COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE TARIFF FILING OF SALT RIVER ELECTRIC TO ESTABLISH TIME-OF-DAY RATES	)))	CASE NO. 96-059

O R D E R

On December 27, 1995, Salt River Electric ("Salt River") filed proposed tariffs to establish optional Time-of-Day ("TOD") rates for those customers served on its Farm and Home Rate Schedules A-5 and A-5T.[1] Salt River proposed that the tariffs be limited to customers that participate in at least one of its Demand Side Management ("DSM") programs.[2] The tariffs carried a proposed effective date of February 1, 1996.

Supporting information, which was requested by letter dated January 18, 1996, was provided by Salt River on January 30, 1996. The Commission still had concerns about the proposed tariffs and, therefore, by Order dated February 22, 1996, the tariffs were suspended for five months from their proposed effective date up to and including June 30, 1996. An informal conference involving representatives of Salt River and the Commission Staff was held on

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1 The difference between the two rate schedules is administrative only. Schedule A-5 is for customers not subject to state sales tax while Schedule A-5T is for customers which are subject to the tax.

2 Salt River presently offers two DSM programs: an electric thermal storage program and a voluntary water heater timer program.

March 29, 1996. Additional information requested at the informal conference was filed by Salt River on April 5, 1996.

The primary issue in this case is Salt River's proposal to limit the TOD option to only those customers participating in a DSM program. The Commission recognizes that Salt River intends to focus the promotion of these TOD rates on customers participating in an existing DSM program. The Commission also shares, to a degree, Salt River's concerns about the potential for "free riders" causing a reduction in revenues without a corresponding reduction in purchased power costs.[3]

Historically, the Commission has been supportive of programs that shift load away from periods of peak usage.[4] We continue to support such programs as a means of reducing peak demand and lessening, or deferring, the need for additional generating capacity. Therefore, Salt River's TOD tariffs are reasonable options for customers served on its farm and home tariffs, but only if the requirement that customers participate in a DSM program is eliminated. If Salt River's customers had access to an extensive offering of DSM programs, the proposed requirement might be considered acceptable. However, since Salt River currently has

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3 In this instance, "free riders" would be customers that have already shifted load away from periods of peak use but that take advantage of the TOD rate to lower their electric bills, and the utility's revenues, without a corresponding reduction in the utility's costs.

4 Salt River's TOD proposal and its existing DSM programs are all designed to shift load away from periods of peak usage.

only two DSM programs available, a third program, such as TOD rates, should not be restricted to customers participating in another DSM program.

IT IS THEREFORE ORDERED that:

1. Salt River's proposed TOD tariffs, modified to delete the requirement that customers served thereunder must participate in one of the available DSM programs, are approved effective on and after the date of this Order.

2. Salt River shall file its TOD tariffs, modified as per Ordering Paragraph 1 herein, within 20 days of the date of this Order.

Done at Frankfort, Kentucky, this 1st day of May, 1996.

PUBLIC SERVICE COMMISSION

Linda K Breathitt
Chairman

Vice Chairman

Robert M. Davis
Commissioner

ATTEST:

Don Mills
Executive Director