

Workplace Introduction

We employ over 4,000 people and as a major employer we have a crucial impact on the economic and social well-being of many communities.

In the US, most workers spend at least half of their waking hours at work. The work environment has a great influence on their quality of life, their family life, and can even affect their health. We recognize that, through promoting training and job experience, we can increase the flexibility and power of our workforce, while at the same time contributing toward the personal growth and fulfilment of our staff.

Just as individuals and communities depend on us for their livelihood, we depend on them for our own success. For us, people make the difference in profitability, productivity and competitive advantage. We consider ourselves as an employer of choice and want to remain so: we must be able to attract and retain committed and talented staff to help us shape our business and take it forward.

We recognize that being an employer of choice requires respect for the talents of all individuals regardless of gender, race, disability, age, religion, colour, national origin, veteran status or sexual orientation. Good individuals and teams require an environment in which they can flourish. This means being fair to all in recruitment, promotion, and development of people and capitalizing on the added value that diversity brings. At LG&E Energy we endeavour to provide a workplace where employees feel respected and valued, and are encouraged to reach their full potential.

To this end we have a range of policies and practices in place to support our commitment to employees.

Workplace The issues

The main Workplace issues for LG&E Energy, upon which we report here are:

- Workplace profile (diversity);
- Employment satisfaction;
- Employment ethics;
- Training and development;
- Health and safety.

Shown below, are these issues mapped against our stakeholder groups to show which issues, we believe, are of most relevance to each stakeholder group.

Stakeholder Groups	Workplace profile (diversity)	Employment satisfaction	Employment ethics	Training and development	Health and safety
E.ON	●	●	◆	◆	▲
E.ON investors	●	●	◆	◆	▲
Govt. & energy regulators	—	—	—	—	▲
Environmental regulators	—	—	—	—	▲
Employees	●	●	◆	◆	▲
Customers	●	—	◆	—	▲
Communities	●	●	◆	—	▲
External bodies	●	●	◆	—	▲
The media	●	●	◆	—	▲
Joint venture partners	—	—	—	—	▲
Trade unions	●	●	◆	—	▲
Contractors	●	●	◆	◆	▲
Suppliers	●	—	—	—	—

Key	
●	Workplace profile (diversity)
●	Employment satisfaction
◆	Employment ethics
◆	Training and development
▲	Health and safety

Workplace

Workplace profile (diversity)

LG&E Energy has a long commitment to recognizing the contributions of all of its employees. The wealth of accumulated employee perspectives helps us continue to deliver products and services of the highest quality and creates a supportive environment that encourages and recognizes great work.

LG&E Energy has over 4,000 employees, mostly located in the Kentucky and Virginia areas of the United States, and also has employees in other US locations like California, Texas, Minnesota and on international assignments. At the Louisville, Kentucky headquarters, about 600 employees work in the corporate offices with the remaining Louisville employees working in service centres or power plants near Louisville. About 75 miles from Louisville, another 200 employees work in the Lexington, Kentucky headquarters of the Kentucky Utilities business in support of other employees in the Kentucky service territory.

LG&E Energy is committed to the hiring, advancement and fair treatment of individuals without regard to race, colour, religion, age, national origin, ethnicity, disability, veteran status, or sexual orientation. In addition, LG&E Energy provides equal opportunities and affirmative action for disabled workers, disabled veterans and other protected veterans of military service. Since 1965, LG&E has been an affirmative action employer and annually sets goals to encourage women and minorities to join the organization.

At LG&E Energy, all employees are responsible for maintaining a discrimination-free environment. The Company regularly offers training and counselling to employees and managers. Claims of harassment or discrimination are investigated and appropriate measures taken to resolve the issue.

In pursuit of its efforts to support its diverse workforce, LG&E Energy has set four key goals. To:

- increase the hiring percentages of women and minorities;
- focus on retention of employees;
- develop high potential women and minorities;
- reinforce / build reputation as a diversity-friendly Company.

LG&E Energy is a member or sponsor of many organizations supporting diversity in the workplace and the community including the Louisville Urban League, Black Achievers organization, and the Minority Expo.

In the fall of 2002, LG&E Energy launched a major new initiative related to diversity in the workplace. With the strong commitment of the Company's Chief Executive Officer and senior leadership, a Diversity Council has been formed to move LG&E Energy to a leadership position in its service area. LG&E Energy also created two new positions, Manager, Office of Diversity Affairs and Manager, Supplier Diversity. Through these efforts, LG&E Energy recognizes the competitive advantages of different perspectives at work, not just the traditional categories of gender, race, and background, but all elements of diversity.

Workplace Employment satisfaction

In late 2001, LG&E Energy conducted a comprehensive employee opinion survey along with Powergen plc. Based on the results of the survey, LG&E Energy initiated a department-by-department review of issues identified in the survey. Action plans were designed and successfully implemented at every level of the organization to address employee satisfaction issues.

Among others, changes were made in feedback processes, communication and training to further improve the work environment for employees. This effort was illustrative of LG&E Energy's continuing commitment to providing a work environment that supports employees' best work.

LG&E Energy provides employees with a full range of benefits to help them balance their work and family lives. These benefits include paid and unpaid medical time off, job protection during an illness or injury, and free, confidential employee assistance and counselling services. In support of employees with families, we also provide adoption assistance, flexible work hours and a lactation room for nursing mothers.

For its efforts in support of work/life balance, LG&E Energy has been recognized year after year at the highest level as a Gold Recipient of the Business Family Partnership Family Friendly designation.



Workplace Employment ethics

LG&E Energy supports its strong commitment to an ethical workplace with a rigorous annual business conduct review. Each employee in the headquarters and all subsidiary locations receives information about the expectations for ethical business conduct when hired and every year thereafter. Training is regularly conducted and employees complete an annual disclosure questionnaire.

Issues disclosed or noted on the annual business conduct review receive individual investigation and documentation. In addition, employees may use a confidential hotline any time during the year to report possible violations of the Code of Business Conduct. Each reported incident receives an investigation to determine whether a breach of corporate ethics has occurred.

In 2002, the annual Code of Business Conduct review was successfully conducted online for a pilot group of 1,800 employees. The process was supported by web-based training about ethical business conduct. This training module, although voluntary, was completed by over 1,000 employees.

Workplace Training and development

One of our key strategies for success is to build a high performance work force. Consequently, LG&E Energy offers a variety of employee development opportunities that support employees in their career development, and help the Company meet its goals. The Company's employee development program includes a broad spectrum of tools and activities.

Succession planning

Succession planning is integral to the success of the organization. In addition to a formal succession planning process that takes place over several months each year, officers meet semi-annually to review the progress of succession and development plans company-wide. Officers support and encourage developmental career moves.

Performance Excellence Process (PEP)

The Performance Excellence Process (PEP) encourages employees to develop objectives that support the Company's strategic goals. The PEP is designed so that all employees understand their role in contributing to the Company's success. A competency assessment is included in the PEP and requires employees to focus on competencies relevant to their position and for future growth.

Individual Development Plan (IDP)

Competencies needing development are addressed on the Individual Development Plan (IDP). The IDP supports the performance review process, which takes place twice annually – mid-year and at year's end. It is the tool that identifies development actions for an employee to become more proficient in their current position. The IDP also aids an employee for development and growth for future opportunities.

Other development opportunities include:

- Using the Tuition Reimbursement Program for further education;
- Formal training courses, workshops, and seminars for knowledge and skills development;
- Non-traditional opportunities such as self-study, voluntary membership on civic groups, networking through professional organizations, working on task forces or cross-functional teams, on-the-job work assignments that promote the development of new skills, mentoring and coaching;
- E.ON Academy.



Workplace Health and safety

At LG&E Energy, the health, safety and wellness of our employees, customers, contractors and business partners are our number one priority. Health and safety excellence is the core requirement of all business activities. There are no compromises for unsafe work practices or behaviours.

Our vision is to be recognized as a world-class leader in health and safety, supported by management leadership, employee participation, and mutual responsibility. To meet this standard of performance we realize that we must continually look for ways to improve our existing programs. In addition to seeking new ideas from our employees and contractors, we actively seek the assistance of external sources. We participate in information-sharing activities with the Edison Electric Institute, the Indiana-Kentucky-Illinois Utility Health and Safety Network, and the Kentucky Gas Association, as well as other health, safety and wellness professional organizations.

2002 Initiatives

Following the lead of Powergen UK, business units developed a health and safety plan for 2002. These plans identified programs and initiatives the business units intended to implement to improve their safety performance in the coming year.

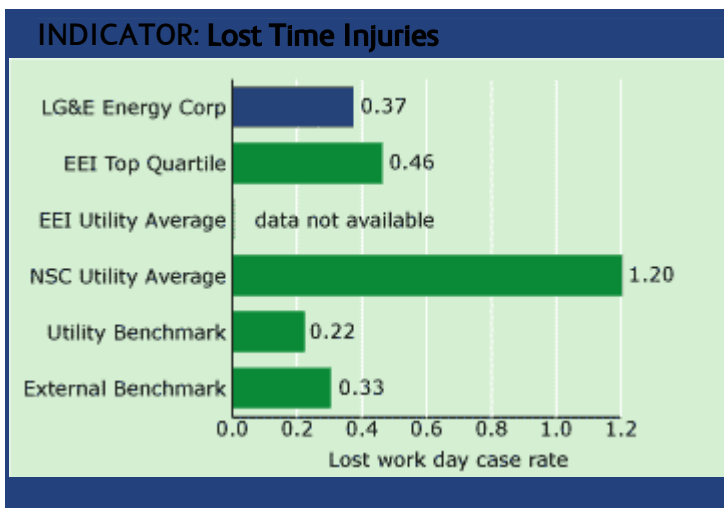
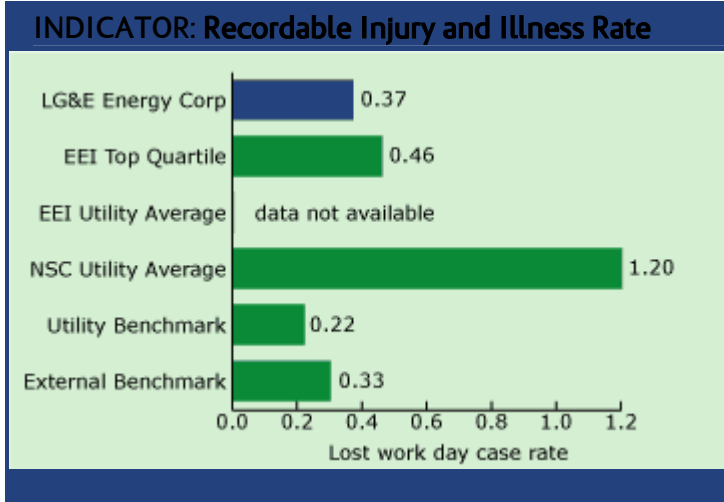
Driver safety education classes were developed and provided to employees in the Retail and Distribution Operations business units. This training was provided in addition to the Commercial Driver License training required for employees who operate commercial motor vehicles above 26,000 pounds.

Corporate Health and Safety and Energy Services joined forces to conduct wall-to-wall safety and health inspections at all Kentucky power plants. The inspections covered physical conditions throughout the plant sites, employee and contractor employee work practices, and written compliance programs and record-keeping practices. The results of the inspections were discussed with the sites' managers and health and safety specialists.

Safety performance

The US Bureau of Labor Statistics requires us to report to the Occupational Safety and Health Administration (OSHA) any 'OSHA -Recordable Injuries'. These are defined as any work-related death or illness, and those work-related injuries that result in loss of consciousness, restriction of work or motion, transfer to another job, or require medical treatment beyond first aid.

We continue to benchmark our performance against US top performers, both within and outside the utility industry. Our performance in 2002 is shown in the table below. Our Lost Work Day Case Rate was better than the Edison Electric Institute (EEI) Top Quartile and over three times better than the National Safety Council (NSC) Utility Average. While these rankings are good, we know that there is still room to improve. Our goal is to ultimately have zero work-related injuries or illnesses. Our recordable injury and illness rate (OSHA Incidence Rate, or number of OSHA-recordable per 200,000 hours worked) of 2.78 is well below the Utility Averages of both the EEI and the NSC.



We have set challenging, yet, in our opinion, attainable targets for 2003. Overall, LG&E Energy is looking to reduce the number of recordable cases by 20 percent and reduce the number of lost time injuries by 30 percent compared to our 2002 performance.

Contractor safety

The welfare of all who visit and work in and around LG&E Energy facilities is very important to us.

In 2002, we introduced an enhanced contractor safety program. The elements of the program include:

- training for internal contract proponents;
- pre-certification of contractors;
- inclusion of injury and illness cases and case rates as key performance indicators for contractors;
- contractor worksite audits;
- investigation of contractor incidents;
- a contractor "Passport Program."

The Passport Program was developed by a cross functional team using internal and external best practices. The basic elements of the "Passport Program" include eight hours of LG&E Energy-specific safety awareness and reinforcement training and appropriate safety compliance training. Once contractor employees have met all of the requirements of the program, they receive "passport" identification cards. They must also attend a site-specific orientation prior to accessing a unique LG&E Energy facility. Orientation refreshers are required annually. A contractor health and safety management database captures and reports on safety indicators for each contractor.

We have initiated periodic oversight inspections of contractor worksites to assist them in meeting both regulatory and LG&E Energy corporate health and safety requirements.



Safety recognition

Over 2002, LG&E Energy received several awards from external organizations for safety performance. These organizations inspire us all to work safely and strive to eliminate hazards in our workplaces. The following business units were recognized in 2002:

- Distribution Operations received a Royal Society for the Prevention of Accidents (RoSPA) Gold Award for safety;
- The following power stations received RoSPA Gold Awards for safety:
 - Ghent;
 - E.W. Brown;
 - Tyrone ;
 - Green River;
 - Cane Run;
 - Trimble County;
 - Ohio Falls;
 - LPS Corporation;
 - Altavista;
 - Southampton;
 - Hopewell;
 - Roanoke Valley Energy Facility;
 - Buffalo Ridge Wind Power Partners;
 - West Texas Wind Power Partners.

San Gorgonio Wind Power Partners received a RoSPA Silver Award, and Gregory Power Partners received RoSPA Bronze Award.

The Kentucky Governor's Safety & Health Award is given in recognition of a Kentucky company reaching a milestone, in hours, for working without a lost time injury. The minimum number of hours without a lost time injury needed to receive the award is 250,000. In 2002, Trimble County received the award for exceeding 750,000 hours without a lost time injury.

Other stations that received the Governor's Safety & Health Award in 2002 were:

- EW Brown;
- Green River;
- Tyrone;
- Cane Run;
- DB Wilson;
- Coleman;
- Distribution Operations' Danville Substation.

LG&E Power Services (LPS)

LG&E Power Services management and employees work diligently every day to support our safety philosophy: providing a workplace that is free of accidents. Each employee is authorized and expected to be responsible for his or her own safety—as well as that of others—in order to attain this objective. No employee is required to do a job that creates personal risk for anyone. Furthermore, dangerous conditions are aggressively sought out and corrected to avoid injury.

A number of LPS facilities have recorded safety milestones while working toward the Company's overall goal of zero recordable injuries. Six of the eight LPS facilities that have maintained a zero Recordable Incident and Injury Rate (RIIR) for at least one year are Altavista (for nearly five years) and Southampton (for more than two years) power stations; Roanoke Valley Energy Facility (ROVA) (for over one year); and Buffalo Ridge, San Gorgonio and West Texas (each for more than two years). ROVA also celebrated another major safety milestone in August 2002 by achieving six years without a lost-time accident.

RIIR for LPS of 2.24 for the last five years represents the lowest quartile for the power industry's current national average.

The Royal Society for the Prevention of Accidents (RoSPA) has recognized LPS and its facilities for outstanding overall health and safety process and performance in 2002.

The Altavista power plant was the first generating station in Virginia to receive the State's Occupational Health and Safety STAR award since this program's inception in 1996.

Community outreach

Distribution Operations' liaison program

Through its liaison program, our Distribution Operations' Safety and Technical Training specialists were very active in 2002, providing training throughout Kentucky communities to increase awareness among those who respond to emergencies involving both natural gas and electricity, as well as to foster a closer working relationship with those individuals.

A Gas Safety Presentation was given at the Centerfield Elementary School, and 26 liaisons with 67 different emergency agencies were completed, with 213 people attending. These meetings were held for cub scouts troops, members of the American Association of Retired People, Doe Valley Manteca/Doe Valley Utilities, to name a few. Training was also provided for the Kentucky State Highway Department and the city of Louisville Fire Department.

In the case of the Fire Department, 332 Louisville Fire Academy fire fighters were instructed in carbon-monoxide detection and handling of natural gas emergencies. During a three-week period, our specialists conducted 18 classes for the group.

Our Energy Services' health and safety specialists also participated in community outreach programs, including conducting a session for South Heights Elementary (Henderson, KY) 5th graders, entitled "Making Electricity from Coal." Electrical Safety was included in the presentation.

Representatives from our Ghent plant participated in Health & Safety Fairs at Carroll County Middle School & Gallatin County Middle School, and in Good Neighbour Night with other Carroll County industries.

Louisville Police Department training video

In July, LG&E employees participated in a Louisville Police Department (LPD) training video intended to enhance officers' awareness in the event of their encountering an accident involving a downed power line. The video also covered other scenarios involving electric safety.

The collaboration between LG&E and LPD began when the police department wanted to stage a realistic scene in which a lineman was laying on the ground, surrounded by wires; his condition and the status of the wires was unknown.

The LPD reconstructed this scene with assistance from LG&E employees, with one of them playing the part of the injured lineman. The video scene features a pedestrian flagging down a police officer and ends with the employee draped by prop wires, sitting against a vault. This final scene will be used during officer training to prompt them about appropriate next steps under these conditions. This type of situation is important for the police department to study because officers are often the first people on the scene of an accident.