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Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

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PUBLIC SERVICE COMMISSION

Louisville Gas and Electric Company
State Regulation and Rates
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www.eon-us.com

Lonnie E. Bellar
Vice President
T 502-627-4830
F 502-217-2109
lonnie.bellar@eon-us.com

April 6, 2009

Re: ***Louisville Gas and Electric Company – Report of Certain Material Changes* – Case No. 2006-00445**

Dear Mr. Derouen:

Pursuant to the Commission's Order, dated January 31, 2007, in the aforementioned case, Louisville Gas and Electric Company ("LG&E") hereby files a report of material changes regarding which LG&E believes it may have filed a Form 8-K with the Securities and Exchange Commission ("SEC") if the company had continued to have publicly held secured debt.

In compliance with this Commission order, LG&E is submitting this letter as its report. With respect to March 2009, LG&E believes there are no reportable events.

Should you have any questions in this regard, please do not hesitate to contact me.

Sincerely,

Lonnie E. Bellar

LG&E

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Mr. Jeff DeRouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

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MAY 08 2009

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lonnie.bellar@eon-us.com

May 7, 2009

Re: ***Louisville Gas and Electric Company – Report of Certain Material Changes*** – **Case No. 2006-00445**

Dear Mr. DeRouen:

Pursuant to the Commission's Order, dated January 31, 2007, in the aforementioned case, Louisville Gas and Electric Company ("LG&E") hereby files a report of material changes regarding which LG&E believes it may have filed a Form 8-K with the Securities and Exchange Commission ("SEC") if the company had continued to have publicly held secured debt.

In compliance with this Commission order, LG&E is submitting this letter as its report. LG&E believes it would have filed a Form 8-K for the following events:

- LG&E's filing of an application with the Commission for regulatory asset treatment for approximately $45 million (of $57 million) in restoration costs relating to the severe ice storm which occurred during January-February 2009.

Should you have any questions in this regard, please do not hesitate to contact me.

Sincerely,

Lonnie E. Bellar

Lonnie E. Bellar

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Mr. Jeff Derouen
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Frankfort, Kentucky 40601

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PUBLIC SERVICE
COMMISSION

June 5, 2009

Re: ***Louisville Gas and Electric Company – Report of Certain Material Changes* – Case No. 2006-00445**

Dear Mr. Derouen:

Pursuant to the Commission's Order, dated January 31, 2007, in the aforementioned case, Louisville Gas and Electric Company ("LG&E") hereby files a report of material changes regarding which LG&E believes it may have filed a Form 8-K with the Securities and Exchange Commission ("SEC") if the company had continued to have publicly held secured debt.

In compliance with this Commission order, LG&E is submitting this letter as its report. With respect to May 2009, LG&E believes there are no reportable events.

Should you have any questions in this regard, please do not hesitate to contact me.

Sincerely,

Lonnie E. Bellar

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Mr. Jeff DeRouen
Executive Director
Kentucky Public Service Commission
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JUL 07 2009

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lonnie.bellar@eon-us.com

July 7, 2009

Re: ***Louisville Gas and Electric Company – Report of Certain Material Changes* – Case No. 2006-00445**

Dear Mr. DeRouen:

Pursuant to the Commission's Order, dated January 31, 2007, in the aforementioned case, Louisville Gas and Electric Company ("LG&E") hereby files a report of material changes regarding which LG&E believes it may have filed a Form 8-K with the Securities and Exchange Commission ("SEC") if the company had continued to have publicly held secured debt.

In compliance with this Commission order, LG&E is submitting this letter as its report. With respect to June 2009, LG&E believes there are no reportable events.

Should you have any questions in this regard, please do not hesitate to contact me.

Sincerely,

Lonnie E. Bellar

Lonnie E. Bellar

an e·on company

Mr. Jeff DeRouen
Executive Director
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AUG 07 2009

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lonnie.bellar@eon-us.com

August 7, 2009

Re: ***Louisville Gas and Electric Company – Report of Certain Material Changes* – Case No. 2006-00445**

Dear Mr. DeRouen:

Pursuant to the Commission's Order, dated January 31, 2007, in the aforementioned case, Louisville Gas and Electric Company ("LG&E") hereby files a report of material changes regarding which LG&E believes it may have filed a Form 8-K with the Securities and Exchange Commission ("SEC") if the company had continued to have publicly held secured debt.

In compliance with this Commission order, LG&E is submitting this letter as its report. With respect to July 2009, LG&E believes there are no reportable events.

Should you have any questions in this regard, please do not hesitate to contact me.

Sincerely,

Lonnie E. Bellar

Lonnie E. Bellar

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Mr. Jeff DeRouen
Executive Director
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Lonnie E. Bellar
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lonnie.bellar@eon-us.com

September 9, 2009

Re: ***Louisville Gas and Electric Company – Report of Certain Material Changes* – Case No. 2006-00445**

Dear Mr. DeRouen:

Pursuant to the Commission's Order, dated January 31, 2007, in the aforementioned case, Louisville Gas and Electric Company ("LG&E") hereby files a report of material changes regarding which LG&E believes it may have filed a Form 8-K with the Securities and Exchange Commission ("SEC") if the company had continued to have publicly held secured debt.

In compliance with this Commission order, LG&E is submitting this letter as its report. With respect to August 2009, LG&E believes there are no reportable events.

Should you have any questions in this regard, please do not hesitate to contact me.

Sincerely,

Lonnie E. Bellar

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Mr. Jeff DeRouen
Executive Director
Kentucky Public Service Commission
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OCT 08 2009

PUBLIC SERVICE COMMISSION

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lonnie.bellar@eon-us.com

October 7, 2009

Re: ***Louisville Gas and Electric Company – Report of Certain Material Changes* – Case No. 2006-00445**

Dear Mr. DeRouen:

Pursuant to the Commission's Order, dated January 31, 2007, in the aforementioned case, Louisville Gas and Electric Company ("LG&E") hereby files a report of material changes regarding which LG&E believes it may have filed a Form 8-K with the Securities and Exchange Commission ("SEC") if the company had continued to have publicly held secured debt.

In compliance with this Commission order, LG&E is submitting this letter as its report. With respect to September 2009, LG&E believes there are no reportable events.

Should you have any questions in this regard, please do not hesitate to contact me.

Sincerely,

Lonnie E. Bellar

Lonnie E. Bellar

LG&E
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PUBLIC SERVICE COMMISSION

Mr. Jeff DeRouen
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Lonnie E. Bellar
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T 502-627-4830
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lonnie.bellar@eon-us.com

November 5, 2009

Re: ***Louisville Gas and Electric Company – Report of Certain Material Changes* – Case No. 2006-00445**

Dear Mr. DeRouen:

Pursuant to the Commission's Order, dated January 31, 2007, in the aforementioned case, Louisville Gas and Electric Company ("LG&E") hereby files a report of material changes regarding which LG&E believes it may have filed a Form 8-K with the Securities and Exchange Commission ("SEC") if the company had continued to have publicly held secured debt.

In compliance with this Commission order, LG&E is submitting this letter as its report. With respect to October 2009, LG&E believes there are no reportable events.

Should you have any questions in this regard, please do not hesitate to contact me.

Sincerely,

Lonnie E. Bellar

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Mr. Jeff DeRouen
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lonnie.bellar@eon-us.com

December 7, 2009

Re: ***Louisville Gas and Electric Company – Report of Certain Material Changes* – Case No. 2006-00445**

Dear Mr. DeRouen:

Pursuant to the Commission's Order, dated January 31, 2007, in the aforementioned case, Louisville Gas and Electric Company ("LG&E") hereby files a report of material changes regarding which LG&E believes it may have filed a Form 8-K with the Securities and Exchange Commission ("SEC") if the company had continued to have publicly held secured debt.

In compliance with this Commission order, LG&E is submitting this letter as its report. With respect to November 2009, LG&E believes there are no reportable events.

Should you have any questions in this regard, please do not hesitate to contact me.

Sincerely,

Lonnie E. Bellar

LG&E®

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lonnie.bellar@eon-us.com

January 11, 2010

Re: ***Louisville Gas and Electric Company – Report of Certain Material Changes*** **– Case No. 2006-00445**

Dear Mr. DeRouen:

Pursuant to the Commission's Order, dated January 31, 2007, in the aforementioned case, Louisville Gas and Electric Company ("LG&E") hereby files a report of material changes regarding which LG&E believes it may have filed a Form 8-K with the Securities and Exchange Commission ("SEC") if the company had continued to have publicly held secured debt.

In compliance with this Commission order, LG&E is submitting this letter as its report. With respect to December 2009, LG&E believes it would have filed a Form 8-K for the following events:

- LG&E's announcement of its intention to file an application for increase in base electric rates in Kentucky
- Commission's Order approving the parties' settlement in LG&E's 2009 environmental cost recovery proceeding

Should you have any questions in this regard, please do not hesitate to contact me.

Sincerely,

Lonnie E. Bellar

Report of Certain Material Changes
January 2008 – December 2008

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lonnie.bellar@eon-us.com

February 6, 2008

Re: *Louisville Gas and Electric Company – Report of Certain Material Changes* – **Case No. 2006-00445**

Dear Ms. O'Donnell:

Pursuant to the Commission's Order, dated January 31, 2007, in the aforementioned case, Louisville Gas and Electric Company ("LG&E") hereby files a report of material changes that LG&E would have had to disclose to the Securities and Exchange Commission ("SEC") on a Form 8-K if the company had continued to have publicly held secured debt.

In compliance with this Commission order, LG&E is submitting this letter as its report. With respect to January 2008, LG&E believes there are no reportable events.

Should you have any questions in this regard, please do not hesitate to contact me.

Sincerely,

Lonnie E Bellar

Lonnie E. Bellar

an e·on company

Ms. Elizabeth O'Donnell
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March 14, 2008

Re: ***Louisville Gas and Electric Company – Report of Certain Material Changes* – Case No. 2006-00445**

Dear Ms. O'Donnell:

Pursuant to the Commission's Order, dated January 31, 2007, in the aforementioned case, Louisville Gas and Electric Company ("LG&E") hereby files a report of material changes that LG&E would have had to disclose to the Securities and Exchange Commission ("SEC") on a Form 8-K if the company had continued to have publicly held secured debt.

In compliance with this Commission order, LG&E is submitting this letter as its report. With respect to February 2008, LG&E believes it would have filed a Form 8-K for the following events:

- LG&E's planned conversion of three pollution control bond series to a weekly interest rate mode (the Louisville/Jefferson County Metro Government 2005 Series A, 2007 Series A and 2007 Series B bonds, respectively) and interim repurchasing of such.

Should you have any questions in this regard, please do not hesitate to contact me.

Sincerely,

Lonnie E. Bellar

Lonnie E. Bellar

LG&E
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PUBLIC SERVICE COMMISSION

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T 502-627-4830
F 502-217-2109
lonnie.bellar@eon-us.com

April 6, 2008

Re: ***Louisville Gas and Electric Company – Report of Certain Material Changes*** **– Case No. 2006-00445**

Dear Ms. Stumbo:

Pursuant to the Commission's Order, dated January 31, 2007, in the aforementioned case, Louisville Gas and Electric Company ("LG&E") hereby files a report of material changes that LG&E would have had to disclose to the Securities and Exchange Commission ("SEC") on a Form 8-K if the company had continued to have publicly held secured debt.

In compliance with this Commission order, LG&E is submitting this letter as its report. With respect to March 2008, LG&E converted its Louisville Metro 2005 Series A tax exempt bonds from an auction rate mode to a weekly rate mode and purchased the bonds from a remarketing agent. The Company expects to hold the bonds until a permanent solution is determined for mitigating the additional interest expense caused by auction rate market disruptions resulting from credit concerns about the monoline bond insurers.

Should you have any questions in this regard, please do not hesitate to contact me.

Sincerely,

Lonnie E. Bellar

Lonnie E. Bellar

an e·on company

Ms. Stephanie L. Stumbo
Executive Director
Kentucky Public Service Commission
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MAY 15 2008
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F 502-217-2109
lonnie.bellar@eon-us.com

May 15, 2008

Re: ***Louisville Gas and Electric Company – Report of Certain Material Changes* – Case No. 2006-00445**

Dear Ms. Stumbo:

Pursuant to the Commission's Order, dated January 31, 2007, in the aforementioned case, Louisville Gas and Electric Company ("LG&E") hereby files a report of material changes that LG&E would have had to disclose to the Securities and Exchange Commission ("SEC") on a Form 8-K if the company had continued to have publicly held secured debt.

In compliance with this Commission order, LG&E is submitting this letter as its report. With respect to April 2008, LG&E converted its Louisville Metro 2007 Series A and Series B tax exempt bonds from an auction rate mode to a weekly rate mode and purchased the bonds from a remarketing agent. The Company expects to hold the bonds until a permanent solution is determined for mitigating the additional interest expense caused by auction rate market disruptions resulting from credit concerns about the monoline bond insurers.

Should you have any questions in this regard, please do not hesitate to contact me.

Sincerely,

Lonnie E. Bellar

LG&E
an e·on company

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JUN 09 2008

PUBLIC SERVICE
COMMISSION

Ms. Stephanie L. Stumbo
Executive Director
Kentucky Public Service Commission
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Lonnie E. Bellar
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lonnie.bellar@eon-us com

June 6, 2008

Re: ***Louisville Gas and Electric Company – Report of Certain Material Changes* – Case No. 2006-00445**

Dear Ms. Stumbo:

Pursuant to the Commission's Order, dated January 31, 2007, in the aforementioned case, Louisville Gas and Electric Company ("LG&E") hereby files a report of material changes that LG&E would have had to disclose to the Securities and Exchange Commission ("SEC") on a Form 8-K if the company had continued to have publicly held secured debt.

In compliance with this Commission order, LG&E is submitting this letter as its report. With respect to May 2008, LG&E converted its Jefferson County 2000 Series A tax exempt bonds from an auction rate mode to a weekly rate mode and purchased the bonds from a remarketing agent. The Company expects to hold the bonds until a permanent solution is determined for mitigating the additional interest expense caused by auction rate market disruptions resulting from credit concerns about the monoline bond insurers.

Should you have any questions in this regard, please do not hesitate to contact me.

Sincerely,

Lonnie E Bellar

Lonnie E. Bellar

an e·on company

Ms. Stephanie L. Stumbo
Executive Director
Kentucky Public Service Commission
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Lonnie E. Bellar
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lonnie.bellar@eon-us.com

July 7, 2008

Re: *Louisville Gas and Electric Company – Report of Certain Material Changes* – **Case No. 2006-00445**

Dear Ms. Stumbo:

Pursuant to the Commission's Order, dated January 31, 2007, in the aforementioned case, Louisville Gas and Electric Company ("LG&E") hereby files a report of material changes that LG&E would have had to disclose to the Securities and Exchange Commission ("SEC") on a Form 8-K if the company had continued to have publicly held secured debt.

In compliance with this Commission order, LG&E is submitting this letter as its report. With respect to June 2008, LG&E believes there are no reportable events.

Should you have any questions in this regard, please do not hesitate to contact me.

Sincerely,

Lonnie E. Bellar

Lonnie E. Bellar

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AUG 08 2008

PUBLIC SERVICE COMMISSION

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Ms. Stephanie L. Stumbo
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

August 7, 2008

Re: ***Louisville Gas and Electric Company – Report of Certain Material Changes* – Case No. 2006-00445**

Dear Ms. Stumbo:

Pursuant to the Commission's Order, dated January 31, 2007, in the aforementioned case, Louisville Gas and Electric Company ("LG&E") hereby files a report of material changes that LG&E would have had to disclose to the Securities and Exchange Commission ("SEC") on a Form 8-K if the company had continued to have publicly held secured debt.

In compliance with this Commission order, LG&E is submitting this letter as its report. With respect to July 2008, LG&E believes it would have filed a Form 8-K for the following events:

- LG&E's entering into a new loan with Fidelia Corporation, an affiliated company. The new loan, in the amount of $25 million, matures in July 2018 and carries an interest rate of 6.21%.
- LG&E's announcement of its intention to file an application for increase in base electric and gas rates and the subsequent submission of such application.

Should you have any questions in this regard, please do not hesitate to contact me.

Sincerely,

Lonnie E. Bellar

LG&E

an e·on company

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SEP 08 2008

PUBLIC SERVICE COMMISSION

Ms. Stephanie L. Stumbo
Executive Director
Kentucky Public Service Commission
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Lonnie E. Bellar
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September 5, 2008

Re: ***Louisville Gas and Electric Company – Report of Certain Material Changes* – Case No. 2006-00445**

Dear Ms. Stumbo:

Pursuant to the Commission's Order, dated January 31, 2007, in the aforementioned case, Louisville Gas and Electric Company ("LG&E") hereby files a report of material changes that LG&E would have had to disclose to the Securities and Exchange Commission ("SEC") on a Form 8-K if the company had continued to have publicly held secured debt.

In compliance with this Commission order, LG&E is submitting this letter as its report. With respect to August 2008, LG&E believes there are no reportable events.

Should you have any questions in this regard, please do not hesitate to contact me.

Sincerely,

Lonnie E. Bellar

Lonnie E. Bellar

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OCT 07 2008

PUBLIC SERVICE COMMISSION

LG&E

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Ms. Stephanie L. Stumbo
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

October 7, 2008

Re: ***Louisville Gas and Electric Company – Report of Certain Material Changes* – Case No. 2006-00445**

Dear Ms. Stumbo:

Pursuant to the Commission's Order, dated January 31, 2007, in the aforementioned case, Louisville Gas and Electric Company ("LG&E") hereby files a report of material changes that LG&E would have had to disclose to the Securities and Exchange Commission ("SEC") on a Form 8-K if the company had continued to have publicly held secured debt.

In compliance with this Commission order, LG&E is submitting this letter as its report. With respect to September 2008, LG&E believes there are no reportable events.

Should you have any questions in this regard, please do not hesitate to contact me.

Sincerely,

Lonnie E Bellar

Lonnie E. Bellar

LG&E
an e·on company

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PUBLIC SERVICE COMMISSION

Ms. Stephanie L. Stumbo
Executive Director
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November 5, 2008

Re: ***Louisville Gas and Electric Company – Report of Certain Material Changes*** **– Case No. 2006-00445**

Dear Ms. Stumbo:

Pursuant to the Commission's Order, dated January 31, 2007, in the aforementioned case, Louisville Gas and Electric Company ("LG&E") hereby files a report of material changes that LG&E would have had to disclose to the Securities and Exchange Commission ("SEC") on a Form 8-K if the company had continued to have publicly held secured debt.

In compliance with this Commission order, LG&E is submitting this letter as its report. With respect to October 2008, LG&E believes there are no reportable events.

Should you have any questions in this regard, please do not hesitate to contact me.

Sincerely,

Lonnie E. Bellar

Lonnie E. Bellar

an e·on company

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DEC 05 2008

PUBLIC SERVICE
COMMISSION

Ms. Stephanie L. Stumbo
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December 5, 2008

Re: ***Louisville Gas and Electric Company – Report of Certain Material Changes* – Case No. 2006-00445**

Dear Ms. Stumbo:

Pursuant to the Commission's Order, dated January 31, 2007, in the aforementioned case, Louisville Gas and Electric Company ("LG&E") hereby files a report of material changes that LG&E would have had to disclose to the Securities and Exchange Commission ("SEC") on a Form 8-K if the company had continued to have publicly held secured debt.

In compliance with this Commission order, LG&E is submitting this letter as its report. With respect to November 2008, LG&E entered into a new loan with Fidelia Corporation, an affiliated company. The new loan, in the amount of $50 million, matures in November 2015 and carries an interest rate of 6.48%.

Should you have any questions in this regard, please do not hesitate to contact me.

Sincerely,

Lonnie E. Bellar

Lonnie E. Bellar

LG&E
an e·on company

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

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JAN 12 2009

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Lonnie E. Bellar
Vice President
T 502-627-4830
F 502-217-2109
lonnie.bellar@eon-us.com

January 9, 2009

Re: *Louisville Gas and Electric Company – Report of Certain Material Changes* – **Case No. 2006-00445**

Dear Mr. Derouen:

Pursuant to the Commission's Order, dated January 31, 2007, in the aforementioned case, Louisville Gas and Electric Company ("LG&E") hereby files a report of material changes that LG&E would have had to disclose to the Securities and Exchange Commission ("SEC") on a Form 8-K if the company had continued to have publicly held secured debt.

In compliance with this Commission order, LG&E is submitting this letter as its report. With respect to December 2008, LG&E believes there are no reportable events.

Should you have any questions in this regard, please do not hesitate to contact me.

Sincerely,

Lonnie E. Bellar

Louisville Gas and Electric Company
Case No. 2009-00549
Historical Test Period Filing Requirements

Filing Requirement
807 KAR 5:001 Section 10(6)(t)
Sponsoring Witness: Valerie L. Scott

Description of Filing Requirement:

If the utility had any amounts charged or allocated to it by an affiliate or general or home office or paid any monies to an affiliate or general or home office during the test period or during the previous three (3) calendar years, the utility shall file:

1. *A detailed description of the method and amounts allocated or charged to the utility by the affiliate or general or home office for each charge allocation or payment;*

2. *An explanation of how the allocator for the test period was determined; and*

3. *All facts relied upon, including other regulatory approval, to demonstrate that each amount charged, allocated or paid during the test period was reasonable;*

Response:

1. Please see the attached schedule for a description of the amounts charged or allocated to LG&E. The method of allocation is set forth in the attached Cost Allocation Manual.

2. The allocator for the test period was determined using the methodology set forth in the Cost Allocation Manual.

3. The amounts charged, allocated or paid during the test period were reasonable for the following reasons:

   (i) the Cost Allocation Manual has been filed with the Kentucky Public Service Commission; (ii) the allocations are made utilizing the methodology set forth in the Cost Allocation Manual; (iii) the allocations are reviewed to assure that they have been made in accordance with the Cost Allocation Manual.

Louisville Gas & Electric Company
Intercompany Charges Billed From:

	Test Year Nov. 08 - Oct. 09	Year Jan. 08 - Dec. 08	Year Jan. 07 - Dec. 07	Year Jan. 06 - Dec. 06
Kentucky Utilities Company	$ 24,592,532	$ 53,352,070	$ 154,160,694	$ 239,528,296
E.ON U.S. Services Inc.	$ 179,759,206	$ 206,335,926	$ 376,258,374	$ 222,873,646

Cost Allocation Manual

E.ON U.S. SERVICES INC.

Cost Allocation Manual

CAM	Cost Allocation Manual
Capital Corp.	E.ON U.S. Capital Corp.
EMS	Energy Management System
E.ON	E.ON AG
E.ON U.S.	E.ON U.S. LLC
E.ON U.S. Foundation	E.ON U.S. Foundation Inc.
FERC	Federal Energy Regulatory Commission
HR	Human Resources
IT	Information Technology
KU	Kentucky Utilities Company
LEM	LG&E Energy Marketing Inc.
LG&E	Louisville Gas and Electric Company
PUHCA 2005	Public Utility Holding Company Act of 2005
SA	Service Agreement
SEC	Securities Exchange Commission
SERVCO	E.ON U.S. Services Inc.
WKE	Western Kentucky Energy Corp. and its Affiliates

E.ON U.S. Services Inc.
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Table of Contents

I. INTRODUCTION

PUHCA 2005 states that centralized service companies must maintain and make available to the FERC their books, accounts and other records in the specific manner and preserve them for the required periods as the FERC prescribes in 18 Code of Federal Regulations Part 368 of the FERC Uniform System of Accounts. These records must be in sufficient detail to permit examination, audit, and verification, as necessary and appropriate for the protection of utility customers with respect to jurisdictional rates. The purpose of this CAM is to document the methods, policies and procedures that SERVCO will follow in performing certain services for affiliate companies. In developing this CAM the overriding goal was to protect investors and consumers by ensuring the methods, policies and procedures contained in this CAM were PUHCA 2005 compliant so that SERVCO costs are fully segregated, and fairly and equitably allocated among the affiliate companies. SERVCO was authorized to conduct business as a service company for E.ON U.S. (formerly LG&E Energy LLC) and its various subsidiaries and affiliates by order of the SEC on December 6, 2000, and commenced operations January 1, 2001.

Periodic changes to the CAM may be necessary due to future management decisions, interpretations by state or federal regulatory bodies, changes in structure or activities of affiliates, or other internal procedures.

II. DESCRIPTION OF SERVICES

Service descriptions are organized by SERVCO responsibility areas, or provider departments and include the costs associated with providing that service.

Operations Organization

Retail Business Services

Customer Services – providing call center and customer communication services for both electric and gas customers.

Sales and Marketing Services – providing programs for establishing strategies, oversight for marketing, sales and branding of utility and related services, and conducting marketing and sales programs for economic development, and demand side management.

Economic Development and Major Accounts Services – maintains community development, partnerships with state, regional, and local economic development allies, and customized products and services.

Meter Reading Services – providing meter reading and meter data services.

Meter Operations Services – conducts the testing of meters, completion of all customer requested service/field credit orders and the installation of commercial/industrial meters.

Meter Asset Management Services – maintains inventory, quality and environmental issues, policy and standards, technical support, and logistics.

Cash Remittance Services – provides remittance processing, customer payments, and collection services.

Billing Integrity Services – administering and providing customer billings and credit reviews.

Energy Services

Project Engineering Services – coordinating and managing all major generation construction.

System Laboratory Services – providing system laboratory services to the generating stations.

Generation Engineering Services – providing engineering management for new and existing generation assets.

Combustion Turbines Operations and Maintenance Services

Fuel Procurement Services – procuring coal, natural gas, oil and other bulk materials for generation facilities and ensuring compliance with price and quality provisions of fuel contracts.

Transmission Strategy and Planning Services

Transmission Protection and Substation Services

Transmission Line Services

Transmission Reliability and Compliance Services

Transmission System Operations Services – providing transmission system control center services.

Transmission EMS Services

Energy Marketing Services

Energy Marketing Services - providing market services to take advantage of the highest excess generation prices in the open market.

Market Forecasting Services – providing management services for financial forecasts of the utility market.

Load Forecasting Services – providing short- and long-term load forecasting services.

Generation Planning Services – providing short- and long-term generation planning services.

Distribution Operations Services

Network Trouble and Dispatch Services – providing dispatch services, reporting outage situations and coordinating restoration.

Mapping and Records Management Services – providing and maintaining the mapping of the electric infrastructure.

Electric Engineering Services – providing development engineering and construction standards, distribution system planning and analysis, substation construction project management and telecommunications systems design and analyses.

Distribution Asset Management Services – leads management and investment decisions regarding distribution assets, including resource allocation, development of uniform standards and procedures, determining performance targets and managing assets information and data.

Substation Construction and Maintenance Services – providing engineering and design services for substation construction, maintenance and operations areas.

Finance Organization

Finance and Corporate Development Services

Budgeting Services - providing services related to managing, coordinating and reporting for the budgeting process.

Financial Planning Services – providing services related to financial planning and forecasting services, investment analysis and investment planning reports.

Financial Systems – providing business support and electronic data processing services for all financial systems including Oracle Applications, PowerPlant and PowerTax.

Corporate Controller Organization Services

Internal Financial and Management Reporting Services – providing internal financial reports including standard and ad hoc management reporting.

External Financial Reporting Services – providing financial reports required or used by various external constituencies such as the FERC, the Kentucky Public Service Commission, the Virginia State Corporation Commission, U.S. Department of Energy (DOE), Internal Revenue Service, Nationally Recognized Municipal Securities Information Repository and financial institutions.

Accounting and Reporting Services – providing to management U.S. Generally Accepted Accounting Principles (GAAP), FERC, and International Financial Reporting Standards (IFRS) accounting research and interpretation and promulgation of accounting and internal control procedures. Perform U.S. GAAP and IFRS general ledger account and project analyses, reconciliations, and consolidation.

Sundry Billing Services – processing miscellaneous and non-standard billings and maintaining and monitoring associated accounts receivable.

Property Accounting Services – maintaining, analyzing and reporting related to continuing property records.

Energy Marketing Accounting Services – performing month-end validation of all power transactions and resolving any discrepancies; preparing invoices and wires; validating bills from other counterparties; preparing accounting, allocation and analysis of off system sales, off system purchases, and intercompany sales and purchases; and preparing various FERC, Fuel Adjustment Clause, Southwest Power Pool, and DOE reports.

Revenue Accounting Services – managing and analyzing internal and external revenue reporting.

Corporate Tax and Payroll Organization Services

Payroll Services – providing payroll services including the managing of payroll systems.

Tax Accounting, Compliance and Reporting Services – preparation of consolidated and subsidiary federal, state and local income tax returns; current and deferred tax accounting; utility gross receipts; sales/use tax; E.ON U.S. Foundation returns and supporting roles for business development, special requests and tax legislation.

Tax Planning Services – providing detailed forecasting of foreign, federal and state taxes, as well as, capital based and property tax planning.

Tax – Special Projects Services – providing business or project development, asset dispositions, tax credit studies, review/analysis of proposed tax legislation, etc.

Audit Services – providing independent and objective assurance along with consulting services and internal controls system review.

Information Technology Services

Information Technology - Corporate Functions Services – services associated with corporate functions, not specific companies or work groups, and include groups such as IT Security, IT Finance and Administration, IT Training, and IT Strategy and Planning. This is where corporate standards, security policies and procedures and programs are developed and administered for the corporation.

Information Technology - Administrative Services – services associated with non-project management and administrative support. Total administrative services are proportionally recovered based on the level of charges assigned from the other products and services.

Information Technology - Enhancements – provides discretionary, project-based work done in IT. These projects create new client value or add business value to existing products/services.

Information Technology - Application Services – services associated with each of the existing applications that IT provides to the business, for example Oracle Applications, PeopleSoft, etc. These services incur costs related to application license fees and application support costs.

Information Technology - Client Services – services associated with existing end user tools and related productivity software that the users can identify and interact with, such as a personal computer, telephone, email and file and print services.

Information Technology - Platform Services – services associated with shared computing platforms, databases, network and IT Service Desk.

Corporate Finance and Treasury Services

Cash Management and Investment Services – providing management and monitoring of cash flows including review and acquisition of business entity cash requirements and procurement of short-term financing and credit lines.

Corporate Finance Services – providing overall finance options including evaluation of new financing vehicles and instruments, analysis of existing financing positions and raising long-term funds for all entities.

Risk Management Services – managing outside providers of risk services comprised of providing insurance and assisting affiliated entities in managing property and liability risks including claims, security, environmental, safety and consulting services.

Credit Administration Services – providing management of credit risk for wholesale energy sales and major vendors.

Energy Marketing Trading Controls Services – performing daily, weekly, monthly and ad hoc reporting on the trading portfolios related to total exposure, trading limits, and mark-to-market calculations. Other activities include performing an independent valuation and validation of significant transactions, and valuation algorithms, ensuring trading system security and performing trading system enhancements.

Energy Marketing Contract Administration Services – negotiating contracts with counterparties, administrating contracts, and maintaining contracts within the trading systems. Additional activities include assisting various departments with contract disputes and preparing and validating confirmations.

Supply Chain and Logistics Services

Procurement and Major Contracts Services – providing for and administering major contract negotiations, requests for quotes, supplier relations and order placement services.

Strategic Sourcing Services – providing strategic sourcing services such as maintaining and analyzing the supplier base and performing supplier selection activities including contract negotiations and ongoing compliance.

Materials Logistics Services – providing order management, materials handling and logistics, and inventory management services.

Sourcing Support Services – providing order management and general field support services for system policy and maintenance management, developing and monitoring of key performance metrics, and supplying day to day variance and reconciliation reporting services.

Accounts Payable Services – processing payments for purchase orders, check requests, employees' expense reimbursements, etc., and providing ad-hoc research and analysis services.

General Counsel / Secretary Organization

Compliance, Legal, and Environmental Affairs Services

Compliance and Legal Services – providing various legal and compliance services for all affiliated entities including in-house counsel and staff assistance in the areas of, among others, corporate and securities law, employment law, energy, public utility and regulatory law, contract law, litigation, environmental law and intellectual property law, evaluating legal claims and managing legal fees for outside counsel, as well as, compliance assessment and risk management, code of conduct, anti-fraud, ethics and helpline management, etc.

Environmental Affairs Services – providing management services related to performing analyses, monitoring and advocacy of regulatory and legislative environmental matters including securing of permits and approvals, providing environmental technical expertise, and representing the company in industry groups and before regulatory agencies dealing with environmental issues.

Regulatory Affairs and Government Affairs Management Services

Regulatory Affairs Services – providing management services for compliance with all laws, regulations and other policy requirements, including regulatory filings, expert testimony, tariff administration and compliance, pricing support, and development and monitoring of positions regarding ongoing regulatory matters.

Government Affairs Management Services – maintaining relationships with government policy makers and conducting lobbying activities.

Corporate Communications and Public Affairs Management Services

Internal Communications Services

External and Brand Communications Services – providing all administrative and management support for external communication services, brand image management and corporate events.

Public Affairs Management Services – providing community relations functions, communicating public information to local organizations and providing oversight and communications to employees.

Administration Organization

Operating Services

Facilities and Building Services – providing building and grounds maintenance including coordination of office furniture and equipment purchases/leases, space utilization and layout, and building code and fire protection services.

Security Services – providing security personnel, security and monitoring devices for all affiliated entities.

Production Mail Services – providing production mail services for customer bills and other large customer mailings.

Document Services – providing document printing, reproduction services including mail delivery, scanning, off-site storage and document service desk support.

Right-of-Way Services – obtaining and retaining easements or fee simple property for placement and operation of company and affiliate equipment as well as managing real estate assets and maintaining real estate records.

Transportation Services

Transportation Services – providing and operating transportation fleet for all affiliated companies including developing fleet policy, administering regulatory compliance programs, managing repair and maintenance of vehicles and procuring vehicles.

Human Resource Services

Human Resources – Compensation Services – providing services relating to the establishment and oversight of compensation policies for executives and employees.

Human Resources – Benefits Services – providing services relating to the establishment and oversight of benefits policies for employees, including administrative billings to vendors and retiree and survivor services, and maintenance of all personnel records.

Human Resources – Health and Safety Services – providing services relating to the establishment and oversight of health and safety policies for employees.

Human Resources – Organization Development and Training Services – providing training services to improve organizational effectiveness with an emphasis on employee and leadership development, leadership succession planning, and the change management process.

Human Resources – Corporate Headquarters Services – providing services relating to operational and strategic human resources management for corporate staff.

Human Resources – Energy Services – providing services relating to operational and strategic human resources management for Energy Services employees.

Human Resources – Energy Delivery Services – providing services relating to operational and strategic human resources management for Energy Delivery employees.

Technical and Safety Training Services – providing training services on technical and safety matters primarily for the Energy Delivery and Energy Services businesses.

Industrial Relations Management Services – providing communication and oversight for union matters, negotiation of union contracts, and union dispute resolution services.

Executive Management Services – providing executive leadership to the corporation which is comprised of the compensation and benefits of the corporate officers and executive assistants.

III. CORPORATE ORGANIZATION

OVERVIEW

E.ON U.S. and its utility subsidiaries are engaged principally in the generation, transmission, distribution and sale of electricity. LG&E is also engaged in the storage, distribution, and sale of natural gas. E.ON U.S. and its subsidiaries are subject to the regulatory provisions of PUHCA 2005. LG&E and KU are subject to regulation by the FERC and state utility commissions in Kentucky. KU is also subject to regulation by state utility commissions in Virginia and Tennessee.

E.ON U.S. has four direct subsidiaries: LG&E, KU, LEM, and Capital Corp., which includes WKE, E.ON U.S. Natural Gas Trading, Inc. and the Argentine Gas Distribution businesses. E.ON U.S. has an affiliate relationship with E.ON U.S. Foundation due to overseeing all operations of the foundation.

UTILITY OPERATIONS

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 is a wholly-owned subsidiary of E.ON U.S. At December 31, 2007, LG&E supplied natural gas to approximately 326,000 customers and electricity to approximately 401,000 customers in Louisville and adjacent areas in Kentucky. LG&E's service area covers approximately 700 square miles in 17 counties in Kentucky.

KU, incorporated in Kentucky in 1912 and in Virginia in 1991, is a regulated public utility engaged in the generation, transmission, distribution and sale of electric energy in Kentucky, Virginia and Tennessee. KU is a wholly-owned subsidiary of E.ON U.S. At December 31, 2007, KU provided electricity to approximately 506,000 customers in 77 counties in central, southeastern and western Kentucky, to approximately 30,000 customers in 5 counties in southwestern Virginia and 5 customers in Tennessee.

SERVICE COMPANY

SERVCO, a Kentucky corporation is a centralized service company registered under the PUHCA 2005 and is authorized to conduct business as a service company for E.ON U.S. and its various subsidiaries and affiliates by order of the SEC dated December 6, 2000, and commencing operation January 1, 2001. SERVCO is the service company for affiliated entities, including E.ON U.S., LG&E, KU, Capital Corp, and LEM and provides a variety of administrative, management, engineering, construction, environmental and support services. SERVCO provides its services at cost, as permitted under PUHCA 2005.

Development of the SERVCO organization was predicated on the fact that if the employee performed activities benefiting more than one affiliate, that employee would become a part of the SERVCO organization. In many respects, employees residing in typical finance, administrative and general, management and other support departments are fully subject to SERVCO organizational placement.

Many operational employees dedicated to providing a service to just one affiliate, by definition, are not subject to SERVCO placement. However management and support staff overseeing the business activities of more than one of these operational groups are subject to SERVCO placement.

OTHER BUSINESS OPERATIONS

E.ON U.S. Foundation, a charitable foundation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, makes charitable contributions to qualified entities.

SERVCO also transacts business with E.ON AG and its affiliates on behalf of E.ON U.S.

LEM engages in asset based energy marketing which primarily involves the marketing of power generated by non-utility physical assets controlled by E.ON U.S. and its affiliates.

Capital Corp. is the primary holding company for the E.ON U.S.'s non-utility businesses. Its businesses include:

WKE and affiliates. WKE has a 25-year lease of and operates the generating facilities of Big Rivers Electric Corporation, a power generation cooperative in western Kentucky, and a coal-fired facility owned by the City of Henderson. E.ON U.S. plans to discontinue the operations of WKE.

Argentine Gas Distribution. Through its Argentine Gas Distribution operations, Capital Corp. owns interests in entities which distribute natural gas to approximately one million customers in Argentina through two distribution companies (Distribuidora de Gas Del Centro S.A. and Distribuidora de Gas Cuyana S.A.).

Natural Gas Trading: E.ON U.S. Natural Gas Trading Inc. engages in non-utility financial and physical trading of natural gas.

IV. TRANSACTIONS WITH AFFILIATES

OVERVIEW

E.ON U.S. formed SERVCO, as a service company to provide goods and services for affiliated companies within the E.ON U.S. system. SERVCO and affiliated companies (or their parent entities) may enter into SAs, which may establish the general terms and conditions for providing those services, including those mentioned in Section II of the CAM.

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At formation certain LG&E, KU and E.ON U.S. employees became employees of SERVCO and such employees continued to provide goods and services to the regulated and non-regulated entities. SERVCO provides a variety of administrative, management, engineering, construction, environmental and support services. SERVCO also coordinates the intercompany billings with E.ON and their affiliates which mainly include transactions for expatriate services.

Regulated affiliates receive services at cost, pursuant to the service agreements. Non-regulated affiliates generally receive services at cost; however, certain services may permit pricing at fair-market value. The provisions included in contracts or service agreements govern transactions between SERVCO and the regulated and non-regulated affiliates.

Definitions of Cost

Tariff Rate – The price charged to customers under applicable tariffs on file with federal or state regulatory commissions.
Fair Market Value – The price held out by a providing entity to the general public in the normal course of business (i.e. the price at which a reasonable buyer and a reasonable seller are willing to transact in the normal course of business).
Cost – The charge used for transactions with affiliates for which no tariff rate or fair market value is applicable. SERVCO follows the definition of cost defined in PUHCA 2005.

This section separately details the nature and frequency for services provided by SERVCO to affiliated companies, as described below:

Ongoing – Provided on a prearranged, continuous basis (i.e., daily)
Frequent – Provided as requested on a regular basis (i.e., several times per month)
Infrequent – Provided as requested on an irregular basis (i.e., several times per year)

All charges by SERVCO to affiliated entities follow the principle of fully distributed cost. Primary affiliates receiving the service are designated below as:

R – Regulated (LG&E and KU)
NR – Non-regulated (Capital Corp., LEM and E.ON U.S. Foundation)
C – Corporate (E.ON and its subsidiaries and affiliates, E.ON U.S. and Capital Corp.)
A – All

TRANSACTIONS PROVIDED BY SERVCO TO AFFILIATES

Product or Service	Frequency	Primary Affiliate
Customer Services	Ongoing	R
Sales and Marketing Services	Frequent	R, NR
Economic Development and Major Accounts Services	Frequent	R
Meter Reading Services	Ongoing	R
Meter Operations Services	Ongoing	R
Meter Asset Management Services	Ongoing	R
Cash Remittance Services	Ongoing	R
Billing Integrity Services	Ongoing	R
Transportation Services	Ongoing	A
Project Engineering Services	Infrequent	R
System Laboratory Services	Ongoing	R
Generation Engineering Services	Ongoing	R
Combustion Turbine Operations and Maintenance Services	Ongoing	R
Fuel Procurement Services	Ongoing	R
Transmission Strategy and Planning Services	Ongoing	R
Transmission Protection and Substation Services	Ongoing	R
Transmission Line Services	Ongoing	R
Transmission Reliability and Compliance Services	Ongoing	R
Transmission System Operations Services	Ongoing	R
Transmission EMS Services	Ongoing	R
Energy Marketing Services	Ongoing	R
Market Forecasting Services	Frequent	R
Load Forecasting Services	Frequent	R
Generation Planning Services	Ongoing	R
Network Trouble and Dispatch Services	Ongoing	R
Mapping and Records Management Services	Ongoing	R
Electric Engineering Services	Ongoing	R
Distribution Asset Management Services	Ongoing	R
Substation Construction and Maintenance Services	Frequent	R
Distribution Management Services	Ongoing	R
Budgeting Services	Frequent	A
Financial Planning Services	Frequent	A
Financial Systems	Ongoing	A
Internal Financial and Management Reporting Services	Frequent	A
External Financial Reporting Services	Frequent	A
Accounting and Reporting Services	Ongoing	C

Sundry Billings Services	Ongoing	A
Property Accounting Services	Ongoing	R
Energy Marketing Accounting Services	Ongoing	A
Revenue Accounting Services	Ongoing	R
Payroll Services	Ongoing	A
Tax Accounting, Compliance and Reporting Services	Ongoing	A
Tax Planning Services	Infrequent	A
Tax – Special Projects Services	Infrequent	A
Audit Services	Ongoing	A
IT Corporate Functions Services	Ongoing	A
IT Administrative Services	Ongoing	A
IT Project Services	Frequent	A
IT Application Services	Ongoing	A
IT Client Services	Ongoing	A
IT Platform Services	Ongoing	A
Cash Management and Investment Services	Ongoing	A
Corporate Finance Services	Ongoing	A
Risk Management Services	Ongoing	A
Credit Administration Services	Ongoing	A
Energy Marketing Trading Controls Services	Ongoing	A
Energy Marketing Contract Administration Services	Ongoing	A
Compliance and Legal Services	Ongoing	A
Environmental Affairs Services	Frequent	R
Regulatory Affairs Services	Ongoing	R
Government Affairs Management Services	Frequent	C
Internal Communications Services	Frequent	C
External and Brand Communications	Frequent	C
Public Affairs Management Services	Frequent	C
Facilities and Building Services	Ongoing	A
Security Services	Ongoing	A
Production Mail Services	Ongoing	R
Document Services	Ongoing	A
Right of Way Services	Ongoing	A
Transportation Services	Ongoing	A
Procurement and Major Contracts Services	Ongoing	A
Strategic Sourcing Services	Ongoing	A
Materials Logistics Services	Ongoing	R
Sourcing Support Services	Ongoing	R
Accounts Payable Services	Ongoing	A
HR Compensation Services	Frequent	A

HR Benefits Services	Frequent	A
HR Health and Safety Services	Frequent	A
HR Organizational Development and Training Services	Frequent	A
HR Corporate Headquarters Services	Frequent	A
HR Energy Services	Frequent	R
HR Energy Delivery Services	Frequent	R
Technical and Safety Training Services	Frequent	R
Industrial Relations Management Services	Frequent	R
Executive Management Services	Ongoing	A

V. COST APPORTIONMENT METHODOLOGY

OVERVIEW

The costs of services provided by SERVCO will be directly assigned, distributed or allocated by activity, project, program, work order or other appropriate basis. The primary basis for charges to affiliates is the direct charge method (see section VI for time reporting procedures). The methodologies listed below pertain to all other costs which are not directly assigned but which make up the fully distributed cost of providing the product or service.

Directly Assignable – Expenses incurred for activities and services exclusively for the benefit of one affiliate. In many respects, these types of expenses relate to non-SERVCO employees that perform dedicated services to one affiliate, although SERVCO employees also directly report where feasible.

Directly Attributable – Expenses incurred for activities and services that benefit more than one affiliate and which can be apportioned using direct measures of costs causation.

Indirectly Attributable – Expenses incurred for activities and services that benefit more than one affiliate and which can be apportioned using general measures of cost causation.

Unattributable – Expenses or portions thereof incurred for activities and services that have been determined as not appropriate for apportionment. The unattributable portions of these costs relate primarily to activities such as corporate diversification, political or philanthropic endeavors and, as such, may be charged, in whole or in part, to Capital Corp.

SERVCO will allocate the costs of service among the affiliated companies using one of several methods that most accurately distributes the costs. The method of cost allocation varies based on the department rendering the service. Any of the methods may be adjusted for any known and reasonably quantifiable events, or at such time as may be required due to significant changes in the business, but are generally determined annually. The allocation methods used by SERVCO are as follows:

Contract Ratio – Based on the sum of the physical amount (i.e. tons of coal, cubic feet of natural gas) of the contract for both coal and natural gas for the immediately preceding twelve consecutive calendar months, the numerator of which is for an operating company or an affected affiliate company and the denominator of which is for all operating companies and affected affiliate companies.

Departmental Charge Ratio – A specific SERVCO department ratio based upon various factors such as labor hours, labor dollars, departmental or entity headcount, etc. The departmental charge ratio typically applies to indirectly attributable costs such as departmental administrative, support, and/or material and supply costs that benefit more than one affiliate and that require allocation using general measures of cost causation. Methods for assignment are department-specific depending on the type of product or service being performed and are documented and monitored by the Budget Coordinators for each department.

Electric Peak Load Ratio – Based on the sum of the monthly electric maximum system demands for the immediately preceding twelve consecutive calendar months, the numerator of which is for an operating company and the denominator of which is for all operating companies.

Energy Marketing Ratio – Based on the absolute value of equivalent megawatt hours purchased or sold for the immediate preceding twelve consecutive calendar months, the numerator of which is for an operating company or an affiliate and the denominator of which is for all operating companies and affected affiliate companies.

Information Systems Chargeback Rates – Rates for services, including but not limited to software, consulting, mainframe and personal computer services, are based on the costs of labor, materials and information services overheads related to the provision of each service. Such rates are applied based on the specific equipment employed and the measured usage of services by client entities.

Non-Fuel Material and Services Expenditures – A ratio based on non-fuel material and services expenditures, net of reimbursements, for the immediately preceding twelve consecutive calendar months. The numerator is equal to such expenditures for a specific entity and/or line-of-business as appropriate and the denominator is equal to such expenditures for all applicable entities.

Number of Customers Ratio – A ratio based on the number of retail electric and/or gas customers. This ratio will be determined based on the actual number of customers at the end of the previous calendar year. In some cases, the ratio may be calculated based on the type of customer class being served (i.e. Residential, Commercial or Industrial).

Number of Employees Ratio – A ratio based on the number of employees benefiting from the performance of a service. This ratio will be determined based on actual counts of applicable employees at the end of the previous calendar year. A two-step assignment methodology is utilized to properly allocate SERVCO employee costs to the proper legal entity.

Number of Meters Ratio – Ratio based on the number or types of meters being utilized by all levels of customer classes within the system for the immediately preceding twelve consecutive calendar months. The numerator is equal to the number of meters for each utility and the denominator is equal to the total meters for KU and LG&E.

Number of Transactions Ratio – Based on the sum of transactions occurring in the immediately preceding twelve consecutive calendar months, the numerator of which is for an operating company or an affected affiliate company and the denominator of which is for all operating companies and affected affiliate companies. For example, services with regard to Procurement and Major Contracts would define a transaction as the number of contracts negotiated. Services pertaining to Materials Logistics would define the transaction as the number of items ordered, picked and disbursed out of the warehouse. Services pertaining to Accounts Payable would define the transaction as the number of invoices processed. The Regulatory Accounting and Reporting Department is responsible for maintaining and monitoring specific product/service methodology documentation for actual transactions related to SERVCO billings.

Payroll Ratio – Based on the sum of the payroll costs for the immediately preceding twelve consecutive calendar months, the numerator of which is for an operating company or an affected affiliate company and the denominator of which is for all operating companies and affected affiliate companies.

Project Ratio – Based on the total costs for any departmental or affiliate project for the immediately preceding twelve consecutive calendar months, the numerator of which is for an operating company or an affected affiliate company and the denominator of which is for all operating companies and affected affiliate companies.

Regulatory Mandate Ratios – Based on federal or state mandated percentage allocations based on regulatory proceedings and requirements. These ratios are typically developed in concert with regulatory authorities representing the results of merger or joint asset ownership negotiations and are supported by specific contracts regarding legal entity allocation requirements. Contract terms are maintained by the Regulatory Accounting and Reporting Department.

Retail Revenue Ratio – Based on utility revenues, excluding energy marketing revenues, for the immediate preceding twelve consecutive calendar months, the numerator of which is for an operating company or an affiliate and the denominator of which is for all operating companies and affected affiliate companies.

Revenue Ratio – Based on the sum of the revenue for the immediately preceding twelve consecutive calendar months, the numerator of which is for an operating company or an affected affiliate company and the denominator of which is for all operating companies and affected affiliate companies.

Total Assets Ratio – Based on the total assets at year end for the preceding year, the numerator of which is for an operating company or affected affiliate company and the denominator of which is for all operating companies and affected affiliate companies. In the event of joint ownership of a specific asset, asset ownership percentages will be utilized to assign costs.

Transportation Resource Management System Chargeback Rate – Rates for use of transportation equipment are based on the costs associated with providing and operating transportation fleet for all affiliated companies including developing fleet policy, administering regulatory compliance programs, managing repair and maintenance of vehicles and procuring vehicles. Such rates are applied based on the specific equipment employment and the measured usage of services by the various company entities.

The following product and service listing details the type of assignments being employed.

Product or Service	**Assignment Method**
Customer Services	Number of Customers Ratio
Sales and Marketing Services	Departmental Charge Ratio
Economic Development and Major Account Services	Departmental Charge Ratio
Meter Reading Services	Departmental Charge Ratio
Meter Operations Services	Number of Meters Ratio
Meter Asset Management Services	Number of Meters Ratio
Cash Remittance Services	Revenue Ratio
Billing Integrity Services	Number of Customers Ratio
Project Engineering Services	Total Assets Ratio
System Laboratory Services	Departmental Charge Ratio
Generation Engineering Services	Departmental Charge Ratio
Combustion Turbine Operations and Maintenance Services	Total Assets Ratio
Fuel Procurement Services	Contract Ratio
Transmission Strategy and Planning Services	Departmental Charge Ratio
Transmission Protection and Substation Services	Departmental Charge Ratio
Transmission Line Services	Departmental Charge Ratio
Transmission Reliability and Compliance Services	Departmental Charge Ratio
Transmission System Operations Services	Departmental Charge Ratio
Transmission EMS Services	Regulatory Mandate Ratios
Regulatory Energy Marketing Services	Regulatory Mandate Ratios
Market Forecasting Services	Departmental Charge Ratio
Load Forecasting Services	Departmental Charge Ratio
Generation Planning Services	Electric Peak Load Ratio
Network Trouble and Dispatch Services	Departmental Charge Ratio
Mapping and Records Management Services	Departmental Charge Ratio

Product or Service	Assignment Method
Electric Engineering Services	Departmental Charge Ratio
Distribution Asset Management Services	Total Assets Ratio
Substation Construction and Maintenance Services	Departmental Charge Ratio
Distribution Management Services	Departmental Charge Ratio
Budgeting Services	Revenue, Total Assets and Payroll Ratios
Financial Planning Services	Revenue, Total Assets and Payroll Ratios
Financial Systems	Number of Employees Ratio
Internal Financial and Management Reporting Services	Revenue, Total Assets and Payroll Ratios
External Financial Reporting Services	Revenue, Total Assets and Payroll Ratios
Accounting and Reporting Services	Revenue, Total Assets and Payroll Ratios
Accounts and Projects Services	Revenue, Total Assets and Payroll Ratios
Sundry Billings Services	Revenue, Total Assets and Payroll Ratios
Property Accounting Services	Departmental Charge Ratio
Accounts Payable Services	Number of Transactions Ratio
Energy Marketing Accounting Services	Energy Marketing Ratio
Revenue Accounting Services	Retail Revenue Ratio
Payroll Services	Payroll Ratio
Tax Accounting, Compliance and Reporting Services	Departmental Charge Ratio
Tax Planning Services	Departmental Charge Ratio
Tax – Special Projects Services	Direct Charges Only
Audit Services	Project Ratio
IT Corporate Functions Services	Information Systems Chargeback Rates
IT Administrative Services	Information Systems Chargeback Rates
IT Project Services	Information Systems Chargeback Rates
IT Application Services	Information Systems Chargeback Rates
IT Client Services	Information Systems Chargeback Rates
IT Platform Services	Information Systems Chargeback Rates
Cash Management and Investment Services	Revenue, Total Assets and Payroll Ratios
Corporate Finance Services	Revenue, Total Assets and Payroll Ratios
Risk Management Services	OUTSOURCED – Direct Charges Only
Credit Administration Services	Energy Marketing Ratio
Energy Marketing Trading Controls Services	Energy Marketing Ratio
Energy Marketing Contract Administration Services	Energy Marketing Ratio
Strategic Planning Services	Direct Charges Only
Compliance and Legal Services	Departmental Charge Ratio
Environmental Affairs Services	Departmental Charge Ratio
Regulatory Affairs Services	Revenue Ratio
Government Affairs Management Services	Departmental Charge Ratio

Product or Service	Assignment Method
Internal Communication Services	Departmental Charge Ratio
External and Brand Communication Services	Departmental Charge Ratio
Public Affairs Management Services	Departmental Charge Ratio
Facilities and Building Services	Departmental Charge Ratio
Security Services	Departmental Charge Ratio
Production Mail Services	Number of Customers Ratio
Document Services	Number of Employees Ratio
Right-of-Way Services	Departmental Charge Ratio
Transportation Services	Transportation Resource Management System Chargeback Rates
Procurement and Major Contracts Services	Non-Fuel Material and Services Expenditures Ratio
Strategic Sourcing Services	Non-Fuel Material and Services Expenditures Ratio
Materials Logistics Services	Number of Transactions Ratio
Sourcing Support Services	Non-Fuel Material and Services Expenditures Ratio
Accounts Payable Services	Number of Transactions Ratio
HR Compensation Services	Number of Employees Ratio
HR Benefits Services	Number of Employees Ratio
HR Health and Safety Services	Number of Employees Ratio
HR Organization Development and Training Services	Number of Employees Ratio
HR Corporate Headquarters Services	Number of Employees Ratio
HR Energy Services	Number of Employees Ratio
HR Energy Delivery Services	Number of Employees Ratio
Technical and Safety Training Services	Number of Employees Ratio
Industrial Relations Management Services	Departmental Charge Ratio
Executive Management Services	Departmental Charge Ratio

VI. TIME DISTRIBUTION, BILLING AND ASSET TRANSFER POLICIES

OVERVIEW

SERVCO utilizes ORACLE or other financial systems in which project/task combinations are set up to equate to products and services. In some cases, departments have set up many project/tasks that map to products and services. In many cases, there is a one to one relationship between the project/task and the product. The ORACLE system also automatically captures the home company (providing the service) and the charge company (receiving the service). Regardless of the method of reporting, charges related to specific products reside on the company receiving the service and therefore can be identified for billing purposes as well as for preparation of SERVCO financial statements. This ensures that:

1. Separation of costs between regulated and non-regulated affiliates will be maintained
2. Intercompany transactions and related billings are structured so that non-regulated activities are not subsidized by regulated affiliates
3. Adequate audit trails exist on the books and records

BILLING POLICIES

Billings for transactions between SERVCO and affiliates are issued on a timely basis with documentation sufficient to provide the receiving party with enough detail to understand the nature of the billing, the relevant components, and other information as required by affiliates. Financial settlements for transactions are made within 30 days. Interest charges at a reasonable rate may apply.

ASSET TRANSFERS

Unless otherwise permitted by regulatory authority or exception, (i) transfers or sales of assets from regulated affiliates to non-regulated affiliates will be priced at the greater of cost or fair market value; (ii) transfers or sales of assets from non-regulated affiliates to regulated affiliates will be priced at the lower of cost or fair market value and (iii) transfers of assets between regulated affiliates shall be priced at no more than cost less depreciation. Settlement of liabilities will be treated in the same manner.

TIME DISTRIBUTION

SERVCO has three methods of distribution to record employee salaries and wages while providing services for the affiliated entities: Positive time reporting, allocation time reporting and exception time reporting. Each department's job activities will dictate the type of time reporting method used.

Positive Time Reporting

Positive time reporting or direct time reporting requires all employees of a department to track all chargeable hours every day. Time may be charged to the nearest quarter hour.

Departments that have positive time reporting have labor-based activities that are easily trackable given the project/task code combinations noted above. All employees are given appropriate project numbers that are associated with the service that is being provided. The proper coding for direct assignment of costs is on various source documents, including the Virtual Online Time System (VOLTS) and disbursement requests. Each department or project manager is responsible for ensuring employees charge the appropriate charge codes for the services performed. This form of time reporting is documented in the VOLTS, which upon completion, is approved by the employees' immediate supervisor.

Allocation Time Reporting

Allocation time reporting allows for certain departments to set up a predefined allocation percentage to affiliated company project/tasks. This is typically the case when the department is transaction-based, therefore, performing routine, similar tasks benefiting multiple affiliates. Each department will use its ratio (see ratio assignment listing in section V) that was assigned by its budget coordinator to allocate the appropriate time to individual charge numbers that are associated to that department's services. Unless otherwise permitted by regulatory authority or exception, the selection of ratios and the calculation of allocation percentages should be derived from or bear relationship to an empirical analysis of a prior representative period. These allocation percentages are reviewed on an annual basis to update to actual allocation percentages when needed.

Exception Time Reporting

If an employee was working on a completely new project that had not been defined within the monthly or annual allocation process, then the employee would be given the new allocation with project/task code, update his/her time allocation accordingly and get his/her manager's approval. If an allocation from a previous pay period needs to be adjusted then that correction can be entered into the VOLTS by using the "in and out" function.

Louisville Gas and Electric Company
Case No. 2009-00549
Historical Test Period Filing Requirements

Filing Requirement
807 KAR 5:001 Section 10(6)(u)
Sponsoring Witness: W. Steven Seelye

Description of Filing Requirement:

If the utility provides gas, electric or water utility service and has annual gross revenues greater than $5,000,000, a cost of service study based on a methodology generally accepted within the industry and based on current and reliable data from a single time period.

Response:

Please refer to the testimony and exhibits of W. Steven Seelye.

Louisville Gas and Electric Company
Case No. 2009-00549
Historical Test Period Filing Requirements

Filing Requirement
807 KAR 5:001 Section 10(6)(v)
Sponsoring Witness: Lonnie E. Bellar

Description of Filing Requirement:

Local exchange carriers with fewer than 50,000 access lines shall not be required to file cost of service studies, except as specifically directed by the commission. Local exchange carriers with more than 50,000 access lines shall file:

1. *A jurisdictional separations study consistent with Part 36 of the Federal Communications Commission's rules and regulations; and*

2. *Service specific cost studies to support the pricing of all services that generate annual revenue greater than $1,000,000, except local exchange access:*

    a. *Based on current and reliable data from a single time period; and*

    b. *Using generally recognized fully allocated, embedded, or incremental cost principles.*

Response:

Not applicable to LG&E's Application.

Louisville Gas and Electric Company
Case No. 2009-00549
Historical Test Period Filing Requirements

Filing Requirement
807 KAR 5:001 Section 10(7)(a)
Sponsoring Witness: Valerie L. Scott

Description of Filing Requirement:

Upon good cause shown, a utility may request pro forma adjustments for known and measurable changes to ensure fair, just and reasonable rates based on the historical test period. The following information shall be filed with applications requesting pro forma adjustments or a statement explaining why the required information does not exist and is not applicable to the utility's application:

(a) A detailed income statement and balance sheet reflecting the impact of all proposed adjustments;

Response:

See attached.

Louisville Gas and Electric Company
Electric Income Statement
12 Months Ending October 31, 2009

		Test Year Electric		Adjustments Inc (Dec)	Adjusted Electric
1	**OPERATING REVENUES**				
2	Total Sales to Ultimate Consumers	$ 766,218,084			
3	Sales for Resale	179,634,251			
4	Late Payment Charges	5,040,755			
5	Miscellaneous Service Revenues	963,922			
6	Rent from Electric/Gas Property	2,613,870			
7	Other Electric Revenue	4,020,871			
8	Total Operating Revenues	958,491,753	(1)	$ (44,025,712)	$ 914,466,041
9					
10	**OPERATING EXPENSES**				
11	Fuel	340,676,857	(2)	(27,086,657)	313,590,200
12	Power Purchased	77,619,641	(3)	-	77,619,641
13	Operation and Maintenance	224,330,280	(4)	42,274,734	266,605,014
14	Depreciation and Amortization	114,784,363	(5)	6,118,605	120,902,968
15	Taxes Other Than Income Taxes	18,568,593	(6)	907,708	19,476,301
16	Income Taxes	48,625,046	(7)	(23,149,557)	25,475,489
17	(Gains) from Disposition of Allowances	(66,274)			(66,274)
18	Total Utility Operating Expenses	824,538,506		(935,167)	823,603,339
19	Net Utility Operating Income	133,953,247	(8)	(43,090,545)	90,862,702
20					
21	Net Other Income and Deductions				
22					
23	Net Interest Charges				
24					
25	Net Income	133,953,247		(43,090,545)	90,862,702
26					
27	Preferred Dividends				
28					
29	Net Income Available for Common	$ 133,953,247		$ (43,090,545)	$ 90,862,702

Net other income and deductions are not assigned to jurisdictions.

Louisville Gas and Electric Company
Pro-Forma Income Statement
Adjustments (Electric)

Rives Exhibit 1, Reference Schedule	Description	Witness	(1) Total Operating Revenue	(2) Fuel	(3) Power Purchased	(4) Operation and Maintenance	(5) Depreciation and Amortization	(6) Taxes Other Than Income Taxes	(7) Income Taxes	(8) Net Utility Operating Income
1.00	Adjustment to eliminate unbilled revenues	Bellar	$ (2,871,000)							$ (2,871,000)
1.01	Adjustment to eliminate Merger Surcredit	Bellar	2,323,679							2,323,679
1.02	Adjustment to eliminate Value Delivery Surcredit	Bellar	(395)							(395)
1.03	To adjust mismatch in fuel cost recovery	Conroy	(32,833,346)	$ (27,086,657)						(5,746,689)
1.04	To adjust base rates and FAC to reflect a full year of the base rate change and FAC roll-in	Conroy	(3,104,008)							(3,104,008)
1.05	Adjustment to eliminate Environmental Surcharge revenues and expenses	Conroy	(8,394,624)			$ (3,062,298)	$ (569,377)	$ (76,272)		(4,686,677)
1.06	To adjust base rate revenues and expenses to reflect a full year of the ECR roll-in	Conroy	6,853,924			2,843,796	483,064	50,979		3,476,085
1.07	Off-system sales revenue adjustment for the ECR calculation	Conroy	(2,033,628)							(2,033,628)
1.08	To eliminate net brokered and financial swap sales revenues and expenses	Scott	(10,165,209)			(248,375)				(9,916,834)
1.09	To eliminate ECR, MSR, DSM, FAC, and GSC accruals	Charnas	3,333,166							3,333,166
1.10	To eliminate DSM revenue and expenses	Conroy	(12,207,246)			(7,314,564)				(4,892,682)
1.11	To reflect weather normalized electric sales margins	Seelye	5,151,223			1,899,644				3,251,579
1.12	Adjustment to annualize year-end customers	Seelye	11,451,462			7,956,625				3,494,837
1.13	To adjust for customer billing corrections and rate switching	Conroy	(875,110)							(875,110)
1.14	This adjustment left intentionally blank	Bellar								-
1.15	Adjustment to reflect annualized depreciation expenses	Bellar/Charnas					6,204,918			(6,204,918)
1.16	Adjustment to reflect increases in labor and labor related costs	Scott				1,709,783		117,340		(1,827,123)
1.17	Adjustment for pension, post retirement and post employment costs	Scott				314,825				(314,825)
1.18	Adjustment to reflect the increase in property insurance expense	Arbough				355,686				(355,686)
1.19	Adjustment to reflect new pollution liability insurance expense	Arbough				514,962				(514,962)
1.20	Adjustment for hazard tree program	Bellar				1,759,303				(1,759,303)
1.21	Adjustment to reflect normalized storm damage expense	Scott				(670,600)				670,600
1.22	Adjustment for injuries and damages FERC account 925	Charnas				313,993				(313,993)
1.23	Adjustment to eliminate advertising expenses pursuant to Commission Rule 807 KAR 5:016	Charnas				(404,623)				404,623
1.24	Adjustment for expenses related to retired mainframe	Charnas				(1,048,815)				1,048,815
1.25	Adjustment for MISO Exit regulatory asset	Scott				(157,119)				157,119
1.26	Adjustment for EKPC regulatory asset	Scott				904,386				(904,386)
1.27	Adjustment for 2008 Wind storm regulatory asset	Scott				27,630,386				(27,630,386)
1.28	Adjustment for 2009 Winter storm regulatory asset	Scott				8,734,140				(8,734,140)
1.29	Adjustment for KCCS regulatory asset	Bellar				343,330				(343,330)
1.30	Adjustment for CMRG regulatory asset	Bellar				(1,940)				1,940
1.31	Adjustment to reflect amortization of rate case expenses	Charnas				324,253				(324,253)
1.32	Adjustment for Southwest Power Pool settlement expenses	Bellar				(583,743)				583,743
1.33	Adjustment to remove out of period adjustment for resettlements related to MISO RSG	Scott				(429,911)				429,911
1.34	Adjustment for USGC settlement for gypsum contract	Charnas	(654,600)			480,212				(1,134,812)
1.35	Adjustment to remove FERC Hydropower program charges	Charnas				(157,135)				157,135
1.36	Adjustment for Interest rate swap amortization	Arbough				205,798				(205,798)
1.37	Adjustment to correct Edison Electric Institute invoice	Charnas				62,735				(62,735)
1.38	To adjust property tax expense	Miller						815,661		(815,661)
1.39	Adjustment to revenues and expenses to eliminate gas supply cost recoveries and gas supply expenses	Conroy								-
1.40	Adjustment to revenues for temperature normalization	Seelye								-
1.41	Calculation of composite Federal and Kentucky income tax rate	Miller							$ (24,635,520)	24,635,520
1.42	Calculation of current tax adjustment resulting from "Interest Synchronization"	Miller							(153,686)	153,686
1.43	Adjustment for prior period income tax true-ups and adjustments	Miller							2,641,449	(2,641,449)
1.44	Adjustment for domestic production activities deduction	Miller							(1,259,667)	1,259,667
1.45	Adjustment for tax basis depreciation reduction	Miller							345,849	(345,849)
1.46	Adjustment for amortization of investment tax credit	Miller							(87,982)	87,982
	Total Income Statement Adjustments		$ (44,025,712)	$ (27,086,657)	$ -	$ 42,274,734	$ 6,118,605	$ 907,708	$ (23,149,557)	$ (43,090,545)

Louisville Gas and Electric Company
Gas Income Statement
12 Months Ending October 31, 2009

		Test Year Gas		Adjustments Inc (Dec)	Adjusted Gas
1	**OPERATING REVENUES**				
2	Total Sales to Ultimate Consumers	$ 402,031,379			
3	Interdepartmental Sales	6,531,020			
4	Late Payment Charges	3,212,301			
5	Transportation Revenue	6,671,834			
6	Miscellaneous Service Revenues	13,787			
7	Rent from Electric/Gas Property	408,087			
8	Other Gas Revenue	21,851			
9	Total Operating Revenues	418,890,259	(1)	$ (299,715,697)	$ 119,174,562
10					
11	**OPERATING EXPENSES**				
12	Purchased Gas	303,885,591	(2)	(306,994,052)	(3,108,461)
13	Operation and Maintenance	63,267,089	(3)	(965,000)	62,302,089
14	Depreciation and Amortization	20,067,507	(4)	385,987	20,453,494
15	Taxes Other Than Income Taxes	5,819,250	(5)	(105)	5,819,145
16	Income Taxes	5,930,479	(6)	3,096,068	9,026,547
17	(Gains) from Disposition of Allowances	-			-
18	Total Utility Operating Expenses	398,969,916		(304,477,102)	94,492,814
19	Net Utility Operating Income	19,920,343	(7)	4,761,405	24,681,748
20					
21	Net Other Income and Deductions				
22					
23	Net Interest Charges				
24					
25	Net Income	19,920,343		4,761,405	24,681,748
26					
27	Preferred Dividends				
28					
29	Net Income Available for Common	$ 19,920,343		$ 4,761,405	$ 24,681,748

Net other income and deductions are not assigned to jurisdictions.

Louisville Gas and Electric Company
Pro-Forma Income Statement
Adjustments (Gas)

Rives Exhibit 1, Reference Schedule	Description	Witness	(1) Total Operating Revenue	(2) Purchased Gas	(3) Operation and Maintenance	(4) Depreciation and Amortization	(5) Taxes Other Than Income Taxes	(6) Income Taxes	(7) Net Utility Operating Income
1.00	Adjustment to eliminate unbilled revenues	Bellar	$ 11,377,000						$ 11,377,000
1.01	Adjustment to eliminate Merger Surcredit	Bellar							-
1.02	Adjustment to eliminate Value Delivery Surcredit	Bellar	(323)						(323)
1.03	To adjust mismatch in fuel cost recovery	Conroy							-
1.04	To adjust base rates and FAC to reflect a full year of the base rate change and FAC roll-in	Conroy	9,941,139						9,941,139
1.05	Adjustment to eliminate Environmental Surcharge revenues and expenses	Conroy							-
1.06	To adjust base rate revenues and expenses to reflect a full year of the ECR roll-in	Conroy							-
1.07	Off-system sales revenue adjustment for the ECR calculation	Conroy							-
1.08	To eliminate net brokered and financial swap sales revenues and expenses	Scott							-
1.09	To eliminate ECR, MSR, DSM, FAC, and GSC accruals	Charnas	2,228,479						2,228,479
1.10	To eliminate DSM revenue and expenses	Conroy	(2,319,554)		$ (1,898,813)				(420,741)
1.11	To reflect weather normalized electric sales margins	Seelye							-
1.12	Adjustment to annualize year-end customers	Seelye	1,760,940		541,722				1,219,218
1.13	To adjust for customer billing corrections and rate switching	Conroy	22,135						22,135
1.14	This adjustment left intentionally blank	Bellar							-
1.15	Adjustment to reflect annualized depreciation expenses	Bellar/Charnas				$ 385,987			(385,987)
1.16	Adjustment to reflect increases in labor and labor related costs	Scott			427,445		$ 29,335		(456,780)
1.17	Adjustment for pension, post retirement and post employment costs	Scott			78,706				(78,706)
1.18	Adjustment to reflect the increase in property insurance expense	Arbough			88,922				(88,922)
1.19	Adjustment to reflect new pollution liability insurance expense	Arbough			128,741				(128,741)
1.20	Adjustment for hazard tree program	Bellar							-
1.21	Adjustment to reflect normalized storm damage expense	Scott							-
1.22	Adjustment for injuries and damages FERC account 925	Charnas			38,531				(38,531)
1.23	Adjustment to eliminate advertising expenses pursuant to Commission Rule 807 KAR 5:016	Charnas			(149,398)				149,398
1.24	Adjustment for expenses related to retired mainframe	Charnas			(352,000)				352,000
1.25	Adjustment for MISO Exit regulatory asset	Scott							-
1.26	Adjustment for EKPC regulatory asset	Scott							-
1.27	Adjustment for 2008 Wind storm regulatory asset	Scott							-
1.28	Adjustment for 2009 Winter storm regulatory asset	Scott			33,538				(33,538)
1.29	Adjustment for KCCS regulatory asset	Bellar							-
1.30	Adjustment for CMRG regulatory asset	Bellar							-
1.31	Adjustment to reflect amortization of rate case expenses	Charnas			107,664				(107,664)
1.32	Adjustment for Southwest Power Pool settlement expenses	Bellar							-
1.33	Adjustment to remove out of period adjustment for resettlements related to MISO RSG	Scott							-
1.34	Adjustment for USGC settlement for gypsum contract	Charnas							-
1.35	Adjustment to remove FERC Hydropower program charges	Charnas							-
1.36	Adjustment for Interest rate swap amortization	Arbough			52,677				(52,677)
1.37	Adjustment to correct Edison Electric Institute invoice	Charnas			(62,735)				62,735
1.38	To adjust property tax expense	Miller					(29,440)		29,440
1.39	Adjustment to revenues and expenses to eliminate gas supply cost recoveries and gas supply expenses	Conroy	(322,476,565)	$(306,994,052)					(15,482,513)
1.40	Adjustment to revenues for temperature normalization	Seelye	(248,948)						(248,948)
1.41	Calculation of composite Federal and Kentucky income tax rate	Miller						$ 2,922,292	(2,922,292)
1.42	Calculation of current tax adjustment resulting from "Interest Synchronization"	Miller						(71,821)	71,821
1.43	Adjustment for prior period income tax true-ups and adjustments	Miller						232,125	(232,125)
1.44	Adjustment for domestic production activities deduction	Miller							-
1.45	Adjustment for tax basis depreciation reduction	Miller							-
1.46	Adjustment for amortization of investment tax credit	Miller						13,472	(13,472)
	Total Income Statement Adjustments		$ (299,715,697)	$(306,994,052)	$ (965,000)	$ 385,987	$ (105)	$ 3,096,068	$ 4,761,405

Louisville Gas and Electric Company
Pro-forma Balance Sheet
Total Company (Electric and Gas)

		Per Books 10/31/2009		Pro-forma Adjustments	Adjusted Balance
1	ASSETS				
2	**UTILITY PLANT**				
3	Utility Plant	$ 4,272,004,946	(1)	$ (110,032,688)	$ 4,161,972,258
4	Construction Work in Progress	336,736,033			336,736,033
5	Total Utility Plant	4,608,740,979		(110,032,688)	4,498,708,291
6	Less: Accum. Prov. for Depr. Amort. Depl.	2,004,144,257	(2)	(48,184,104)	1,955,960,153
7	Net Utility Plant	2,604,596,722		(61,848,584)	2,542,748,138
8	Gas Stored Underground - Noncurrent	2,139,990			2,139,990
9					
10	**OTHER PROPERTY AND INVESTMENTS**				
11	Nonutility Property-Less Reserve	11,879			11,879
12	Special Funds	16,119,516			16,119,516
13	Other Investments	594,286	(3)	(606,166)	(11,880)
14	Total Other Property and Investments	16,725,681		(606,166)	16,119,515
15					
16	**CURRENT AND ACCRUED ASSETS**				
17	Cash	2,869,221			2,869,221
18	Special Deposits	778,627			778,627
19	Working Fund	20,630			20,630
20	Temporary Cash Investments	120			120
21	Customer Accounts Receivable	55,484,977	(4)	(349,303,054)	(293,818,077)
22	Other Accounts Receivable	12,608,380			12,608,380
23	Less: Accum. Prov. for Uncollectible Acct.-Credit	1,787,221			1,787,221
24	Accounts Receivable from Associated Companies	409,898			409,898
25	Fuel Stock	59,002,922			59,002,922
26	Plant Materials and Operating Supplies	29,072,365	(5)	(4,974,621)	24,097,744
27	Stores Expense Undistributed	4,114,113			4,114,113
28	Gas Stored Underground - Current	69,378,233			69,378,233
29	Prepayments	3,734,526			3,734,526
30	Misc. Current & Accrued Assets	1,096,895			1,096,895
31	Interest and Dividends Receivable	9,791			9,791
32	Rents Receivable	37,897			37,897
33	Accrued Utility Revenues	42,840,000			42,840,000
34	Total Current and Accrued Assets	279,671,374		(354,277,675)	(74,606,301)
35					
36	**DEFERRED DEBITS**				
37	Unamortized Debt Expenses	3,885,135			3,885,135
38	Other Regulatory Assets	364,902,698	(6)	(10,571,544)	354,331,154
39	Miscellaneous Deferred Debits	1,068,233			1,068,233
40	Unamortized Loss on Reacquired Debt	23,320,834			23,320,834
41	Accumulated Deferred Income Taxes	59,064,449			59,064,449
42	Total Deferred Debits	452,241,349		(10,571,544)	441,669,805
43					
44	Total Assets	$ 3,355,375,116	(7)	$ (427,303,969)	$ 2,928,071,147

Louisville Gas and Electric Company
Pro-forma Balance Sheet
Total Company (Electric and Gas)

		Per Books 10/31/2009		Pro-forma Adjustments	Adjusted Balance
45	**LIABILITIES & COMMON EQUITY**				
46	**PROPRIETARY CAPITAL**				
47	Common Stock Issued	$ 425,170,424			$ 425,170,424
48	Other Paid - In Capital	83,581,499			83,581,499
49	Other Comprehensive Income	(11,291,122)			(11,291,122)
50	(Less) Capital Stock Expense	835,889			835,889
51	Retained Earnings	741,251,624	(8)	$ (52,268,629)	688,982,995
52	Total Proprietary Capital	1,237,876,536		(52,268,629)	1,185,607,907
53					
54	**LONG-TERM DEBT**				
55	Long-Term Notes Payable to Associated Companies	485,000,000	(9)	152,223,682	637,223,682
56	Bonds	411,104,000			411,104,000
57	Total Long-Term Debt	896,104,000		152,223,682	1,048,327,682
58					
59	**OTHER NONCURRENT LIABILITIES**				
60	Accumulated Provision for Postretirement Benefits	214,121,718			214,121,718
61	Total Other Noncurrent Liabilities	214,121,718		-	214,121,718
62					
63	**CURRENT AND ACCRUED LIABILITIES**				
64	Notes Payable to Associated Companies	150,667,400	(10)	(150,667,400)	-
65	Accounts Payable	74,140,577	(11)	(299,581,503)	(225,440,926)
66	Accounts Payable to Associated Companies	18,098,744			18,098,744
67	Customer Deposits	22,885,392			22,885,392
68	Taxes Accrued	12,570,632	(12)	(19,145,886)	(6,575,254)
69	Interest Accrued	4,534,543			4,534,543
70	Miscellaneous Current and Accrued Liabilities	18,448,931			18,448,931
71	Total Current and Accrued Liabilities	301,346,219		(469,394,789)	(168,048,570)
72					
73	**DEFERRED CREDITS AND OTHER**				
74	Customer Advances for Construction	9,333,918			9,333,918
75	Asset Retirement Obligations	32,716,955			32,716,955
76	Accumulated Deferred Investment Tax Credits	50,747,646	(13)	(46,930,615)	3,817,031
77	Other Deferred Credits	40,128,058			40,128,058
78	Other Regulatory Liabilities	92,748,038	(14)	(10,715,865)	82,032,173
79	Miscellaneous Long-Term Liabilities	40,186,995			40,186,995
80	Accumulated Deferred Income Taxes	440,065,033	(15)	(217,753)	439,847,280
81	Total Deferred Credits	705,926,643		(57,864,233)	648,062,410
82					
83	Electric/Gas adjustment to balance	-		-	-
84					
85	Total Liabilities and Stockholders Equity	$ 3,355,375,116	(16)	$ (427,303,969)	$ 2,928,071,147

Reconciliation of Capitalization

Adjusted Capitalization (Electric) - Common Equity per Rives Exhibit 2	$ 972,675,295
Adjusted Capitalization (Gas) - Common Equity per Rives Exhibit 2	251,261,753
Total Company Adjusted Capitalization	1,223,937,048
Net Operating Income Pro-forma Impact - Electric per Rives Exhibit 1	(43,090,545)
Net Operating Income Pro-forma Impact - Gas per Rives Exhibit 1	4,761,405
Difference due to rounding	(1)
Adjusted Equity per line 52 above	1,185,607,907

Louisville Gas and Electric Company
Pro-Forma Balance Sheet
Adjustments

Rives Exhibit 1, Reference Schedule	Description	Witness	(1) Utility Plant	(2) Less: Accumulated Provision for Depreciation	(3) Other Investments
1.00	Adjustment to eliminate unbilled revenues	Bellar			
1.01	Adjustment to eliminate Merger Surcredit	Bellar			
1.02	Adjustment to eliminate Value Delivery Surcredit	Bellar			
1.03	To adjust mismatch in fuel cost recovery	Conroy			
1.04	To adjust base rates and FAC to reflect a full year of the base rate change and FAC roll-in	Conroy			
1.05	Adjustment to eliminate Environmental Surcharge revenues and expenses	Conroy		(569,377)	
1.06	To adjust base rate revenues and expenses to reflect a full year of the ECR roll-in	Conroy		483,064	
1.07	Off-system sales revenue adjustment for the ECR calculation	Conroy			
1.08	To eliminate net brokered and financial swap sales revenues and expenses	Scott			
1.09	To eliminate ECR, MSR, DSM, FAC, and GSC accruals	Charnas			
1.10	To eliminate DSM revenue and expenses	Conroy			
1.11	To reflect weather normalized electric sales margins	Seelye			
1.12	Adjustment to annualize year-end customers	Seelye			
1.13	To adjust for customer billing corrections and rate switching	Conroy			
1.14	This adjustment left intentionally blank	Bellar			
1.15	Adjustment to reflect annualized depreciation expenses	Bellar/Charnas		$ 6,590,905	
1.16	Adjustment to reflect increases in labor and labor related costs	Scott			
1.17	Adjustment for pension, post retirement and post employment costs	Scott			
1.18	Adjustment to reflect the increase in property insurance expense	Arbough			
1.19	Adjustment to reflect new pollution liability insurance expense	Arbough			
1.20	Adjustment for hazard tree program	Bellar			
1.21	Adjustment to reflect normalized storm damage expense	Scott			
1.22	Adjustment for injuries and damages FERC account 925	Charnas			
1.23	Adjustment to eliminate advertising expenses pursuant to Commission Rule 807 KAR 5:016	Charnas			
1.24	Adjustment for expenses related to retired mainframe	Charnas			
1.25	Adjustment for MISO Exit regulatory asset	Scott			
1.26	Adjustment for EKPC regulatory asset	Scott			
1.27	Adjustment for 2008 Wind storm regulatory asset	Scott			
1.28	Adjustment for 2009 Winter storm regulatory asset	Scott			
1.29	Adjustment for KCCS regulatory asset	Bellar			
1.30	Adjustment for CMRG regulatory asset	Bellar			
1.31	Adjustment to reflect amortization of rate case expenses	Charnas			
1.32	Adjustment for Southwest Power Pool settlement expenses	Bellar			
1.33	Adjustment to remove out of period adjustment for resettlements related to MISO RSG	Scott			
1.34	Adjustment for USGC settlement for gypsum contract	Charnas			
1.35	Adjustment to remove FERC Hydropower program charges	Charnas			
1.36	Adjustment for Interest rate swap amortization	Arbough			
1.37	Adjustment to correct Edison Electric Institute invoice	Charnas			
1.38	To adjust property tax expense	Miller			
1.39	Adjustment to revenues and expenses to eliminate gas supply cost recoveries and gas supply expenses	Conroy			
1.40	Adjustment to revenues for temperature normalization	Seelye			
1.41	Calculation of composite Federal and Kentucky income tax rate	Miller			
1.42	Calculation of current tax adjustment resulting from "Interest Synchronization"	Miller			
1.43	Adjustment for prior period income tax true-ups and adjustments	Miller			
1.44	Adjustment for domestic production activities deduction	Miller			
1.45	Adjustment for tax basis depreciation reduction	Miller			
1.46	Adjustment for amortization of investment tax credit	Miller			
	Subtotal before capitalization adjustments		-	6,504,592	-
	Capitalization Adjustments:				
	Trimble County Joint Use Assets Transfer	(A)	$ (102,990,399)	(54,609,530)	
	Environmental Compliance Plans	(B)	(7,042,289)	(79,166)	
	Reacquired Bonds (not retired)	(C)			
	Trimble County Inventories	(D)			
	Investments in OVEC and other	(E)			$ (606,166)
	JDIC	(F)			
	Advanced Coal Investment Tax Credit	(G)			
	Subtotal of Capitalization Adjustments		(110,032,688)	(54,688,696)	(606,166)
	Total Balance Sheet Adjustments		$ (110,032,688)	$ (48,184,104)	$ (606,166)

Notes:

(A) Rives Exhibit 2, Rives Exhibit 4
(B) Rives Exhibit 2, Rives Exhibit 4
(C) Rives Exhibit 2
(D) Rives Exhibit 2
(E) Rives Exhibit 2
(F) Rives Exhibit 2
(G) Rives Exhibit 2

Louisville Gas and Electric Company
Pro-Forma Balance Sheet
Adjustments

Rives Exhibit 1, Reference Schedule	Description	Witness	(4) Customer Accounts Receivable	(5) Plant Materials and Operating Supplies	(6) Other Regulatory Assets	(7) Assets
1.00	Adjustment to eliminate unbilled revenues	Bellar	$ 8,506,000			$ 8,506,000
1.01	Adjustment to eliminate Merger Surcredit	Bellar	2,323,679			2,323,679
1.02	Adjustment to eliminate Value Delivery Surcredit	Bellar	(718)			(718)
1.03	To adjust mismatch in fuel cost recovery	Conroy	(32,833,346)			(32,833,346)
1.04	To adjust base rates and FAC to reflect a full year of the base rate change and FAC roll-in	Conroy	6,837,131			6,837,131
1.05	Adjustment to eliminate Environmental Surcharge revenues and expenses	Conroy	(8,394,624)			(7,825,247)
1.06	To adjust base rate revenues and expenses to reflect a full year of the ECR roll-in	Conroy	6,853,924			6,370,860
1.07	Off-system sales revenue adjustment for the ECR calculation	Conroy	(2,033,628)			(2,033,628)
1.08	To eliminate net brokered and financial swap sales revenues and expenses	Scott	(10,165,209)			(10,165,209)
1.09	To eliminate ECR, MSR, DSM, FAC, and GSC accruals	Charnas			$ (2,101,247)	(2,101,247)
1.10	To eliminate DSM revenue and expenses	Conroy	(14,526,800)			(14,526,800)
1.11	To reflect weather normalized electric sales margins	Seelye	5,151,223			5,151,223
1.12	Adjustment to annualize year-end customers	Seelye	13,212,402			13,212,402
1.13	To adjust for customer billing corrections and rate switching	Conroy	(852,975)			(852,975)
1.14	This adjustment left intentionally blank	Bellar				-
1.15	Adjustment to reflect annualized depreciation expenses	Bellar/Charnas				(6,590,905)
1.16	Adjustment to reflect increases in labor and labor related costs	Scott				-
1.17	Adjustment for pension, post retirement and post employment costs	Scott				-
1.18	Adjustment to reflect the increase in property insurance expense	Arbough				-
1.19	Adjustment to reflect new pollution liability insurance expense	Arbough				-
1.20	Adjustment for hazard tree program	Bellar				-
1.21	Adjustment to reflect normalized storm damage expense	Scott				-
1.22	Adjustment for injuries and damages FERC account 925	Charnas				-
1.23	Adjustment to eliminate advertising expenses pursuant to Commission Rule 807 KAR 5:016	Charnas				-
1.24	Adjustment for expenses related to retired mainframe	Charnas				-
1.25	Adjustment for MISO Exit regulatory asset	Scott			(2,895,854)	(2,895,854)
1.26	Adjustment for EKPC regulatory asset	Scott			(56,524)	(56,524)
1.27	Adjustment for 2008 Wind storm regulatory asset	Scott			(4,708,067)	(4,708,067)
1.28	Adjustment for 2009 Winter storm regulatory asset	Scott			(8,744,748)	(8,744,748)
1.29	Adjustment for KCCS regulatory asset	Bellar			(110,691)	(110,691)
1.30	Adjustment for CMRG regulatory asset	Bellar			1,940	1,940
1.31	Adjustment to reflect amortization of rate case expenses	Charnas			533,083	533,083
1.32	Adjustment for Southwest Power Pool settlement expenses	Bellar				-
1.33	Adjustment to remove out of period adjustment for resettlements related to MISO RSG	Scott				-
1.34	Adjustment for USGC settlement for gypsum contract	Charnas	(654,600)			(654,600)
1.35	Adjustment to remove FERC Hydropower program charges	Charnas				-
1.36	Adjustment for Interest rate swap amortization	Arbough			6,138,795	6,138,795
1.37	Adjustment to correct Edison Electric Institute invoice	Charnas				-
1.38	To adjust property tax expense	Miller				-
1.39	Adjustment to revenues and expenses to eliminate gas supply cost recoveries and gas supply expenses	Conroy	(322,476,565)			(322,476,565)
1.40	Adjustment to revenues for temperature normalization	Seelye	(248,948)			(248,948)
1.41	Calculation of composite Federal and Kentucky income tax rate	Miller				-
1.42	Calculation of current tax adjustment resulting from "Interest Synchronization"	Miller				-
1.43	Adjustment for prior period income tax true-ups and adjustments	Miller				-
1.44	Adjustment for domestic production activities deduction	Miller				-
1.45	Adjustment for tax basis depreciation reduction	Miller				-
1.46	Adjustment for amortization of investment tax credit	Miller				-
	Subtotal before capitalization adjustments		(349,303,054)	-	(11,943,313)	(367,750,959)
	Capitalization Adjustments:					
	Trimble County Joint Use Assets Transfer	(A)				(48,380,869)
	Environmental Compliance Plans	(B)			1,371,769	(5,591,354)
	Reacquired Bonds (not retired)	(C)				-
	Trimble County Inventories	(D)		$ (4,974,621)		(4,974,621)
	Investments in OVEC and other	(E)				(606,166)
	JDIC	(F)				-
	Advanced Coal Investment Tax Credit	(G)				-
	Subtotal of Capitalization Adjustments		-	(4,974,621)	1,371,769	(59,553,010)
	Total Balance Sheet Adjustments		$ (349,303,054)	$ (4,974,621)	$ (10,571,544)	$ (427,303,969)

Notes:

(A) Rives Exhibit 2, Rives Exhibit 4
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(C) Rives Exhibit 2
(D) Rives Exhibit 2
(E) Rives Exhibit 2
(F) Rives Exhibit 2
(G) Rives Exhibit 2

Louisville Gas and Electric Company
Pro-Forma Balance Sheet
Adjustments

Rives Exhibit 1, Reference Schedule	Description	Witness	(8) Retained Earnings	(9) Long-Term Notes Payable to Associated Companies	(10) Notes Payable to Associated Companies	(11) Accounts Payable	(12) Taxes Accrued	(13) Accumulated Deferred Income Tax Credits
1.00	Adjustment to eliminate unbilled revenues	Bellar	$ 8,506,000					
1.01	Adjustment to eliminate Merger Surcredit	Bellar	2,323,679					
1.02	Adjustment to eliminate Value Delivery Surcredit	Bellar	(718)					
1.03	To adjust mismatch in fuel cost recovery	Conroy	(5,746.689)			$ (27,086,657)		
1.04	To adjust base rates and FAC to reflect a full year of the base rate change and FAC roll-in	Conroy	6,837,131					
1.05	Adjustment to eliminate Environmental Surcharge revenues and expenses	Conroy	(4,686,677)			(3,062,298)	(76,272)	
1.06	To adjust base rate revenues and expenses to reflect a full year of the ECR roll-in	Conroy	3,476,085			2,843,796	50,979	
1.07	Off-system sales revenue adjustment for the ECR calculation	Conroy	(2,033,628)					
1.08	To eliminate net brokered and financial swap sales revenues and expenses	Scott	(9,916.834)			(248,375)		
1.09	To eliminate ECR, MSR, DSM, FAC, and GSC accruals	Charnas	5,561,645					
1.10	To eliminate DSM revenue and expenses	Conroy	(5,313,423)			(9,213.377)		
1.11	To reflect weather normalized electric sales margins	Seelye	3,251,579			1,899,644		
1.12	Adjustment to annualize year-end customers	Seelye	4,714.055			8,498,347		
1.13	To adjust for customer billing corrections and rate switching	Conroy	(852,975)					
1.14	This adjustment left intentionally blank	Bellar						
1.15	Adjustment to reflect annualized depreciation expenses	Bellar/Charnas	(6,590,905)					
1.16	Adjustment to reflect increases in labor and labor related	Scott	(2,283,903)			2,137,228	146,675	
1.17	Adjustment for pension, post retirement and post employment costs	Scott	(393,531)			393,531		
1.18	Adjustment to reflect the increase in property insurance expense	Arbough	(444,608)			444,608		
1.19	Adjustment to reflect new pollution liability insurance	Arbough	(643,703)			643,703		
1.20	Adjustment for hazard tree program	Bellar	(1,759,303)			1,759,303		
1.21	Adjustment to reflect normalized storm damage expense	Scott	670,600			(670,600)		
1.22	Adjustment for injuries and damages FERC account 925	Charnas	(352,524)			352.524		
1.23	Adjustment to eliminate advertising expenses pursuant to Commission Rule 807 KAR 5:016	Charnas	554,021			(554,021)		
1.24	Adjustment for expenses related to retired mainframe	Charnas	1,400,815			(1,400,815)		
1.25	Adjustment for MISO Exit regulatory asset	Scott	157,119					
1.26	Adjustment for EKPC regulatory asset	Scott	(904,386)			847,862		
1.27	Adjustment for 2008 Wind storm regulatory asset	Scott	(27,630,386)			22,922,319		
1.28	Adjustment for 2009 Winter storm regulatory asset	Scott	(8,767,678)			22,930		
1.29	Adjustment for KCCS regulatory asset	Bellar	(343,330)			232,639		
1.30	Adjustment for CMRG regulatory asset	Bellar	1,940					
1.31	Adjustment to reflect amortization of rate case expenses	Charnas	(431,917)			965,000		
1.32	Adjustment for Southwest Power Pool settlement expenses	Bellar	583,743			(583,743)		
1.33	Adjustment to remove out of period adjustment for resettlements related to MISO RSG	Scott	429,911			(429,911)		
1.34	Adjustment for USGC settlement for gypsum contract	Charnas	(1,134,812)			480,212		
1.35	Adjustment to remove FERC Hydropower program charges	Charnas	157,135			(157,135)		
1.36	Adjustment for Interest rate swap amortization	Arbough	(258,475)			6,397,270		
1.37	Adjustment to correct Edison Electric Institute invoice	Charnas						
1.38	To adjust property tax expense	Miller	(786,221)				786,221	
1.39	Adjustment to revenues and expenses to eliminate gas supply cost recoveries and gas supply expenses	Conroy	(15,482,513)			(306,994,052)		
1.40	Adjustment to revenues for temperature normalization	Seelye	(248,948)					
1.41	Calculation of composite Federal and Kentucky income tax rate	Miller	21,713,228				$ (21,713,228)	
1.42	Calculation of current tax adjustment resulting from "Interest Synchronization"	Miller	225,507				(225,507)	
1.43	Adjustment for prior period income tax true-ups and adjustments	Miller	(2,873,574)				2,873,574	
1.44	Adjustment for domestic production activities deduction	Miller	1,259,667				(1,259,667)	
1.45	Adjustment for tax basis depreciation reduction	Miller	(345,849)				345,849	
1.46	Adjustment for amortization of investment tax credit	Miller	74,510				(74,510)	
	Subtotal before capitalization adjustments		(38,329,140)	-	-	(299,560,068)	(19,145,886)	-
	Capitalization Adjustments:							
	Trimble County Joint Use Assets Transfer	(A)	(26,057,936)	$ (22,322,933)				
	Environmental Compliance Plans	(B)	(2,882,677)	(2,469,489)		(21,435)		
	Reacquired Bonds (not retired)	(C)	(7,269,894)	157,937,294	$ (150,667,400)			
	Trimble County Inventories	(D)	(2,679,331)	(2,295,290)				
	Investments in OVEC and other	(E)	(326,481)	(279,685)				
	JDIC	(F)	13,342,806	11,430,319				(24,773,125)
	Advanced Coal Investment Tax Credit	(G)	11,934,024	10,223,466				(22,157,490)
	Subtotal of Capitalization Adjustments		(13,939,489)	152,223,682	(150,667,400)	(21,435)	-	(46,930,615)
	Total Balance Sheet Adjustments		$ (52,268,629)	$ 152,223,682	$ (150,667,400)	$ (299,581,503)	$ (19,145,886)	$(46,930,615)

Notes:

(A) Rives Exhibit 2, Rives Exhibit 4
(B) Rives Exhibit 2, Rives Exhibit 4
(C) Rives Exhibit 2
(D) Rives Exhibit 2
(E) Rives Exhibit 2
(F) Rives Exhibit 2
(G) Rives Exhibit 2

Louisville Gas and Electric Company
Pro-Forma Balance Sheet
Adjustments

Rives Exhibit 1, Reference Schedule	Description	Witness	(14) Other Regulatory Liabilities	(15) Accumulated Deferred Income Taxes	(16) Liabilities and Stockholders Equity
1 00	Adjustment to eliminate unbilled revenues	Bellar			$ 8,506,000
1 01	Adjustment to eliminate Merger Surcredit	Bellar			2,323,679
1 02	Adjustment to eliminate Value Delivery Surcredit	Bellar			(718)
1 03	To adjust mismatch in fuel cost recovery	Conroy			(32,833,346)
1 04	To adjust base rates and FAC to reflect a full year of the base rate change and FAC roll-in	Conroy			6,837,131
1 05	Adjustment to eliminate Environmental Surcharge revenues and expenses	Conroy			(7,825,247)
1 06	To adjust base rate revenues and expenses to reflect a full year of the ECR roll-in	Conroy			6,370,860
1 07	Off-system sales revenue adjustment for the ECR calculation	Conroy			(2,033,628)
1 08	To eliminate net brokered and financial swap sales revenues and expenses	Scott			(10,165,209)
1 09	To eliminate ECR, MSR, DSM, FAC, and GSC accruals	Charnas	$ (7,662,892)		(2,101,247)
1 10	To eliminate DSM revenue and expenses	Conroy			(14,526,800)
1 11	To reflect weather normalized electric sales margins	Seelye			5,151,223
1 12	Adjustment to annualize year-end customers	Seelye			13,212,402
1 13	To adjust for customer billing corrections and rate switching	Conroy			(852,975)
1 14	This adjustment left intentionally blank	Bellar			-
1 15	Adjustment to reflect annualized depreciation expenses	Bellar/Charnas			(6,590,905)
1 16	Adjustment to reflect increases in labor and labor related	Scott			-
1 17	Adjustment for pension, post retirement and post employment costs	Scott			-
1 18	Adjustment to reflect the increase in property insurance expense	Arbough			-
1 19	Adjustment to reflect new pollution liability insurance	Arbough			-
1 20	Adjustment for hazard tree program	Bellar			-
1 21	Adjustment to reflect normalized storm damage expense	Scott			-
1 22	Adjustment for injuries and damages FERC account 925	Charnas			-
1 23	Adjustment to eliminate advertising expenses pursuant to Commission Rule 807 KAR 5:016	Charnas			-
1 24	Adjustment for expenses related to retired mainframe	Charnas			-
1 25	Adjustment for MISO Exit regulatory asset	Scott	(3,052,973)		(2,895,854)
1 26	Adjustment for EKPC regulatory asset	Scott			(56,524)
1 27	Adjustment for 2008 Wind storm regulatory asset	Scott			(4,708,067)
1 28	Adjustment for 2009 Winter storm regulatory asset	Scott			(8,744,748)
1 29	Adjustment for KCCS regulatory asset	Bellar			(110,691)
1 30	Adjustment for CMRG regulatory asset	Bellar			1,940
1 31	Adjustment to reflect amortization of rate case expenses	Charnas			533,083
1 32	Adjustment for Southwest Power Pool settlement expenses	Bellar			-
1 33	Adjustment to remove out of period adjustment for resettlements related to MISO RSG	Scott			-
1 34	Adjustment for USGC settlement for gypsum contract	Charnas			(654,600)
1 35	Adjustment to remove FERC Hydropower program charges	Charnas			-
1 36	Adjustment for Interest rate swap amortization	Arbough			6,138,795
1 37	Adjustment to correct Edison Electric Institute invoice	Charnas			-
1 38	To adjust property tax expense	Miller			-
1 39	Adjustment to revenues and expenses to eliminate gas supply cost recoveries and gas supply expenses	Conroy			(322,476,565)
1 40	Adjustment to revenues for temperature normalization	Seelye			(248,948)
1 41	Calculation of composite Federal and Kentucky income tax rate	Miller			-
1 42	Calculation of current tax adjustment resulting from "Interest Synchronization"	Miller			-
1 43	Adjustment for prior period income tax true-ups and adjustments	Miller			-
1 44	Adjustment for domestic production activities deduction	Miller			-
1 45	Adjustment for tax basis depreciation reduction	Miller			-
1 46	Adjustment for amortization of investment tax credit	Miller			-
	Subtotal before capitalization adjustments		(10,715,865)	-	(367,750,959)
	Capitalization Adjustments:				
	Trimble County Joint Use Assets Transfer	(A)			(48,380,869)
	Environmental Compliance Plans	(B)		$ (217,753)	(5,591,354)
	Reacquired Bonds (not retired)	(C)			-
	Trimble County Inventories	(D)			(4,974,621)
	Investments in OVEC and other	(E)			(606,166)
	JDIC	(F)			-
	Advanced Coal Investment Tax Credit	(G)			-
	Subtotal of Capitalization Adjustments		-	(217,753)	(59,553,010)
	Total Balance Sheet Adjustments		$ (10,715,865)	$ (217,753)	$ (427,303,969)

Notes:

(A) Rives Exhibit 2, Rives Exhibit 4
(B) Rives Exhibit 2, Rives Exhibit 4
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(F) Rives Exhibit 2
(G) Rives Exhibit 2

Louisville Gas and Electric Company
Case No. 2009-00549
Historical Test Period Filing Requirements

Filing Requirement
807 KAR 5:001 Section 10(7)(b)
Sponsoring Witness: Shannon L. Charnas

Description of Filing Requirement:

Upon good cause shown, a utility may request pro forma adjustments for known and measurable changes to ensure fair, just and reasonable rates based on the historical test period. The following information shall be filed with applications requesting pro forma adjustments or a statement explaining why the required information does not exist and is not applicable to the utility's application:

(b) The most recent capital construction budget containing at least the period of time as proposed for any pro forma adjustment for plant additions.

Response:

LG&E is proposing an adjustment to reflect the December 2009 transfer to KU of the TC2 Joint Use Assets. The details of this transfer are set forth in the July 30, 2009 letter to the Commission's Executive Director from Lonnie E. Bellar. A copy is attached. The net book value of the assets transferred was $48.4 million. Ms. Charnas discusses this adjustment more fully in her testimony attached to LG&E's application. The adjustment to capitalization associated with the Joint Use Assets LG&E transferred to KU in December 2009, is shown in column 8, page 2 of Rives Exhibit 2; and the impact on pro forma rate base is shown in column 3, page 2 of Rives Exhibit 4.

LG&E is also proposing an adjustment that includes a full year's depreciation expense on net plant in service, excluding depreciation on assets set up for asset retirement obligations and depreciation on ECR assets, as of October, 31, 2009, and reflects the depreciation expense of LG&E's portion of the TC2 generation and transmission CWIP balance at the end of the test period. These adjustments are contained in Reference Schedule 1.15 of Rives Exhibit 1. The first part of the adjustment is discussed in the testimony of Ms. Charnas; and the TC2-related portions of this adjustment are discussed in Mr. Bellar's testimony.

Thus, to the extent that either of these adjustments is viewed as a "pro forma adjustment based on plant additions" as set forth in this section of the regulation, the most recent capital construction budget for 2009 and 2010 are provided below:

Louisville Gas and Electric Company
Capital Budget
($ millions)

Description	**2009**	**2010**
Generation	$ 68.7	$ 56.6
Transmission	16.0	9.5
Distribution	96.5	108.8
Customer Service, Sales & Marketing (including Metering)	3.9	5.7
Information Technology	13.4	11.9
Other	2.4	2.7
Total	$ 200.9	$ 195.2

Kentucky Utilities Company
Capital Budget
($ millions)

Description	**2009**	**2010**
Generation	$ 395.0	$ 276.6
Transmission	39.7	49.9
Distribution	68.1	79.8
Customer Service, Sales & Marketing (including Metering)	2.5	5.0
Information Technology	14.4	12.1
Other	2.4	2.6
Total	$ 522.1	$ 426.0

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Mr. Jeff DeRouen, Executive Director
Kentucky Public Service Commission
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Frankfort, Kentucky 40601

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July 30, 2009

RE: Transfer of Joint Use Assets for Trimble County Unit No. 2 in Accordance with the Commission's November 1, 2005 Order in Case No. 2004-00507, *In the Matter of: Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for a Certificate of Public Convenience and Necessity, and a Site Compatibility Certificate, for the Expansion of the Trimble County Generating Station*

Dear Mr. DeRouen:

This letter is to advise the Commission of the planned transfer on the books and records of Louisville Gas & Electric Company ("LG&E") and Kentucky Utilities Company ("KU") (collectively, the "Companies") of the ownership of certain assets relating to the Trimble County Generating Station from LG&E to KU.

The Commission issued LG&E a Certificate of Public Convenience and Necessity ("CPCN") for the Trimble County Generating Station on October 19, 1978, in Case No. 7113.[1] The CPCN allowed for the installation of two 495 MW generating units, Units Number 1 ("TC1") and Number 2, to be available for operation in May 1983 and May 1985, respectively. TC1 was placed in service in December 1990 with a 495 MW net summer rating and a 566 MW

[1] *In the Matter of: Application of Louisville Gas and Electric Company for a Certificate of Public Convenience and Necessity and a Certificate of Environmental Compatibility to Proceed with the Development of a New FOUR-UNIT Electric Generating Station with a Total Capacity of 2340 MW and to Install 2 – 495 MW Coal-Fired Steam Turbine–Driven Generating Units at Trimble County Station on the Ohio River Near Bedford Kentucky*, Case No. 7113, Order (Oct. 19, 1978).

generator nameplate rating; however, the Companies ultimately allowed the original CPCN for Unit Number 2 to lapse.

When LG&E and KU merged in 1998, the Companies committed to plan and operate their generation and transmission systems on an integrated basis, including jointly dispatching their generating units. They also anticipated that future generating units might be jointly owned and that each company would be responsible for its pro rata share of each such unit's costs.[2] Subsequently, the Companies sought, and the Commission issued, a new CPCN for the construction of Trimble County Unit 2 ("TC2"),[3] now an 838 MW (generator nameplate rating) baseload unit to be located adjacent to TC1. In its order granting the CPCN, the Commission established ownership shares of 81% and 19% for KU and LG&E, respectively, for the Companies' collective 75% share of the unit. (The other 25% is owned by the Indiana Municipal Power Agency and the Illinois Municipal Electric Agency.)

A number of the assets that will be necessary to the operation of TC2 (e.g., the plant coal handling system) are currently being used only by TC1. When TC2 is complete, both units will use such assets ("Joint Use Assets"). Because KU has no ownership interest in TC1, to achieve the ownership shares in TC2 that the Commission explicitly approved in its November 1, 2005 Order in Case No. 2004-00507, LG&E will need to transfer ownership interests in the Joint Use Assets to KU. KRS 278.218 states that any transfer of utility assets valued at more than $1 million require Commission approval, which the Commission shall grant if the proposed transaction is for a proper purpose and is consistent with the public interest. In this particular circumstance, the Commission has already approved as consistent with the public convenience and necessity the 81% and 19% respective ownership shares of KU and LG&E in their collective 75% ownership interest in TC2; the transfers of ownership interests the Companies describe herein are necessary to achieve the overall ownership interests in TC2 the Commission has already approved, and therefore do not require the Commission to issue an additional order in this proceeding.

To achieve this Commission-approved division of ownership, the Companies will transfer ownership interests in the Joint Use Assets from LG&E to KU in

[2] *In the Matter of: Joint Application of Louisville Gas & Electric Company and Kentucky Utilities Company for Approval of Merger*, Case No. 97-300, Order at 18-19 (Sept. 12, 1997).

[3] *In the Matter of: Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for a Certificate of Public Convenience and Necessity, and a Site Compatibility Certificate, For the Expansion of the Trimble County Generating Station*, Case No. 2004-00507, Order (Nov. 1, 2005).

accordance with the Corporate Policies and Guidelines for Intercompany Transactions ("Guidelines").

> Transfers or sales of assets will be priced at the greater of cost or fair market value for transfers or sales from LG&E or KU to LG&E Energy or other subsidiaries and at the lower of cost or fair market value for transfers or sales made to LG&E or KU from LG&E Energy or any of LG&E Energy's non-utility subsidiaries. <u>Transfers or sales of assets between LG&E and KU will be priced at cost.</u>[4]

To comply with the Guidelines in this exchange, KU will pay LG&E net book value (original cost minus accumulated depreciation) to purchase its ownership share of the Joint Use Assets. On the basis of the nameplate ratings of TC1 and TC2, the Companies have determined that to achieve respective overall ownership shares of 81% and 19% for KU and LG&E in TC2, their respective ownership shares of the Joint Use Assets must be 48% and 52%. Attachment 1 hereto is a schedule of the assets LG&E will transfer to KU and the net book value of KU's ownership share of each asset (a total as of June 2009 of $48,753,671); Attachment 2 is a site plan of the Trimble County Generating Station showing the locations of the Joint Use Assets; Attachment 3 shows sample journal entries for the ownership interest transfers LG&E will make to KU for the Joint Use Assets in December 2009, the first period in which the assets are expected to be used by both LG&E and KU as TC2 unit testing begins; and Attachment 4 shows the method by which the Companies have determined that the Joint Use Assets should be owned 52% and 48% by LG&E and KU, respectively.

In August 2009, LG&E and KU will apply to the Commission for approval of depreciation rates to use for its TC2-related assets.

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[4] Emphasis added. *See In the Matter of: Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for Approval of Merger*, Case No. 97-300, Order at 39 (Sept. 12, 1997) ("LG&E, KU and each related company shall, after the merger, comply with LG&E Energy's Corporate Policies and Guidelines for Intercompany Transactions.").

If the Commission or Commission Staff have any questions or concerns about these transfers, please contact me at your first convenience.

Sincerely,

Lonnie E. Bellar

cc: Dennis G. Howard II, Kentucky Office of the Attorney General
Michael L. Kurtz, Kentucky Industrial Utilities Customers, Inc.

Trimble County Steam Generating Plant
Transfer of Joint Use Assets to KU
Net Book Value As of June 2009

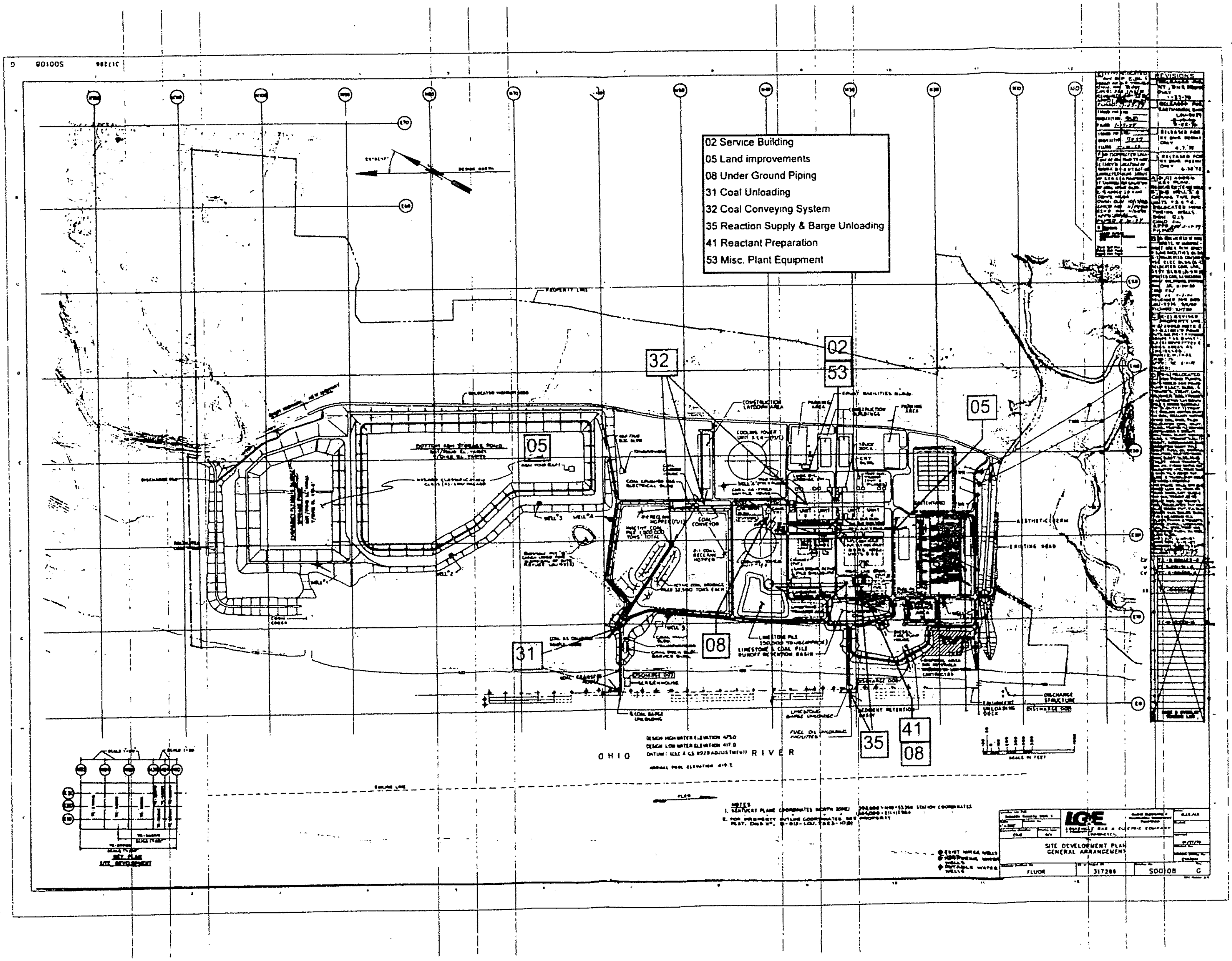
Asset	Description		KU 48% Net Book Value
01 - Unit Structure	The Unit Structure System is the structural steel and reinforced concrete skeletal frame as well as finished concrete floors of the powerhouse including the Turbine Room, Conveyor Room, Boiler Room Deaerator Room and Air Preheater Room. Covering of the building sides and roofs is included also as well as louvers, heating/ventilating, lighting, communication, grounding, fire protection, plumbing, drains and passenger/freight elevators are also a part of this system.	$	1,618,879
02 - Service Bldg	The Service Building System shall include costs for contracted labor, material and equipment and local labor, material and equipment to provide a service building facility. The Service Building System shall include the service building physical structure, the shops, offices, locker rooms and restrooms, and storage rooms, which are provided to service all units.	$	6,473,934
03 - Screenwell	The Screenwell System includes the structural steel and reinforced concrete skeletal frame of the Ohio River water intake structure for the station. This system includes all the mechanical equipment located in the screenwell structure. This includes but is not limited to various pumps, traveling screens, fixed screens, chemical treatment equipment, piping, house crane (located in the screenwell), trash rakes and other screen cleaning devices, stop log gates, and heating/ventilating equipment. The Screenwell System also includes all electrical equipment located within the screenwell structure.	$	3,923,274
04 - Structure B	The Structures B/As Fired Sample House System includes two main structures: Structure B, the north extension of the Unit 1 Conveyor Room; and Coal Conveying Structure, As Fired Sample House. Due to the particular arrangement of the coal conveying system at Trimble County Station, it was necessary to construct a portion of the Unit 2 Conveyor Room to be able to operate the coal conveying system in Unit 1. This portion of Unit 2 is known as Structure B. The System includes the structural steel and reinforced concrete skeletal frames for these two structures. Building covering of the sides and roof are also included. The heating, ventilating and air conditioning equipment, building drains, lighting, communication, grounding, and fire protection in the two structures are a part of this system.	$	1,479,471
05 - Land Improvements	This System shall include only those improvements which have a long term life, which approximates the life of the plant. Items which would be included are emergency fly ash and sludge storage pond; relocation of Corn Creek; relocation of Highway 1488; bottom ash storage pond; coal pile impoundment dikes, liners, and stacker-reclaimer fill; grading for reactant preparation, solid waste, construction shops, parking lots, equipment laydown, and conrete batch plant; undercutting for cooling towers, units, and service building; improvement fills and liners for limestone storage, and coal pile runoff, fuel oil storage; construction and plant site runoff basin; switching station fill; permanent plant roads including fill and surfacing; and aesthetic berm.	$	5,363,411

Asset	Description		Net Book Value
06 - Yard Facilities	The Yard Facilities System will include those facilities or equipment which are: inter-connections between other systems; have multi-system usage, or are not within a plant structure. Items which shall be included in the Yard Facilities System are: plant yard surfacing; underground electrical ducts; monitor wells; grounding; yard lighting; security facilities; yard drainage (including storm sewers, culverts, and ditches); diesel fire pump house; sanitary sewers (including lift and pumping stations); and fences. (see subsystem descriptions below)	$	1,992,881
07 - Above Ground Piping	This system shall include contract labor, materials, and equipment and local labor, material and equipment required to install combined plant piping-systems which are routed and supported on a common pipe rack. The ash water recycle pumps, floating ash pond pumps, platform, floating lines, power, and control shall be part of this system. Also the floating discharge lines for bottom ash, scrubber sludge, and fly ash and sludge storage pond shall be included.	$	1,414,127
08 - Under Ground Piping	This System shall include contract labor, materials and equipment, and local labor, material and equipment required to install underground pipe which runs across the plant site from one System to another. Pipe lines included in this System are the Underground Portable Water Piping Distribution Facilities, Yard Fire Protection Piping Distribution Facilities, Fuel Piping Distribution Facilities, Service Water Underground Pipe Distribution Facilities and the "Temporary" Underground Pipes west of Unit 1 and 2 Boiler Room to facilitate Unit No. 2 Construction.	$	695,609
22 - Stack	This system shall include contract labor, material, and equipment and local labor, material and equipment to install the stack. The Stack System includes the reinforced concrete base slab and column, all structural steel including ladders, and the fiberglass liner. This system also includes any concrete floors or grating and the permanent elevator is also a part of the Stack System. Mechanical equipment and piping located within the chimney are a part of this system. Electrically, all power, grounding, lighting, communications, instrumentation and control equipment, and wiring are a part of this system. This system also includes the strobe warning lights or other warning devices or system.	$	1,496,135
25 - Plant Coal Handling	The system shall be defined as including all contract labor and material, and all company labor and local material as may apply within the system boundaries' outlined as follows: 1) Fabrication and erection of coal bunkers down to outlet flange (to include load cells, seals at conveyor room floor, interior coating of top ring, etc.); 2) "G" conveyors, trippers and all coal handling equipment in conveyor room (to include dust collection equipment); 3) Silo junction house sampling equipment; 4) Fire protection system including deluge valve and all piping down stream of valve; 5) All instrument, control and electrical shall be included with the associated equipment in the respective subsystem (including 6900V, 480V, conduit and cable tray).	$	320,672
30 - Fuel Oil System	The Fuel Oil System shall include contract labor, material and equipment, and local labor, material and equipment to install the fuel oil system. The Fuel Oil System will begin at the first joint through the dike around the fuel oil tanks such as foundations for the tanks and station piping and pumps, the steel tanks, pumps and piping within the dike area to the last joint prior to going through the dike. The boundary stops at this last joint. All labor and materials are covered within the dike area. The Fuel Oil Electric Building and Fuel Oil Pump house is also included.	$	306,784

Asset	Description		Net Book Value
31 - Coal Unloading	The coal unloading system shall be defined as including contract labor material, and equipment, and local labor, material and equipment to provide coal unloading facilities within system boundaries as outlined as follows: 1) Shuttle barge equipment; 2) Barge Unloader and Coal Conveyor "A" & "B"; 3) Transfer House "B" - "C"; 4) Coal Conveyor "C"; 5) Sample House which includes vibrating feeders, conveyor "D", "as-delivered" scales, conveyor "S", barge unloader bin, and the concrete support for "E" conveyor (but not "E" conveyor or its pulley frame). (see subsystem descriptions below)	$	6,121,011
32 - Coal Conveying System	The Coal Conveying System shall be defined as including contract labor, material and equipment, and local labor, material and equipment as required to provide a stackout-to-storage and reclaim-from-storage machine, a conveyor system which shall begin with steel framework to support "E" conveyor, "F" conveyors, up to the point where the framework supporting the head pulley attaches to the plant structural steel, reclaim hoppers and tunnel, conveyor R, and R.2., magnetic separator, crusher equipment, vibrating feeders in crusher house, and crusher house. Shall also include all Instrumentation and Control and all electrical. Power feed shall be included back to the breaker terminals for 4000V equipment or to the motor starter terminals for 480V equipment. (see subsystem descriptions below)	$	4,954,731
35 - Reactant Supply & Barge Unloading	This system shall include contract labor, material and equipment and local labor, material and equipment to install reactant supply and barge unloading system. The Reactant Supply and Barge Unloading System will begin at the Barge Unloading Facilities and will end where the conveyor enters the Ball Mill pulverizer building at the Surge Hopper. It shall also include all Instrumentation and Control and all electrical. Control wiring shall be included. Power feed shall be included for 4000V equipment. (see subsystem descriptions below)	$	4,369,349
41 - Reactant Preparation	This system shall include contract labor, material and equipment and local labor, material and equipment to install the Reactant Preparation System. This system will include the Ball Mill Building, and associated equipment, Live Storage Tanks, agitators and other equipment. It shall also include all Instrumentation and Control and all electrical. Control wiring shall be included. Power feed shall be included for 4000V equipment. (see subsystem descriptions below)	$	3,307,517
50 - Station Water Treatment Facility	This system shall include contract labor, material and equipment, and local labor, material and equipment to consolidate facilities in one location for treating station waste water and water treatment. The system shall include the SWWT building and pipe, equipment, tanks, storage tanks and storage facilities, in and adjacent to the SWWT building. Facilities associated with this system will include sewage treatment, cooling tower water treatment, condensate make-up water treatment, and demineralization, associated bulk chemical storage, and SWWT compressed air facilities. Shall also include all Instrumentation and Control and all electrical	$	2,117,762
53 - Misc. Plant Equipment	This system shall include contract labor, material and equipment, and local labor, material and equipment to install the following subsystems: Turbine Room Gantry Crane, Turbine Room House Crane, Electric Hoists, Station Air Compressors, and Instrument Air Compressors. It shall also include all Instrumentation and Control and all electrical. Control wiring shall be included. Power feed shall be included for 4000V or 6900V equipment or for 480V equipment.	$	987,746
61 - Circulating Water System	This system shall include contract labor, material and equipment, and local labor, material and equipment to provide the circulating water facilities. This system shall include the cooling tower, cooling tower pumps, circulating water lines, condenser, cooling tower blowdown facilities, and ash water makeup system.	$	114,750

Asset	Description	Net Book Value
71 - Station Auxiliary	This subsystem shall include contract labor, material and equipment, and local labor, material and equipment to install the reserve auxiliary transformers (including foundations and fire protection), the 138KV cable from the switching station termination to the reserve auxiliary transformers, the 6900 volt station switchgear, 6900/480 volt station transformers, 480 volt station switchgear and 480 volt station motor control centers. This includes all necessary control wiring changes internal to the switchgear, power feeds (bus duct and cable) and check-out associated with this equipment.	$ 1,471,491
73 - Cable Tray & Conduit	This system shall include contract labor, material and equipment, and local labor, material and equipment to install the cable tray system in the plant and service building. Any cable tray or conduit drops to final devices (motors, boxes, etc.) shall be charged to the appropriate system and subsystem.	$ 224,137
	TOTAL	$ 48,753,671

Attachment 2



Sale of Trimble County Unit 1 Joint Use Assets
Sample Journal Entries

Sale of Joint Use Assets from LG&E to KU

		Debit	Credit
KU	101 Plant In Service	XX	
KU	234 Accounts Payable to Associated Companies		XX
LG&E	146 Accounts Receivable from Associated Companies	XX	
LG&E	108 Retirement Work in Progress		XX

Establishment of Asset Retirement Obligation on KUs Books as a Result of the Sale

		Debit	Credit
KU	101 Plant In Service	XX	
KU	230 Asset Retirement Obligations		XX

Retirement of Joint Use Assets from LG&E's Books as a Result of the Sale

		Debit	Credit
LG&E	108 Accumulated Provision for Depreciation	XX	
LG&E	101 Plant In Service		XX
LG&E	108 Retirement Work in Progress	XX	

Retirement of Asset Retirement Obligation from LG&E's Books as a Result of the Sale

		Debit	Credit
LG&E	108 Accumulated Provision for Depreciation	XX	
LG&E	230 Asset Retirement Obligations	XX	
LG&E	101 Plant In Service		XX
LG&E	182.3 Other Regulatory Assets		XX

Allocation of KU's and LG&E's Ownership in Trimble County Unit 2's Joint Use Assets Based on Their Ownership of the Nameplate Capacity of Both Units at the Trimble County Generating Station

	Nameplate Rating	IMEA/IMPA Share	Companies' Share	LG&E Share	KU Share
TC1 (MW)	566	141.5	424.5	424.5	0
TC2 (MW)	838	209.5	628.5	119.4	509.1
Total (MW)	1404	351	1053	543.9	509.1
Companies' Allocation of Their Combined Ownership Share				**52%**	**48%**
Total Ownership		25%	75%	**39%**	**36%**

Filing Requirement
807 KAR 5:001 Section 10(7)(c)
Sponsoring Witness: Shannon L. Charnas

Description of Filing Requirement:

Upon good cause shown, a utility may request pro forma adjustments for known and measurable changes to ensure fair, just and reasonable rates based on the historical test period. The following information shall be filed with applications requesting pro forma adjustments or a statement explaining why the required information does not exist and is not applicable to the utility's application:

(c) For each proposed pro forma adjustment reflecting plant additions provide the following information:

1. *The starting date of the construction of each major component of plant;*
2. *The proposed in-service date;*
3. *The total estimated cost of construction at completion;*
4. *The amount contained in construction work in progress at the end of the test period;*
5. *A schedule containing a complete description of actual plant retirements and anticipated plant retirements related to the pro forma plant additions including the actual or anticipated date of retirement;*
6. *The original cost, cost of removal and salvage for each component of plant to be retired during the period of the proposed pro forma adjustment for plant additions;*
7. *An explanation of any differences in the amounts contained in the capital construction budget and the amounts of capital construction cost contained in the pro forma adjustment period; and*
8. *The impact on depreciation expense of all proposed pro forma adjustments for plant additions and retirements;*

Response:

LG&E is proposing an adjustment to reflect the December 2009 transfer to KU of the TC2 Joint Use Assets. The details of this transfer are set forth in the July 30, 2009 letter to the Commission's Executive Director from Lonnie E. Bellar. A copy is attached to response to Filing Requirement 8078 KAR 5:001 Section 10(7)(b). The net book value of the assets transferred was $48.4 million. Ms. Charnas discusses this adjustment more fully in her testimony attached to LG&E's application. The adjustment to capitalization associated with the Joint Use Assets LG&E transferred to KU in December 2009, is shown in column 8, page 2 of Rives Exhibit 2 and the impact on pro forma rate base is shown in column 3, page 2 of Rives Exhibit 4.

LG&E is also proposing an adjustment that includes a full year's depreciation expense on net plant in service, excluding depreciation on assets set up for asset retirement obligations and depreciation on ECR assets, as of October, 31, 2009, and reflect the depreciation expense of LG&E's portion of the TC2 generation and transmission CWIP balance at the end of the test period. These adjustments are contained in Reference Schedule 1.15 of Rives Exhibit 1. The first part of the adjustment is discussed in the testimony of Ms. Charnas; and the TC2-related portions of this adjustment are discussed in Mr. Bellar's testimony.

Thus, to the extent that either of these adjustments is viewed as "reflecting pro forma adjustments based on plant additions" as set forth in this section of the regulation, the following information is provided below:

1. The major components of the plant are as follows:

   Trimble County Unit 2 Base Unit
   Trimble County Unit 2 Air Quality Control System
   Joint Use Assets
   Cooling Tower
   Transmission Lines

   Construction commenced on Trimble County Unit 2 (TC2) and the associated Air Quality Control System (AQCS) in July 2006. The majority of the Joint Use Assets were part of the original construction of Trimble County Unit 1 (TC1), which began in 1978. Construction of the remaining Joint Use Assets occurred after the construction of TC1 was complete through December 2006. The cooling tower was also part of the original construction of TC1. Construction on the LG&E transmission lines began in September 2006; and construction on the KU transmission lines began in May 2007.

2. The contracted in-service date of TC2 is June 2010. All the transmission lines associated with TC2 will be in physical operation in June 2010. The majority of the joint use assets and the cooling tower were originally placed in service with TC1 in December 1990. The remaining joint use assets were placed in service between June 1997 and June 2008.

3. As discussed above, to the extent that either of the adjustments discussed above is viewed as requiring the "[t]he total estimated cost of construction at completion" as set forth in this section of the regulation, the following information is provided: The total estimated cost at completion by component is as follows (in thousands of $):

	LG&E	KU	Total
Trimble County Unit 2 Base Unit	$ 138,414	$499,770	$638,184
Trimble County Unit 2 AQCS	$ 43,771	$188,269	$232,040 [1]
Joint Use Assets (actual, not est.)	$(102,990)	$102,990	$ 0 [2]
Cooling Tower (actual, not est.)	$ (17,831)	$ 17,831	$ 0
Transmission Lines	$ 31,837	$ 61,849	$ 93,686

4. As discussed above, LG&E is proposing an adjustment that includes a full year's depreciation expense on net plant in service, excluding depreciation on assets set up for asset retirement obligations and depreciation on ECR assets, as of October, 31, 2009, and reflects the depreciation expense of LG&E's portion of the TC2 generation and transmission CWIP balance at the end of the test period. Construction work in progress at October 31, 2009 (in thousands of $):

	LG&E	KU	Total
Trimble County Unit 2 Base Unit	$118,815	$469,740	$588,555
Trimble County Unit 2 AQCS	$ 42,695	$183,676	$226,371 [3]
Joint Use Assets	N/A	N/A	N/A [4]
Cooling Tower	N/A	N/A	N/A
Transmission Lines	$ 32,779	$ 54,235	$ 87,014

[1] The costs associated with the Air Quality Control Systems at TC2 are subject to environmental surcharge recovery and are not included in the calculation of the revenue requirement in this application.

[2] The details of this transfer are set forth in the July 30, 2009 letter to the Commission's Executive Director from Lonnie E. Bellar, Vice-President, State Regulation and Rates. The net book value of the assets transferred was $48.4 million. Please see the information provided in response to 807 KAR 5:001 Section 10(7)(b).

[3] The costs associated with the Air Quality Control Systems at TC2 are subject to environmental surcharge recovery and are not included in the calculation of the revenue requirement in this application.

[4] The details of this transfer are set forth in the July 30, 2009 letter to the Commission's Executive Director from Lonnie E. Bellar, Vice-President, State Regulation and Rates. The net book value of the assets transferred was $48.4 million. Please see the information provided in response to 807 KAR 5:001 Section 10(7)(b).

5. Actual plant retirements and anticipated plant retirements are not related to the pro forma adjustments discussed above. To the extent that the Commission views the plant additions including the actual or anticipated date of retirement as information that should be included on this schedule, the following information is provided: Plant retirements related to the above mentioned assets in 807 KAR 5:001 Section 10(7)(c)(1) include: 1) Three small auxiliary boilers from TC1. 2) The TC1 coal silo dust collector from the TC1 coal conveyor system. 3) Transmission assets consisting of conductor, insulators and poles. The expected retirement dates for these assets is June 2010.

6. There are no actual plant retirements and anticipated plant retirements that are related to the pro forma adjustments discussed above. To the extent that the Commission views actual plant retirements and anticipated plant retirements as information that should be included on this schedule, the following information is provided: Approximate original cost, and estimated cost of removal and salvage for plant to be retired as identified in the response to 807 KAR 5:001 Section 10 (7)(c)(5) (in thousands of $):

	LG&E	KU	Total
Original Cost:			
TC1 auxiliary boilers	$659	$0	$659
TC1 coal silo dust collector	$105	$0	$105
Transmission assets	$ 48	$8	$ 56

	LG&E	KU	Total
Estimated Cost of Removal:			
TC1 auxiliary boilers & coal silo dust collector	$485	$ 0	$485
Transmission assets	$ 62	$13	$ 75

There is no salvage anticipated related to these retirements.

Original cost was approximated because the assets were not originally segregated into individual components. The approximation was based on the detailed records of costs from the original construction projects.

7. Actual spending on the TC2 project through October 31, 2009 for both generation and transmission is higher than budget by $7.0 million, representing slight timing variations compared to the budget on the recording of Bechtel milestone payments. The variance to budget as a percent of the total project at October 31, 2009, for both generation and transmission, is 0.8%.

8. The impact on depreciation expense is detailed on Rives Exhibit 1, Reference Schedule Exhibit 1.15 and is discussed in the testimonies of Mr. Bellar and Ms. Charnas included with the application.

Louisville Gas and Electric Company
Case No. 2009-00549
Historical Test Period Filing Requirements

Filing Requirement
807 KAR 5:001 Section 10(7)(d)
Sponsoring Witness: Valerie L. Scott

Description of Filing Requirement:

Upon good cause shown, a utility may request pro forma adjustments for known and measurable changes to ensure fair, just and reasonable rates based on the historical test period. The following information shall be filed with applications requesting pro forma adjustments or a statement explaining why the required information does not exist and is not applicable to the utility's application:

(d) The operating budget for each period encompassing the pro forma adjustments.

Response:

See attached.

LG&E
Income Statement

(000's)

	2008 Budget		2009 Budget									
	Budget 11 Nov-2008	Budget 12 Dec-2008	Budget 1 Jan-2009	Budget 2 Feb-2009	Budget 3 Mar-2009	Budget 4 Apr-2009	Budget 5 May-2009	Budget 6 Jun-2009	Budget 7 Jul-2009	Budget 8 Aug-2009	Budget 9 Sep-2009	Budget 10 Oct-2009
Revenues:												
Electric Revenues	$67,873	$79,133	$93,062	$82,919	$82,825	$73,950	$81,464	$95,263	$107,911	$104,402	$92,231	$74,469
Gas Revenues	49,896	74,582	102,761	87,056	69,302	35,838	21,502	15,737	14,502	14,020	15,010	27,114
Total Revenues	117,769	153,715	195,823	169,975	152,127	109,788	102,966	110,999	122,413	118,422	107,241	101,583
Cost of Revenues:												
Fuel Electric Costs	22,518	25,735	35,296	36,562	33,814	29,922	29,961	33,572	41,377	40,817	29,869	25,288
Ash Disposal Costs	0	0	0	0	0	0	0	0	0	0	0	0
Purchased Power Costs	5,054	7,060	7,842	4,056	4,695	3,655	4,999	6,093	6,115	5,303	7,688	5,761
Transmission Expense	764	1,153	780	366	567	351	613	661	547	462	930	537
Scrubber, SCR Ammonia and Waste disposal Costs-NonLabor	1,530	1,880	1,932	1,554	1,892	1,531	1,945	2,026	2,383	2,418	1,983	1,074
Emissions Allowances	0	1	459	106	322	93	328	360	273	174	718	255
Total Electric Cost of Revenues	29,865	35,829	46,308	42,643	41,289	35,551	37,846	42,712	50,696	49,174	41,187	32,916
Gas Supply Expenses	37,455	57,268	87,415	69,605	54,760	26,273	14,288	9,389	8,161	7,638	8,438	18,277
Other Cost of Sales NonLabor	0	0	0	0	0	0	0	0	0	0	0	0
Total Cost of Revenues	67,320	93,097	133,723	112,248	96,049	61,824	52,134	52,101	58,857	56,813	49,625	51,193
Gross Margin:												
Electric Margin	38,008	43,304	46,754	40,276	41,536	38,396	43,618	52,551	57,215	55,227	51,044	41,553
Gas Margin	12,441	17,314	15,347	17,451	14,542	9,566	7,214	6,348	6,341	6,382	6,572	8,837
Total Gross Margin	50,449	60,618	62,100	57,727	56,078	47,964	50,832	58,899	63,556	61,609	57,616	50,390
Operating expenses:												
Outside Services-Maintenance	4,066	3,455	2,210	3,447	4,195	4,330	3,202	2,915	2,843	2,796	3,289	4,286
Outside Services-Other	3,461	3,745	3,140	3,038	3,875	3,583	2,925	3,141	3,398	3,212	3,191	3,021
Personnel Expenses	10,220	11,974	12,559	11,722	12,981	12,411	11,844	12,685	13,124	12,286	12,699	13,139
Pension Interest Income	(868)	(1,017)	418	375	433	407	382	406	425	391	410	426
FAS106 Interest	608	712	(380)	(346)	(392)	(372)	(352)	(372)	(386)	(360)	(375)	(387)
Non Labor-Maintenance	2,439	2,432	1,831	2,165	2,097	3,892	2,231	1,571	1,397	1,583	2,024	2,079
Non Labor-Other	5,054	5,445	6,296	5,279	5,672	4,998	4,808	6,115	5,410	5,025	5,238	5,349
Depreciation, Amortization and Impairment	10,787	10,934	11,173	11,194	11,227	11,447	11,649	11,673	11,696	11,712	11,733	11,757
Property and other taxes	1,526	1,526	1,657	1,657	1,657	1,657	1,657	1,657	1,660	1,660	1,660	1,660
Total Operating Expenses	37,293	39,207	38,905	38,532	41,745	42,354	38,346	39,792	39,568	38,307	39,870	41,331
Operating Profit	13,156	21,412	23,195	19,195	14,333	5,609	12,487	19,107	23,988	23,302	17,745	9,059
Equity in Consolidated Subs	0	0	0	0	0	0	0	0	0	0	0	0
Gain on sale of Fixed Assets	0	0	0	0	0	0	0	0	0	0	0	0
Income From Investments	0	28	0	0	39	0	0	39	0	0	39	0
Other Income (expense)	123	145	113	102	120	124	110	135	122	108	106	106
Total Other Income (expense)	123	173	113	102	159	124	110	174	122	108	145	106
Interest Income	18	20	17	17	17	17	16	18	20	19	18	16
I/C Interest Income	0	0	0	0	0	0	0	0	0	0	0	0
Total Interest Income	18	20	17	17	17	17	16	18	20	19	18	16
Interest Expense	(2,131)	(2,195)	(2,466)	(2,251)	(2,468)	(2,396)	(2,468)	(2,396)	(2,468)	(2,468)	(2,396)	(2,468)
I/C Interest Exp - Non US Midwest	(1,943)	(1,943)	(1,929)	(1,929)	(1,929)	(1,929)	(1,929)	(1,929)	(1,929)	(1,929)	(1,929)	(2,165)
I/C Interest Exp - US Midwest	(334)	(391)	(383)	(220)	(265)	(200)	(163)	(203)	(228)	(231)	(296)	(206)
Interest Expense	(4,407)	(4,529)	(4,778)	(4,400)	(4,662)	(4,524)	(4,560)	(4,527)	(4,625)	(4,628)	(4,620)	(4,839)
MTM Gains	0	0	0	0	0	0	0	0	0	0	0	0
MTM (Losses)	0	0	0	0	0	0	0	0	0	0	0	0
Total MTM	0	0	0	0	0	0	0	0	0	0	0	0
Non operating Income/(Expense)	0	0	0	(177)	(177)	(177)	(177)	(177)	(177)	(177)	(177)	(177)
Other Non-Operating Income/(Expense)	0	0	0	(177)	(177)	(177)	(177)	(177)	(177)	(177)	(177)	(177)
Pretax Income (loss)	8,889	17,076	18,547	14,737	9,669	1,049	7,876	14,593	19,327	18,624	13,111	4,165
Current Tax Expense	(3,458)	(4,096)	(7,340)	(5,736)	(3,202)	(415)	(3,114)	(5,157)	(7,536)	(7,220)	(4,695)	(1,630)
ITC Amortization	0	0	0	0	0	0	0	0	0	0	0	0
Deferred Tax Expense	323	(1,589)	314	314	225	314	314	225	314	314	397	314
Total Income Tax Expense (Benefit)	(3,135)	(5,685)	(7,026)	(5,422)	(2,976)	(102)	(2,801)	(4,931)	(7,222)	(6,907)	(4,298)	(1,317)
Income from Cont. Ops. before Minority Int. & Preferred Dividends	5,754	11,391	11,521	9,315	6,693	947	5,075	9,662	12,105	11,717	8,813	2,849
Minority Interest	0	0	0	0	0	0	0	0	0	0	0	0
Preferred Dividends	0	0	0	0	0	0	0	0	0	0	0	0
Income from Continuing Operations	5,754	11,391	11,521	9,315	6,693	947	5,075	9,662	12,105	11,717	8,813	2,849
Income/Loss from Discontinued Operations (net of tax)	0	0	0	0	0	0	0	0	0	0	0	0
Income/Loss from Disposal of Disco Ops (net of tax)	0	0	0	0	0	0	0	0	0	0	0	0
Total Discontinued Operations	0	0	0	0	0	0	0	0	0	0	0	0
Net Income	$5,754	$11,391	$11,521	$9,315	$6,693	$947	$5,075	$9,662	$12,105	$11,717	$8,813	$2,849

Louisville Gas and Electric Company
Case No. 2009-00549
Historical Test Period Filing Requirements

Filing Requirement
807 KAR 5:001 Section 10(7)(e)
Sponsoring Witness: W. Steven Seelye

Description of Filing Requirement:

Upon good cause shown, a utility may request pro forma adjustments for known and measurable changes to ensure fair, just and reasonable rates based on the historical test period. The following information shall be filed with applications requesting pro forma adjustments or a statement explaining why the required information does not exist and is not applicable to the utility's application:

(e) The number of customers to be added to the test period-end level of customers and the related revenue requirements impact for all pro forma adjustments with complete details and supporting work papers.

Response:

Please refer to the testimony and exhibits of W. Steven Seelye.