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MAR 20 2008
PUBLIC SERVICE
COMMISSION

Via Overnight Mail

March 19, 2008

Beth A. O'Donnell, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

Re: Administrative Case No. 2007-00477

Dear Ms. O'Donnell:

Please find enclosed the original and twelve (12) copies of DATA RESPONSES OF KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC., TO DUKE ENERGY KENTUCKY, INC., FIRST SET OF DATA REQUESTS filed in the above-referenced matter.

By copy of this letter, all parties listed on the attached Certificate of Service been served. Please place these documents of file.

Very Truly Yours,



David F. Boehm, Esq.
Michael L. Kurtz, Esq.
BOEHM, KURTZ & LOWRY

MLKkew
Attachment
cc: Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served by mailing a true and correct copy, by regular U.S. mail (unless otherwise noted) to all parties on the 19TH day of March, 2008.

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MAR 20 2008

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of: :
: :
AN INVESTIGATION OF THE ENERGY AND : Administrative Case No. 2007-00477
REGULATORY ISSUES IN SECTION 50 OF :
KENTUCKY'S 2007 ENERGY ACT :

RESPONSE OF
KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.
TO DUKE ENERGY KENTUCKY INC.'S FIRST SET OF DATA REQUESTS

1. Referring to page 7, lines 12 through 16 of Witness Kevin C. Higgins's Testimony, please identify the states and proceedings, including utilities names and dockets/case numbers, in which Witness Higgins is referring to when he is describing his experience in "various states."

RESPONSE:

"In the Matter of Northern States Power Company d/b/a Xcel Energy for Authority to Increase Rates for Electric Service in Minnesota," Minnesota Public Utilities Commission, Docket No. G-002/GR-05-1428.

"In the Matter of the Application of Public Service Company of Colorado for Authority to Implement an Enhanced Demand Side Management Cost Adjustment Mechanism to Include Current Recovery and Incentives," Colorado Public Utilities Commission, Docket No. 07A-420E.

"Verified Petition of Duke Energy Indiana, Inc. Requesting the Indiana Utility Regulatory Commission to Approve an Alternative Regulatory Plan Pursuant to the Ind. Code 8-1-2.5, Et Seq., for the Offering of Energy Efficiency Conservation, Demand Response, and Demand-Side Management Programs and Associated Rate Treatment Including Incentives Pursuant to a Revised Standard Contract Rider No. 66 in Accordance with Ind. Code 8-1-2.5-1 Et Seq. and 8-1-2-42(a); Authority to Defer Program Costs Associated with Its Energy Efficiency Portfolio of Programs; Authority to Implement New and Enhanced Energy Efficiency Programs in Its Energy Efficiency Portfolio of Programs; and Approval of a Modification of the Fuel Adjustment Clause Earnings and Expense Tests," Indiana Utility Regulatory Commission, Cause No. 43374.

2. Referring to page 7, lines 16 through 20 of Witness Higgin's Testimony. Does Witness Higgins believe that it is unreasonable for a utility to capture any percentage of cost-savings through incentives and/or rewards for implementing cost-effective DSM programs?

RESPONSE: Mr. Higgins is generally opposed to utilities receiving an entitlement, funded by customers, to a portion of the societal benefits produced by DSM. He is not categorically opposed to a utility capturing any percentage of cost-savings for implementing cost-effective DSM programs under all circumstances, but believes the burden is on the utility to demonstrate that such an approach is in the public interest.

3. If the response to interrogatory number 2 above, is in the negative, is there a percentage of cost savings that would be reasonable for utilities to capture through incentives and/or rewards for implementing cost effective DSM programs? If the response is in the affirmative, what percentage would be reasonable and how should that percentage be determined?

RESPONSE: There is not a specific percentage with which Mr. Higgins concurs outside a specific program framework.

4. Referring to page 8, lines 4 through 8, of Witness Higgins' Testimony, other than the Minnesota example provided, are there any other examples of state utility commissions which have approved what Mr. Higgins would consider aggressive reward for DSM programs offered by utilities? If the response is in the affirmative, please provide the following:
- a. State Commission and docket/case number
 - b. Date of approval
 - c. Utility name
 - d. Brief description of the program and why the witness believes it is aggressive and/or unreasonable.

RESPONSE: Mr. Higgins' testimony is based on his experience in utility proceedings. In the proceedings in which he has participated, has not concluded that state utility commissions have approved reward programs for utilities that he considers to be "aggressive" in the sense used in his testimony. (Mr. Higgins notes that the Minnesota proposal referenced in his testimony was not adopted.) That does not mean Mr. Higgins agrees with every DSM-related decision in which he has participated. In particular, Mr. Higgins opposes revenue decoupling. Revenue decoupling was approved in the following proceeding in which Mr. Higgins participated:

"Joint Application of Questar Gas Company, the Division of Public Utilities, and Utah Clean Energy for the Approval of the Conservation Enabling Tariff Adjustment Option and Accounting Orders," Utah Public Service Commission, Docket No. 05-057-T01. Date of approval: October 5, 2006.

5. Referring to page 8, lines 4 through 8, of Witness Higgins' Testimony, other than the Minnesota example provided, are there any other examples of state utility commissions which have approved what Mr. Higgins would consider reasonable rewards for DSM programs offered by utilities? If the response is in the affirmative, please provide the following:
- a. State Commission and docket/case number
 - b. Date of approval
 - c. Utility name
 - d. Brief description of the program and why the witness believes it is reasonable and/or unreasonable.

RESPONSE:

- a. Arizona Corporation Commission, Docket No. E-01345A-03-0437.
- b. April 7, 2005
- c. Arizona Public Service Company
- d. The DSM program approved in this docket was developed pursuant to a stipulation. The stipulation identified a specific amount of program funding and provided for a DSM Adjustor to recover DSM expenditures in excess of funding in base rates. Mr. Higgins believes the program was reasonable because: (1) the DSM expenditure levels were developed based on what could be feasibly achieved; (2) DSM cost recovery was based on actual utility expenditures; (3) there was no recovery for net lost revenues.