

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

A CONTRACT FILING BETWEEN LOUISVILLE )  
GAS AND ELECTRIC COMPANY AND THE )  
MEDICAL CENTER COMMISSION OF JEFFERSON ) CASE NO. 90-427  
COUNTY )

O R D E R

On December 6, 1990, Louisville Gas and Electric Company ("LG&E") filed for Commission approval of an agreement ("Agreement") with the Medical Center Commission of Jefferson County ("Medical Center"). Medical Center is currently served under LG&E's Industrial Power Time-of-Day Rate ("Rate LP-TOD") which includes ratchets for both basic and peak period demand charges. Under the Agreement, Medical Center would continue to be served under Rate LP-TOD but LG&E would waive the ratchet on the basic demand charge for the term of the Agreement.

Medical Center has considered the installation of diesel-powered generation to reduce its peak demand on LG&E's system and minimize the impact of the billing ratchets in Rate LP-TOD. Under the Agreement, LG&E would retain Medical Center as a full requirements customer for the two-year term of the Agreement, while Medical Center would receive an immediate decrease in its power costs through the waiver of the ratchet on the basic demand charge and be able to defer its investment in generating facilities.

LG&E's current capacity expansion plan predicts a need for peaking capacity in 1994. A deferral of the installation of Medical Center's generating capacity that coincides with LG&E's system needs may, along with other demand-side management ("DSM") options, delay LG&E's need for peaking capacity. The Agreement allows LG&E to preserve approximately \$100,000 in revenues it would lose if Medical Center installed its own generating capacity. The two-year term of the Agreement is designed so that the reduction in Medical Center's peak demand on LG&E's system, through Medical Center's self-generation, will coincide with LG&E's predicted need for capacity beginning in 1994.

The Agreement has a term of two years but may be extended automatically for additional one-year terms unless terminated by written notice of either party at least one year in advance of the expiration date. LG&E indicates that the automatic extension provision provides the flexibility needed to adapt this DSM option to any changes in its system needs.

The Agreement gives LG&E the right to reimpose the ratchet in the basic demand charge if Medical Center's facilities or operations are modified in a manner which substantially increases or decreases the electric service provided by LG&E. LG&E is also entitled to recover all charges it would have received under Rate LP-TOD if Medical Center violates any provision of the Agreement.

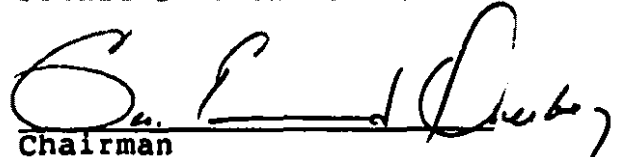
Based on the evidence of record and being otherwise sufficiently advised, the Commission finds the Agreement to be acceptable but for the automatic extension provision. This provision causes the two-year term of the Agreement to serve

little purpose other than establishing a minimum period during which Medical Center will be benefited by the waiver of the demand charge ratchet. Such a provision, which potentially extends the Agreement indefinitely, is not acceptable. Given that 1994 is the year in which LG&E expects to need new generating capacity, the Agreement should be modified to limit the automatic extension to only one additional year, for a maximum term of three years, before it can be approved. In all other respects, the Agreement is acceptable.

IT IS THEREFORE ORDERED that LG&E's Agreement with Medical Center be and it hereby is denied. Approval will be granted upon the filing of an executed agreement, substantially similar to the one filed December 6, 1990, but modified to limit the automatic extension to one additional year, for a maximum term of three years.

Done at Frankfort, Kentucky, this 3rd day of May, 1991.

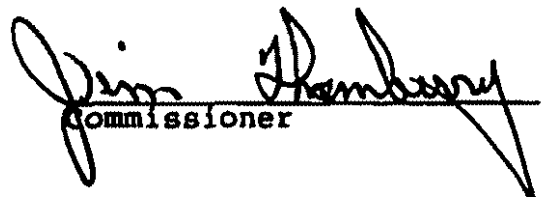
PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

ATTEST:

  
Executive Director

  
Commissioner