



Louisville Gas and Electric Company
 P. O. Box 32010
 Louisville, Kentucky 40232

April 28, 1989

Louisville Water Company
 431 South Third Street
 Louisville, Kentucky 40202

Attention: Mr. Foster S. Burba, President

Dear Mr. Burba:

This is to advise you that on March 31, 1989, the Public Service Commission of Kentucky issued its Order in Case No. 10440 concerning the Commission's examination of the Company's application of the fuel adjustment clause for the two-year period ending October 31, 1988. This examination, required by Regulation 807 KAR 5:056, also directs the Commission to determine the amount of fuel cost that should be transferred (rolled-in) to the basic energy charges.

The Commission's Order approved the charges collected by LG&E under the fuel adjustment clause over the two-year period and established a new base cost of fuel of 1.422 cents per Kwh for purposes of computing future fuel adjustment charges. Prior to this change, the base cost of fuel had been set at 1.511 cents per Kwh, or .089 cents per Kwh higher than the newly established base. Inasmuch as the LG&E's basic energy charges also contained 1.511 cents per Kwh of base fuel cost, the Company was directed to reduce those rates by a corresponding amount.

The revised rates for electric service rendered under the power contract dated October 10, 1961, between LG&E and Louisville Water Company, and effective July 1, 1989, are set forth below:

Demand Charge - \$ 7.53 per Kw of billing demand per month

Energy Charge - 2.178 cents per Kwh

Fuel Clause is set forth on attached Exhibit 1.

Only the energy charges and the base fuel cost contained in the fuel adjustment clause have been changed to reflect the lateral transfer of .089 cents per Kwh. All other provisions of the contract not specifically mentioned herein remain the same.

If you have any further questions regarding this matter, please contact me.

Respectfully yours,

Randall J. Walker
 Randall J. Walker

Coordinator of Rates & Tariffs

PUBLIC SERVICE COMMISSION
 OF KENTUCKY
 EFFECTIVE
 JUL 1 1989
 PURSUANT TO 807 KAR 5:011,
 SECTION 9 (1)
 PUBLIC SERVICE COMMISSION MANAGER

EXHIBIT 1

FUEL CLAUSE

Applicable to: All electric rate schedules.

The monthly amount computed under each of the rate schedules to which this fuel clause is applicable shall be increased or decreased at a rate per kilowatt-hour of monthly consumption in accordance with the following formula:

$$\text{Adjustment Factor} = F/S - 1.422\text{¢}^*$$

Where F is the expense of fuel in the second preceding month and S is the sales in the second preceding month, as defined below:

(1) Fuel costs (F) shall be the cost of:

(a) Fossil fuel consumed in the Company's plants plus the cost of fuel which would have been used in plants suffering forced generation or transmission outages, but less the cost of fuel related to substitute generation, plus

(b) The actual identifiable fossil and nuclear fuel costs associated with energy purchased for reasons other than identified in paragraph (c) below, but excluding the cost of fuel related to purchases to substitute for the forced outages, plus

(c) The net energy cost of energy purchases, exclusive of capacity or demand charges (irrespective of the designation assigned to such transaction) when such energy is purchased on an economic dispatch basis. Included therein are such costs as the charges for economy energy purchases and the charges as a result of scheduled outage, all such kinds of energy being purchased by Company to substitute for its own higher cost energy; and less

(d) The cost of fossil fuel recovered through inter-system sales including the fuel costs related to economy energy sales and other energy sold on an economic dispatch basis.

(e) All fuel costs shall be based on weighted average inventory costing. The cost of fossil fuel shall include no items other than the invoice price of fuel less any cash or other discounts. The invoice price of fuel includes the cost of the fuel itself and necessary charges for transportation of fuel from the point of acquisition to the unloading point, as listed in Account 151 of the FERC Uniform System of Accounts for Public Utilities and Licensees.

(f) As used herein, the term "forced outages" means all nonscheduled losses of generation or transmission which require substitute power for a continuous period in excess of six hours. Where forced outages are not as a result of faulty equipment, faulty manufacture, faulty design, faulty installations, faulty operation, or faulty maintenance, but are Acts of God, riot, insurrection or acts of the public enemy, then the Company may, upon proper showing, with the approval of the Commission, include the fuel cost of substitute energy in the adjustment.

(2) Sales (S) shall be determined in kilowatt-hours as follows:

Add:

- (a) net generation
- (b) purchases
- (c) interchange-in

Subtract:

- (d) inter-system sales including economy energy and other energy sold on an economic dispatch basis
- (e) total system losses

* Pursuant to the Public Service Commission's Order dated March 31, 1989, in Case No. 10440, the fuel adjustment charge for July 1989 shall be calculated from a base fuel cost of 1.511¢ per Kwh and the fuel adjustment charge for August 1989 shall be calculated from a base fuel cost of 1.467¢ per Kwh. Thereafter, the fuel adjustment charge shall be calculated from a base fuel cost of 1.422¢ per Kwh.

PUBLIC SERVICE COMMISSION
EFFECTIVE
JUL 1 1989
PURSUANT TO 807 KAR 5:011,
SECTION 9 (1)
BY: *[Signature]*
PUBLIC SERVICE COMMISSION MANAGER

C2-91