



April 29, 1991

Sue H. Carney, Vice President-Operations
The Carbon/Graphite Group, Inc.
Post Office Box 3727
Louisville, Kentucky 40201-3727

Dear Ms. Carney:

On November 30, 1990, the Kentucky Public Service Commission established Case No. 90-364 for the purpose of reviewing and evaluating the operation of the Fuel Adjustment Clause ("FAC") of Louisville Gas and Electric Company (LG&E) for the two-year period ending October 31, 1990, and to determine the amount of fuel cost that should be transferred (rolled-in) to its base rates to reestablish its fuel adjustment charge.

On April 3, 1991, the Commission entered an Order in the above mentioned case setting a base fuel cost of 13.19 mills per Kwh and prescribing reduced rates to reflect the transfer (roll-in) to the base rates of the differential between the current base fuel cost of 14.22 mills per Kwh and the approved base fuel cost of 13.19 mills per Kwh.

The reduced rates prescribed by the Commission to become effective July 1, 1991, including the rates contained in the power contract dated September 30, 1988, between LG&E and The Carbon/Graphite Group, Inc. are set forth on the attached Exhibit A.

All other provisions of the contract not specifically mentioned herein remain the same as those in effect prior to the date of the Commission's Order.

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

Respectfully,

Brian D. Gordon
Account Executive

BDG:mlg

Attachment

C10-91

EXHIBIT A

To Power Agreement Dated September 30, 1988, between
Louisville Gas and Electric Company and Carbon/Graphite, Inc.
Effective July 1, 1991

Rates and Charges

Demand and Energy Charges:

Demand Charge:

For Primary Power: \$11.82 per month per kilowatt of monthly Primary Power billing demand

Demand Credit for Primary Interruptible Power: \$3.30 per month per kilowatt of monthly Primary Interruptible Power billing demand

For Secondary Power: \$5.91 per month per kilowatt of monthly Secondary Power billing demand

Energy Charge:

For Primary and Secondary Power: 1.843 ¢ per kilowatt-hour delivered during each month

Fuel Clause: The monthly amount computed in accordance with the provisions set forth above shall be increased or decreased at a rate per kilowatt-hour of monthly consumption in accordance with the following formula:

$$\text{Adjustment Factor} = F/S - 1.319 \text{ ¢}^*$$

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:

(1) 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.

(2) 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

**PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE**

JUL 1 1991

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

BY: *[Signature]*

Minimum Monthly Charge: The minimum monthly charge for service supplied under this agreement shall be the sum of the Primary Power demand charge computed on the Primary Power billing demand (as determined in accordance with Paragraphs 10 and 11 of the Agreement) for the month plus the energy charge (including fuel adjustment) computed on kilowatt-hours delivered during the month.

* Pursuant to the Public Service Commission's Order dated April 3, 1991, in Case No. 90-364, the fuel adjustment charge for May 1991 shall be calculated from a base fuel cost of 1.422 ¢ per Kwh and the fuel adjustment charge for June 1991 shall be calculated from a base fuel cost of 1.37 ¢ per Kwh. Thereafter, the fuel adjustment charge shall be calculated from a base fuel cost of 1.319 ¢ per Kwh.

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