

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE TARIFF FILING OF KENTUCKY)	
UTILITIES COMPANY TO REVISE RATES)	CASE NO. 2004-00200
FOR SMALL POWER PRODUCTION AND)	
COGENERATION)	

THE TARIFF FILING OF LOUISVILLE GAS)	
AND ELECTRIC COMPANY TO REVISE)	CASE NO. 2004-00201
RATES FOR SMALL POWER PRODUCTION)	
AND COGENERATION)	

O R D E R

On May 14, 2004, Kentucky Utilities Company ("KU") and Louisville Gas and Electric Company ("LG&E") filed identical proposed changes to their tariffs for the purchase of electricity from small power production and cogeneration facilities, to be effective June 14, 2004. On June 3, 2004, the Commission issued an Order suspending the proposed tariffs for one day, allowing them to become effective subject to refund on June 15, 2004, and requesting additional information. LG&E and KU responded to the request for additional information, as well as to a subsequent request for information. The case now stands submitted for decision.

The proposed tariffs include increased avoided cost rates to be paid during each of the three billing periods contained therein. During the summer peak billing periods, the payment rates will increase from 1.843 to 3.124 cents per kWh; during the winter peak billing periods, they will increase from 1.683 to 1.922 cents per kWh; and during off-peak periods, they will increase from 1.515 to 1.802 cents per kWh. KU and LG&E used their PROSYM hourly production model results to develop these avoided cost

rates based on: (1) the costs of the most recent combustion turbines ("CT") installed on their combined systems; (2) the projected cost of a potential second coal-fired unit at LG&E's Trimble County Generating Station; and (3) the projected cost of a Greenfield CT, forecast to be installed in 2013.

Based on a review of the revised tariffs and the documentation supporting the increased payment rates, the Commission finds that the proposed tariffs for payments to small power production and cogeneration facilities are reasonable and should be approved effective with the date of this Order. Since the rates being approved today are the same as those previously authorized to be effective subject to refund, no refunds are necessary.

IT IS THEREFORE ORDERED that:

1. KU's and LG&E's proposed changes to their small power production and cogeneration tariffs are approved effective with the date of this Order, and no refunds are necessary for the period during which these rates were effective subject to refund.

2. Within 20 days of the date of this Order, KU and LG&E shall file their revised small power production and cogeneration tariffs that show the date issued and that they were issued by authority of this Order.

Done at Frankfort, Kentucky, this 24th day of August, 2004.

By the Commission

ATTEST:



Executive Director

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