



June 8, 2005

Louisville Gas and Electric Company
220 West Main Street (40202)
P.O. Box 32010
Louisville, Kentucky 40232

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

Dear Mr. Huber:

On December 13, 2004, the Kentucky Public Service Commission ("Commission") initiated Case No. 2004-00421 to review and evaluate the operation of the fuel adjustment clause of Louisville Gas and Electric Company ("LG&E") for the two-year period of November 1, 2002 to October 31, 2004.

On May 24, 2005, after evidentiary hearings, the Commission issued an Order approving the charges and credits applied by LG&E throughout the above-stated period and also approving an increase in LG&E's base fuel cost of 13.49 mills per Kwh, applicable to all of its electric rates, including the energy charge contained in the power contract dated October 10, 1961 between the Louisville Water Company and LG&E.

The rates prescribed by the Commission for electric service rendered under the aforesaid contract, and effective with bills rendered on and after June 30, 2005, are set forth below:

Demand Charge	-	\$8.33 per Kw of billing demand per month
Energy Charge	-	2.056¢ Per Kwh

In addition, the Earnings Sharing Mechanism was terminated effective June 2, 2005, as stipulated in Ordering Paragraph (2) of the Kentucky Public Service Commission's Order dated June 30, 2004, in Case No. 2003-00434.

All other provisions of your contract, not specifically mentioned herein, remain the same as those in effect prior to the date of the Commission's Order in this case, and all other Tariffs and Riders applicable to this contract will continue to apply.

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

Sincerely,

F. Howard Bush
Manager, Tariffs and Special Contracts

**PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
6/30/2005
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)**

By 
Executive Director

A SUBSIDIARY OF

LG&E ENERGY