



Louisville Gas and Electric Company
P. O. Box 32010
Louisville, Kentucky 40232

April 28, 1989

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

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

JUL 1 1989

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

BY: *[Signature]*
PUBLIC SERVICE COMMISSION MANAGER

Dear Ms. Carney:

This is to advise you that on March 31, 1989, the Public Service Commission of Kentucky issued its Order in Case No. 10440 concerning the Commission's examination of the Company's application of the fuel adjustment clause for the two-year period ending October 31, 1988. This examination, required by Regulation 807 KAR 5:056, also directs the Commission to determine the amount of fuel cost that should be transferred (rolled-in) to the basic energy charges.

The Commission's Order approved the charges collected by LG&E under the fuel adjustment clause over the two-year period and established a new base cost of fuel of 1.422 cents per Kwh for purposes of computing future fuel adjustment charges. Prior to this change, the base cost of fuel had been set at 1.511 cents per Kwh, or .089 cents per Kwh higher than the newly established base. Inasmuch as the LG&E's basic energy charges also contained 1.511 cents per Kwh of base fuel cost, the Company was directed to reduce those rates by a corresponding amount.

The revised rates, effective July 1, 1989, for electric service rendered under the power contract dated September 30, 1988, between LG&E and Carbon/Graphite, Inc. are set forth on the attached Exhibit A.

Only the energy charges and the base fuel cost contained in the fuel adjustment clause have been changed to reflect the lateral transfer of .089 cents per Kwh. All other provisions of the contract not specifically mentioned herein remain the same.

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

Respectfully yours,

[Signature]

Randall J. Walker
Coordinator of Rates & Tariffs

EXHIBIT A

To Power Agreement Dated September 30, 1988, between
Louisville Gas and Electric Company and Carbon/Graphite, Inc.
Effective July 1, 1989

Rates and Charges

Demand and Energy Charges:

Demand Charge:

For Primary Power: \$11.37 per month per kilowatt of monthly Primary Power billing demand

Demand Credit for Primary Interruptible Power:

\$1.94 per month per kilowatt of monthly Primary Interruptible Power billing demand

For Secondary Power:

\$5.69 per month per kilowatt of monthly Secondary Power billing demand

Energy Charge:

For Primary and Secondary Power: 1.922¢ 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:

$$\text{Adjustment Factor} = F/S - 1.422\text{¢}^*$$

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

* Pursuant to the Public Service Commission's Order dated March 31, 1989, in Case No. 10440, the fuel adjustment charge for July 1989 shall be calculated from a base fuel cost of 1.511¢ per Kwh and the fuel adjustment charge for August 1989 shall be calculated from a base fuel cost of 1.467¢ per Kwh. Thereafter, the fuel adjustment charge shall be calculated from a base fuel cost of 1.422¢ per Kwh.

Minimum Monthly Charge: The minimum monthly charge for service supplied under this agreement shall not be less than 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.

PUBLIC SERVICE COMMISSION
KENTUCKY
JUL 1 1989
PURSUANT TO 807 KAR 8.012,
SECTION 9 (1)
BY: [Signature]
PUBLIC SERVICE COMMISSION MANAGER

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