



October 15, 1991

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

Mr. John L. Huber, Sr., President
Louisville Water Company
435 South Third Street
Louisville, Kentucky 40202

Dear Mr. Huber:

In a letter dated January 15, 1991, you were advised that the Public Service Commission of Kentucky had, on December 21, 1990, issued its Order in Case No. 90-158 approving new gas and electric rates for Louisville Gas and Electric Company (LG&E) effective January 1, 1991. The Company filed a Petition for Rehearing and, on January 29, 1991, 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 September 30, 1991, authorized additional revenues and new gas and electric rates, including the rates contained in the power contract dated October 10, 1961, between LG&E and Louisville Water Company.

Therefore, effective September 30, 1991, service rendered under the aforementioned contract will be billed under the increased rates set forth below:

Demand Charge -- \$7.63 Per Kw of billing demand per month

Energy Charge -- 2.038¢ 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
Account Executive

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

SEP 30 1991

RLB:mlg

Attachment

PURSUANT TO 807 KAR 5.011,
SECTION 9 (1)

BY:
PUBLIC SERVICE COMMISSION MANAGER
A SUBSIDIARY OF
LG&ENERGY

Handwritten initials and numbers: "CH 93" and "c"

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:

$$\text{Adjustment Factor} = F/S - 1.319\text{¢}^*$$

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**

SEP 30 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.

CH-93