LG&E®

a PPL company

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Mr. Kent Horrell
Director of Operations
Louisville Water Company
550 South Third Street
Louisville, Kentucky 40202

June 10, 2011

Dear Mr. Horrell:

As a result of an Order in LG&E's Fuel Adjustment Clause (FAC) Review in Case No. 2010-00493 dated May 31, 2011, the Kentucky Public Service Commission authorized a roll-in of a portion of the current FAC factor into existing base rates, including the rates contained in the power contract dated October 10, 1961 between the Louisville Water Company and LG&E. The roll-in results in an increase in energy charges beginning with bills rendered on and after the first billing cycle for July 2011, which will begin on June 29, 2011. The roll-in also results in a corresponding decrease in the monthly Fuel Adjustment Clause factor.

The rates contained in the power contract dated October 10, 1961, as heretofore amended and modified, are set forth below:

Demand Charge - $9.85 per Kw of billing demand per month

Energy Charge - 3.039¢ Per Kwh

Fuel Clause is set forth on the attached Exhibit 1.

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 of May 31, 2011, and all other Tariffs and Riders applicable to this contract will continue to apply.

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

Sincerely,

Robert M. Conroy

Attachment

KENTUCKY
PUBLIC SERVICE COMMISSION
JEFF R. DEROUEN
EXECUTIVE DIRECTOR
TARIFF BRANCH
Bunt Kirtley
EFFECTIVE
6/29/2011
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

EXHIBIT I

Fuel Clause

Applicable: In all territory service. This schedule is a mandatory rider to all electric rate schedules.

(1) 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:

$$\text{Adjustment Factor} = F/S - 2.215¢^{*}$$

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:

(2) 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.

(3) 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

* Pursuant to the Public Service Commission's Order in Case No. 2010-00493, dated May 31, 2011, the Fuel Adjustment Clause will become effective with bills rendered on and after June 29, 2011.