Louisville Gas and Electric Company
220 West Main Street
P.O. Box 32010
Louisville, Kentucky 40232

April 29, 1991

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

Dear Mr. Burba:

On November 30, 1990, the Kentucky Public Service Commission established Case No. 90-364 for the purpose of reviewing and evaluating the operation of the Fuel Adjustment Clause ("FAC") of Louisville Gas and Electric Company (LG&E) for the two-year period ending October 31, 1990, and to determine the amount of fuel cost that should be transferred (rolled-in) to its base rates to reestablish its fuel adjustment charge.

On April 3, 1991, the Commission entered an Order in the above mentioned case setting a base fuel cost of 13.19 mills per Kwh and prescribing reduced rates to reflect the transfer (roll-in) to the base rates of the differential between the current base fuel cost of 14.22 mills per Kwh and the approved base fuel cost of 13.19 mills per Kwh.

The reduced rates prescribed by the Commission to become effective July 1, 1991, including the rates contained in the power contract dated October 10, 1961, between LG&E and Louisville Water Company, are set forth below:

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

Energy Charge -- 2.035¢ per Kwh

Fuel Clause is set forth on the attached Exhibit 1.

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

Ronald L. Battista
Account Executive

RLB:mlg

Attachment

6-10-91

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:

Adjustment Factor = F/S - 1.319¢*

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

JUL 1 1991

PURSUANT TO 807 KAR 5:011,
SECTION 9 (1)
BY: [signature]
PUBLIC SERVICE COMMISSION MANAGER

* Pursuant to the Public Service Commission's Order dated April 3, 1991, in Case No. 90-364, the fuel adjustment charge for May 1991 shall be calculated from a base fuel cost of 1.422¢ per Kwh and the fuel adjustment charge for June 1991 shall be calculated from a base fuel cost of 1.371¢ per Kwh. Thereafter, the fuel adjustment charge shall be calculated from a base fuel cost of 1.319¢ per Kwh.

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