007	Total LG&E 2007
Service cost	$ 1	$ 1	$ 2	$ 1	$ 1	$ 2
Interest cost	5	-	5	5	-	5
Amortization of prior service costs	2	-	2	2	-	2
Benefit cost at end of year	$ 8	$ 1	$ 9	$ 8	$ 1	$ 9

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

	2008	2007
Weighted-average assumptions as of December 31:		
Discount rate - Union plan	6.33%	6.56%
Discount rate - Non-union plan	6.25%	6.66%
Rate of compensation increase	5.25%	5.25%

The discount rates were determined by the December 29, 2008, Mercer Pension Discount Yield Curve. These discount rates were then lowered by 2 basis points for the average change in 4 bond indices, Citigroup High Grade Credit Index AAA/AA 10+ years, Lehman Brothers US AA Long Credit, Merrill Lynch US Corporate AA-AAA rated 10+ years and Merrill Lynch US Corporate AA rated 15+ years, for the period from December 29, 2008 to December 31, 2008.

The assumptions used in the measurement of LG&E's net periodic benefit cost are shown in the following table:

	2008	2007
Discount rate	6.66%	5.96%
Expected long-term return on plan assets	8.25%	8.25%
Rate of compensation increase	5.25%	5.25%

To develop the expected long-term rate of return on assets assumption, LG&E considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

The following describes the effects on pension benefits by changing the major actuarial assumptions discussed above:

- A 1% change in the assumed discount rate could have an approximate $47 million positive or negative impact to the 2008 accumulated benefit obligation and an approximate $54 million positive or negative impact to the 2008 projected benefit obligation.
- A 25 basis point change in the expected rate of return on assets would have an approximate $1 million positive or negative impact on 2008 pension expense.

Assumed Health Care Cost Trend Rates. For measurement purposes, an 8% annual increase in the per capita cost of covered health care benefits was assumed for 2008. The rate was assumed to decrease gradually to 5% by 2016 and remain at that level thereafter.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A 1% change in assumed health care cost trend rates would have resulted in an increase or decrease of less than $1 million on the 2008 total of service and interest costs components and an increase or decrease of $2 million in year-end 2008 postretirement benefit obligations.

Expected Future Benefit Payments. The following list provides the amount of expected future benefit payments, which reflect expected future service:

(in millions)	Pension Benefits	Other Postretirement Benefits
2009	$ 27	$ 7
2010	26	7
2011	26	8
2012	26	8
2013	25	8
2014-18	133	37

Plan Assets. The following table shows LG&E's weighted-average asset allocation by asset category at December 31:

Pension Plans	Target Range	2008	2007
Equity securities	45% - 75%	55%	57%
Debt securities	30% - 50%	43	43
Other	0% - 10%	2	-
Totals		100%	100%

The investment policy of the pension plans was developed in conjunction with financial consultants, investment advisors and legal counsel. The goal of the investment policy is to preserve the capital of the fund and maximize investment earnings. The return objective is to exceed the benchmark return for the policy index comprised of the following: Russell 3000 Index, MSCI-EAFE Index, Lehman Aggregate and Lehman U.S. Long Government/Credit Bond Index in proportions equal to the targeted asset allocation.

Evaluation of performance focuses on a long-term investment time horizon of at least three to five years or a complete market cycle. The assets of the pension plans are broadly diversified within different asset classes (equities, fixed income securities and cash equivalents).

To minimize the risk of large losses in a single asset class, no more than 5% of the portfolio will be invested in the securities of any one issuer with the exclusion of the U.S. government and its agencies. The equity portion of the fund is diversified among the market's various subsections to diversify risk, maximize returns and avoid undue exposure to any single economic sector, industry group or individual security. The equity subsectors include, but are not limited to, growth, value, small capitalization and international.

In addition, the overall fixed income portfolio may have an average weighted duration, or interest rate sensitivity which is within +/- 20% of the duration of the overall fixed income benchmark. Foreign bonds in the aggregate shall not exceed 10% of the total fund. The portfolio may include a limited investment of up to 20% in below investment grade securities provided that the overall average portfolio quality remains "AA" or better. The below investment grade securities include, but are not limited to, medium-term notes, corporate debt, non-dollar and emerging market debt and asset backed securities. The cash investments should be in securities that either are of short maturities (not to exceed 180 days) or readily marketable with modest risk.

Derivative securities are permitted only to improve the portfolio's risk/return profile, to modify the portfolio's duration or to reduce transaction costs and must be used in conjunction with underlying physical assets in the portfolio. Derivative securities that involve speculation, leverage, interest rate anticipation, or any undue risk whatsoever are not deemed appropriate investments.

The investment objective for the postretirement benefit plan is to provide current income consistent with stability of principal and liquidity while maintaining a stable net asset value of $1.00 per share. The postretirement funds are invested in a prime cash money market fund that invests primarily in a portfolio of short-term, high-quality fixed income securities issued by banks, corporations and the U.S. government.

Contributions. LG&E made a discretionary contribution to the pension plan of $56 million in January 2007. In addition, contributions to other postretirement benefit plans of $7 million were made in 2008 and 2007. The amount of future contributions to the pension plan will depend upon the actual return on plan assets and other factors, but the Company funds its pension obligations in a manner consistent with the Pension Protection Act of 2006. In 2009, LG&E anticipates making voluntary contributions to fund Voluntary Employee Beneficiary Association trusts to match the annual postretirement expense and funding the 401(h) plan up to the maximum amount allowed by law.

Pension Legislation. The Pension Protection Act of 2006 was enacted in August 2006. New rules regarding funding of defined benefit plans are generally effective for plan years beginning in 2008. Among other matters, this comprehensive legislation contains provisions applicable to defined benefit plans which generally (i) mandate full funding of current liabilities within seven years; (ii) increase tax-deduction levels regarding contributions; (iii) revise certain actuarial assumptions, such as mortality tables and discount rates; and (iv) raise federal insurance premiums and other fees for under-funded and distressed plans. The legislation also contains a number of provisions relating to defined-contribution plans and qualified and non-qualified executive pension plans and other matters. The Company has monitored developments regarding the Act and has made a number of elections to comply.

Thrift Savings Plans. LG&E has a thrift savings plan under section 401(k) of the Internal Revenue Code. Under the plan, eligible employees may defer and contribute to the plan a portion of current compensation in order to provide future retirement benefits. LG&E makes contributions to the plan by matching a portion of the employee contributions. The costs of this matching were $3 million and $2 million for 2008 and 2007, respectively.

LG&E also makes contributions to retirement income accounts within its thrift savings plans for certain employees not covered by its noncontributory defined benefit pension plans. These employees consist mainly of those hired after December 31, 2005. LG&E makes these contributions based on years of service and the employees' wage and salary levels, and it makes them in addition to the matching contributions discussed above. The amounts contributed by LG&E under this arrangement equaled less than $1 million in 2008 and in 2007.

Note 6 - Income Taxes

A United States consolidated income tax return is filed by E.ON U.S.'s direct parent, E.ON US Investments Corp., for each tax period. Each subsidiary of the consolidated tax group, including LG&E, calculates its separate income tax for each period. The resulting separate-return tax cost or benefit is paid to or received from the parent company or its designee. LG&E also files income tax returns in various state jurisdictions. While the federal statute of limitations related to 2005 and later years are open, Revenue Agent Reports for 2005-2007 have been received from the IRS, effectively closing these years to additional audit adjustments. Adjustments made by the IRS for the 2005-2006 tax years were recorded in the 2008 financial statements. The tax year 2007 return was examined under an IRS pilot program named "Compliance Assurance Process" ("CAP"). This program accelerates the IRS's review to begin during the year applicable to the return and ends 90 days after the return is filed. Preliminary adjustments for 2007 were agreed to in January 2009, and were comprised of $5 million of depreciable temporary differences which will be recorded in 2009. The tax year 2008 return is also being examined under the CAP program.

LG&E adopted the provisions of FIN 48, *Accounting for Uncertainty in Income Taxes, an Interpretation of SFAS No. 109,* effective January 1, 2007. At the date of adoption, LG&E had $1 million of unrecognized tax benefits related to federal and state income taxes. If recognized, the amount of unrecognized tax benefits would reduce the effective income tax rate. Additions and reductions of uncertain tax positions during 2008 and 2007 were less than $1 million. Possible amounts of uncertain tax positions for LG&E that may decrease within the next 12 months total less than $1 million and are based on the expiration of the audit periods as defined in the statutes.

Interest and penalties, if any, are recorded as operating expenses on the income statement and accrued expenses on the balance sheet. The amount LG&E recognized as interest expense and interest accrued related to unrecognized tax benefits was less than $1 million as of December 31, 2008 and 2007. The interest accrued is based on IRS and Kentucky Department of Revenue large corporate interest rates for underpayment of taxes. At the date of adoption, LG&E accrued less than $1 million in interest expense on uncertain tax positions. No penalties were accrued by LG&E upon adoption of FIN 48, or through December 31, 2008.

Components of income tax expense are shown in the table below:

(in millions)		2008	2007
Current	- federal	$ 37	$ 34
	- state	4	8
Deferred	- federal – net	(2)	10
	- state – net	(2)	2
Investment tax credit – deferred		8	9
Amortization of investment tax credit		(4)	(4)
Total income tax expense		$ 41	$ 59

Current state tax expense decreased due to an increase in coal and recycle credits in 2008. Deferred federal income tax expense decreased at December 31, 2008 compared to December 31, 2007 due to temporary differences for mark-to-market interest rate swaps and GSC.

In June 2006, LG&E and KU filed a joint application with the U.S. Department of Energy ("DOE") requesting certification to be eligible for investment tax credits applicable to the construction of TC2. In November 2006, the DOE and the IRS announced that LG&E and KU were selected to receive the tax credit. A final IRS certification required to obtain the investment tax credit was received in August 2007. In September 2007, LG&E received an Order from the Kentucky Commission approving the accounting of the investment tax credit. LG&E's portion of the TC2 tax credit will be approximately $25 million over the construction period and will be amortized to income over the life of the related property beginning when the facility is placed in service. Based on eligible construction expenditures incurred, LG&E recorded investment tax credits of $8 million and $9 million in 2008 and 2007, respectively, decreasing current federal income taxes. In addition, a full depreciation basis adjustment is required for the amount of the credit. The income tax expense impact of this adjustment will begin when the facility is placed in service.

In March 2008, certain environmental and preservation groups filed suit in federal court in North Carolina against the DOE and IRS claiming the investment tax credit program was in violation of certain environmental laws and demanded relief, including suspension or termination of the program. In August 2008, the plaintiffs submitted an amended complaint alleging additional claims for relief. In November 2008, the Court dismissed the suit; however, the plaintiffs filed a motion for reconsideration. The Company is not currently a party to this proceeding and is not able to predict the ultimate outcome of this matter.

Components of net deferred tax liabilities included in the balance sheets are shown below:

(in millions)	2008	2007
Deferred tax liabilities:		
Depreciation and other plant-related items	$ 372	$ 368
Regulatory assets and other	39	30
Pension and related benefits	4	5
Total deferred tax liabilities	415	403
Deferred tax assets:		
Investment tax credit	12	14
Income taxes due to customers	18	19
Liabilities and other	39	24
Total deferred tax assets	69	57
Net deferred income tax liability	$ 346	$ 346
Balance sheet classification		
Current liabilities	$ 4	$ 4
Non-current liabilities	342	342
Net deferred income tax liability	$ 346	$ 346

LG&E expects to have adequate levels of taxable income to realize its recorded deferred tax assets.

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

	2008	2007
Statutory federal income tax rate	35.0 %	35.0 %
State income taxes, net of federal benefit	0.6	3.4
Reduction of income tax reserve	(0.4)	(0.6)
Qualified production activities deduction	(1.0)	(1.1)
Amortization of investment tax credits	(3.0)	(2.2)
Other differences	0.1	(1.5)
Effective income tax rate	31.3 %	33.0 %

State income tax, net of federal benefit decreased due to coal and recycle credits claimed in 2008. Amortization of investment tax credits increased in 2008 due to the level of pre-tax income. Other differences primarily relate to various permanent differences and deferred adjustments.

Note 7 - Long-Term Debt

As of December 31, 2008 and 2007, long-term debt consists primarily of pollution control bonds and long-term loans from affiliated companies as summarized below.

($ in millions)	Stated Interest Rates	Maturities	Principal Amounts
Outstanding at December 31, 2008	Variable – 6.48%	2012-2037	$ 896
Outstanding at December 31, 2007	Variable – 5.98%	2012-2037	$ 984

Pollution control series bonds are obligations of LG&E issued in connection with tax-exempt pollution control revenue bonds issued by various governmental entities, principally counties in Kentucky. A loan agreement obligates LG&E to make debt service payments to the county that equate to the debt service due from the county on the related pollution control revenue bonds. Until a series of financing transactions was completed during April 2007, the county's debt was also secured by an equal amount of LG&E's first mortgage bonds that were pledged to the trustee for the pollution control revenue bonds that match the terms and conditions of the county's debt, but require no payment of principal and interest unless the Company defaults on the loan agreement. Subsequent to April 2007, the loan agreement is an unsecured obligation of LG&E.

Several of the pollution control bonds are or were insured by monoline bond insurers whose ratings have been under pressure due to exposures relating to insurance of sub-prime mortgages. At December 31, 2008, LG&E had an aggregate $574 million (including $163 million of reacquired bonds) of outstanding pollution control indebtedness, of which $135 million is in the form of insured auction rate securities wherein interest rates are reset either weekly or every 35 days via an auction process. Beginning in late 2007, the interest rates on these insured bonds began to increase due to investor concerns about the creditworthiness of the bond insurers. In 2008, interest rates have continued to increase, and the Company has experienced "failed auctions" where there are insufficient bids for the bonds. When there is a failed auction, the interest rate is set pursuant to a formula stipulated in the indenture which can be as high as 15%. During 2008 and 2007, the average rate on the auction rate bonds was 5.90% and 3.77%, respectively. The instruments governing these auction rate bonds permit LG&E to convert the bonds to other interest rate modes, such as various short-term variable rates, long-term fixed rates or intermediate-term fixed rates that are reset infrequently. In 2008, the ratings of the following bonds were downgraded due to downgrades of the bond insurers or the termination of the bond insurance.

($ in millions)		Bond Rating			
		Moody's		S&P	
Tax Exempt Bond Issues	Principal	2008	2007	2008	2007
Jefferson Co. 2000 Series A (1)	$ 25	A2	Aaa	BBB+	AAA
Trimble County 2000 Series A	$ 83	A2	Aaa	A	AAA
Jefferson Co. 2001 Series A	$ 10	A2	Aaa	A	AAA
Trimble County 2002 Series A	$ 42	A2	Aaa	A	AAA
Louisville Metro 2003 Series A	$ 128	A2	Aaa	BBB+	AAA
Louisville Metro 2005 Series A (1)	$ 40	A2	Aaa	BBB+	AAA
Trimble County 2007 Series A	$ 60	A2	Aaa	A	AAA
Louisville Metro 2007 Series A (1)	$ 31	A2	Aaa	BBB+	AAA
Louisville Metro 2007 Series B	$ 35	A2	Aaa	A	AAA

(1) Bond insurance terminated in November 2008 upon restructuring.

In February 2008, LG&E issued a notice to bondholders of its intention to convert the Louisville Metro 2005 Series A and, 2007 Series A and B bonds from the auction rate mode to a weekly interest rate mode, as permitted under the loan documents. These conversions were completed in March 2008, for the 2005 Series, and in April 2008, for the two 2007 Series. In connection with the conversions, LG&E purchased the bonds from the remarketing agent. The Louisville Metro 2005 and 2007 Series A bonds were remarketed in November 2008.

In March 2008, LG&E issued notices to bondholders of its intention to convert the Jefferson County 2000 Series A bond from the auction mode to a weekly interest rate mode, as permitted under the loan documents. The conversion was completed in May 2008. In connection with the conversion, LG&E purchased the bond from the remarketing agent. The bond was remarketed in November 2008.

In June 2008, LG&E issued notices to bondholders of its intention to convert the Louisville Metro 2003 Series A bond from the auction mode to a weekly interest rate mode, as permitted under the loan documents. The conversion was completed in July 2008. In connection with the conversion, LG&E purchased the bond from the remarketing agent.

In November 2008, LG&E converted three pollution control bonds to a mode wherein the interest rate is fixed for an intermediate term, but not the full term of the bond. At the end of the intermediate term, the Company must remarket the bonds or buy them back. The terms of the November transactions are:

($ in millions) Series	Principal Amount	Interest Rate	End of Fixed Rate Term
Jefferson County 2000 Series A	$ 25	5.375%	November 30, 2011
Louisville Metro 2007 Series A	$ 31	5.625%	December 2, 2012
Louisville Metro 2005 Series A	$ 40	5.75%	December 1, 2013

At the time of the conversion, the bond insurance policy that had been in place was terminated.

As of December 31, 2008, LG&E continued to hold repurchased bonds in the amount of $163 million. LG&E will hold some or all of such repurchased bonds until a later date, at which time LG&E may refinance, remarket or further convert such bonds. Uncertainty in markets relating to auction rate securities or steps LG&E has taken or may take to mitigate such uncertainty, such as additional conversion, subsequent restructuring or redemption and refinancing, could result in LG&E incurring increased interest expense, transaction expenses or other costs and fees or experiencing reduced liquidity relating to existing or future pollution control financing structures.

All of LG&E's first mortgage bonds were released and terminated in April 2007. Only the tax-exempt pollution control revenue bonds issued by the counties remain. Under the provisions for certain of LG&E's variable-rate pollution control bonds, the bonds are subject to tender for purchase at the option of the holder and to mandatory tender for purchase upon the occurrence of certain events. The average annualized interest rate for these bonds during 2008 and 2007 was 2.34% and 3.66%, respectively.

Interest rate swaps are used to hedge LG&E's underlying variable-rate debt obligations. These swaps hedge specific debt issuances and, consistent with management's designation, are accorded hedge accounting treatment. The swaps exchange floating-rate interest payments for fixed rate interest payments to reduce the impact of interest rate changes on LG&E's pollution control bonds. As of December 31, 2008 and 2007, LG&E had swaps with an aggregate notional value of $179 million and $211 million, respectively. See Note 3, Financial Instruments.

Redemptions and maturities of long-term debt for 2008 and 2007 are summarized below:

($ in millions) Year	 Description	Principal Amount	 Rate	Secured/ Unsecured	 Maturity
2007	Pollution control bonds	$31	Variable	Secured	2017
2007	Pollution control bonds	$60	Variable	Secured	2017
2007	Pollution control bonds	$35	Variable	Secured	2013
2007	Mandatorily Redeemable Preferred Stock	$20	5.875%	Unsecured	2008

Issuances of long-term debt for 2007 and 2008 are summarized below:

($ in millions) Year	 Description	Principal Amount	 Rate	Secured/ Unsecured	 Maturity
2008	Due to Fidelia	$50	6.48%	Unsecured	2015
2008	Due to Fidelia	$25	6.21%	Unsecured	2018
2007	Pollution control bonds	$31	Variable	Unsecured	2033
2007	Pollution control bonds	$60	4.60%	Unsecured	2033
2007	Pollution control bonds	$35	Variable	Unsecured	2033
2007	Due to Fidelia	$70	5.98%	Unsecured	2037
2007	Due to Fidelia	$68	5.93%	Unsecured	2031
2007	Due to Fidelia	$47	5.72%	Unsecured	2022

In January 2007, the Kentucky Commission issued an Order approving LG&E's application for certain financial transactions, including arrangements which provided a source of funds for the redemption of LG&E's preferred stock. In April 2007, LG&E redeemed 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.

In April 2007, LG&E agreed with Fidelia to eliminate the lien on two secured intercompany loans totaling $125 million. LG&E entered into two long-term borrowing arrangements with Fidelia in an aggregate principal amount of $138 million. The loan proceeds were used to fund the preferred stock redemption and to repay certain short-term loans incurred to fund the pension contribution made by the Company during the first quarter. LG&E also completed a series of financial transactions impacting its periodic reporting requirements. The pollution control revenue bonds issued by certain governmental entities secured by the $31 million Pollution Control Series S, the $60 million Pollution Control Series T and the $35 million Pollution Control Series U bonds were refinanced and replaced with new unsecured tax-exempt bonds of like amounts. Pursuant to the terms of the bonds, an underlying lien on substantially all of LG&E's assets was released following the completion of these steps. LG&E no longer has any secured debt and is no longer subject to periodic reporting under the Securities Exchange Act of 1934.

Long-term debt maturities for LG&E are shown in the following table:

(in millions)	
2009 – 2011	$ -
2012	25
2013	200
Thereafter	671
Total	$ 896

Note 8 - Notes Payable and Other Short-Term Obligations

LG&E participates in an intercompany money pool agreement wherein E.ON U.S. and/or KU make funds available to LG&E at market-based rates (based on highly rated commercial paper issues) of up to $400 million. Details of the balances are as follows:

($ in millions)	Total Money Pool Available	Amount Outstanding	Balance Available	Average Interest Rate
December 31, 2008	$ 400	$ 222	$ 178	1.49%
December 31, 2007	$ 400	$ 78	$ 322	4.75%

E.ON U.S. maintains revolving credit facilities totaling $313 million and $150 million at December 31, 2008 and 2007, respectively, to ensure funding availability for the money pool. At December 31, 2008, one facility, totaling $150 million, is with E.ON North America, Inc., while the remaining line, totaling $163 million, is with Fidelia; both are affiliated companies. The facility as of December 31, 2007, was with E.ON North America, Inc. The balances are as follows:

($ in millions)	Total Available	Amount Outstanding	Balance Available	Average Interest Rate
December 31, 2008	$ 313	$ 299	$ 14	2.05%
December 31, 2007	$ 150	$ 62	$ 88	4.97%

During June 2007, LG&E's five existing lines of credit totaling $185 million expired and were replaced with short-term bilateral lines of credit facilities totaling $125 million. During the third quarter of 2007, LG&E extended the maturity date of these facilities through June 2012. There was no outstanding balance under any of these facilities at December 31, 2008.

The covenants under these revolving lines of credit include the following:
- The debt/total capitalization ratio must be less than 70%
- E.ON must own at least 66.667% of voting stock of LG&E directly or indirectly
- The corporate credit rating of the Company must be at or above BBB- and Baa3 as determined by S&P and Moody's
- A limitation on disposing of assets aggregating more than 15% of total assets as of December 31, 2006

LG&E was in compliance with these covenants at December 31, 2008.

Note 9 - Commitments and Contingencies

Operating Leases. LG&E leases office space, office equipment, plant equipment and vehicles and accounts for these leases as operating leases. Total lease expense less amounts contributed by affiliated companies occupying a portion of the office space leased by LG&E, was $6 million and $5 million for 2008 and 2007, respectively. The future minimum annual lease payments for operating leases for years subsequent to December 31, 2008, are shown in the following table:

(in millions)	
2009	$ 9
2010	5
2011	4
2012	3
2013	4
Thereafter	5
Total	$ 30

Sale and Leaseback Transaction. LG&E is a participant in a sale and leaseback transaction involving its 38% interest in two jointly owned CTs at KU's E.W. Brown generating station (Units 6 and 7). Commencing in December 1999, LG&E and KU entered into a tax-efficient, 18-year lease of the CTs. LG&E and KU have provided funds to fully defease the lease, and have executed an irrevocable notice to exercise an early purchase option contained in the lease after 15.5 years. The financial statement treatment of this transaction is no different than if LG&E had retained its ownership. The leasing transaction was entered into following receipt of required state and federal regulatory approvals.

In case of default under the lease, LG&E is obligated to pay to the lessor its share of certain fees or amounts. Primary events of default include loss or destruction of the CTs, failure to insure or maintain the CTs and unwinding of the transaction due to governmental actions. No events of default currently exist with respect to the lease. Upon any termination of the lease, whether by default or expiration of its term, title to the CTs reverts jointly to LG&E and KU.

At December 31, 2008, the maximum aggregate amount of default fees or amounts was $9 million, of which LG&E would be responsible for 38% (approximately $3 million). LG&E has made arrangements with E.ON U.S., via guarantee and regulatory commitment, for E.ON U.S. to pay LG&E's full portion of any default fees or amounts.

Letters of Credit. LG&E has provided letters of credit totaling $3 million to support certain obligations related to landfill reclamation and a letter of credit totaling less than $1 million to support certain obligations related to workers' compensation.

Purchased Power. LG&E has a contract for purchased power with OVEC, terminating in 2026, for various Mw capacities. LG&E has an investment of 5.63% ownership in OVEC's common stock, which is accounted for on the cost method of accounting. LG&E's share of OVEC's output is 5.63%, approximately 124 Mw of generation capacity. Future obligations for power purchases are shown in the following table:

(in millions)	
2009	$ 20
2010	21
2011	21
2012	23
2013	23
Thereafter	349
Total	$ 457

Coal and Gas Purchase Obligations. LG&E has contracts to purchase coal, natural gas and natural gas transportation. Future obligations are shown in the following table:

(in millions)	
2009	$ 307
2010	309
2011	308
2012	123
2013	63
Thereafter	- (a)
Total	$ 1,110

(a) Obligations after 2013 are indexed to future market prices and will not be included above until prices are set using the contracted methodology.

Construction Program. LG&E had $39 million of commitments in connection with its construction program at December 31, 2008.

In June 2006, LG&E and KU entered into a construction contract regarding the TC2 project. The contract is generally in the form of a lump-sum, turnkey agreement for the design, engineering, procurement, construction, commissioning, testing and delivery of the project, according to designated specifications, terms and conditions. The contract price and its components are subject to a number of potential adjustments which may serve to increase or decrease the ultimate construction price paid or payable to the contractor. The contract also contains standard representations, covenants, indemnities, termination and other provisions for arrangements of this type, including termination for convenience or for cause rights. The parties have commenced certain negotiations relating to potential construction cost increases due to higher labor and per diem costs above an established baseline, and certain safety and compliance costs resulting from a change in law. LG&E's share of additional costs from inception of the contract through the expected project completion in 2010 may be approximately $5 million.

TC2 Air Permit. The Sierra Club and other environmental groups filed a petition challenging the air permit issued for the TC2 baseload generating unit which was issued by the KDAQ in November 2005. The filing of the challenge did not stay the permit, so the Company was free to proceed with construction during the pendency of the action. In June 2007, the state hearing officer assigned to the matter recommended upholding the air permit with minor revisions. In September 2007, the Secretary of the Kentucky Environmental and Public Protection Cabinet issued a final Order approving the hearing officer's recommendation and upholding the permit. In September 2007, LG&E administratively applied for a permit revision to reflect minor design changes. In October 2007, the environmental groups submitted comments objecting to the draft permit revisions and, in part, attempting to reassert general objections to the generating unit. In January 2008, the KDAQ issued a final permit revision. The environmental groups did not appeal the final Order upholding the permit or file a petition challenging the permit revision by the applicable deadlines. However, in October 2007, the environmental groups filed a lawsuit in federal court seeking an order for the EPA to grant or deny their pending petition for the EPA to "veto" the state air permit and in April 2008, they filed a petition seeking veto of the permit revision. In September 2008, the EPA issued an Order denying nine of eleven claims alleged in one of the petitions, but finding deficiencies in two areas of the permit. The KDAQ revised the permit to address the issues identified in the EPA's Order, although the Sierra Club subsequently submitted comments objecting to the revisions. Although the Company does not expect material changes in the permit as a result of the various petitions, the EPA has yet to rule on several additional claims. The Company is currently unable to determine the final outcome of this matter or the impact of an unfavorable determination upon the Company's financial condition or results of operations.

Mine Safety Compliance Costs. In March 2006, the Mine Safety and Health Administration enacted Emergency Temporary Standards regulations and has issued additional regulations as the result of the passage of the Mine Improvement and New Emergency Response Act of 2006, which was signed into law in June 2006. At the state level, Kentucky and other states that supply coal to LG&E, have passed new mine safety legislation. These pieces of legislation require all underground coal mines to implement new safety measures and install new safety equipment. Under the terms of some of the coal contracts LG&E has in place, provisions are made to allow for price adjustments for compliance costs resulting from new or amended laws or regulations. LG&E has begun to receive information from the mines it contracts with regarding price adjustments related to these compliance costs and has hired a consultant to review all supplier claims for validity and reasonableness. At this time LG&E has not been notified of claims by all mines and is reviewing those claims it has received. An adjustment will be made to the value of the coal inventory once the amount is determinable, however, the amount cannot be estimated at this time. The Company expects to recover these costs through the FAC.

Environmental Matters. LG&E's operations are subject to a number of environmental laws and regulations, governing, among other things, air emissions, wastewater discharges, the use, handling and disposal of hazardous substances and wastes, soil and groundwater contamination and employee health and safety.

Clean Air Act Requirements. The Clean Air Act establishes a comprehensive set of programs aimed at protecting and improving air quality in the United States by, among other things, controlling stationary sources of air emissions such as power plants. While the general regulatory framework for these programs is established at the federal level, most of the programs are implemented and administered by the states under the oversight of the EPA. The key Clean Air Act programs relevant to LG&E's business operations are described below.

Ambient Air Quality. The Clean Air Act requires the EPA to periodically review the available scientific data for six criteria pollutants and establish concentration levels in the ambient air sufficient to protect the public health and welfare with an extra margin for safety. These concentration levels are known as NAAQS. Each state must identify "nonattainment areas" within its boundaries that fail to comply with the NAAQS and develop a SIP to bring such nonattainment areas into compliance. If a state fails to develop an adequate plan, the EPA must develop and implement a plan. As the EPA increases the stringency of the NAAQS through its periodic reviews, the attainment status of various areas may change, thereby triggering additional emission reduction obligations under revised SIPs aimed to achieve attainment.

In 1997, the EPA established new NAAQS for ozone and fine particulates that required additional reductions in SO_2 and NOx emissions from power plants. In 1998, the EPA issued its final "NOx SIP Call" rule requiring reductions in NOx emissions of approximately 85% from 1990 levels in order to mitigate ozone transport from the midwestern U.S. to the northeastern U.S. To implement the new federal requirements, Kentucky amended its SIP in 2002 to require electric generating units to reduce their NOx emissions to 0.15 pounds weight per MMBtu on a company-wide basis. In 2005, the EPA issued the CAIR which required additional SO_2 emission reductions of 70% and NOx emission reductions of 65% from 2003 levels. The CAIR provided for a two-phase cap and trade program, with initial reductions of NOx and SO_2 emissions due by 2009 and 2010, respectively, and final reductions due by 2015. In 2006, Kentucky proposed to amend its SIP to adopt state requirements similar to those under the federal CAIR. Depending on the level of action determined necessary to bring local nonattainment areas into compliance with the new ozone and fine particulate standards, LG&E's power plants are potentially subject to additional reductions in SO_2 and NOx emissions. In March 2008, the EPA issued a revised NAAQS for ozone, which contains a more stringent standard than that contained in the previous regulation. At present, LG&E is unable to determine what, if any, additional requirements may be imposed to achieve compliance with the new ozone standard.

In July 2008, a federal appeals court issued a ruling finding deficiencies in the CAIR and vacating it. In December 2008, the Court amended its previous Order, directing the EPA to promulgate a new regulation, but leaving the CAIR in the interim. Depending upon the course of such matters, the CAIR could be superseded by new or revised NOx or SO_2 regulations with different or more stringent requirements and SIPs which incorporate CAIR requirements could be subject to revision. LG&E is also reviewing aspects of its compliance plan relating to the CAIR, including scheduled or contracted pollution control construction programs. Finally, as discussed below, the remand of the CAIR results in some uncertainty with respect to certain other EPA or state programs and proceedings and LG&E's and KU's compliance plans relating thereto, due to the interconnection of the CAIR and CAIR-associated steps with such associated programs. At present, LG&E is not able to predict the outcomes of the legal and regulatory proceedings related to the CAIR and whether such outcomes could have a material effect on the Company's financial or operational conditions.

Hazardous Air Pollutants. As provided in the 1990 amendments to the Clean Air Act, the EPA investigated hazardous air pollutant emissions from electric utilities and submitted a report to Congress identifying mercury emissions from coal-fired power plants as warranting further study. In 2005, the EPA issued the CAMR establishing mercury standards for new power plants and requiring all states to issue new SIPs including mercury requirements for existing power plants. The EPA issued a model rule which provides for a two-phase cap and trade program with initial reductions due by 2010 and final reductions due by 2018. The CAMR provided for reductions of 70% from 2003 levels. The EPA closely integrated the CAMR and CAIR programs to ensure that the 2010 mercury reduction targets would be achieved as a "co-benefit" of the controls installed for purposes of compliance with the CAIR. In addition, in 2006, the Metro Louisville Air Pollution Control District adopted rules aimed at regulating additional hazardous air pollutants from sources including power plants.

In February 2008, a federal appellate court issued a decision vacating the CAMR. The EPA has announced that it intends to promulgate a new rule to replace the CAMR. Depending on the final outcome of the rulemaking, the CAMR could be replaced by new mercury reduction rules with different or more stringent requirements. Kentucky has also repealed its corresponding state mercury regulations. At present, LG&E is not able to predict the outcomes of the legal and regulatory proceedings related to the CAMR and whether such outcomes could have a material effect on the Company's financial or operational conditions.

Acid Rain Program. The 1990 amendments to the Clean Air Act imposed a two-phased cap and trade program to reduce SO_2 emissions from power plants that were thought to contribute to "acid rain" conditions in the northeastern U.S. The 1990 amendments also contained requirements for power plants to reduce NOx emissions through the use of available combustion controls.

Regional Haze. The Clean Air Act also includes visibility goals for certain federally designated areas, including national parks, and requires states to submit SIPs that will demonstrate reasonable progress toward preventing future impairment and remedying any existing impairment of visibility in those areas. In 2005, the EPA issued its CAVR detailing how the Clean Air Act's BART requirements will be applied to facilities, including power plants, built between 1962 and 1974 that emit certain levels of visibility impairing pollutants. Under the final rule, as the CAIR provided for more visibility improvement than BART, states are allowed to substitute CAIR requirements in their regional haze SIPs in lieu of controls that would otherwise be required by BART. The final rule has been challenged in the courts. Additionally, because the regional haze SIPs incorporate certain CAIR requirements, the remand of CAIR could potentially impact regional haze SIPs. See "Ambient Air Quality" above for a discussion of CAIR-related uncertainties.

Installation of Pollution Controls. Many of the programs under the Clean Air Act utilize cap and trade mechanisms that require a company to hold sufficient emissions allowances to cover its authorized emissions on a company-wide basis and do not require installation of pollution controls on every generating unit. Under cap and trade programs, companies are free to focus their pollution control efforts on plants where such controls are particularly efficient and utilize the resulting emission allowances for smaller plants where such controls are not cost effective. LG&E had previously installed flue gas desulfurization equipment on all of its generating units prior to the effective date of the acid rain program. LG&E's strategy for its Phase II SO_2 requirements, which commenced in 2000, is to use accumulated emission allowances to defer additional capital expenditures and LG&E will continue to evaluate improvements to further reduce SO_2 emissions. In order to achieve the NOx emission reductions mandated by the NOx SIP Call, LG&E installed additional NOx controls, including selective catalytic reduction technology, during the 2000 through 2008 time period at a cost of $197 million. In 2001, the Kentucky Commission granted recovery in principal of these costs incurred by LG&E for these projects under its periodic environmental surcharge mechanisms. Such monthly recovery is subject to periodic review by the Kentucky Commission.

In order to achieve mandated emissions reductions, LG&E expects to incur additional capital expenditures totaling $100 million during the 2009 through 2011 time period for pollution control equipment, and additional operating and maintenance costs in operating such controls. In 2005, the Kentucky Commission granted approval to recover the costs incurred by the Company for these projects through the ECR mechanism. Such monthly recovery is subject to periodic review by the Kentucky Commission. LG&E believes its costs in reducing SO_2, NOx and mercury emissions to be comparable to those of similarly situated utilities with like generation assets. LG&E's compliance plans are subject to many factors including developments in the emission allowance and fuels markets, future legislative and regulatory enactments, legal proceedings and advances in clean air technology. LG&E will continue to monitor these developments to ensure that its environmental obligations are met in the most efficient and cost-effective manner. See "Ambient Air Quality" above for a discussion of CAIR-related uncertainties.

Potential GHG Controls. In 2005, the Kyoto Protocol for reducing GHG emissions took effect, obligating 37 industrialized countries to undertake substantial reductions in GHG emissions. The U.S. has not ratified the Kyoto Protocol and there are currently no mandatory GHG emission reduction requirements at the federal level.

Legislation mandating GHG reductions has been introduced in the Congress, but no federal legislation has been enacted to date. In the absence of a program at the federal level, various states have adopted their own GHG emission reduction programs. Such programs have been adopted in various states including 11 northeastern U.S. states and the District of Columbia under the Regional GHG Initiative program and California. Substantial efforts to pass federal GHG legislation are on-going. In April 2007, the U.S. Supreme Court ruled that the EPA has the authority to regulate GHG under the Clean Air Act. LG&E is monitoring on-going efforts to enact GHG reduction requirements at the state and federal level and is assessing potential impacts of such programs and strategies to mitigate those impacts. LG&E is also monitoring on-going regulatory proceedings including the EPA's advanced notice of proposed rulemaking for regulation of GHGs under the existing authority of the Clean Air Act and proposed rules governing carbon sequestration. The new administration has announced its intention to exercise its existing authority under the Clean Air Act to achieve reductions in GHG emissions. LG&E is unable to predict whether mandatory GHG reduction requirements will ultimately be enacted. As a Company with significant coal-fired generating assets, LG&E could be substantially impacted by programs requiring mandatory reductions in GHG emissions, although the precise impact on the operations of LG&E, including the reduction targets and deadlines that would be applicable, cannot be determined prior to the enactment of such programs.

Section 114 Requests. In August 2007, the EPA issued administrative information requests under Section 114 of the Clean Air Act requesting new source review-related data regarding certain projects undertaken at LG&E's Mill Creek 4 and Trimble County 1 generating units and KU's Ghent 2 generating unit. LG&E and KU have complied with the information requests and are not able to predict further proceedings in this matter at this time.

General Environmental Proceedings. From time to time, LG&E appears before the EPA, various state or local regulatory agencies and state and federal courts regarding matters involving compliance with applicable environmental laws and regulations. Such matters include remediation obligations or activities for former manufactured gas plant sites or elevated PCB levels at existing properties; liability under the Comprehensive Environmental Response, Compensation and Liability Act for cleanup at various off-site waste sites; on-going claims regarding alleged particulate emissions from LG&E's Cane Run station and claims regarding GHG emissions from LG&E's generating stations. With respect to the former manufactured gas plant sites, LG&E has estimated that it could incur additional costs of less than $1 million for remaining clean-up activities under existing approved plans or agreements. Based on analysis to date, the resolution of these matters is not expected to have a material impact on the operations of LG&E.

Note 10 - Jointly Owned Electric Utility Plant

LG&E owns a 75% undivided interest in Trimble County Unit 1 which the Kentucky Commission has allowed to be reflected in customer rates. Of the remaining 25% of the unit, IMEA owns a 12.12% undivided interest, and IMPA owns a 12.88% undivided interest. Each company is responsible for its proportionate ownership share of fuel cost, operation and maintenance expenses and incremental assets.
The following data represent shares of the jointly owned property:

	Trimble County Unit 1			
	LG&E	IMPA	IMEA	Total
Ownership interest	75%	12.88%	12.12%	100%
Mw capacity	383	66	62	511

(in millions)	
LG&E's 75% ownership:	
Cost	$ 606
Accumulated depreciation	251
Net book value	$ 355
Construction work in progress (included in above)	$ 12

LG&E and KU have begun construction of TC2, a jointly owned unit at the Trimble County site. LG&E and KU own undivided 14.25% and 60.75% interests, respectively, in TC2. Of the remaining 25% of TC2, IMEA owns a 12.12% undivided interest and IMPA owns a 12.88% undivided interest. Each company is responsible for its proportionate share of capital cost during construction, and fuel, operation and maintenance cost when TC2 begins operation, which is expected to occur in 2010. In June 2008, LG&E transferred assets related to TC2 with a net book value of $10 million to KU.

	TC2				
	LG&E	KU	IMPA	IMEA	Total
Ownership interest	14.25%	60.75%	12.88%	12.12%	100%
Mw capacity	107	455	97	91	750

(in millions)			
LG&E's 14.25% ownership:		KU's 60.75% ownership:	
Cost	$ 136	Cost	$ 560
Accumulated depreciation	2	Accumulated depreciation	-
Net book value	$ 134	Net book value	$ 560

	LG&E	KU
Construction work in progress (included in above)	$132	$550

LG&E and KU jointly own the following CTs and related equipment:

($ in millions)	LG&E				KU				Total			
Ownership Percentage	Mw Capacity	($) Cost	($) Depre-ciation	($) Net Book Value	Mw Capacity	($) Cost	($) Depre-ciation	($) Net Book Value	Mw Capacity	($) Cost	($) Depre-ciation	($) Net Book Value
LG&E53%, KU47%(a)	146	62	(15)	47	129	53	(12)	41	275	115	(27)	88
LG&E38%, KU62%(b)	118	51	(8)	43	190	82	(14)	68	308	133	(22)	111
LG&E29%, KU71%(c)	92	32	(6)	26	228	80	(18)	62	320	112	(24)	88
LG&E37%, KU63%(d)	236	79	(12)	67	404	137	(21)	116	640	216	(33)	183
LG&E29%, KU71%(e)	n/a	3	(1)	2	n/a	9	(2)	7	n/a	12	(3)	9

(a) Comprised of Paddy's Run 13 and E.W. Brown 5. In addition to the above jointly owned utility plant, there is an inlet air cooling system attributable to unit 5 and units 8-11 at the E.W. Brown facility. This inlet air cooling system is not jointly owned, however, it is used to increase production on the units to which it relates, resulting in an additional 10 Mw of capacity for LG&E.
(b) Comprised of units 6 and 7 at the E.W. Brown facility.
(c) Comprised of units 5 and 6 at the Trimble County facility.
(d) Comprised of CT Substation 7-10 and units 7, 8, 9 and 10 at the Trimble County facility.
(e) Comprised of CT Substation 5 and 6 and CT Pipeline at the Trimble County facility.

Both LG&E's and KU's participating share of direct expenses of the jointly owned plants is included in the corresponding operating expenses on its respective income statement (e.g., fuel, maintenance of plant, other operating expense).

Note 11 - Segments of Business and Related Information

LG&E is a regulated public utility engaged in the generation, transmission, distribution and sale of electricity and the storage, distribution and sale of natural gas. LG&E is regulated by the Kentucky Commission and files electric and natural gas financial information separately with the Kentucky Commission. The Kentucky Commission establishes rates specifically for the electric and natural gas businesses. Therefore, management reports analyze financial performance based on the electric and natural gas segments of the business. Financial data for business segments follow:

(in millions)	Electric	Gas	Total
2008			
Operating revenues	$ 1,015	$ 452	$ 1,467
Depreciation and amortization	107	20	127
Income taxes	36	5	41
Interest income	1	-	1
Interest expense	43	10	53
Net income	82	8	90
Total assets	2,827	810	3,637
Construction expenditures	195	50	245
2007			
Operating revenues	$ 933	$ 353	$ 1,286
Depreciation and amortization	107	19	126
Income taxes	54	5	59
Interest income	1	-	1
Interest expense	41	9	50
Net income	112	8	120
Total assets	2,669	644	3,313
Construction expenditures	164	39	203

Note 12 - Related Party Transactions

LG&E, subsidiaries of E.ON U.S. and subsidiaries of E.ON engage in related party transactions. Transactions between LG&E and E.ON U.S. subsidiaries are eliminated upon consolidation of E.ON U.S. Transactions between LG&E and E.ON subsidiaries are eliminated upon consolidation of E.ON. These transactions are generally performed at cost and are in accordance with FERC regulations under PUHCA 2005 and the applicable Kentucky Commission regulations. The significant related party transactions are disclosed below.

Electric Purchases

LG&E and KU purchase energy from each other in order to effectively manage the load of their retail and wholesale customers. These sales and purchases are included in the statements of income as electric operating revenues and purchased power operating expense. LG&E intercompany electric revenues and purchased power expense for the years ended December 31, were as follows:

(in millions)	2008	2007
Electric operating revenues from KU	$ 109	$ 93
Purchased power from KU	80	46

Interest Charges

See Note 8, Notes Payable and Other Short-Term Obligations, for details of intercompany borrowing arrangements. Intercompany agreements do not require interest payments for receivables related to services provided when settled within 30 days.

LG&E's intercompany interest income and expense for the years ended December 31, were as follows:

(in millions)	2008	2007
Interest on money pool loans	$ 6	$ 4
Interest on Fidelia loans	23	17

Other Intercompany Billings

E.ON U.S. Services provides LG&E with a variety of centralized administrative, management and support services. These charges include payroll taxes paid by E.ON U.S. Services on behalf of LG&E, labor and burdens of E.ON U.S. Services employees performing services for LG&E, coal purchases and other vouchers paid by E.ON U.S. Services on behalf of LG&E. The cost of these services is directly charged to LG&E, or for general costs which cannot be directly attributed, charged based on predetermined allocation factors, including the following ratios: number of customers, total assets, revenues, number of employees and other statistical information. These costs are charged on an actual cost basis.

In addition, LG&E and KU provide services to each other and to E.ON U.S. Services. Billings between LG&E and KU relate to labor and overheads associated with union employees performing work for the other utility, charges related to jointly-owned generating units and other miscellaneous charges. Billings from LG&E to E.ON U.S. Services include cash received by E.ON U.S. Services on behalf of LG&E, primarily tax settlements, and other payments made by LG&E on behalf of other non-regulated businesses which are reimbursed through E.ON U.S. Services.

Intercompany billings to and from LG&E for the years ended December 31, were as follows:

(in millions)	2008	2007
E.ON U.S. Services billings to LG&E	$ 206	$ 385
LG&E billings to KU	5	12
KU billings to LG&E	75	6
LG&E billings to E.ON U.S. Services	5	12

In June 2008, LG&E transferred assets related to TC2 with a net book value of $10 million to KU.

In March 2008, LG&E paid a dividend of $40 million to its common shareholder, E.ON U.S.

LG&E received capital contributions of $20 million from its common shareholder, E.ON U.S., in both December 2008 and December 2007.

Note 13 – Accumulated Other Comprehensive Income

Accumulated other comprehensive income (loss) consisted of the following:

(in millions)	Accumulated Derivative Gain or Loss	Pre-Tax	Income Taxes	Net
Balance at December 31, 2006	$ (15)	$ (15)	$ 6	$ (9)
Gains (losses) on derivative instruments designated and qualifying as cash flow hedging instruments	(6)	(6)	2	(4)
Balance at December 31, 2007	$ (21)	$ (21)	$ 8	$ (13)
Gains (losses) on derivative instruments designated and qualifying as cash flow hedging instruments	(1)	(1)	-	(1)
Balance at December 31, 2008	$ (22)	$ (22)	$ 8	$ (14)

Note 14 - Subsequent Events

On January 13, 2009, LG&E, the AG, KIUC and all other parties to the rate cases filed a settlement agreement with the Kentucky Commission. Under the terms of the settlement agreement, LG&E's base gas rates will increase $22 million annually, and base electric rates will decrease $13 million annually. An Order approving the settlement was received on February 5, 2009. The new rates were implemented effective February 6, 2009. However, in connection with the application and effective date of the new rates, the VDT surcredit and merger surcredit, respectively, terminated, which will amount in increased revenues of approximately $21 million annually.

On January 27 and 28, 2009, a significant winter ice storm passed through LG&E's service territory causing approximately 205,000 customer outages, followed closely by a severe wind storm on February 11, 2009, causing approximately 37,000 customer outages. LG&E currently estimates costs incurred of $34 million of expenses and $6 million of capital expenditures related to the restoration following the two storms. The Company expects to seek recovery of these costs from the Kentucky Commission.

Note 15 - Notes to Statement of Cash Flows

Supplemental disclosures of cash flow information

(in millions)	2008	2007
Cash paid during the period for:		
Income Taxes	$ 34	$ 62
Interest on borrowed money	16	23
Interest to affiliated companies on borrowed money	22	15

Note 16 - Notes to Statement of Income for the Year

See page 115, line 6, column (g). Electric Utility Depreciation Expense includes $6 million applicable to Common Utility Plant apportioned to Electric Operations.

BLANK

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

See page 115, line 8, column (g). Electric Utility Amortization and Depletion of Utility Plant includes $4 million applicable to Common Utility Plant apportioned to Electric Operations.

See page 115, line 8, column (i). Gas Utility Amortization and Depletion of Utility Plant includes $2 million applicable to Common Utility Plant apportioned to Gas Operations.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

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

1. Report in columns (b),(c),(d) and (e) the amounts of accumulated other comprehensive income items, on a net-of-tax basis, where appropriate.

2. Report in columns (f) and (g) the amounts of other categories of other cash flow hedges.

3. For each category of hedges that have been accounted for as "fair value hedges", report the accounts affected and the related amounts in a footnote.

Line No.	Item (a)	Unrealized Gains and Losses on Available-for-Sale Securities (b)	Minimum Pension Liability adjustment (net amount) (c)	Foreign Currency Hedges (d)	Other Adjustments (e)
1	Balance of Account 219 at Beginning of Preceding Year				(3,599,009)
2	Preceding Qtr/Yr to Date Reclassifications from Acct 219 to Net Income				
3	Preceding Quarter/Year to Date Changes in Fair Value				(57,875)
4	Total (lines 2 and 3)				(57,875)
5	Balance of Account 219 at End of Preceding Quarter/Year				(3,656,884)
6	Balance of Account 219 at Beginning of Current Year				(3,656,884)
7	Current Qtr/Yr to Date Reclassifications from Acct 219 to Net Income				
8	Current Quarter/Year to Date Changes in Fair Value				
9	Total (lines 7 and 8)				
10	Balance of Account 219 at End of Current Quarter/Year				(3,656,884)

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

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

Line No.	Other Cash Flow Hedges Interest Rate Swaps (f)	Other Cash Flow Hedges [Specify] (g)	Totals for each category of items recorded in Account 219 (h)	Net Income (Carried Forward from Page 117, Line 78) (i)	Total Comprehensive Income (j)
1	(5,706,648)		(9,305,657)		
2					
3	(3,768,652)		(3,826,527)		
4	(3,768,652)		(3,826,527)	120,383,365	116,556,838
5	(9,475,300)		(13,132,184)		
6	(9,475,300)		(13,132,184)		
7					
8	(433,499)		(433,499)		
9	(433,499)		(433,499)	90,200,281	89,766,782
10	(9,908,799)		(13,565,683)		

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

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

Report in Column (c) the amount for electric function, in column (d) the amount for gas function, in column (e), (f), and (g) report other (specify) and in column (f) common function.

Line No.	Classification (a)	Total Company for the Current Year/Quarter Ended (b)	Electric (c)
1	Utility Plant		
2	In Service		
3	Plant in Service (Classified)	4,011,914,792	3,266,670,690
4	Property Under Capital Leases	2,876,958	2,876,958
5	Plant Purchased or Sold		
6	Completed Construction not Classified	110,678,843	68,463,371
7	Experimental Plant Unclassified		
8	Total (3 thru 7)	4,125,470,593	3,338,011,019
9	Leased to Others		
10	Held for Future Use	4,831,574	4,831,574
11	Construction Work in Progress	374,023,200	269,074,514
12	Acquisition Adjustments		
13	Total Utility Plant (8 thru 12)	4,504,325,367	3,611,917,107
14	Accum Prov for Depr, Amort, & Depl	1,939,166,902	1,618,965,620
15	Net Utility Plant (13 less 14)	2,565,158,465	1,992,951,487
16	Detail of Accum Prov for Depr, Amort & Depl		
17	In Service:		
18	Depreciation	1,913,743,065	1,616,975,714
19	Amort & Depl of Producing Nat Gas Land/Land Right		
20	Amort of Underground Storage Land/Land Rights	800	
21	Amort of Other Utility Plant	23,433,231	100
22	Total In Service (18 thru 21)	1,937,177,096	1,616,975,814
23	Leased to Others		
24	Depreciation		
25	Amortization and Depletion		
26	Total Leased to Others (24 & 25)		
27	Held for Future Use		
28	Depreciation	1,989,806	1,989,806
29	Amortization		
30	Total Held for Future Use (28 & 29)	1,989,806	1,989,806
31	Abandonment of Leases (Natural Gas)		
32	Amort of Plant Acquisition Adj		
33	Total Accum Prov (equals 14) (22,26,30,31,32)	1,939,166,902	1,618,965,620

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q4

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

Gas (d)	Other (Specify) (e)	Other (Specify) (f)	Other (Specify) (g)	Common (h)	Line No.
					1
					2
558,111,051				187,133,051	3
					4
					5
38,917,925				3,297,547	6
					7
597,028,976				190,430,598	8
					9
					10
53,271,644				51,677,042	11
					12
650,300,620				242,107,640	13
219,391,427				100,809,855	14
430,909,193				141,297,785	15
					16
					17
219,390,627				77,376,724	18
					19
800					20
				23,433,131	21
219,391,427				100,809,855	22
					23
					24
					25
					26
					27
					28
					29
					30
					31
					32
219,391,427				100,809,855	33

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

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

1. Report below the original cost of electric plant in service according to the prescribed accounts.
2. In addition to Account 101, Electric Plant in Service (Classified), this page and the next include Account 102, Electric Plant Purchased or Sold; Account 103, Experimental Electric Plant Unclassified; and Account 106, Completed Construction Not Classified-Electric.
3. Include in column (c) or (d), as appropriate, corrections of additions and retirements for the current or preceding year.
4. For revisions to the amount of initial asset retirement costs capitalized, included by primary plant account, increases in column (c) additions and reductions in column (e) adjustments.
5. Enclose in parentheses credit adjustments of plant accounts to indicate the negative effect of such accounts.
6. Classify Account 106 according to prescribed accounts, on an estimated basis if necessary, and include the entries in column (c). Also to be included in column (c) are entries for reversals of tentative distributions of prior year reported in column (b). Likewise, if the respondent has a significant amount of plant retirements which have not been classified to primary accounts at the end of the year, include in column (d) a tentative distribution of such retirements, on an estimated basis, with appropriate contra entry to the account for accumulated depreciation provision. Include also in column (d)

Line No.	Account (a)	Balance Beginning of Year (b)	Additions (c)
1	1. INTANGIBLE PLANT		
2	(301) Organization	2,240	
3	(302) Franchises and Consents	100	
4	(303) Miscellaneous Intangible Plant		
5	TOTAL Intangible Plant (Enter Total of lines 2, 3, and 4)	2,340	
6	2. PRODUCTION PLANT		
7	A. Steam Production Plant		
8	(310) Land and Land Rights	6,302,990	
9	(311) Structures and Improvements	331,828,365	1,817,300
10	(312) Boiler Plant Equipment	1,238,705,459	24,005,537
11	(313) Engines and Engine-Driven Generators		
12	(314) Turbogenerator Units	199,732,206	15,864,939
13	(315) Accessory Electric Equipment	162,778,601	261,321
14	(316) Misc. Power Plant Equipment	12,296,785	520,226
15	(317) Asset Retirement Costs for Steam Production	5,697,179	
16	TOTAL Steam Production Plant (Enter Total of lines 8 thru 15)	1,957,341,585	42,469,323
17	B. Nuclear Production Plant		
18	(320) Land and Land Rights		
19	(321) Structures and Improvements		
20	(322) Reactor Plant Equipment		
21	(323) Turbogenerator Units		
22	(324) Accessory Electric Equipment		
23	(325) Misc. Power Plant Equipment		
24	(326) Asset Retirement Costs for Nuclear Production		
25	TOTAL Nuclear Production Plant (Enter Total of lines 18 thru 24)		
26	C. Hydraulic Production Plant		
27	(330) Land and Land Rights	6	
28	(331) Structures and Improvements	4,616,552	10,158
29	(332) Reservoirs, Dams, and Waterways	9,352,022	2,115,657
30	(333) Water Wheels, Turbines, and Generators	10,895,239	8,952,771
31	(334) Accessory Electric Equipment	4,581,250	86,833
32	(335) Misc. Power PLant Equipment	232,318	17,645
33	(336) Roads, Railroads, and Bridges	29,931	
34	(337) Asset Retirement Costs for Hydraulic Production	31,163	
35	TOTAL Hydraulic Production Plant (Enter Total of lines 27 thru 34)	29,738,481	11,183,064
36	D. Other Production Plant		
37	(340) Land and Land Rights	49,259	
38	(341) Structures and Improvements	14,840,604	
39	(342) Fuel Holders, Products, and Accessories	7,275,631	
40	(343) Prime Movers	150,235,079	3,917,266
41	(344) Generators	32,724,322	512,098
42	(345) Accessory Electric Equipment	16,400,224	8,580
43	(346) Misc. Power Plant Equipment	3,770,895	
44	(347) Asset Retirement Costs for Other Production	297,215	
45	TOTAL Other Prod. Plant (Enter Total of lines 37 thru 44)	225,593,229	4,437,944
46	TOTAL Prod. Plant (Enter Total of lines 16, 25, 35, and 45)	2,212,673,295	58,090,331

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

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

distributions of these tentative classifications in columns (c) and (d), including the reversals of the prior years tentative account distributions of these amounts. Careful observance of the above instructions and the texts of Accounts 101 and 106 will avoid serious omissions of the reported amount of respondent's plant actually in service at end of year.

7. Show in column (f) reclassifications or transfers within utility plant accounts. Include also in column (f) the additions or reductions of primary account classifications arising from distribution of amounts initially recorded in Account 102, include in column (e) the amounts with respect to accumulated provision for depreciation, acquisition adjustments, etc., and show in column (f) only the offset to the debits or credits distributed in column (f) to primary account classifications.

8. For Account 399, state the nature and use of plant included in this account and if substantial in amount submit a supplementary statement showing subaccount classification of such plant conforming to the requirement of these pages.

9. For each amount comprising the reported balance and changes in Account 102, state the property purchased or sold, name of vendor or purchase, and date of transaction. If proposed journal entries have been filed with the Commission as required by the Uniform System of Accounts, give also date

Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)		Line No.
					1
			2,240		2
			100		3
					4
			2,340		5
					6
					7
			6,302,990		8
39,660		-117,601	333,488,404		9
3,795,195		-15,510	1,258,900,291		10
					11
33,017		-21,693,937	193,870,191		12
9,606		-186,423	162,843,893		13
37,166			12,779,845		14
			5,697,179		15
3,914,644		-22,013,471	1,973,882,793		16
					17
					18
					19
					20
					21
					22
					23
					24
					25
					26
			6		27
			4,626,710		28
			11,467,679		29
			19,848,010		30
172,006			4,496,077		31
			249,963		32
			29,931		33
			31,163		34
172,006			40,749,539		35
					36
		-41,126	8,133		37
			14,840,604		38
			7,275,631		39
3,094,134			151,058,211		40
94,470			33,141,950		41
			16,408,804		42
			3,770,895		43
			297,215		44
3,188,604		-41,126	226,801,443		45
7,275,254		-22,054,597	2,241,433,775		46

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

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

Line No.	Account (a)	Balance Beginning of Year (b)	Additions (c)
47	3. TRANSMISSION PLANT		
48	(350) Land and Land Rights	8,666,472	434,402
49	(352) Structures and Improvements	3,443,206	2,299,514
50	(353) Station Equipment	134,289,760	3,421,407
51	(354) Towers and Fixtures	24,705,992	
52	(355) Poles and Fixtures	37,813,602	598,917
53	(356) Overhead Conductors and Devices	38,435,997	479,708
54	(357) Underground Conduit	1,880,753	
55	(358) Underground Conductors and Devices	5,303,989	
56	(359) Roads and Trails		
57	(359.1) Asset Retirement Costs for Transmission Plant	5,687	
58	TOTAL Transmission Plant (Enter Total of lines 48 thru 57)	254,545,458	7,233,948
59	4. DISTRIBUTION PLANT		
60	(360) Land and Land Rights	1,981,708	
61	(361) Structures and Improvements	6,130,218	123,400
62	(362) Station Equipment	86,695,926	2,673,489
63	(363) Storage Battery Equipment		
64	(364) Poles, Towers, and Fixtures	102,395,665	11,429,256
65	(365) Overhead Conductors and Devices	177,409,076	13,159,924
66	(366) Underground Conduit	62,489,084	9,742,946
67	(367) Underground Conductors and Devices	92,015,891	17,464,689
68	(368) Line Transformers	108,447,676	9,912,038
69	(369) Services	24,560,986	3,810,838
70	(370) Meters	34,389,047	236,973
71	(371) Installations on Customer Premises		
72	(372) Leased Property on Customer Premises		
73	(373) Street Lighting and Signal Systems	65,207,285	7,824,887
74	(374) Asset Retirement Costs for Distribution Plant	37,674	
75	TOTAL Distribution Plant (Enter Total of lines 60 thru 74)	761,760,236	76,378,440
76	5. REGIONAL TRANSMISSION AND MARKET OPERATION PLANT		
77	(380) Land and Land Rights		
78	(381) Structures and Improvements		
79	(382) Computer Hardware		
80	(383) Computer Software		
81	(384) Communication Equipment		
82	(385) Miscellaneous Regional Transmission and Market Operation Plant		
83	(386) Asset Retirement Costs for Regional Transmission and Market Oper		
84	TOTAL Transmission and Market Operation Plant (Total lines 77 thru 83)		
85	6. GENERAL PLANT		
86	(389) Land and Land Rights		
87	(390) Structures and Improvements		
88	(391) Office Furniture and Equipment		
89	(392) Transportation Equipment	9,628,030	139,059
90	(393) Stores Equipment		
91	(394) Tools, Shop and Garage Equipment	3,187,863	73,321
92	(395) Laboratory Equipment	1,496,152	
93	(396) Power Operated Equipment	2,336,201	
94	(397) Communication Equipment		
95	(398) Miscellaneous Equipment		
96	SUBTOTAL (Enter Total of lines 86 thru 95)	16,648,246	212,380
97	(399) Other Tangible Property		
98	(399.1) Asset Retirement Costs for General Plant		
99	TOTAL General Plant (Enter Total of lines 96, 97 and 98)	16,648,246	212,380
100	TOTAL (Accounts 101 and 106)	3,245,629,575	141,915,099
101	(102) Electric Plant Purchased (See Instr. 8)		
102	(Less) (102) Electric Plant Sold (See Instr. 8)		
103	(103) Experimental Plant Unclassified		
104	TOTAL Electric Plant in Service (Enter Total of lines 100 thru 103)	3,245,629,575	141,915,099

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

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

Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)		Line No.
					47
			9,100,874		48
405,495			5,337,225		49
3,404,433			134,306,734		50
			24,705,992		51
56,090			38,356,429		52
39,171			38,876,534		53
22,040			1,858,713		54
191,873			5,112,116		55
					56
			5,687		57
4,119,102			257,660,304		58
					59
		-327,094	1,654,614		60
2,951,209			3,302,409		61
12,592,836			76,776,579		62
					63
10,376			113,814,545		64
171,790			190,397,210		65
			72,232,030		66
1,414			109,479,166		67
29,983			118,329,731		68
			28,371,824		69
			34,626,020		70
					71
					72
			73,032,172		73
			37,674		74
15,757,608		-327,094	822,053,974		75
					76
					77
					78
					79
					80
					81
					82
					83
					84
					85
					86
					87
					88
			9,767,089		89
					90
			3,261,184		91
			1,496,152		92
			2,336,201		93
					94
					95
			16,860,626		96
					97
					98
			16,860,626		99
27,151,964		-22,381,691	3,338,011,019		100
					101
					102
					103
27,151,964		-22,381,691	3,338,011,019		104

BLANK

Schedule Page: 204 Line No.: 100 Column: f

Transfer of the Trimble County Cooling Tower (hyperbolic) to Plant Held for Future Use	$	22,013,471
Sale of Waterside Land		368,220
Total Transfers	$	22,381,691
Transfer of the Trimble County Cooling Tower (hyperbolic) to Plant Held for Future Use	$	22,013,471
Sale of portion (81%) of Trimble County Cooling Tower (hyperbolic) to Kentucky Utilities		(17,830,911)
Balance of Steam Production in Plant Held for Future Use	$	4,182,560

BLANK

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

ELECTRIC PLANT HELD FOR FUTURE USE (Account 105)

1. Report separately each property held for future use at end of the year having an original cost of $250,000 or more. Group other items of property held for future use.
2. For property having an original cost of $250,000 or more previously used in utility operations, now held for future use, give in column (a), in addition to other required information, the date that utility use of such property was discontinued, and the date the original cost was transferred to Account 105.

Line No.	Description and Location Of Property (a)	Date Originally Included in This Account (b)	Date Expected to be used in Utility Service (c)	Balance at End of Year (d)
1	Land and Rights:			
2	Seven Tracks in or near Louisville, Kentucky	Various	Various	384,311
3	US 42: Tract No. D152	01/31/2000	2010-2015	253,321
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				
21	Other Property:			
22	Site Development - Kentucky Street Substation D61	09/30/1992	Various	11,382
23	Trimble County Cooling Tower (hyperbolic) - Utility			
24	use temporarily discontinued March 2008	03/31/2008	2010	4,182,560
25				
26				
27				
28				
29				
30				
31				
32				
33				
34				
35				
36				
37				
38				
39				
40				
41				
42				
43				
44				
45				
46				
47	Total			4,831,574

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q4

CONSTRUCTION WORK IN PROGRESS - - ELECTRIC (Account 107)

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

Line No.	Description of Project (a)	Construction work in progress - Electric (Account 107) (b)
1	STEAM PRODUCTION MAJOR	
2	TC2 PROJECT	96,560,768
3	TC2 AIR QUALITY CONTROL SYSTEMS LGE	35,445,816
4	TC CONTROL SYSTEM UPGRADE ENGINEERING SCOPE	3,791,962
5	CR5 SUPERHEATER PLATEN AND PENDANT REPLACEMENT	3,084,645
6	MILL CREEK UNIT 4 INTERMEDIATE SUPERHEATER UPGRADE	2,480,813
7	MC BOILER WATER MAKE-UP SYSTEM ENGINEERING ANALYSIS	2,045,421
8	MERCURY MONITORING	1,725,777
9	TC DOZER PURCHASES	1,411,388
10	CR LANDFILL VERTICAL	1,150,899
11	TRIMBLE COUNTY ASH/GYPSUM PONDS	1,086,470
12	CR5 4 KV SWITCHGEAR UPGRADE	1,060,429
13	TC1 1D FAN VFD UPGRADE	993,793
14	TC1 CATALYST LAYER PURCHASE & INSTALLATION	803,793
15	MC ASH POND EXPANSION STUDY	777,062
16	FUEL SUPPLY MANAGEMENT STUDY	716,893
17	TC B AIR HEATER BASKET REPLACEMENT	623,486
18	CR CONTROL ROOM	567,015
19	MC TURBINE TURNING GEAR DIESEL GENERATOR	492,580
20	TC FUEL PIPE REPLACEMENT	490,905
21	CR6 FRONT REHEAT PENDANT REPLACEMENT	471,658
22	MC UNITS 1, 2 AND 4 FGD ENGINEERING ASSESSMENT	450,620
23	CR5 EXCITER STUB SHAFT	448,692
24	CANE RUN NEW LANDFILL	441,954
25	CR5 - 2 BOILER FEED PUMP MOTOR	344,440
26	TC 480V SWITCHGEAR BREAKER UPGRADE PHASE 3	331,908
27	TC COAL BARGE UNLOADER COUNTERWEIGHT CABLE REPLACEMENT	300,386
28	TC 480V SWITCHGEAR BREAKER UPGRADE	295,244
29	CR SPCC COMPLIANCE	291,085
30	CR PLANT REACTANT SUPPLY CONTROL UPGRADE	285,315
31	CR4 RIGHT SIDE LOWER WATERWALL REPLACEMENT	270,680
32	MC 4B COAL MILL GEARBOX	256,285
33	MC 4D COAL MILL GEARBOX	246,174
34	CR5 HIGH VOLTAGE BUSHING REPLACEMENT	243,716
35	TC COAL BARGE UNLOADER CHAIN & SPROCKET REPLACEMENT	222,389
36	TC1 LOWER SLOPE TUBE REPLACEMENT	202,401
37	TC COAL BARGE UNLOADER BUCKET REPLACEMENT	196,031
38	TC1 SCR BYPASS EROSION CONTROL	192,125
39	MC LIMESTONE ENGINEERING STUDY	189,974
40	MAXIMO LICENSES	186,734
41	TC SPILL PREVENTION CONTAINMENT CONTROL COMPLIANCE CAPITAL	185,857
42	MILL CREEK UNIT 1 STATOR LEAK MONITORING SYSTEM	175,610
43	TOTAL	269,074,514

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

CONSTRUCTION WORK IN PROGRESS - - ELECTRIC (Account 107)

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

Line No.	Description of Project (a)	Construction work in progress - Electric (Account 107) (b)
1	MC 4A COOLING TOWER PUMP	158,230
2	CR6 LOWER WATER WALL SLOPE REPLACEMENT	157,666
3	MC2 RECYCLE PUMP UPGRADE	156,135
4	MC1 RECYCLE PUMP UPGRADE	156,025
5	CANE RUN ABATEMENT	147,639
6	CR5 TURBINE STEAM SEALS AND PACKING REPLACEMENT	146,513
7	CR HVAC FOR ANNEX BLDG	141,958
8	MC COAL HANDLING RAILROAD TRACK	137,101
9	MC COAL BARGE UNLOADER BUCKET	135,800
10	MC COAL HANDLING CONVEYOR BELTS	135,178
11	MC RAILROAD TRACK REPLACEMENT	134,930
12	SYSTEM LAB DILUTION PROBE REPLACEMENT	134,869
13	CR ASBESTOS ABATEMENT	133,785
14	MC3 SCR NOX PROBES	133,565
15	MC4 SCR NOX PROBES	131,352
16	TC SPILL PREVENTION CONTAINMENT CONTROL COMPLIANCE CAPITAL	123,322
17	MC4 PYRITE PIPING	114,981
18	SO3 SORBENT INJECTION	108,959
19	MC 4B COOLING TOWER PUMP MOTOR REWIND	106,395
20	MC 4C OXIDATION AIR COMPRESSOR GEARBOX	106,242
21	CR5 REHEAT SAFETY VALVE UPGRADE	104,806
22	TC1 ASH PIT SEAL TROUGH SKIRTING REPLACEMENT	104,014
23	MC 3C COAL MILL GEAR BOX	101,008
24	MC 4E COAL MILL GEARBOX	101,008
25	STEAM PRODUCTION MINOR	3,042,576
26		
27	HYDRAULIC POWER MAJOR	
28	OHIO FALLS REDEVELOPMENT	4,428,752
29	HYDRAULIC POWER MINOR	72,179
30		
31	OTHER PRODUCTION MAJOR	
32	PR 13 TURBINE INLET VANE REPLACEMENT	3,922,128
33	BR CT7 A/B CONVERSION - LGE	3,871,475
34	CR GT11 SPILL PREVENTION CONTAINMENT CONTROL	196,511
35	BR CT UNDERGROUND PIPE SPILL PREVENTION CONTAINMENT CONTROL	104,308
36	OTHER PRODUCTION MINOR	244,134
37		
38	TRANSMISSION MAJOR	
39	DEVELOPMENT FOR TRIMBLE COUNTY UNIT #2	18,058,882
40	LT9 TRANSMISSION LINES	1,691,030
41	SUBSTATION PROTECTION MODIFICATIONS	976,969
42	NORTHSIDE CLIFTY CREEK 138KV UPGRADE	709,391
43	TOTAL	269,074,514

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

CONSTRUCTION WORK IN PROGRESS - - ELECTRIC (Account 107)

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

Line No.	Description of Project (a)	Construction work in progress - Electric (Account 107) (b)
1	MISCELLANEOUS SUBSTATION PROJECTS	653,970
2	MUSEUM PLAZA U/G RELOCATION (CIRCUITS 3861, 3809 AND 6617)	639,102
3	LT9 TRANSMISSION LINE EXPANSION	606,991
4	COLLINS 138/69KV 150MVA TRANSFORMER	573,220
5	LT8 TRANSMISSION LINE EXPANSION	359,069
6	MIDDLETOWN - COLLINS 138 KV LINE	343,830
7	MT 138KV COLLINS TERMINATION	328,394
8	LGE TRANSMISSION BLANKET	252,647
9	LINE PARAMETER UPGRADES	225,601
10	MUD LANE SMYRNA 69 KV SURVEY	216,876
11	TRANSMISSION MISCELLANEOUS CAPITAL	205,896
12	REPLACE UNDERRATED 69 KV BREAKERS AT MIDDLETOWN	196,351
13	MIDDLETOWN 6601 CIRCUIT BREAKER CHANGE OUTS	180,368
14	TRANSMISSION LINE RELOCATION	173,987
15	BRECKENRIDGE 138-69 KV (BR6) TRANSFORMER REPLACEMENT	143,809
16	PADDY'S RUN 3311B BREAKER REPLACEMENT	124,415
17	TRANSMISSION MINOR	416,747
18		
19	DISTRIBUTION MAJOR	
20	WINDSTORM	6,551,903
21	TROUBLE OVERHEAD	5,629,672
22	REPAIR STREET LIGHTING	3,255,723
23	UPS GRADE LANE	3,046,539
24	REPAIR THIRD PARTY DAMAGES	3,020,549
25	BLANKET CABLE FOR JOINT TRENCH	2,858,685
26	FAIRMOUNT TR2 UPGRADE TO 44.8 MVA	2,435,218
27	BLUEGRASS CAPACITY ADDITION	2,397,227
28	TROUBLE UNDERGROUND	2,092,305
29	EASTWOOD WEST SUBSTATION CONSTRUCT NEW SUBSTATION	1,882,479
30	LGE ELECTRIC METER PURCHASE & INSTALLS	1,804,350
31	NEW ELECTRIC SERVICES	1,800,123
32	CONESTOGA SUBSTATION	1,562,311
33	LG&E SUBSTATION SPILL PREVENTION	1,360,058
34	BLUEGRASS CIRCUIT WORK	1,354,588
35	OLD HENRY SUBSTATION	1,265,558
36	REPAIR DEFECTIVE STREET LIGHTING	1,221,000
37	TRANSFORMER REWIND (SMYRNA TR1)	1,131,119
38	UPS/GRADE LANE 12 KV CIRCUIT WORK	1,037,239
39	STREET LIGHTING	900,324
40	EASTWOOD SUBSTATION DISTRIBUTION CIRCUIT WORK	877,113
41	NEW BUSINESS COMMERCIAL - U/G	869,811
42	TOOLS AND EQUIPMENT	731,361
43	TOTAL	269,074,514

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

CONSTRUCTION WORK IN PROGRESS - - ELECTRIC (Account 107)

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

Line No.	Description of Project (a)	Construction work in progress - Electric (Account 107) (b)
1	CAPACITORS/REGULATORS/RECLOSERS	646,047
2	WESTPORT RD. - O/H - HUBBARDS LANE TO AMBRIDGE PUBLIC WORKS	609,172
3	FAIRMONT CIRCUIT WORK	496,170
4	STORM	458,629
5	PURCHASE PROPERTY FOR CONESTOGA SUBSTATION	457,302
6	SYSTEM ENHANCEMENTS EXISTING CUSTOMERS	428,080
7	THUNDERSTORM	392,232
8	DISTRIBUTION - U/G - RELIABILITY	390,846
9	DISTRIBUTION CAPACITOR LGE	385,383
10	TRANSFORMER INSTALL JOINT TRENCH	359,245
11	J1128 RECONDUCTOR	347,400
12	PORTABLE TRANSFORMER REGULATOR PURCHASE	341,733
13	REPAIR DEFECTIVE STREET LIGHTS	324,097
14	CUSTOMER REQUESTS	311,856
15	GALT HOUSE PROPERTY PURCHASE	301,649
16	NEW BUSINESS RESIDENTIAL - O/H	299,196
17	DISTRIBUTION - O/H - RELIABILITY	267,123
18	LGE DISTRIBUTION POWER FACTOR CORRECTION	257,567
19	NETWORK VAULTS	254,014
20	OUTAGE MANAGEMENT SYSTEM UPGRADE	249,598
21	ELECTRIC RELIABILITY ENHANCEMENTS - O/H	243,192
22	NEW BUSINESS COMMERCIAL - O/H	241,341
23	SURVEY & INSPECTION SYSTEM ENHANCEMENT PROJECT	234,295
24	REPLACE DEFECTIVE CABLE	233,718
25	ELECTRIC ENHANCEMENTS - O/H - DISTRIBUTION	204,772
26	REHL ROAD PUMP STATION	202,919
27	CONESTOGA SUBSTATION	186,753
28	STORM AREA	178,205
29	SNOW & ICE STORM	173,230
30	REPAIR/REPLACE DEFECTIVE EQUIPMENT - O/H	164,727
31	GAS MAIN EXTENSION	163,861
32	LGE GENERAL RELIABILITY	153,874
33	PUBLIC WORKS RELOCATION - O/H	150,383
34	PUBLIC WORKS RELOCATION - U/G	115,954
35	LGE SONET COMMUNICATION	115,881
36	MUD LANE HUMANA DATA CENTER	109,330
37	STREET LIGHT - U/G	107,359
38	DISTRIBUTION MINOR	1,821,844
39		
40		
41		
42		
43	TOTAL	269,074,514

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

ACCUMULATED PROVISION FOR DEPRECIATION OF ELECTRIC UTILITY PLANT (Account 108)

1. Explain in a footnote any important adjustments during year.
2. Explain in a footnote any difference between the amount for book cost of plant retired, Line 11, column (c), and that reported for electric plant in service, pages 204-207, column 9d), excluding retirements of non-depreciable property.
3. The provisions of Account 108 in the Uniform System of accounts require that retirements of depreciable plant be recorded when such plant is removed from service. If the respondent has a significant amount of plant retired at year end which has not been recorded and/or classified to the various reserve functional classifications, make preliminary closing entries to tentatively functionalize the book cost of the plant retired. In addition, include all costs included in retirement work in progress at year end in the appropriate functional classifications.
4. Show separately interest credits under a sinking fund or similar method of depreciation accounting.

Section A. Balances and Changes During Year

Line No.	Item (a)	Total (c+d+e) (b)	Electric Plant in Service (c)	Electric Plant Held for Future Use (d)	Electric Plant Leased to Others (e)
1	Balance Beginning of Year	1,573,660,109	1,573,660,109		
2	Depreciation Provisions for Year, Charged to				
3	(403) Depreciation Expense	97,162,812	97,162,812		
4	(403.1) Depreciation Expense for Asset Retirement Costs	179,862	179,862		
5	(413) Exp. of Elec. Plt. Leas. to Others				
6	Transportation Expenses-Clearing	78,942	78,942		
7	Other Clearing Accounts				
8	Other Accounts (Specify, details in footnote):	156,489	-9,526,667	9,683,156	
9	Fuel Stock	193,794	193,794		
10	TOTAL Deprec. Prov for Year (Enter Total of lines 3 thru 9)	97,771,899	88,088,743	9,683,156	
11	Net Charges for Plant Retired:				
12	Book Cost of Plant Retired	34,845,314	27,151,964	7,693,350	
13	Cost of Removal	28,543,466	28,543,466		
14	Salvage (Credit)	784,463	784,463		
15	TOTAL Net Chrgs. for Plant Ret. (Enter Total of lines 12 thru 14)	62,604,317	54,910,967	7,693,350	
16	Other Debit or Cr. Items (Describe, details in footnote):	10,137,829	10,137,829		
17					
18	Book Cost or Asset Retirement Costs Retired				
19	Balance End of Year (Enter Totals of lines 1, 10, 15, 16, and 18)	1,618,965,520	1,616,975,714	1,989,806	
	Section B. Balances at End of Year According to Functional Classification				
20	Steam Production	1,035,256,453	1,033,266,647	1,989,806	
21	Nuclear Production				
22	Hydraulic Production-Conventional	6,916,339	6,916,339		
23	Hydraulic Production-Pumped Storage				
24	Other Production	50,931,545	50,931,545		
25	Transmission	128,416,478	128,416,478		
26	Distribution	383,877,877	383,877,877		
27	Regional Transmission and Market Operation				
28	General	13,566,828	13,566,828		
29	TOTAL (Enter Total of lines 20 thru 28)	1,618,965,520	1,616,975,714	1,989,806	

Schedule Page: 219 Line No.: 8 Column: c

Accrual for Cost of Removal and ARO Parent assets (FERC 254 and 403)	$ (28,703)
Electric Plant in Service Reserve moved to Plant Held for Future Use	(9,497,964)
Total	$(9,526,667)

Schedule Page: 219 Line No.: 8 Column: d

Depreciation Reserve for Plant Held for Future Use - Trimble County Cooling Tower (hyperbolic)	$ 185,192
Electric Plant in Service Reserve moved to Plant Held for Future Use	9,497,964
Total	$9,683,156

Schedule Page: 219 Line No.: 16 Column: c

Customer payments related to construction projects

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

MATERIALS AND SUPPLIES

1. For Account 154, report the amount of plant materials and operating supplies under the primary functional classifications as indicated in column (a); estimates of amounts by function are acceptable. In column (d), designate the department or departments which use the class of material.
2. Give an explanation of important inventory adjustments during the year (in a footnote) showing general classes of material and supplies and the various accounts (operating expenses, clearing accounts, plant, etc.) affected debited or credited. Show separately debit or credits to stores expense clearing, if applicable.

Line No.	Account (a)	Balance Beginning of Year (b)	Balance End of Year (c)	Department or Departments which Use Material (d)
1	Fuel Stock (Account 151)	45,925,807	50,500,488	Electric
2	Fuel Stock Expenses Undistributed (Account 152)			
3	Residuals and Extracted Products (Account 153)			
4	Plant Materials and Operating Supplies (Account 154)			
5	Assigned to - Construction (Estimated)			
6	Assigned to - Operations and Maintenance			
7	Production Plant (Estimated)	23,351,586	24,855,887	Electric
8	Transmission Plant (Estimated)	793,177	830,056	Electric
9	Distribution Plant (Estimated)	2,262,504	2,346,574	Electric, Gas
10	Regional Transmission and Market Operation Plant (Estimated)			
11	Assigned to - Other (provide details in footnote)			
12	TOTAL Account 154 (Enter Total of lines 5 thru 11)	26,407,267	28,032,517	
13	Merchandise (Account 155)			
14	Other Materials and Supplies (Account 156)			
15	Nuclear Materials Held for Sale (Account 157) (Not applic to Gas Util)			
16	Stores Expense Undistributed (Account 163)	4,584,570	4,196,809	Various
17				
18				
19				
20	TOTAL Materials and Supplies (Per Balance Sheet)	76,917,644	82,729,814	

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

	Balance Beg. of year
Electric	$2,217,737
Gas	44,767
Total Distribution	$2,262,504

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

	Balance End of year
Electric	$2,294,586
Gas	51,988
Total Distribution	$2,346,574

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

Allowances (Accounts 158.1 and 158.2)

1. Report below the particulars (details) called for concerning allowances.
2. Report all acquisitions of allowances at cost.
3. Report allowances in accordance with a weighted average cost allocation method and other accounting as prescribed by General Instruction No. 21 in the Uniform System of Accounts.
4. Report the allowances transactions by the period they are first eligible for use: the current year's allowances in columns (b)-(c), allowances for the three succeeding years in columns (d)-(i), starting with the following year, and allowances for the remaining succeeding years in columns (j)-(k).
5. Report on line 4 the Environmental Protection Agency (EPA) issued allowances. Report withheld portions Lines 36-40.

Line No.	Allowances Inventory (Account 158.1) (a)	Current Year No. (b)	Current Year Amt. (c)	2009 No. (d)	2009 Amt. (e)
1	Balance-Beginning of Year	206,287.00	11,459	85,209.00	
2					
3	Acquired During Year:				
4	Issued (Less Withheld Allow)				
5	Returned by EPA				
6					
7					
8	Purchases/Transfers:				
9	Transfer from KU	220.00	3,600		
10	Adjustment to final 2007	1.00			
11					
12					
13					
14					
15	Total	221.00	3,600		
16					
17	Relinquished During Year:				
18	Charges to Account 509	40,261.00	5,022		
19	Other:				
20	Chrgs to Acct 549/158/143	6,026.00	114		
21	Cost of Sales/Transfers:				
22	Transfer to IMEA/IMPA	2,591.00	96		
23	Transfer to KU	66,968.00	3,867		
24	Adjustment to final 2007	6.00			
25					
26					
27					
28	Total	69,565.00	3,963		
29	Balance-End of Year	90,656.00	5,960	85,209.00	
30					
31	Sales:				
32	Net Sales Proceeds(Assoc. Co.)				
33	Net Sales Proceeds (Other)				
34	Gains				
35	Losses				
	Allowances Withheld (Acct 158.2)				
36	Balance-Beginning of Year	902.50		902.50	
37	Add: Withheld by EPA				
38	Deduct: Returned by EPA				
39	Cost of Sales	902.50			
40	Balance-End of Year			902.50	
41					
42	Sales:				
43	Net Sales Proceeds (Assoc. Co.)				
44	Net Sales Proceeds (Other)	902.50	338,330		
45	Gains				
46	Losses				

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

Allowances (Accounts 158.1 and 158.2) (Continued)

6. Report on Lines 5 allowances returned by the EPA. Report on Line 39 the EPA's sales of the withheld allowances. Report on Lines 43-46 the net sales proceeds and gains/losses resulting from the EPA's sale or auction of the withheld allowances.
7. Report on Lines 8-14 the names of vendors/transferors of allowances acquire and identify associated companies (See "associated company" under "Definitions" in the Uniform System of Accounts).
8. Report on Lines 22 - 27 the name of purchasers/ transferees of allowances disposed of an identify associated companies.
9. Report the net costs and benefits of hedging transactions on a separate line under purchases/transfers and sales/transfers.
10. Report on Lines 32-35 and 43-46 the net sales proceeds and gains or losses from allowance sales.

2010		2011		Future Years		Totals		Line
No. (f)	Amt. (g)	No. (h)	Amt. (i)	No. (j)	Amt. (k)	No. (l)	Amt. (m)	No.
82,724.00		82,724.00		1,682,889.00		2,139,833.00	11,459	1
								2
								3
				62,379.00		62,379.00		4
								5
								6
								7
								8
						220.00	3,600	9
						1.00		10
								11
								12
								13
								14
						221.00	3,600	15
								16
								17
						40,261.00	5,022	18
								19
						6,026.00	114	20
								21
						2,591.00	96	22
						66,968.00	3,867	23
						6.00		24
								25
								26
								27
						69,565.00	3,963	28
82,724.00		82,724.00		1,745,268.00		2,086,581.00	5,960	29
								30
								31
								32
								33
								34
								35
902.50		901.00		44,149.00		47,757.50		36
				1,802.00		1,802.00		37
								38
				901.00		1,803.50		39
902.50		901.00		45,050.00		47,756.00		40
								41
								42
								43
				901.00	117,925	1,803.50	456,255	44
								45
								46

BLANK

Schedule Page: 228 Line No.: 1 Column: b

The beginning balance allowance amount is composed of 197,543 SO2 allowances and 8,744 Ozone Season NOx allowances.

Schedule Page: 228 Line No.: 1 Column: c

The beginning balance allowance dollars is composed entirely of the value of SO2 allowances.

Schedule Page: 228 Line No.: 1 Column: d

The beginning balance allowance amount is composed of 64,864 SO2 allowances, 6,212 Ozone Season NOx allowances and 14,133 Annual NOx allowances.

Schedule Page: 228 Line No.: 1 Column: f

The beginning balance allowance amount is composed of 62,379 SO2 allowances, 6,212 Ozone Season NOx allowances and 14,133 Annual NOx allowances.

Schedule Page: 228 Line No.: 1 Column: h

The beginning balance allowance amount is composed of 62,379 SO2 allowances, 6,212 Ozone Season NOx allowances and 14,133 Annual NOx allowances.

Schedule Page: 228 Line No.: 1 Column: j

The beginning balance allowance amount is composed of 1,621,854 SO2 allowances, 18,636 Ozone Season NOx allowances and 42,399 Annual NOx allowances.

Schedule Page: 228 Line No.: 1 Column: l

The beginning balance allowance amount is composed of 2,009,019 SO2 allowances, 46,016 Ozone Season NOx allowances and 84,798 Annual NOx allowances.

Schedule Page: 228 Line No.: 1 Column: m

The beginning balance allowance dollars is composed entirely of the value of SO2 allowances.

Schedule Page: 228 Line No.: 9 Column: a

Louisville Gas & Electric Company and Kentucky Utilities Company are both owned by E.ON U.S. LLC.

Schedule Page: 228 Line No.: 22 Column: a

Illinois Municipal Electric Agency (IMEA) and Indiana Municipal Power Agency (IMPA) together own a 25% undivided interest in Trimble County Unit 1.

Schedule Page: 228 Line No.: 23 Column: a

Louisville Gas & Electric Company and Kentucky Utilities Company are both owned by E.ON U.S. LLC.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

OTHER REGULATORY ASSETS (Account 182.3)

1. Report below the particulars (details) called for concerning other regulatory assets, including rate order docket number, if applicable.
2. Minor items (5% of the Balance in Account 182.3 at end of period, or amounts less than $50,000 which ever is less), may be grouped by classes.
3. For Regulatory Assets being amortized, show period of amortization.

Line No.	Description and Purpose of Other Regulatory Assets	Balance at Beginning of Current Quarter/Year	Debits	CREDITS		Balance at end of Current Quarter/Year
				Written off During the Quarter/Year Account Charged	Written off During the Period Amount	
	(a)	(b)	(c)	(d)	(e)	(f)
1	SFAS 158 - Pension and Postretirement	109,983,623	140,177,480	128/228.3	563,564	249,597,539
2	Asset Retirement Obligation - Electric	18,959,464	2,032,238	407	20,724	20,970,978
3	Asset Retirement Obligation - Gas	5,197,802	2,879,043	407	2,803	8,074,042
4	Asset Retirement Obligation - Common	23,134	1,543	407	9	24,668
5	Wind Storm 2008		23,530,745			23,530,745
6	MISO Exit Fee	13,139,016		182	964,670	12,174,346
7	Mill Creek Ash Pond Recovered through ECR					
8	(May-06 to Apr-10)	3,719,010	1,369,258	501	2,344,729	2,743,539
9	Ky Consortium for Carbon Storage		123,820			123,820
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						
21						
22						
23						
24						
25						
26						
27						
28						
29						
30						
31						
32						
33						
34						
35						
36						
37						
38						
39						
40						
41						
42						
43						
44	TOTAL	151,022,049	170,114,127		3,896,499	317,239,677

Schedule Page: 232 Line No.: 6 Column: d

Pursuant to FERC Order, Docket No. ER06-1308-004 issued March 4, 2008, adjustments are being made to the beginning balance of the regulatory asset for the MISO exit fee originally paid by the Company in September 2006. These adjustments will continue to be recorded until December 2014.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

MISCELLANEOUS DEFFERED DEBITS (Account 186)

1. Report below the particulars (details) called for concerning miscellaneous deferred debits.
2. For any deferred debit being amortized, show period of amortization in column (a)
3. Minor item (1% of the Balance at End of Year for Account 186 or amounts less than $50,000, whichever is less) may be grouped by classes.

Line No.	Description of Miscellaneous Deferred Debits (a)	Balance at Beginning of Year (b)	Debits (c)	CREDITS Account Charged (d)	CREDITS Amount (e)	Balance at End of Year (f)
1	Gas Supply Adjustment -					
2	Underbilled and			480-482		
3	Collectible from Customers	15,945,234	35,053,359	803/253	26,897,338	24,101,255
4						
5	Fuel Adjustment Clause	9,474,000	16,034,000	440-445	18,081,000	7,427,000
6						
7	Environmental Cost Recovery	3,579,002	39,501,350	440-445	39,275,542	3,804,810
8						
9	Gas PBR	4,261,376	2,846,488	186/803	3,647,828	3,460,036
10						
11	Rate Case Expenses					
12	Electric		689,293			689,293
13	Gas		230,095			230,095
14						
15				440-445		
16	Merger Surcredit Settlement	773,073	1,972,000	480-489	2,428,073	317,000
17						
18	Cellular Antenna Billable Chgs	34,437	924,720	456	668,813	290,344
19						
20	Financing Expenses		953,592	181/189	813,532	140,060
21						
22	Customer Credit Accounts			440-445		
23	Receivable	192,855	1,732,631	480-482	1,806,079	119,407
24						
25	Land Options		3,834			3,834
26						
27	Manufactured Gas Plants					
28	(Oct-00 to Sep-08)	60,979		930.2	60,979	
29						
30						
31						
32						
33						
34						
35						
36						
37						
38						
39						
40						
41						
42						
43						
44						
45						
46						
47	Misc. Work in Progress					
48	Deferred Regulatory Comm. Expenses (See pages 350 - 351)					
49	TOTAL	34,320,956				40,583,134

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

ACCUMULATED DEFERRED INCOME TAXES (Account 190)

1. Report the information called for below concerning the respondent's accounting for deferred income taxes.
2. At Other (Specify), include deferrals relating to other income and deductions.

Line No.	Description and Location (a)	Balance of Begining of Year (b)	Balance at End of Year (c)
1	Electric		
2	Pensions	-23,411,959	-22,198,261
3	Other Post Retirement & Employment Benefits	19,740,751	19,871,842
4	SFAS 109 Regulatory Tax Adjustments	30,562,721	27,375,915
5	SFAS 133 OCI	6,688,608	8,586,800
6	SFAS 143	11,520,913	11,085,133
7	Other - See Notes for Detail	-1,386,672	13,878,544
8	TOTAL Electric (Enter Total of lines 2 thru 7)	43,714,362	58,599,973
9	Gas		
10	Pensions	-5,852,987	-5,457,571
11	Other Post Retirement & Employment Benefits	5,559,461	5,602,617
12	SFAS 109 Regulatory Tax Adjustments	2,285,711	1,984,045
13	SFAS 133 OCI	1,672,144	59,762
14	SFAS 143	117,324	205,039
15	Other - See Notes for Detail	4,666,119	3,988,337
16	TOTAL Gas (Enter Total of lines 10 thru 15	8,447,772	6,382,229
17	Other (Specify)		
18	TOTAL (Acct 190) (Total of lines 8, 16 and 17)	52,162,134	64,982,202

Notes

	Electric Amounts Beg. Bal.	Electric Amounts End. Bal.		Gas Amounts Beg. Bal.	Gas Amounts End. Bal.
Workers' Compensation	1,043,750	957,674		319,378	297,860
Vacation Pay	1,109,984	1,168,702		368,379	383,058
Demand Side Management	172,575	224,696		1,477,896	1,841,195
Contingent Liab.	386,539	419,188		0	0
State Tax Adj.	(2,333,352)	889,853		897,650	0
Capitalized Gas Inventory	0	0		1,417,212	1,217,825
ECR Ash Hauling	(1,446,695)	(1,067,237)		0	0
Interest Rate Swaps	0	11,954,201		0	0
Other	(319,473)	(668,533)		185,604	248,399
Line 7	(1,386,672)	13,878,544	Line 15	4,666,119	3,988,337

Balance Beginning of Year	52,162,134
Less Debits to:	
Acct 410.1	12,249,272
Acct 410.2	172,488
Other Balance Sheet Accounts	1,755,001
Plus Credits to:	
Acct 411.1	26,723,405
Acct 411.2	273,424
Balance at End of Year	64,982,202

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

CAPITAL STOCKS (Account 201 and 204)

1. Report below the particulars (details) called for concerning common and preferred stock at end of year, distinguishing separate series of any general class. Show separate totals for common and preferred stock. If information to meet the stock exchange reporting requirement outlined in column (a) is available from the SEC 10-K Report Form filing, a specific reference to report form (i.e., year and company title) may be reported in column (a) provided the fiscal years for both the 10-K report and this report are compatible.
2. Entries in column (b) should represent the number of shares authorized by the articles of incorporation as amended to end of year.

Line No.	Class and Series of Stock and Name of Stock Series (a)	Number of shares Authorized by Charter (b)	Par or Stated Value per share (c)	Call Price at End of Year (d)
1	Common Stock			
2	Without Par Value	75,000,000		
3	Total Common	75,000,000		
4				
5				
6	Preferred Stock, Cumulative, $25 Par Value, 5%	1,720,000	25.00	
7	Auction Rate, Without Par Value	6,750,000	100.00	
8	Total Preferred	8,470,000		
9	E.ON U.S. LLC			
10				
11	Note:			
12	There is no Call Price for Common Stock,			
13	Without Par Value			
14				
15				
16	The Common Stock of Louisville Gas and Electric			
17	Company is owned by its parent company,			
18	E.ON U.S. LLC			
19				
20				
21				
22				
23				
24				
25				
26				
27				
28				
29				
30				
31				
32				
33				
34				
35				
36				
37				
38				
39				
40				
41				
42				

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

CAPITAL STOCKS (Account 201 and 204) (Continued)

3. Give particulars (details) concerning shares of any class and series of stock authorized to be issued by a regulatory commission which have not yet been issued.
4. The identification of each class of preferred stock should show the dividend rate and whether the dividends are cumulative or non-cumulative.
5. State in a footnote if any capital stock which has been nominally issued is nominally outstanding at end of year.
Give particulars (details) in column (a) of any nominally issued capital stock, reacquired stock, or stock in sinking and other funds which is pledged, stating name of pledgee and purposes of pledge.

OUTSTANDING PER BALANCE SHEET (Total amount outstanding without reduction for amounts held by respondent)		HELD BY RESPONDENT				Line No.
		AS REACQUIRED STOCK (Account 217)		IN SINKING AND OTHER FUNDS		
Shares (e)	Amount (f)	Shares (g)	Cost (h)	Shares (i)	Amount (j)	
						1
21,294,223	425,170,424					2
21,294,223	425,170,424					3
						4
						5
						6
						7
						8
						9
						10
						11
						12
						13
						14
						15
						16
						17
						18
						19
						20
						21
						22
						23
						24
						25
						26
						27
						28
						29
						30
						31
						32
						33
						34
						35
						36
						37
						38
						39
						40
						41
						42

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

OTHER PAID-IN CAPITAL (Accounts 208-211, inc.)

Report below the balance at the end of the year and the information specified below for the respective other paid-in capital accounts. Provide a subheading for each account and show a total for the account, as well as total of all accounts for reconciliation with balance sheet, Page 112. Add more columns for any account if deemed necessary. Explain changes made in any account during the year and give the accounting entries effecting such change.
(a) Donations Received from Stockholders (Account 208)-State amount and give brief explanation of the origin and purpose of each donation.
(b) Reduction in Par or Stated value of Capital Stock (Account 209): State amount and give brief explanation of the capital change which gave rise to amounts reported under this caption including identification with the class and series of stock to which related.
(c) Gain on Resale or Cancellation of Reacquired Capital Stock (Account 210): Report balance at beginning of year, credits, debits, and balance at end of year with a designation of the nature of each credit and debit identified by the class and series of stock to which related.
(d) Miscellaneous Paid-in Capital (Account 211)-Classify amounts included in this account according to captions which, together with brief explanations, disclose the general nature of the transactions which gave rise to the reported amounts.

Line No.	Item (a)	Amount (b)
1	Account 211:	
2	Contributed Capital - Misc. Balance January 1, 2008	60,000,000
3	Contributed Capital December 26, 2008	20,000,000
4	Contributed Capital December 31, 2008	3,530,392
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		
29		
30		
31		
32		
33		
34		
35		
36		
37		
38		
39		
40	TOTAL	83,530,392

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

CAPITAL STOCK EXPENSE (Account 214)

1. Report the balance at end of the year of discount on capital stock for each class and series of capital stock.
2. If any change occurred during the year in the balance in respect to any class or series of stock, attach a statement giving particulars (details) of the change. State the reason for any charge-off of capital stock expense and specify the account charged.

Line No.	Class and Series of Stock (a)	Balance at End of Year (b)
1	Expenses on Common Stock	835,889
2		
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22	TOTAL	835,889

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

LONG-TERM DEBT (Account 221, 222, 223 and 224)

1. Report by balance sheet account the particulars (details) concerning long-term debt included in Accounts 221, Bonds, 222, Reacquired Bonds, 223, Advances from Associated Companies, and 224, Other long-Term Debt.
2. In column (a), for new issues, give Commission authorization numbers and dates.
3. For bonds assumed by the respondent, include in column (a) the name of the issuing company as well as a description of the bonds.
4. For advances from Associated Companies, report separately advances on notes and advances on open accounts. Designate demand notes as such. Include in column (a) names of associated companies from which advances were received.
5. For receivers, certificates, show in column (a) the name of the court -and date of court order under which such certificates were issued.
6. In column (b) show the principal amount of bonds or other long-term debt originally issued.
7. In column (c) show the expense, premium or discount with respect to the amount of bonds or other long-term debt originally issued.
8. For column (c) the total expenses should be listed first for each issuance, then the amount of premium (in parentheses) or discount. Indicate the premium or discount with a notation, such as (P) or (D). The expenses, premium or discount should not be netted.
9. Furnish in a footnote particulars (details) regarding the treatment of unamortized debt expense, premium or discount associated with issues redeemed during the year. Also, give in a footnote the date of the Commission's authorization of treatment other than as specified by the Uniform System of Accounts.

Line No.	Class and Series of Obligation, Coupon Rate (For new issue, give commission Authorization numbers and dates) (a)	Principal Amount Of Debt issued (b)	Total expense, Premium or Discount (c)
1	ACCOUNT 221:		
2	Pollution Control Bonds: (2)		
3	Jefferson County 2000 Series A, due 05/01/2027, 5.375% (4)	25,000,000	827,529
4	Trimble County 2000 Series A, due 08/01/2030, Variable	83,335,000	1,147,368
5	Jefferson County 2001 Series A, due 09/01/2027, Variable	10,104,000	518,731
6	Jefferson County 2001 Series A, due 09/01/2026, Variable	22,500,000	241,747
7	Trimble County 2001 Series A, due 09/01/2026, Variable	27,500,000	262,949
8	Jefferson County 2001 Series B, due 11/01/2027, Variable	35,000,000	280,338
9	Trimble County 2001 Series B, due 11/01/2027, Variable	35,000,000	280,377
10	Trimble County 2002 Series A, due 10/01/2032, Variable	41,665,000	1,104,652
11	Louisville Metro 2003 Series A, due 10/01/2033, Variable (4)	128,000,000	3,578,417
12	Louisville Metro 2005 Series A, due 02/01/2035, 5.750% (4)	40,000,000	1,371,590
13	Trimble County 2007 Series A, due 06/01/2033, 4.600%	60,000,000	1,239,280
14	Louisville Metro 2007 Series A due 06/01/2033, 5.625% (4)	31,000,000	878,517
15	Louisville Metro 2007 Series B, due 06/01/2033, Variable (4)	35,200,000	634,193
16	Interest Rate Swaps (3)		
17	TOTAL ACCOUNT 221	574,304,000	12,365,688
18			
19	ACCOUNT 222:		
20	Reacquired Pollution Control Bonds:		
21	Louisville Metro 2003 Series A, due 10/01/2033, Variable (4)	-128,000,000	
22	Louisville Metro 2007 Series B, due 06/01/2033, Variable (4)	-35,200,000	
23	TOTAL ACCOUNT 222	-163,200,000	
24			
25	ACCOUNT 223:		
26	Notes Payable to Fidelia, due 01/16/2012, 4.330% - unsecured	25,000,000	
27	Notes Payable to Fidelia, due 04/30/2013, 4.550% - unsecured	100,000,000	
28	Notes Payable to Fidelia, due 08/15/2013, 5.310% - unsecured	100,000,000	
29	Notes Payable to Fidelia, due 11/23/2015, 6.480% - unsecured (5)	50,000,000	
30	Notes Payable to Fidelia, due 07/25/2018, 6.210% - unsecured (5)	25,000,000	
31	Notes Payable to Fidelia, due 11/26/2022, 5.720% - unsecured	47,000,000	
32	Notes Payable to Fidelia, due 04/13/2031, 5.930% - unsecured	68,000,000	
33	TOTAL	896,104,000	12,365,688

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

LONG-TERM DEBT (Account 221, 222, 223 and 224) (Continued)

10. Identify separate undisposed amounts applicable to issues which were redeemed in prior years.
11. Explain any debits and credits other than debited to Account 428, Amortization and Expense, or credited to Account 429, Premium on Debt - Credit.
12. In a footnote, give explanatory (details) for Accounts 223 and 224 of net changes during the year. With respect to long-term advances, show for each company: (a) principal advanced during year, (b) interest added to principal amount, and (c) principle repaid during year. Give Commission authorization numbers and dates.
13. If the respondent has pledged any of its long-term debt securities give particulars (details) in a footnote including name of pledgee and purpose of the pledge.
14. If the respondent has any long-term debt securities which have been nominally issued and are nominally outstanding at end of year, describe such securities in a footnote.
15. If interest expense was incurred during the year on any obligations retired or reacquired before end of year, include such interest expense in column (i). Explain in a footnote any difference between the total of column (i) and the total of Account 427, interest on Long-Term Debt and Account 430, Interest on Debt to Associated Companies.
16. Give particulars (details) concerning any long-term debt authorized by a regulatory commission but not yet issued.

Nominal Date of Issue (d)	Date of Maturity (e)	AMORTIZATION PERIOD Date From (f)	AMORTIZATION PERIOD Date To (g)	Outstanding (Total amount outstanding without reduction for amounts held by respondent) (h)	Interest for Year Amount (i)	Line No.
						1
						2
05/19/2000	05/01/2027	05/19/2000	05/01/2027	25,000,000	674,047	3
08/01/2000	08/01/2030	08/01/2000	08/01/2030	83,335,000	2,602,138	4
09/11/2001	09/01/2027	09/11/2001	09/01/2027	10,104,000	288,607	5
03/06/2002	09/01/2026	03/06/2002	09/01/2026	22,500,000	525,251	6
03/06/2002	09/01/2026	03/06/2002	09/01/2026	27,500,000	641,974	7
03/22/2002	11/01/2027	03/22/2002	11/01/2027	35,000,000	822,034	8
03/22/2002	11/01/2027	03/22/2002	11/01/2027	35,000,000	822,034	9
10/15/2002	10/01/2032	10/15/2002	10/01/2032	41,665,000	1,451,219	10
11/20/2003	10/01/2033	11/20/2003	10/01/2033	128,000,000	4,551,109	11
04/13/2005	02/01/2035	04/13/2005	02/01/2035	40,000,000	725,511	12
04/26/2007	06/01/2033	04/26/2007	06/01/2033	60,000,000	2,770,603	13
04/26/2007	06/01/2033	04/26/2007	06/01/2033	31,000,000	671,174	14
04/26/2007	06/01/2033	04/26/2007	06/01/2033	35,200,000	1,250,403	15
					4,795,143	16
				574,304,000	22,591,247	17
						18
						19
						20
11/20/2003	10/01/2033	11/20/2003	10/01/2033	-128,000,000	-1,672,044	21
04/26/2007	06/01/2033	04/26/2007	06/01/2033	-35,200,000	-681,882	22
				-163,200,000	-2,353,926	23
						24
						25
01/15/2004	01/16/2012			25,000,000	1,082,500	26
04/30/2003	04/30/2013			100,000,000	4,550,000	27
08/15/2003	08/15/2013			100,000,000	5,310,000	28
11/21/2008	11/23/2015			50,000,000	351,000	29
07/25/2008	07/25/2018			25,000,000	672,750	30
11/26/2007	11/26/2022			47,000,000	2,688,400	31
04/13/2007	04/13/2031			68,000,000	4,032,400	32
				896,104,000	43,110,371	33

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

LONG-TERM DEBT (Account 221, 222, 223 and 224)

1. Report by balance sheet account the particulars (details) concerning long-term debt included in Accounts 221, Bonds, 222, Reacquired Bonds, 223, Advances from Associated Companies, and 224, Other long-Term Debt.
2. In column (a), for new issues, give Commission authorization numbers and dates.
3. For bonds assumed by the respondent, include in column (a) the name of the issuing company as well as a description of the bonds.
4. For advances from Associated Companies, report separately advances on notes and advances on open accounts. Designate demand notes as such. Include in column (a) names of associated companies from which advances were received.
5. For receivers, certificates, show in column (a) the name of the court -and date of court order under which such certificates were issued.
6. In column (b) show the principal amount of bonds or other long-term debt originally issued.
7. In column (c) show the expense, premium or discount with respect to the amount of bonds or other long-term debt originally issued.
8. For column (c) the total expenses should be listed first for each issuance, then the amount of premium (in parentheses) or discount. Indicate the premium or discount with a notation, such as (P) or (D). The expenses, premium or discount should not be netted.
9. Furnish in a footnote particulars (details) regarding the treatment of unamortized debt expense, premium or discount associated with issues redeemed during the year. Also, give in a footnote the date of the Commission's authorization of treatment other than as specified by the Uniform System of Accounts.

Line No.	Class and Series of Obligation, Coupon Rate (For new issue, give commission Authorization numbers and dates) (a)	Principal Amount Of Debt issued (b)	Total expense, Premium or Discount (c)
1	ACCOUNT 223 continued		
2	Notes Payable to Fidelia, due 04/13/2037, 5.980% - unsecured	70,000,000	
3	TOTAL ACCOUNT 223	485,000,000	
4			
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			
20			
21			
22			
23			
24			
25			
26			
27			
28			
29			
30			
31			
32			
33	TOTAL	896,104,000	12,365,688

LONG-TERM DEBT (Account 221, 222, 223 and 224) (Continued)

10. Identify separate undisposed amounts applicable to issues which were redeemed in prior years.
11. Explain any debits and credits other than debited to Account 428, Amortization and Expense, or credited to Account 429, Premium on Debt - Credit.
12. In a footnote, give explanatory (details) for Accounts 223 and 224 of net changes during the year. With respect to long-term advances, show for each company: (a) principal advanced during year, (b) interest added to principal amount, and (c) principle repaid during year. Give Commission authorization numbers and dates.
13. If the respondent has pledged any of its long-term debt securities give particulars (details) in a footnote including name of pledgee and purpose of the pledge.
14. If the respondent has any long-term debt securities which have been nominally issued and are nominally outstanding at end of year, describe such securities in a footnote.
15. If interest expense was incurred during the year on any obligations retired or reacquired before end of year, include such interest expense in column (i). Explain in a footnote any difference between the total of column (i) and the total of Account 427, interest on Long-Term Debt and Account 430, Interest on Debt to Associated Companies.
16. Give particulars (details) concerning any long-term debt authorized by a regulatory commission but not yet issued.

Nominal Date of Issue (d)	Date of Maturity (e)	AMORTIZATION PERIOD Date From (f)	AMORTIZATION PERIOD Date To (g)	Outstanding (Total amount outstanding without reduction for amounts held by respondent) (h)	Interest for Year Amount (i)	Line No.
						1
04/13/2007	04/13/2037			70,000,000	4,186,000	2
				485,000,000	22,873,050	3
						4
						5
						6
						7
						8
						9
						10
						11
						12
						13
						14
						15
						16
						17
						18
						19
						20
						21
						22
						23
						24
						25
						26
						27
						28
						29
						30
						31
						32
				896,104,000	43,110,371	33

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

(1) Per instruction 9 concerning the treatment of unamortized debt expense, premium or discount - Debt premium and expenses are being amortized over the lives of the related issues.

(2) Pollution control series bonds are obligations of Louisville Gas & Electric Company (LG&E) issued in connection with tax-exempt pollution control revenue bonds issued by various governmental entities, principally counties in Kentucky. A loan agreement obligates LG&E to make debt service payments to the county that equate to the debt service due from the county on the related pollution control revenue bonds.

(3) As of December 31, 2008, the Company had in effect four interest-rate swap agreements to hedge its exposure to tax exempt rates related to Pollution Control Bonds, Variable Rate Series. The Company's positions under the swap agreements are to pay a fixed rate and receive a variable rate based on the Bond Market Association Municipal Swap Index or London Interbank Offered Rate (LIBOR). The specifics for each swap agreement related to notional amounts, maturity dates, payable and receivable positions are as follows:

Notional Amount	Maturity	Payable	Receivable
$83,335,000	11/01/2020	Fixed 5.495%	BMA Index
$32,000,000	10/01/2032	Fixed 3.657%	68% of 1 mo LIBOR
$32,000,000	10/01/2032	Fixed 3.645%	68% of 1 mo LIBOR
$32,000,000	10/01/2032	Fixed 3.695%	68% of 1 mo LIBOR

(4) In February 2008, LG&E issued a notice to bondholders of its intention to convert the Louisville Metro 2005 Series A and 2007 Series A and B bonds from the auction rate mode to a weekly interest rate mode, as permitted under the loan documents. These conversions were completed in March 2008, for the 2005 Series, and in April 2008, for the two 2007 Series. In connection with the conversions, LG&E purchased the bonds from the remarketing agent. The Louisville Metro 2005 and 2007 Series A bonds were remarketed in November 2008.

In March 2008, LG&E issued notices to bondholders of its intention to convert the Jefferson County 2000 Series A bond from the auction mode to a weekly interest rate mode, as permitted under the loan documents. The conversion was completed in May 2008. In connection with the conversion, LG&E purchased the bond from the remarketing agent. The bond was remarketed in November 2008.

In June 2008, LG&E issued notices to bondholders of its intention to convert the Louisville Metro 2003 Series A bond from the auction mode to a weekly interest rate mode, as permitted under the loan documents. The conversion was completed in July 2008. In connection with the conversion, LG&E purchased the bond from the remarketing agent.

In November 2008, LG&E converted three pollution control bonds to a mode wherein the interest rate is fixed for an intermediate term, but not the full term of the bond. At the end of the intermediate term, the Company must remarket the bonds or buy them back. The terms of the November transactions are:

Series	Interest Rate	End of Fixed Rate Term
Jefferson County 2000 Series A	5.375%	November 30, 2011
Louisville Metro 2007 Series A	5.625%	December 2, 2012
Louisville Metro 2005 Series A	5.750%	December 1, 2013

At the time of the conversion, the bond insurance policy that had been in place was terminated.

As of December 31, 2008, LG&E continued to hold repurchased bonds in the amount of $163 million. LG&E will hold some or all of such repurchased bonds until a later date, at which time LG&E may refinance, remarket or further convert such bonds. Uncertainty in markets relating to auction rate securities or steps LG&E has taken or may take to mitigate such uncertainty, such as additional conversion, subsequent restructuring or redemption and refinancing, could result in LG&E incurring increased interest expense, transaction expenses or other costs and fees or experiencing reduced liquidity relating to existing or future pollution control financing structures.

(5) During 2008, the Company executed two additional long-term loans with Fidelia Corporation:

Amount	Interest Rate	Date Issued	Maturity Date
$25,000,000	6.21%	07/25/2008	07/25/2018
$50,000,000	6.48%	11/21/2008	11/23/2015

The new long-term loan agreements were authorized by the Kentucky Public Service Commission in its Orders dated February 13, 2008 in Case No. 2007-00550 and October 21, 2008 in Case No. 2008-00428.

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

Interest on Pollution Control Bonds (221/222):

Total Account 221	$22,591,247
Total Account 222	(2,353,926)
Total Account 427	$20,237,321

Interest on Debt to Associated Companies:

Notes Payable (223)	22,873,050
Other Short Term Interest	6,231,076
Total Account 430	$29,104,126

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME FOR FEDERAL INCOME TAXES

1. Report the reconciliation of reported net income for the year with taxable income used in computing Federal income tax accruals and show computation of such tax accruals. Include in the reconciliation, as far as practicable, the same detail as furnished on Schedule M-1 of the tax return for the year. Submit a reconciliation even though there is no taxable income for the year. Indicate clearly the nature of each reconciling amount.
2. If the utility is a member of a group which files a consolidated Federal tax return, reconcile reported net income with taxable net income as if a separate return were to be field, indicating, however, intercompany amounts to be eliminated in such a consolidated return. State names of group member, tax assigned to each group member, and basis of allocation, assignment, or sharing of the consolidated tax among the group members.
3. A substitute page, designed to meet a particular need of a company, may be used as Long as the data is consistent and meets the requirements of the above instructions. For electronic reporting purposes complete Line 27 and provide the substitute Page in the context of a footnote.

Line No.	Particulars (Details) (a)	Amount (b)
1	Net Income for the Year (Page 117)	90,200,281
2		
3		
4	Taxable Income Not Reported on Books	
5	See Footnote	17,233,516
6		
7		
8		
9	Deductions Recorded on Books Not Deducted for Return	
10	See Footnote	100,240,478
11		
12		
13		
14	Income Recorded on Books Not Included in Return	
15	See Footnote	3,886,509
16		
17		
18		
19	Deductions on Return Not Charged Against Book Income	
20	See Footnote	79,035,480
21		
22		
23		
24		
25		
26		
27	Federal Tax Net Income	124,752,286
28	Show Computation of Tax:	
29		
30	Federal Tax Net Income	124,752,286
31	35% Rounded	43,663,300
32	Add: Adjustment of Prior Years' Taxes to Actual & Other	1,894,423
33	Add: Investment Tax Credits	-8,121,028
34		
35	Total	37,436,695
36		
37		
38		
39		
40		
41		
42		
43		
44		

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

Purchased Gas Adjustment	12,572,904
Contributions In Aid Of Construction	4,000,000
Other	660,612

	17,233,516
	==========

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

Federal Income Taxes:	
Utility Operating Income	40,043,410
Other Income and Deductions	(2,606,715)
Provision for Deferred Income Taxes-Net	(4,859,164)
MISO Exit Fees-Transmission	4,306,616
Interest Rate Swaps	30,730,591
Pensions	3,920,223
Investment Tax Credit	8,121,028
Capitalized Interest	11,567,744
Current State Income Taxes	2,542,438
FAC Under Recovery	1,821,192
Environmental Cost Recovery Ash Hauling	975,471
SFAS 106 Postretirement	868,379
Demand Side Management	1,049,357
Other	1,759,908

	100,240,478
	===========

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

Amortization of Investment Tax Credit	3,870,920
Other	15,589

	3,886,509
	==========

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

Storm Damages	23,530,745
Method Life-Depreciation	27,303,998
Tax Gain/Loss on Sale of Equipment	12,223,551
Loss on Reacquired Debt, Net of Amortization	5,111,799
IRC 199 Manufacturing Deduction	3,833,365
State Income Tax Deduction	2,668,367
Regulatory Expenses	919,388
SFAS 143-ARO	894,767
Mark to Market	833,146
Other	1,716,354

	79,035,480
	==========

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

TAXES ACCRUED, PREPAID AND CHARGED DURING YEAR

1. Give particulars (details) of the combined prepaid and accrued tax accounts and show the total taxes charged to operations and other accounts during the year. Do not include gasoline and other sales taxes which have been charged to the accounts to which the taxed material was charged. If the actual, or estimated amounts of such taxes are know, show the amounts in a footnote and designate whether estimated or actual amounts.
2. Include on this page, taxes paid during the year and charged direct to final accounts, (not charged to prepaid or accrued taxes.) Enter the amounts in both columns (d) and (e). The balancing of this page is not affected by the inclusion of these taxes.
3. Include in column (d) taxes charged during the year, taxes charged to operations and other accounts through (a) accruals credited to taxes accrued, (b)amounts credited to proportions of prepaid taxes chargeable to current year, and (c) taxes paid and charged direct to operations or accounts other than accrued and prepaid tax accounts.
4. List the aggregate of each kind of tax in such manner that the total tax for each State and subdivision can readily be ascertained.

Line No.	Kind of Tax (See instruction 5)	BALANCE AT BEGINNING OF YEAR		Taxes Charged During Year	Taxes Paid During Year	Adjustments
		Taxes Accrued (Account 236)	Prepaid Taxes (Include in Account 165)			
	(a)	(b)	(c)	(d)	(e)	(f)
1	Federal:					
2	Income	6,107,470		44,122,281	32,684,276	
3	FICA	618,958		5,824,853	5,745,395	
4	FIN 48	232,500		-232,500		
5						
6	Kentucky and Other States:					
7	Income	832,672		4,095,834	1,521,923	
8	Public Service Commission		969,694	1,914,910	1,890,432	
9	6% Use (Kentucky)	527,168		4,302,798	4,251,091	
10	5% Use (Indiana)			68,256	68,256	
11	Auto License			69,529	69,529	
12	FIN 48	292,769		-292,769		
13						
14	Federal & Kentucky:					
15	Unemployment Insurance	53,549		121,526	106,095	
16						
17	Local:					
18	Occupational					
19						
20	Kentucky & Local:					
21	Property Taxes	9,962,060		15,209,258	15,207,618	
22						
23	Federal, State & Local					
24	Miscellaneous					
25						
26						
27						
28						
29						
30						
31						
32						
33						
34						
35						
36						
37						
38						
39						
40						
41	TOTAL	4,746,862	969,694	75,203,976	61,544,615	

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Louisville Gas and Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

TAXES ACCRUED, PREPAID AND CHARGED DURING YEAR (Continued)

5. If any tax (exclude Federal and State income taxes)- covers more then one year, show the required information separately for each tax year, identifying the year in column (a).
6. Enter all adjustments of the accrued and prepaid tax accounts in column (f) and explain each adjustment in a foot- note. Designate debit adjustments by parentheses.
7. Do not include on this page entries with respect to deferred income taxes or taxes collected through payroll deductions or otherwise pending transmittal of such taxes to the taxing authority.
8. Report in columns (i) through (l) how the taxes were distributed. Report in column (l) only the amounts charged to Accounts 408.1 and 409.1 pertaining to electric operations. Report in column (l) the amounts charged to Accounts 408.1 and 109.1 pertaining to other utility departments and amounts charged to Accounts 408.2 and 409.2. Also shown in column (l) the taxes charged to utility plant or other balance sheet accounts.
9. For any tax apportioned to more than one utility department or account, state in a footnote the basis (necessity) of apportioning such tax.

BALANCE AT END OF YEAR		DISTRIBUTION OF TAXES CHARGED				Line No.
(Taxes accrued Account 236) (g)	Prepaid Taxes (Incl. in Account 165) (h)	Electric (Account 408.1, 409.1) (i)	Extraordinary Items (Account 409.3) (j)	Adjustments to Ret. Earnings (Account 439) (k)	Other (l)	
						1
5,330,535		32,762,857			11,359,424	2
698,416		5,478,349			346,504	3
					-232,500	4
						5
						6
1,741,239		2,622,685			1,473,149	7
	945,216	1,295,033			619,877	8
578,875		90,533			4,212,265	9
					68,256	10
					69,529	11
					-292,769	12
						13
						14
68,980		164,123			-42,597	15
						16
						17
		29,333			-29,333	18
						19
						20
9,963,700		11,222,818			3,986,440	21
						22
						23
		394			-394	24
						25
						26
						27
						28
						29
						30
						31
						32
						33
						34
						35
						36
						37
						38
						39
						40
18,381,745	945,216	53,666,125			21,537,851	41

BLANK

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

Segregation of Other	Col 1 Other	Page 115 Gas Acct. 408.1-409.1	Page 117 Other Inc & Deductions 408.2 - 409.2	Other Accounts
Federal:				
Income	11,359,424	7,280,553	(2,606,715)	6,685,586
FICA	346,504	1,255,900		(909,396)
FIN 48	(232,500)			(232,500)
Kentucky:				
Income	1,473,149	1,659,740	(479,336)	292,745
PSC	619,877	619,877		
6% Use (Kentucky)	4,212,265			4,212,265
5% Use (Indiana)	68,256			68,256
Auto License	69,529			69,529
FIN 48	(292,769)			(292,769)
Federal & Kentucky:				
Unemployment Ins	(42,597)	35,869		(78,466)
Local:				
Occupational	(29,333)	5,934		(35,267)
Kentucky & Local:				
Property Taxes	3,986,440	3,758,909	1,815	225,716
Federal, State & Local				
Miscellaneous	(394)			(394)
Total	21,537,851	14,616,782	(3,084,236)	10,005,305

Reconciliation to page 114-115, lines 14-16, column (i):

Federal Income:		State Income:		Other:	
Electric	32,762,857	Electric	2,622,685	Electric Total	53,666,125
Gas	7,280,553	Gas	1,659,740	Gas Total	14,616,782
				Less Federal	(40,043,410)
	40,043,410		4,282,425	Less State	(4,282,425)
					23,957,072

Schedule Page: 262 Line No.: 2 Column: b

The balance of ($6,107,470) for Federal income taxes accrued at 12/31/07 reflects an overpayment of Federal income taxes.

Schedule Page: 262 Line No.: 7 Column: b

The balance of ($832,672) for Kentucky income taxes accrued at 12/31/07 reflects an overpayment of Kentucky income taxes.

Name of Respondent Louisville Gas and Electric Company	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q4

ACCUMULATED DEFERRED INVESTMENT TAX CREDITS (Account 255)

Report below information applicable to Account 255. Where appropriate, segregate the balances and transactions by utility and nonutility operations. Explain by footnote any correction adjustments to the account balance shown in column (g).Include in column (i) the average period over which the tax credits are amortized.

Line No.	Account Subdivisions (a)	Balance at Beginning of Year (b)	Deferred for Year Account No. (c)	Deferred for Year Amount (d)	Allocations to Current Year's Income Account No. (e)	Allocations to Current Year's Income Amount (f)	Adjustments (g)
1	Electric Utility						
2	3%						
3	4%						
4	7%						
5	10%						
6							
7		44,951,063	411.4	8,121,028	411.4	3,712,066	
8	TOTAL	44,951,063		8,121,028		3,712,066	
9	Other (List separately and show 3%, 4%, 7%, 10% and TOTAL)						
10							
11							
12							
13							
14							
15							
16	Gas Utility	1,147,899			411.4	158,854	
17	TOTAL	1,147,899				158,854	
18							
19							
20							
21							
22							
23							
24							
25							
26							
27							
28							
30							
31							
32							
33							
34							
35							
36							
37							
38							
39							
40							
41							
42							
43							
44							
45							
46							
47							
48							