



January 15, 1991

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

Mr. Foster S. Burba, President
Louisville Water Company
435 South Third Street
Louisville, Kentucky 40202

Dear Mr. Burba:

In a letter dated June 29, 1990, you were advised that Louisville Gas and Electric Company had filed with the Public Service Commission of Kentucky a Statutory Notice proposing a general increase in rates to become effective August 1, 1990, including the rates contained in the power contract dated October 10, 1961, between LG&E and Louisville Water Company.

On July 20, 1990, the Commission entered an Order suspending the implementation of the Company's proposed rates for a period of five months beyond the proposed effective date of August 1, 1990, and setting the case (90-158) for hearing and investigation.

The Commission, after evidentiary proceedings, issued its Order in Case No. 90-158 on December 21, 1990, prescribing rates lower than those proposed by the Company. The rates prescribed by the Commission for electric service rendered under the aforesaid contract, and effective January 1, 1991, are set forth below:

Demand Charge -- \$7.62 Per Kw of billing demand per month

Energy Charge -- 2.138¢ per Kwh

Fuel Clause is set forth on the attached Exhibit 1.

The Company has petitioned the Commission for a rehearing of its Order in Case No. 90-158. Therefore, this notification is not to be taken as an acceptance by the Company of the findings of the Commission in said Order.

All other provisions of the contract not specifically mentioned herein remain the same as those in effect prior to the date of the Commission's Order.

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

Respectfully,

Ronald L. Battista
Account Executive

RLB:mlg

Attachment

05-91

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

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

JAN 1 1991

PURSUANT TO 807 KAR 5:011,
SECTION 9 (1)

BY: *Shirley L. Miller*
PUBLIC SERVICE COMMISSION MANAGER

C5-91