

Louisville Gas and Electric Company

Original Sheet No. 41
P.S.C. of Ky. Electric No. 6

LQF

Large Capacity Cogeneration and Small Power Production Qualifying Facilities

APPLICABLE

In all territory served.

AVAILABILITY OF SERVICE

Available to any small power production or cogeneration "qualifying facility" with capacity over 100 KW as defined by the Kentucky Public Service Commission Regulation 807 KAR 5:054, and which contracts to sell energy or capacity or both to the Company.

RATES FOR PURCHASES FROM QUALIFYING FACILITIES

ENERGY COMPONENT PAYMENTS

The hourly avoided energy cost (AEC) in \$ per MWh, which is payable to a QF for delivery of energy, shall be equal to the Company's actual variable fuel expenses, for Company-owned coal and natural gas-fired production facilities, divided by the associated megawatt-hours of generation, as determined for the previous month. The total amount of the avoided energy cost payment to be made to a QF in an hour is equal to $[AEC \times E_{QF}]$, where E_{QF} is the amount of megawatt-hours delivered by a QF in that hour and which are determined by suitable metering.

CAPACITY COMPONENT PAYMENTS

The hourly avoided capacity cost (ACC) in \$ per MWh, which is payable to a QF for delivery of capacity, shall be equal to the effective purchase price for power available to the Company from the inter-utility market (which includes both energy and capacity charges) less the Company's actual variable fuel expense (AEC). The total amount of the avoided capacity cost payment to be made to a QF in an hour is equal to $[ACC \times CAP_i]$, where CAP_i , the capacity delivered by the QF, is determined on the basis of the system demand (D_i) and the Company's need for capacity in that hour to adequately serve the load.

DETERMINATION OF CAP_i

For the following determination of CAP_i , C_{LGE} represents the Company's installed or previously arranged capacity at the time a QF signs a contract to deliver capacity; C_{QF} represents the actual capacity provided by a QF, but no more than the contracted capacity; and C_M represents capacity purchased from the inter-utility market.

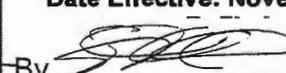
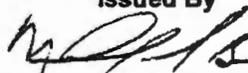
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KENTUCKY PUBLIC
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PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
7/1/2004
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)

Date of Issue: July 20, 2004

Issued By

Date Effective: November 1, 1995
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

Louisville Gas and Electric Company

Original Sheet No. 41.1
P.S.C. of Ky. Electric No. 6

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Large Capacity Cogeneration and Small Power Production Qualifying Facilities

1. System demand is less than or equal to the Company's capacity:
 $D_1 \leq C_{LG\&E}$; $CAP_i = 0$
2. System demand is greater than the Company's capacity but less than or equal to the total of the Company's capacity and the capacity provided by a QF:
 $C_{LG\&E} < D_1 \leq [C_{LG\&E} + C_{QF}]$; $CAP_i = C_M$
3. System demand is greater than the total of the Company's capacity and the capacity provided by a QF:
 $D_1 > [C_{LG\&E} + C_{QF}]$; $CAP_i = C_{QF}$

PAYMENT

The Company shall pay each bill for electric power rendered to it in accordance with the terms of the contract, within 15 days of the date the bill is rendered. In lieu of such payment plan, the Company will, upon written request, credit the Customer's account for such purchases.

TERM OF CONTRACT

For contracts which cover the purchase of energy only, the term shall be one year, and shall be self-renewing from year-to-year thereafter, unless cancelled by either party on one year's written notice.

For contracts which cover the purchase of capacity and energy, the term shall be 5 years.

TERMS AND CONDITIONS

1. Qualifying facilities shall be required to pay for any additional interconnection costs, to the extent that such costs are in excess of those that the Company would have incurred if the qualifying facility's output had not been purchased.
2. A qualifying facility operating in parallel with the Company must demonstrate that its equipment is designed, installed, and operated in a manner that insures safe and reliable interconnected operation. A qualifying facility should contact the Company for assistance in this regard.
3. The purchasing, supplying and billing for service, and all conditions applying hereto, shall be specified in the contract executed by the parties, and are subject to the jurisdiction of the Kentucky Public Service Commission, and to the Company's Terms and Conditions currently in effect, as filed with the Commission.

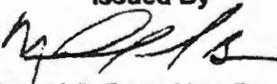
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