



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

July 1, 1987

Airco Alloys and Carbide  
A Division of the BOC Group, Inc.  
Post Office Box 10037  
Louisville, Kentucky 40210

Attention: Mr. Paul D. Lawson, Vice President - Operations

Gentlemen:

On December 11, 1986, the Public Service Commission of Kentucky established a case (9781) for the purpose of determining the effects of the Tax Reform Act of 1986 on the rates of Louisville Gas and Electric Company.

The Commission issued its Order in Case No. 9781 on June 11, 1987, prescribing a reduction of rates for electric service. The reduced rates are effective July 2, 1987, and are set forth on the attached revision to Power Agreement.

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

Yours respectfully,

  
James W. Kasey  
Coordinator of Rate Research

JWK:mlg

Attachment



PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE

JUL 02 1987

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

BY:   
PUBLIC SERVICE COMMISSION MANAGER

REVISION

To Power Agreement Dated December 28, 1973, between  
Louisville Gas and Electric Company and Airco, Inc.  
Effective July 2, 1987

Rates and Charges

Demand and Energy Charges:

Demand Charge:

- For Primary Power: \$11.36 per month per kilowatt of monthly Primary 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: 1.916¢ 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:

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

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:

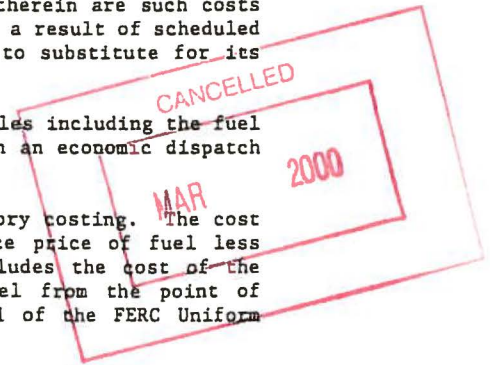
Add:

- (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

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.



PUBLIC SERVICE COMMISSION  
COMMONWEALTH OF KENTUCKY  
EFFECTIVE

JUL 02 1987

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SECTION 9(1)

By: *Sharon L. Lillie*  
PUBLIC SERVICE COMMISSION MANAGER