



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

April 26, 1989

FILED

APR 27 1989

PUBLIC SERVICE
 COMMISSION

Sue H. Carney
 Vice President-Operations
 The Carbon/Graphite Group, Inc.
 Post Office Box 3727
 Louisville, Kentucky 40201-3727

Dear Ms. Carney:

In a letter dated July 19, 1988, you were notified that the Public Service Commission of Kentucky had, on July 1, 1988, issued its Order in Case Number 10064 approving new gas and electric rates for Louisville Gas and Electric effective with service rendered on and after May 20, 1988. The Company filed a petition for rehearing and, on August 10, 1988, the Commission entered an Order granting a rehearing on certain limited issues.

The Commission after consideration of the rehearing issues and by its Order dated April 20, 1989, authorized additional revenues and new gas and electric rates, including the rates contained in the power contract dated September 30, 1988, between LG&E and Carbon/Graphite, Inc. The revised rates prescribed by the Commission for electric service rendered under the aforesaid contract, and effective April 20, 1989, are set forth on attached Exhibit A.

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.

PUBLIC SERVICE COMMISSION
 KENTUCKY
 EFFECTIVE

Respectfully yours,

Randall J. Walker
 APR 20 1989
 PUBLIC SERVICE COMMISSION
 10057 North 3011,
 SECTION 9 (1)
 Randall J. Walker
 Coordinator of Rates & Tariffs
 PUBLIC SERVICE COMMISSION MANAGER

C7-89

EXHIBIT A

To Power Agreement Dated September 30, 1988, between
Louisville Gas and Electric Company and Carbon/Graphite, Inc.
Effective April 20, 1989

Rates and Charges

Demand and Energy Charges:

Demand Charge:

For Primary Power: \$11.37 per month per kilowatt of monthly Primary Power
billing demand

Demand Credit for Primary

Interruptible Power: \$1.94 per month per kilowatt of monthly Primary
Interruptible Power billing demand

For Secondary Power: \$5.69 per month per kilowatt of monthly Secondary Power
billing demand

Energy Charge:

For Primary and Secondary Power: 2.011¢ per kilowatt-hour delivered during each month

Fuel Clause: The monthly amount computed in accordance with the provisions set forth above shall be increased or decreased at a rate per kilowatt-hour of monthly consumption in accordance with the following formula:

$$\text{Adjustment Factor} = F/S - 1.511$$

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

Minimum Monthly Charge: The minimum monthly charge for service supplied under this agreement shall not be less than the Primary Power demand charge computed on the Primary Power billing demand (as determined in accordance with Paragraphs 10 and 11 of the Agreement) for the month plus the energy charge (including fuel adjustment) computed on kilowatt-hours delivered during the month.

APR 20 1989
PURSUANT TO 857 KAR 5.011,
SECTION 9 (1)
BY: *George Miller*
PUBLIC SERVICE COMMISSION MANAGER