

LOUISVILLE GAS AND ELECTRIC COMPANY

INCORPORATED IN KENTUCKY

P. O. BOX 32010

LOUISVILLE, KY. 40232

FRED WRIGHT
VICE PRESIDENT
PLANNING & MARKET SERVICES
502-566-4214

May 23, 1985

Mr. Paul D. Lawson
Vice President - Operations
Airco Carbide
P. O. Box 10037
Louisville, KY 40210

Dear Paul:

This letter is to address the Supplemental Agreement dated January 8, 1985, between our companies and the concerns you have expressed relative to LG&E's administration of the interruptible provisions of the Agreement.

LG&E has interrupted Airco Carbide about 4 times to date under the Supplemental Agreement. Each interruption was for economic reasons. That is, interrupting Carbide's load reduced LG&E's system power supply costs. While such interruptions are well within the intent and language of the Supplemental Agreement, you have indicated that they have placed a burden on Carbide because they limit Carbide's ability to meet its production requirements.

The interruptions have been more frequent than we would have expected due to unusually large number of maintenance outages of base load units this spring. We hope that is not indicative of the number of interruptions that will be required in the future, but we can't guarantee it. In order for LG&E to justify the demand credits provided to Carbide in the Supplemental Agreement, we must dispatch the Carbide interruptible load in a manner which will reduce our system power supply costs. Although we will not interrupt the Secondary Power and Primary Interruptible Power any more than is necessary, you should be prepared for up to 300 hours of interruption per year as provided for in the Supplemental Agreement.

Since Carbide's plant is currently operating at about the full rated production capacity and any interruptions in its power supply make it difficult to meet the production requirements, LG&E is willing to alter the procedures used to administer the interruptible provisions of the Supplemental Agreement in a manner as outlined below:

- (1) Whenever it becomes necessary to curtail or interrupt Carbide's load, LG&E may, but is not obligated to, offer Carbide replacement power for the interruptible load ~~PUBLIC SERVICE COMMISSION OF KENTUCKY~~ if the load has been interrupted. The price of replacement ~~OF KENTUCKY~~ power shall be based on LG&E's out-of-pocket costs of either generating ~~EFFECTIVE~~ replacement power on its system or purchasing it from another utility, plus transmission, administrative, ~~the~~ costs. **JUN 20 1985**

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

BY: B. Jones

Louisville Gas and Electric Company
INCORPORATED

Mr. Paul D. Lawson

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- (2) LG&E's electric load dispatcher will, at the time of the notice to interrupt, notify Carbide as to the availability of replacement power and, if replacement power is available, will quote a firm price for replacement power energy in mills per KWH. An assessment of the availability of replacement power will be made each hour thereafter, and a new price quotation will be given for any hours that replacement power is available. Any hour that replacement power is available, Carbide will have the option of either being interrupted or purchasing the replacement power at the price quoted for that hour. The price quoted for replacement power will apply to all energy consumed for that hour above the level of interruption for Primary Interruptible and Secondary Power.
- (3) If Carbide is offered the option and elects to purchase replacement power rather than be interrupted, the hours that replacement power is purchased will be considered a period of interruption for determining the maximum hours of interruption permitted under paragraph 7 of the Supplemental Agreement.
- (4) Except as hereinabove amended, all terms, and conditions of the Supplemental Agreement shall remain in full force and effect.

If the procedure outlined in this letter is agreeable to Carbide, please indicate your acceptance in the space below and return a copy of this letter to me.

We appreciate the opportunity to serve Carbide and we hope this offer is responsive to your request.

Yours very truly,

Fred Wright:pau

cc: Mr. R. C. Somers
Mr. J. Hart
Mr. F. L. Wilkerson
Mr. H. A. Wentworth, Jr.
Mr. W. H. Ross
Mr. O. O. Thompson
Mr. L. C. Roller

Fred Wright
PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

JUN 20 1985

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

BY: *B. Jones*

Accepted by:

Title:

Date:

Paul D. Lawson

Vice President - Operations, Amco Carbide

5-30-85