

**FAC**  
**Fuel Adjustment Clause**

**APPLICABLE.**

In all territory service.

**AVAILABILITY OF 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:

$$\text{Adjustment Factor} = F/S - 1.218\phi^*$$

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 unscheduled losses of generation or transmission which require substitute power for a continuous period of seven (7) days. 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,

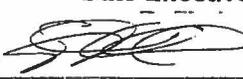
PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
7/1/2004  
PURSUANT TO 807 KAR 5:011  
SECTION 9 (1)

**Date of Issue: July 20, 2004**

**Issued By**

**Date Effective: May 1, 2003  
July 20, 2004**

  
**Michael S. Beer, Vice President  
Louisville, Kentucky**

  
**Executive Director**

**Issued By Authority of an Order of the KPSC in Case No. 2003-00433 dated June 30, 2004**

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6/30/05

**Louisville Gas and Electric Company**

**Original Sheet No. 70.1  
P.S.C. of Ky. Electric No. 6**

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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. 2002-00433 dated April 23, 2003, the Fuel Adjustment Clause will become effective with bills rendered on and after the first billing cycle of May 2003.

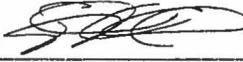
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