

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

SHELBY RURAL ELECTRIC COOPERATIVE)
CORPORATION'S FILING OF A PROPOSED)
TARIFF FOR PROVISION OF OPTIONAL) CASE NO. 96-302
RESIDENTIAL, CHURCH, AND SCHOOL)
SERVICE - RATE 10 AND OPTIONAL)
T-O-D DEMAND - RATE 22)

O R D E R

On May 31, 1996, Shelby Rural Electric Cooperative Corporation ("Shelby") filed proposed tariffs for the provision of Optional Residential, Church, and School Service - Rate 10 ("Rate 10") and Optional T-O-D Demand - Rate 22 ("Rate 22"). The tariffs are intended to provide customers with additional choices in the pricing and quality of their electric service and to promote demand side management by shifting load off-peak. The tariffs would be entirely optional and would not replace any existing tariffs under which customers are presently receiving service.

The Commission supports the proposed tariffs' objectives. As competition within the electric utility industry increases, electric utilities must pursue enhanced customer satisfaction through greater choice and flexibility. Reducing costs, or the magnitude of cost increases, by shifting load off-peak has positive implications for both Shelby and its customers.

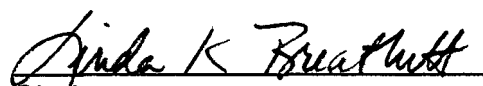
The Commission is mindful that the conditions, or special provisions, that Shelby has proposed for Rate 10 are essential to the load control, or load shifting, aspects of the proposal. These include: (1) controlling water heaters, central air conditioners, and

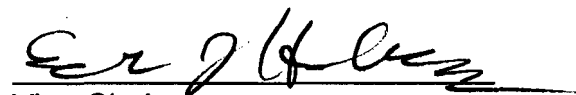
other major electrical loads during peak hours; (2) connecting to the "non-tariff" side of the customer's telephone service for purposes of load control, data acquisition, and automated meter reading; and (3) requiring customers to limit resistance heating capacity to amounts that will provide proper heating performance. While such provisions are acceptable in an optional rate, they are not acceptable in a rate imposed on all residential customers. The Commission advises Shelby that if, at some point in the future, it determines that Rate 10 should replace its existing general service tariff for residential customers, its provisions will face significant modifications.

IT IS THEREFORE ORDERED that Shelby's tariffs for Optional Residential, Church, and School Service - Rate 10 and Optional T-O-D Demand - Rate 22 are approved for service effective with the date of this Order.

Done at Frankfort, Kentucky, this 10th day of October, 1996.

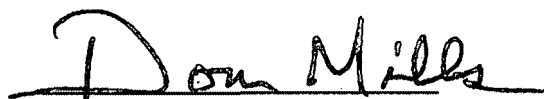
PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director