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FILED
OCT 11 2006
PUBLIC SERVICE
COMMISSION

Via Overnight Mail

October 10, 2006

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

Re: Case No. 2006-00172

Dear Ms. O'Donnell:

Please find enclosed the original and twelve (12) copies of the Response of The Kroger Co. and St. Elizabeth Medical Center to First Set of Data Request of Commission Staff to be filed in the above-referenced matter. By copy of this letter, all parties listed on the Certificate of Service have been served.

Please place this document of file.

Very Truly Yours,



Michael L. Kurtz, Esq.
Kurt J. Boehm, Esq.
BOEHM, KURTZ & LOWRY

MLKkew
Attachment

cc: Certificate of Service
Richard Raff, Esq.

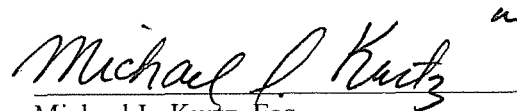
CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served by mailing a true and correct copy, via electronic mail and by first-class postage prepaid mail to all parties on the 10th day of October, 2006.

Honorable Elizabeth E. Blackford
Assistant Attorney General
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Handwritten signature of Michael L. Kurtz in cursive script, with a small flourish above the end of the name.

Michael L. Kurtz, Esq.
Kurt J. Boehm, Esq.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

FILED

OCT 11 2006

PUBLIC SERVICE
COMMISSION

In the Matter of:

APPLICATION OF THE UNION LIGHT, HEAT)
AND POWER COMPANY D/B/A DUKE) CASE NO. 2006-00172
ENERGY KENTUCKY FOR AN)
ADJUSTMENT OF ELECTRIC RATES)

RESPONSE OF THE KROGER CO. AND
ST. ELIZABETH MEDICAL CENTER FIRST DATA REQUEST OF COMMISSION
STAFF

1. Refer to the Direct Testimony of Kevin C. Higgins ("Higgins Testimony"), pages 16 and 17.

a. Did Mr. Higgins review the provisions of the Commission's uniform Fuel Adjustment Clause ("FAC") regulation as prescribed in 807 KAR 5:056 prior to filing his testimony?

Response: Mr. Higgins did not review the provisions of the FAC regulation before filing but was advised by counsel that recovery of PowerShare costs may not be recoverable in the FAC. Given this uncertainty, Kroger/St. Elizabeth asked Duke Energy Kentucky in DR-01-018 what alternative cost recovery plan the Company would propose in the event the FAC was not available. Duke Energy Kentucky responded that the Company believes the FAC is a reasonable means of recovering PowerShare Call Option costs, but in the event such recovery was not allowed, the Company would propose that Rider DSM be used for this purpose. Mr. Higgins believes that a demand response program can be appropriately funded through a number of means, including a DSM rider.

b. If yes to part (a), explain in detail how the costs associated with the “PowerShare CallOption” program can be recovered through the FAC and include references to the specific provisions of the FAC that authorize the recovery of such costs.

Response: Not applicable. See response to 1.a, above.

c. If no to part (a), explain the basis for Mr. Higgins’ conclusion that the PowerShare CallOption program costs can be recovered through the FAC.

Response: Mr. Higgins recognizes that PowerShare Call Option program costs may not be recoverable in the FAC. However, based on discussions with counsel he is advised that such recovery may qualify under the FAC if PowerShare costs are construed to be purchased power costs.

2. Refer to the Higgins Testimony, pages 16 and 17. Mr. Higgins recommends funding the PowerShare CallOption program through the FAC or Rider DSM. Explain whether Mr. Higgins is aware of other utilities in Kentucky, or in other jurisdictions, that use an FAC or demand-side management mechanism to credit customers for load curtailments. If Mr. Higgins is aware of similar arrangements for load curtailments, identify the jurisdiction, the utility name, and the mechanism used to apply the credit.

Response: Mr. Higgins is not aware of whether other utilities use an FAC or DSM mechanism to credit customers for load curtailments.