

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-05-10** | Period of Report: **1995-03-31**  
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FILER

**LOUISVILLE GAS & ELECTRIC CO /KY/**

CIK: **60549** | IRS No.: **610264150** | State of Incorp.: **KY** | Fiscal Year End: **1231**  
Type: **10-Q** | Act: **34** | File No.: **001-02893** | Film No.: **95536289**  
SIC: **4931** Electric & other services combined

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LUUISVILLE KY 40232

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5026272000

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1995  
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OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 2 - 26720

LOUISVILLE GAS AND ELECTRIC COMPANY  
-----

(Exact name of registrant as specified in its charter)

Kentucky  
-----

(State or other jurisdiction of incorporation or organization)

61 - 0264150  
-----

(I.R.S. Employer Identification No.)

220 West Main Street, P.O. Box 32010, Louisville, KY  
-----

(Address of principal executive offices)

40232  
-----

(Zip Code)

(502) 627-2000  
-----

(Registrant's telephone number)

Indicate by check mark whether the registrant (1) has filed all reports

required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

-- --

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.  
 21,294,223 shares, without par value, as of April 30, 1995, all of which  
 -----  
 were held by LG&E Energy Corp.  
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

LOUISVILLE GAS AND ELECTRIC COMPANY  
 STATEMENTS OF INCOME  
 (Thousands of \$)

The following statements of income include all normal recurring adjustments and accruals which are, in the opinion of the Company, necessary to present a fair statement of the results for the periods shown.

|                                     | Quarter Ended March 31 |           |
|-------------------------------------|------------------------|-----------|
|                                     | -----                  |           |
|                                     | 1995                   | 1994      |
|                                     | ----                   | ----      |
| OPERATING REVENUES                  |                        |           |
| Electric.....                       | \$123,542              | \$123,317 |
| Gas.....                            | 75,975                 | 96,362    |
|                                     | -----                  | -----     |
| Total operating revenues.....       | 199,517                | 219,679   |
|                                     | -----                  | -----     |
| OPERATING EXPENSES                  |                        |           |
| Fuel for electric generation.....   | 31,851                 | 33,233    |
| Power purchased.....                | 807                    | 3,387     |
| Gas supply expenses.....            | 48,367                 | 67,399    |
| Other operation expenses.....       | 35,398                 | 35,354    |
| Maintenance.....                    | 11,482                 | 13,274    |
| Non-recurring charges (Note 3)..... | -                      | 38,613    |
| Depreciation and amortization.....  | 21,440                 | 20,633    |
| Federal and State income taxes..... | 13,228                 | (4,054)   |
| Property and other taxes.....       | 4,535                  | 5,237     |
|                                     | -----                  | -----     |
| Total operating expenses.....       | 167,108                | 213,076   |
|                                     | -----                  | -----     |

|  |           |             |
|--|-----------|-------------|
| NET OPERATING INCOME.....  | 32,409    | 6,603       |
| Other Income and (Deductions).....   | 401       | (489)       |
| Contribution to Charitable<br>Foundation - net (Note 3).....   | -         | 8,946       |
| Interest Charges.....  | 10,971    | 10,494      |
|  | -----     | -----       |
| INCOME (LOSS) BEFORE CUMULATIVE EFFECT OF<br>A CHANGE IN ACCOUNTING PRINCIPLE.....   | 21,839    | (13,326)    |
| Cumulative Effect of Change in Accounting<br>for Post-Employment Benefits, net of<br>income taxes of \$2,280 (Note 4)..... | -         | (3,369)     |
|  | -----     | -----       |
| NET INCOME (LOSS).....   | 21,839    | (16,695)    |
| Preferred Stock Dividends.....   | 1,617     | 1,378       |
|  | -----     | -----       |
| NET INCOME (LOSS) AVAILABLE FOR<br>COMMON STOCK.....   | \$ 20,222 | \$ (18,073) |
|  | -----     | -----       |
|  | -----     | -----       |

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LOUISVILLE GAS AND ELECTRIC COMPANY  
BALANCE SHEETS  
(Thousands of \$)

ASSETS

|  | March 31,<br>1995 | December 31,<br>1994 |
|--|-------------------|----------------------|
|  | -----             | -----                |
| UTILITY PLANT                            |                   |                      |
| At Original Cost.....                    | \$2,555,953       | \$2,537,895          |
| Less: Reserve for depreciation.....      | 900,626           | 881,861              |
|  | -----             | -----                |
|  | 1,655,327         | 1,656,034            |
|  | -----             | -----                |
| OTHER PROPERTY AND INVESTMENTS -         |                   |                      |
| less reserve.....                        | 46,231            | 50,681               |
|  | -----             | -----                |
| CURRENT ASSETS                           |                   |                      |
| Cash and temporary cash investments..... | 70,312            | 39,138               |
| Accounts receivable - less reserve.....  | 81,734            | 86,058               |
| Materials and supplies - at average cost |                   |                      |
| Fuel (predominantly coal).....           | 12,690            | 13,869               |
| Gas stored underground.....              | 10,512            | 31,354               |
| Other.....                               | 36,957            | 37,299               |
| Prepayments.....                         | 1,749             | 253                  |

|                                  |             |             |
|----------------------------------|-------------|-------------|
|                                  | -----       | -----       |
|                                  | 213,954     | 207,971     |
|                                  | -----       | -----       |
| DEFERRED DEBITS AND OTHER ASSETS |             |             |
| Unamortized debt expense.....    | 7,687       | 7,776       |
| Regulatory assets.....           | 31,020      | 31,726      |
| Other.....                       | 10,702      | 12,402      |
|                                  | -----       | -----       |
|                                  | 49,409      | 51,904      |
|                                  | -----       | -----       |
|                                  | \$1,964,921 | \$1,966,590 |
|                                  | -----       | -----       |
|                                  | -----       | -----       |

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LOUISVILLE GAS AND ELECTRIC COMPANY  
CAPITAL AND LIABILITIES  
(Thousands of \$)

CAPITALIZATION

|   |            |            |
|---|------------|------------|
| COMMON STOCK, without par value -         |            |            |
| Authorized 75,000,000 shares;             |            |            |
| outstanding 21,294,223 shares.....        | \$ 425,170 | \$ 425,170 |
| COMMON STOCK EXPENSE.....                 | (836)      | (836)      |
| UNREALIZED LOSS ON MARKETABLE SECURITIES, |            |            |
| net of income taxes of \$739 and          |            |            |
| \$1,434.....                              | (725)      | (1,751)    |
| RETAINED EARNINGS.....                    | 180,117    | 193,895    |
|   | -----      | -----      |
|   | 603,726    | 616,478    |
| CUMULATIVE PREFERRED STOCK.....           | 116,716    | 116,716    |
| LONG-TERM DEBT.....                       | 662,858    | 662,862    |
|   | -----      | -----      |
|   | 1,383,300  | 1,396,056  |
|   | -----      | -----      |

CURRENT LIABILITIES

|                         |         |         |
|-------------------------|---------|---------|
| Accounts payable.....   | 55,283  | 70,770  |
| Dividends declared..... | 35,617  | 19,567  |
| Accrued taxes.....      | 18,870  | 8,247   |
| Accrued interest.....   | 11,709  | 13,394  |
| Other.....              | 11,465  | 10,277  |
|                         | -----   | -----   |
|                         | 132,944 | 122,255 |
|                         | -----   | -----   |

DEFERRED CREDITS AND OTHER LIABILITIES

|  |         |         |
|--|---------|---------|
| Accumulated deferred income taxes..... | 278,218 | 275,814 |
| Investment tax credit,                 |         |         |
| in process of amortization.....        | 87,627  | 88,779  |

|   |             |             |
|---|-------------|-------------|
| Accumulated provision for pensions<br>and related benefits..... | 47,094      | 49,104      |
| Customers' advances for construction.....                       | 8,778       | 8,621       |
| Regulatory liability.....                                       | 8,914       | 8,914       |
| Other.....  | 18,046      | 17,047      |
|   | -----       | -----       |
|   | 448,677     | 448,279     |
|   | -----       | -----       |
|   | \$1,964,921 | \$1,966,590 |
|   | -----       | -----       |
|   | -----       | -----       |

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LOUISVILLE GAS AND ELECTRIC COMPANY  
STATEMENTS OF CASH FLOWS  
(Thousands of \$)

|   | Quarter Ended March 31 |            |
|---|------------------------|------------|
|   | -----                  | -----      |
|   | 1995                   | 1994       |
|   | ----                   | ----       |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                 |                        |            |
| Net income (loss).....                                      | \$ 21,839              | \$(16,695) |
| Items not requiring cash currently:                         |                        |            |
| Depreciation and amortization.....                          | 21,440                 | 20,633     |
| Deferred income taxes - net.....                            | 1,709                  | (14,818)   |
| Investment tax credit - net.....                            | (1,152)                | (1,189)    |
| Cumulative effect of change in<br>accounting principle..... | -                      | 3,369      |
| Non-recurring charges.....                                  | -                      | 38,613     |
| Other.....  | 946                    | 3,759      |
| (Increase) decrease in certain net<br>current assets:       |                        |            |
| Accounts receivable.....                                    | 4,324                  | 7,581      |
| Materials and supplies.....                                 | 22,363                 | 21,930     |
| Accounts payable.....                                       | (15,487)               | (4,180)    |
| Accrued taxes.....  | 10,623                 | 204        |
| Accrued interest.....                                       | (1,685)                | (1,375)    |
| Prepayments and other.....                                  | (308)                  | 462        |
| Other.....  | (364)                  | (4,192)    |
|   | -----                  | -----      |
| Net cash provided from<br>operating activities.....         | 64,248                 | 54,102     |
|   | -----                  | -----      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                 |                        |            |
| Purchase of securities.....                                 | (44,160)               | (22,665)   |
| Proceeds from sales of securities.....                      | 50,329                 | 8,818      |
| Construction expenditures.....                              | (19,676)               | (14,323)   |

|   |          |          |
|---|----------|----------|
| Net cash used for investing activities... | (13,507) | (28,170) |
| CASH FLOWS FROM FINANCING ACTIVITIES      |          |          |
| Payment of dividends.....                 | (19,567) | (18,878) |
| Net cash used for financing activities... | (19,567) | (18,878) |

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LOUISVILLE GAS AND ELECTRIC COMPANY  
STATEMENTS OF CASH FLOWS  
(Thousands of \$)

|  |           |           |
|--|-----------|-----------|
| NET INCREASE IN CASH AND<br>TEMPORARY CASH INVESTMENTS.....        | \$ 31,174 | \$ 7,054  |
| CASH AND TEMPORARY CASH INVESTMENTS AT<br>BEGINNING OF PERIOD..... | 39,138    | 44,105    |
| CASH AND TEMPORARY CASH INVESTMENTS AT<br>END OF PERIOD.....       | \$ 70,312 | \$ 51,159 |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION                  |           |           |
| Cash paid during the period for:                                   |           |           |
| Income taxes.....  | \$ -      | \$ 4,970  |
| Interest on borrowed money.....                                    | 12,250    | 11,583    |

For the purposes of this statement, all temporary cash investments purchased with a maturity of three months or less are considered cash equivalents.

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LOUISVILLE GAS AND ELECTRIC COMPANY  
STATEMENTS OF RETAINED EARNINGS  
(Thousands of \$)

|                                     | Quarter Ended March 31 |           |
|-------------------------------------|------------------------|-----------|
|                                     | 1995                   | 1994      |
| Balance at beginning of period..... | \$193,895              | \$194,903 |
| Add net income (loss).....          | 21,839                 | (16,695)  |

|                                 |           |           |
|---------------------------------|-----------|-----------|
|                                 | 215,734   | 178,208   |
|                                 | -----     | -----     |
| Deduct: Cash dividends declared |           |           |
| on stock -                      |           |           |
| 5% cumulative preferred.....    | 269       | 269       |
| 7.45% cumulative preferred..    | 400       | 400       |
| Auction rate cumulative         |           |           |
| preferred.....                  | 581       | 342       |
| \$5.875 cumulative preferred.   | 367       | 367       |
| Common.....                     | 34,000    | 17,500    |
|                                 | -----     | -----     |
|                                 | 35,617    | 18,878    |
|                                 | -----     | -----     |
| Balance at end of period.....   | \$180,117 | \$159,330 |
|                                 | -----     | -----     |
|                                 | -----     | -----     |

NOTES TO FINANCIAL STATEMENTS

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1. The financial statements included herein have been prepared by Louisville Gas and Electric Company (the "Company" or "LG&E"), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. These financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year 1994.
  
2. The Company filed an application with the Public Service Commission of Kentucky (Commission) on October 7, 1994, in which it requested approval of an environmental cost recovery surcharge to recover certain costs required to comply with the Federal Clean Air Act, as amended, and those federal, state, and local environmental requirements which apply to coal combustion wastes and by-products from facilities utilized for the production of energy from coal. On April 6, 1995, the Commission approved an environmental cost recovery surcharge that will increase electric revenues by approximately \$3.8 million in 1995 and \$7.2 million in 1996. The surcharge became effective on May 1, 1995. The Company and the Kentucky Attorney General have filed applications for rehearing on certain issues in the April 6 order. Among other things, the Kentucky Attorney General is requesting a reduction of the amounts recoverable by the Company. The Company cannot predict what action, if any, the Commission may take in this matter.

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3. As part of a study of LG&E Energy Corp.'s business strategy and



realignment during 1994, the Company re-evaluated its regulatory strategy which previously had been to seek full recovery of certain costs deferred in accordance with prior precedents established by the Commission. As a result of this re-evaluation, in the first quarter of 1994, the Company wrote off certain expenses that had previously been deferred amounting to approximately \$38.6 million before taxes. While the Company continues to believe that it could have reasonably expected to recover these costs in future rate proceedings before the Commission, the Company decided to deduct these expenses currently and not seek recovery for such expenses in future rates due to increasing competitive pressures and the existing and anticipated future economic conditions. The items written off include costs incurred in connection with early retirements and workforce reductions that occurred in 1992 and 1993 which consist primarily of separation payments, enhanced early retirement benefits, and health care benefits; costs associated with property damage claims pertaining to particulate emissions from its Mill Creek electric generating plant which primarily consist of spotting on automobile finish and aluminum siding; and certain costs previously deferred resulting from adoption in January 1993 of Statement of Financial Accounting Standards No. 106, Employers' Accounting for Post-Retirement Benefits Other Than Pensions.

In the first quarter of 1994, the Board of Directors of the Company approved the formation of a tax-exempt charitable foundation (Foundation) which will make charitable contributions to qualified persons and entities. In 1994, the Company recorded a pre-tax charge against income and made an irrevocable payment of \$15 million to fund the Foundation. On June 6, 1994, the Internal Revenue Service issued a letter stating that it had determined the Foundation was exempt from Federal income tax under the Internal Revenue Code.

4. The Company adopted Statement of Financial Accounting Standards No. 112, Employers' Accounting for Post-Employment Benefits (SFAS 112) on January 1, 1994, as required. SFAS 112 requires the accrual of the expected cost of benefits to former or inactive employees after employment but before retirement. The cumulative effect of the accounting change was recorded in the first quarter of 1994 and decreased net income by \$3.4 million.
5. Reference is made to Part II herein - Item 1, Legal Proceedings.

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- Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition.

#### Results of Operations

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Because of seasonal fluctuations in temperature and other factors the results of one interim period are not necessarily indicative of results to be expected for the year.

Quarter Ended March 31, 1995, Compared with  
Quarter Ended March 31, 1994

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Net income increased \$38.5 million for the quarter ended March 31, 1995, over the first quarter of 1994. This increase was due to the write off, in the first quarter of 1994, of non-recurring items, the formation of a charitable foundation and the adoption of SFAS No. 112. Without consideration of the charges against income in 1994 as discussed above, net income for the quarter increased \$2.4 million (12.5%). This increase is due primarily to higher electric wholesale and retail industrial sales and lower maintenance expenses. Maintenance expenses incurred in the first quarter of 1994 were higher because of the severe winter storm in January 1994.

A comparison of operating revenues for the quarter ended March 31, 1995, with the quarter ended March 31, 1994, reflects increases and decreases which have been segregated by the following principal causes:

| Cause<br>-----                                | Increase or (Decrease)<br>(Thousands of \$)<br>----- |                          |
|---|--|--------------------------|
|   | Electric<br>Revenues<br>-----                        | Gas<br>Revenues<br>----- |
| Sales to Ultimate Consumers:                  |  |                          |
| Fuel and gas supply adjustments.....          | \$ (2,877)   | \$ (7,227)               |
| Demand side management/revenue decoupling.... | 2,445  | 2,073                    |
| Variation in sales volume, etc.....           | 1,149  | (16,963)                 |
|   | -----  | -----                    |
| Total.....                                    | 717  | (22,117)                 |
| Sales for resale.....                         | (436)  | -                        |
| Gas transportation - net.....                 | -  | 2,003                    |
| Other.....                                    | (56)   | (273)                    |
|   | -----  | -----                    |
| Total.....                                    | \$ 225   | \$ (20,387)              |
|   | -----  | -----                    |
|   | -----  | -----                    |

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Fuel for electric generation and gas supply expenses comprise a large segment of the Company's total operating expenses. The Company's electric and gas rates contain a fuel adjustment clause and a gas supply clause, respectively, whereby increases or decreases in the cost of fuel and gas supply may be reflected in the Company's rates, subject to the approval of the Public Service Commission of Kentucky. Fuel for electric generation decreased \$1.4 million (4%) for the quarter primarily because of a decrease in the cost of coal burned (\$2.8 million) partially offset by increased generation of 4%. Gas supply expenses decreased \$19 million (28%) due mainly to a lower volume of gas delivered to the distribution system (\$14.1 million) and a decrease

in net gas supply cost (\$4.9 million).

The Company implemented a Commission approved demand side management (DSM) program in January 1994. The agreement contains a rate mechanism that will allow the Company concurrent recovery of DSM costs; provide the Company an incentive for implementing DSM programs; and allow the Company to recover revenues due to lost sales associated with the DSM programs.

Power purchased decreased \$2.6 million due mainly to less power wheeled for other utilities as a result of the milder weather in the region.

Maintenance expenses decreased \$1.8 million (14%) primarily due to storm damage expenses related to the severe winter weather during the first quarter of 1994.

Non-recurring charges written off during the first quarter of 1994 include the costs in connection with early retirements and work force reductions that occurred in 1992 and 1993, costs in connection with property damage claims pertaining to particulate emissions from the Mill Creek electric generating plant, and certain costs previously deferred resulting from adoption of Statement of Financial Accounting Standards No. 106, Employers' Accounting for Post-Retirement Benefits Other Than Pensions. See Note 3 of Notes to Financial Statements.

Depreciation and amortization increased because of additional depreciable plant in service.

Variations in income tax expense are largely attributable to changes in pre-tax income.

Property and other taxes decreased mainly due to payroll taxes associated with severance payments in connection with work force reductions recorded in the first quarter of 1994. See Note 3 of Notes to Financial Statements.

Other income and deductions increased primarily due to an increase in dividend and interest income from investments.

The contribution to charitable foundation represents the expense (net of taxes) associated with the formation of a tax-exempt charitable foundation recorded in the first quarter of 1994. See Note 3 of Notes to Financial Statements.

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Interest charges increased because of a higher composite interest rate on outstanding debt. A component of interest expense was the cost associated with \$30 million of interest rate swaps that the Company entered into as a standard hedging device in connection with the issuance of Pollution Control Bonds Series S due September 1, 2017, in 1992. The swaps are designed to reduce the Company's exposure to interest rate risk. During the three months ended March 31, 1995, the Company received interest at a composite rate of 3.7% and paid interest at a composite rate of 4.55% pursuant to the swaps.

Cumulative Effect of Change in Accounting for Post-Employment Benefits reflects an accounting change required by the adoption of Statement of Financial Accounting Standards No. 112, Employers' Accounting for Post-Employment Benefits during the first quarter of 1994. See Note 4 of Notes to Financial Statements.

### Liquidity and Capital Resources

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The Company's capital structure and cash flow remained strong throughout the reported periods. This is evidenced primarily by the Company's ability to meet its capital needs through internal generation and the investment in available-for-sale-securities at March 31, 1995.

The Company's need for capital funds is primarily related to the construction of plant and equipment necessary to meet electric and gas customers' needs and the protection of the environment. Construction expenditures for the first quarter of 1995 of \$20 million were financed with internally generated funds.

The Company's combined cash and temporary cash investments balance increased \$31 million in the first quarter of 1995. The increase reflects the Company's cash flow from operations, less capital expenditures, and dividend payments.

Variations in accounts receivable and accounts payable are not generally significant indicators of the Company's liquidity, as such variations are primarily attributable to seasonal fluctuations in weather, which has a direct effect on sales of electricity and natural gas.

In April 1995, the Company issued \$40 million of Jefferson County, Kentucky, Pollution Control Revenue Bonds, 5.90% Series, due April 15, 2023. The proceeds of the bonds were used to defease, in April 1995, the outstanding 9.25% Series of Pollution Control Bonds due July 1, 2015.

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At March 31, 1995, the Company had unused lines of credit of \$145 million with banks for which it pays commitment fees. The lines are scheduled to expire at various periods throughout 1995. The Company intends to renegotiate such lines when they expire.

The Company's capitalization ratios at March 31, 1995, and December 31, 1994 were:

|                      | March 31, 1995<br>----- | December 31, 1994<br>----- |
|----------------------|-------------------------|----------------------------|
| Long-term debt.....  | 47.9%                   | 47.5%                      |
| Preferred stock..... | 8.4                     | 8.4                        |

|                          |        |        |
|--------------------------|--------|--------|
| Common stock equity..... | 43.7   | 44.1   |
|                          | -----  | -----  |
| Total.....               | 100.0% | 100.0% |
|                          | -----  | -----  |
|                          | -----  | -----  |

For a description of significant contingencies that may affect the Company, reference is made to Part II herein - Item 1, Legal Proceedings.

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PART II. OTHER INFORMATION

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Item 1. Legal Proceedings.

For a description of the significant legal proceedings involving the Company, reference is made to: (i) the information under the following items and captions of the Company's Annual Report on Form 10-K for the year ended December 31, 1994: Item 1, Business; Item 3, Legal Proceedings; Item 7, Management's Discussion and Analysis of Results of Operations and Financial Condition; and Notes 2, 10, and 11 of the Notes to Financial Statements under Item 8, Financial Statements and Supplementary Data and (ii) the Company's current report on Form 8-K dated April 13, 1995. Except as noted below, there have been no material changes in these proceedings as reported in the Company's 1994 Form 10-K and Form 8-K.

Trimble County. As reported in Note 11 of the Notes to Financial Statements under Item 8 of the Company's 1994 Form 10-K, the Company expressed the opinion that the Public Service Commission of Kentucky's (Commission) July 8, 1994, order made it unlikely that the Commission would entertain the position taken by the intervenors in their previously-filed testimony that the Company refund approximately \$183 million to its customers. On April 21, 1995, the Commission issued an order granting the Company's motion to strike certain testimony submitted by certain intervenors in the Commission's proceeding to determine what refunds, if any, are necessary to fully put into effect the Commission's prior decision to disallow 25% of Trimble County's costs from rates. The stricken testimony recommended that the Company be ordered to refund 25% of the revenue requirements the Company collected on Construction Work in Progress (CWIP) for Trimble County included in rates from June 1979 through December 1990 (approximately \$183 million). The Commission states in the order that it is forbidden by the legal prohibition against retroactive ratemaking from expanding the issues beyond the approximately \$30 million in revenues collected subject to refund by the Company pursuant to the Commission's July 1, 1988, order in Case No. 10064. The Company refunded \$11.1 million of that amount under the 1989 settlement agreement. On April 26, 1995, certain intervenors filed a petition in Franklin Circuit Court requesting review of the April 21, 1995, order and immediate relief. The court denied their request for review and relief. On May 9, 1995, formal hearings began with the Commission to determine the proper ratemaking treatment to exclude 25% of Trimble County from customer rates for the period May 1988 through December 1990. The Company's current rates, which became

effective January 1, 1991, reflect the revenue requirements applicable to 75% of the Trimble County plant.

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Statewide Power Planning. As discussed in Item 3, Legal Proceedings, of the Company's 1994 Form 10-K, in November 1993, the Company filed its 1993 biennial Integrated Resource Plan (the Plan) with the Commission. The Plan updates the Company's 1991 Integrated Resource Plan, and proposes to meet customers' future demand through 2007 by adding resources in small increments, such as through short-term power purchases (1996-1999), a customer-owned standby generation program (1997), two combustion turbines (1999-2000), an air conditioner load controls program storage plan (1997, 2001-2003), an upgrade to the Company's existing hydroelectric plant (2003), and a compressed air energy storage plan (2004). In March 1995, the Commission Staff issued a report on its review of the Plan. The Staff specifically found that the Plan contained some of the better analyses among those filed by the electric utilities under the Commission's jurisdiction, and presented several suggestions for the Company's consideration in developing its next Plan. By order issued on March 17, 1995, the Commission formally closed its proceeding for the review of the Plan.

Environmental Surcharge. On April 6, 1995, the Commission approved, with modifications, the Company's application for an environmental cost recovery surcharge to recover certain costs required to comply with the Federal Clean Air Act, as amended, and other federal, state, and local environmental laws, regulations and orders which apply to coal combustion wastes and by-products from facilities utilized for the production of energy from coal. As a result of the order approving the surcharge, the Company estimates that its electric revenues will increase by approximately \$3.8 million in 1995 and \$7.2 million in 1996. The Company and the Kentucky Attorney General have filed applications for rehearing on certain issues in the April 6 order. Among other things, the Kentucky Attorney General is requesting a reduction of the amounts recoverable by the Company. The Company cannot predict what action, if any, the Commission may take in this matter.

Item 6(a). Exhibits.

Exhibit No.

- - - - -

27. Financial Data Schedule

Item 6(b). Reports on Form 8-K.

On April 13, 1995, a report on Form 8-K was filed announcing the approval, with modifications, of the Company's application for an environmental cost recovery surcharge.

## SIGNATURES

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Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LOUISVILLE GAS AND ELECTRIC COMPANY

-----

Registrant

By M. L. Fowler

-----

Vice President and Controller  
(On behalf of the registrant in  
his capacity as Principal  
Accounting Officer)

Date May 10, 1995

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<TABLE> <S> <C>

<ARTICLE> UT

<MULTIPLIER> 1,000

| <S>                            | <C>         |
|--------------------------------|-------------|
| <PERIOD-TYPE>                  | 3-MOS       |
| <FISCAL-YEAR-END>              | DEC-31-1995 |
| <PERIOD-END>                   | MAR-31-1995 |
| <BOOK-VALUE>                   | PER-BOOK    |
| <TOTAL-NET-UTILITY-PLANT>      | 1,655,327   |
| <OTHER-PROPERTY-AND-INVEST>    | 46,231      |
| <TOTAL-CURRENT-ASSETS>         | 213,954     |
| <TOTAL-DEFERRED-CHARGES>       | 38,707      |
| <OTHER-ASSETS>                 | 10,702      |
| <TOTAL-ASSETS>                 | 1,964,921   |
| <COMMON>                       | 424,334     |
| <CAPITAL-SURPLUS-PAID-IN>      | (725) <F1>  |
| <RETAINED-EARNINGS>            | 180,117     |
| <TOTAL-COMMON-STOCKHOLDERS-EQ> | 603,726     |
| <PREFERRED-MANDATORY>          | 0           |
| <PREFERRED>                    | 116,716     |
| <LONG-TERM-DEBT-NET>           | 662,858     |
| <SHORT-TERM-NOTES>             | 0           |
| <LONG-TERM-NOTES-PAYABLE>      | 0           |
| <COMMERCIAL-PAPER-OBLIGATIONS> | 0           |
| <LONG-TERM-DEBT-CURRENT-PORT>  | 0           |
| <PREFERRED-STOCK-CURRENT>      | 0           |
| <CAPITAL-LEASE-OBLIGATIONS>    | 0           |
| <LEASES-CURRENT>               | 0           |
| <OTHER-ITEMS-CAPITAL-AND-LIAB> | 581,621     |
| <TOT-CAPITALIZATION-AND-LIAB>  | 1,964,921   |
| <GROSS-OPERATING-REVENUE>      | 199,517     |
| <INCOME-TAX-EXPENSE>           | 13,228      |
| <OTHER-OPERATING-EXPENSES>     | 153,880     |
| <TOTAL-OPERATING-EXPENSES>     | 167,108     |
| <OPERATING-INCOME-LOSS>        | 32,409      |
| <OTHER-INCOME-NET>             | 401         |
| <INCOME-BEFORE-INTEREST-EXPEN> | 32,810      |
| <TOTAL-INTEREST-EXPENSE>       | 10,971      |
| <NET-INCOME>                   | 21,839      |
| <PREFERRED-STOCK-DIVIDENDS>    | 1,617       |
| <EARNINGS-AVAILABLE-FOR-COMM>  | 20,222      |
| <COMMON-STOCK-DIVIDENDS>       | 34,000      |
| <TOTAL-INTEREST-ON-BONDS>      | 10,564      |
| <CASH-FLOW-OPERATIONS>         | 64,248      |
| <EPS-PRIMARY>                  | 0           |
| <EPS-DILUTED>                  | 0           |
| <FN>                           |             |



<F1>Represents Unrealized Loss on Marketable Securities.

</FN>

</TABLE>