

Grayson Rural Electric Cooperative Corporation

109 Bagby Park • Grayson, KY 41143-1292
Telephone 606-474-5136 • 1-800-562-3532 • Fax 606-474-5862

RECEIVED

November 2, 2012

NOV 02 2012

PUBLIC SERVICE
COMMISSION

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, KY 40601

RE: Case No. _____

Mr. Derouen:

Please find attached a joint application, plus 10 copies, requesting approval to designate the "KY Energy Retrofit Rider", currently a pilot program tariff, to a permanent tariff.

If there are any questions, please feel free to inquire at (606) 474-5136.

Sincerely,



Don M. Combs
Grayson Rural Electric

For:
Big Sandy Rural Electric
Fleming-Mason Energy
Grayson Rural Electric

C: Office of the Attorney General
Office of Rate Intervention

Grayson Rural Electric Cooperative Corporation

109 Bagby Park • Grayson, KY 41143-1292
Telephone 606-474-5136 • 1-800-562-3532 • Fax 606-474-5862

November 2, 2012

Jennifer Black Hans
Executive Director
Utility & Rate Intervention Division
1024 Capital Center Drive
Suite 200
Frankfort, KY 40601-8204

RECEIVED

NOV 02 2012

PUBLIC SERVICE
COMMISSION


RE: Case No. _____

Ms. Hahn:

Please find attached a joint application requesting approval to designate the "KY Energy Retrofit Rider", currently a pilot program tariff to a permanent tariff.

If there are any questions, please feel free to inquire at (606) 474-5136.

Sincerely,


Don M. Combs
Grayson Rural Electric

For:
Big Sandy Rural Electric
Fleming-Mason Energy
Grayson Rural Electric

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

**JOINT APPLICATION OF BIG SANDY RURAL ELECTRIC COOPERATIVE,)
CORP., FLEMING-MASON ENERGY COOPERATIVE, INC.,) CASE NO. _____
GRAYSON RURAL ELECTRIC COOPERATIVE, CORP. FOR AN ORDER)
APPROVING KY ENERGY RETROFIT RIDER PERMANENT TARIFF)**

APPLICATION

Big Sandy Rural Electric Cooperative Corporation (“Big Sandy”), Fleming-Mason Energy Cooperative, Inc. (“Fleming-Mason”), and Grayson Rural Electric Cooperative Corporation (“Grayson”) (collectively “Joint Applicants”) hereby petition the Commission by application to issue an Order approving a permanent on-bill financing program based upon the tariff sheets and other supporting documentation attached to this application.

The Joint Applicants request that Case No. 2010-00089 and the periodic reports that have been submitted semi-annually be incorporated into the record of this case by reference.

Additionally, Joint Applicants request a continuance of the existing pilot program approved in Case Number 2010-00089 pending the issuance of a final order in this case. The program will be titled “KY Energy Retrofit Rider” (“KER Rider”) and the Joint Applicants will partner with the Mountain Association for Community Economic Development (“MACED”) to operate the program. In support of this application, the Joint Applicants state the following:

1. Big Sandy’s post office address is 504 Eleventh Street, Paintsville, Kentucky 41240.
2. A certified copy of Big Sandy’s Articles of Incorporation are on file with the Commission in Case No. 2012-00030 , Adjustment of Rates of Big Sandy Rural Electric Cooperative Corporation, and is incorporated by reference herein pursuant to 807 KAR 5:001, Section 8(3).
3. Fleming-Mason’s post office address is 1449 Elizaville Road, P.O. Box Drawer 328, Flemingsburg, Kentucky 41041.

4. A certified copy of Fleming-Mason's Articles of Incorporation are on file with the Commission in Case No. 2012-00361, Application for Certificate of Public Convenience and Necessity for Fleming-Mason Energy Cooperative, Inc., and is incorporated by reference herein pursuant to 807 KAR 5:001, Section 8(3).
5. Grayson's post office address is 109 Bagby Park, Grayson, Kentucky 41143.
6. A certified copy of Grayson's Articles of Incorporation are on file with the Commission in Case No. 2010-00489, The Application of Grayson Rural Electric Cooperative Corporation for an Adjustment to Its Retail Electric Power Tariffs, and is incorporated by reference herein pursuant to 807 KAR 5:001, Section 8(3).
7. There are no applicable statutes, regulations, or Commission Orders that require the Joint Applicants to publish or file notice of this application prior to, or contemporaneously with, the filing hereof. In particular, the provisions of 807 KAR 5:011 do not require the publication of filing of notice.
8. The Joint Applicants are public utilities, as defined in KRS 278.010(3)(a), and are non-profit corporations engaged in the electric business. Big Sandy purchases, distributes, and sells electricity at retail in Breathitt, Floyd, Johnson, Knott, Lawrence, Magoffin, Martin and Morgan counties. Fleming-Mason purchases, distributes, and sells electricity at retail in Bath, Bracken, Fleming, Lewis, Mason, Nicholas, Robertson, and Rowan counties. Grayson purchases, distributes, and sells electricity at retail in Carter, Elliott, Greenup, Lawrence, Lewis and Rowan counties. East Kentucky Power Cooperative, Inc. ("EKPC") is the wholesale power provider for the Joint Applicants¹.

¹ EKPC has assisted the Joint Applicants by facilitating discussions and coordinating the circulation of draft documents in conjunction with the proposed program and supports the Joint Applicants' efforts. However, as no changes are required to its tariffs due to the proposed program, EKPC is not an applicant in this proceeding.

9. MACED was founded in 1976 as a private, non-profit corporation organized to provide comprehensive community development to support Appalachian communities by enhancing employment and living conditions in the area. MACED's major programs consist of business development, sustainable forestry, energy efficiency, and public policy research and education. MACED is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code as a non-profit organization other than a private foundation. MACED serves Kentucky and Central Appalachia, with a focus on the 54 Appalachian counties of Kentucky as designated by the Appalachian Regional Commission.²

Results from the Pilot Program

10. The program experienced a six month ramp up period, following the Commission's approval of the pilot program. Such time was required to ensure proper certification of auditors, training of contractors, and appropriate calibration of software systems. Accordingly, many of the customers whose homes have gone through the KER Rider process do not yet have a full 12 months of post-retrofit data. As such, the Joint Applicants and MACED anticipate that additional data collection will further strengthen the preliminary results from the pilot.

11. Since the December 16, 2010 Order by the Commission approving the Joint Applicants' KER Rider pilot program, the Joint Applicants and pilot participant Jackson Energy together with MACED have conducted 200 assessments resulting in 98 completed retrofit projects across the program as of October 23, 2012, and an additional 35 projects in the pipeline currently.³

This reflects a conversion rate of 67 percent, a rate above the average conversion rate of

² The counties are Adair, Bath, Bell, Boyd, Breathitt, Carter, Casey, Clark, Clay, Clinton, Cumberland, Edmonson, Elliott, Estill, Fleming, Floyd, Garrard, Green, Greenup, Harlan, Hart, Jackson, Johnson, Knott, Knox, Laurel, Lawrence, Lee, Leslie, Letcher, Lewis, Lincoln, McCreary, Madison, Magoffin, Martin, Menifee, Metcalfe, Monroe, Montgomery, Morgan, Nicholas, Owsley, Perry, Pike, Powell, Pulaski, Robertson, Rockcastle, Rowan, Russell, Wayne, Whitley, and Wolfe.

³ As addressed later in this Joint Application, Jackson Energy is not filing for a permanent tariff at this time.

similar on-bill financing projects in other states. Normalizing data to remove weather as a variable, the average participant has reduced their usage by 21 percent after participating in the program. On average, each job cost \$7,780 to complete with financing covering \$5,604 of the project cost. To date, \$538,008 dollars in capital has been deployed through the program. The average projected electricity savings per home is 5,365 kWh, with a corresponding average monthly energy savings of \$50.78. The average monthly Retrofit Project Charge is \$38.70. Where sufficient post-retrofit data exists, the average projected monthly energy savings of \$52.70 tracks closely with the average normalized monthly savings per home of 454 kWh per month. Using the average residential rate of \$0.11/kWh, this demonstrates an estimated actual energy savings of \$49.94. 48 percent of participating customers self identify as low to moderate income households.

12. In implementing the pilot program, the Joint Applicants did not experience additional administrative costs associated with the KER Rider. None of the Joint Applicants has hired additional staff or incurred substantive additional administrative costs as a result of the program. Some additional accounting costs incurred by the Joint Applicants have been, to date, adequately covered by the existing project management fee calculated as part of the Retrofit Project Charge. Initial training costs associated with attaining Building Performance Institute certification were reimbursed by funding made available through the Kentucky Home Performance Program. Because the program does not have additional expenses associated with implementation, no additional costs are passed on to customers as a result of the KER Rider program.
13. To date, only one of the 98 participating locations is inactive. In this case, repayment has been suspended in accordance with the program guidelines. When utility service resumes at the property, the Retrofit Project Charge will resume as part of normal utility service. In a

few cases, participating locations have significant damage from a fire or natural disaster, but electric service has remained current resulting in no interruption in the repayment of the Retrofit Project Charge.

Description of the Permanent Program

14. The mechanics of implementing a permanent program will mirror those of the pilot program. Joint Applicants anticipate the initial scale of the permanent program to be similar to the pilot and ramp up over time.
15. The proposed KER Rider is attached as Exhibit A to this application, reflecting minor changes from the KER Rider approved for the pilot program, shown by cross-outs and insertions in Exhibit B. In summary, the applicants wish to clarify:
 - a. The annual interest rate used to calculate the Retrofit Project Charge would be no more than the cost of the capital pool used to finance the investment, not the cost of the Company's long term debt used for other purposes.
 - b. That the investment is tied to the physical location, not an account that is tied to an individual.
 - c. That to remove the reference to a "permanently anchored foundation" would allow each participating Coop to determine, with some discretion, the likelihood that a structure would remain on the premises for at least as long as the term of the investment payback.
16. The KER Rider remains a voluntary tariff available to customers for the purpose of improving resource efficiency and reducing energy consumption and net customer bills. The retrofits will continue to be paid for out of the savings these investments produce on the customer's electric bill. The retrofit costs remain capped at 90% of the estimated savings so

that customers' bills will still be smaller, on average, than they were before making the efficiency improvements. The proposed KER Rider requires the development of a "Conservation Plan" for each retrofit option proposed for a customer. The Conservation Plan is a detailed analysis of the expected savings and costs for each proposed option, with a full disclosure of the financing of the option. Copies of Conservation Plans developed during the pilot program have been submitted with each semi-annual report as required by the Commission.

17. The funding for the program administration, including data infrastructure administration and implementation, will come from a combination of program revenues, existing funds, and proposals pending with private foundations and public funding sources. The Joint Applicants and MACED will review existing funding sources, including philanthropic grants, regularly and make adjustments to the revenue structure of the program as appropriate to ensure the long-term financial sustainability of the program.
18. Data infrastructure administration and implementation, program design and coordination will continue to be provided by MACED, supported by existing funds already committed to the on-bill work. MACED is also seeking specific on-bill funding from a variety of sources in partnership with the Joint Applicants, including the Kentucky Energy and Environment Cabinet's allocation of the Tennessee Valley Authority's Environmental Mitigation Projects program and additional private foundation funding. The capital for the investments will continue to come from \$2,000,000 MACED has on hand from private foundations and the U.S. Department of Treasury Community Development Finance Institution ("CDFI") Fund. MACED is a certified CDFI. Additionally, opportunities to support on-bill financing going forward continue to emerge. In September 2012, the United States Department of Agriculture's Rural Utility Service ("RUS") issued a Notice of Proposed Rulemaking regarding

the Energy Efficiency and Conservation Loan Program⁴, Exhibit F, RUS proposes to allow qualified energy efficiency programs, the standards to which the KER Rider program appears to comply, to constitute an eligible use of the Energy Efficiency and Conservation Loan Program funds for active borrowers in good standing with RUS. Each of the Joint Applicants is considered an eligible borrower from RUS, allowing future participation in the Energy Efficiency and Conservation Loan Program. As the final rulemaking is made and funds are made available, this could provide an additional capital source for implementing the KER Rider.

19. MACED will continue to support a common data infrastructure to pool program data and measurements of key variables to streamline program evaluation and highlight opportunities for design improvement. Key evaluation questions include (a) are energy retrofits cost effective for utility customers; (b) are energy savings realized; and (c) how accurate are cost and energy savings estimates. Working with the Joint Applicants, MACED will continue to collect and analyze the data to answer these questions on an on-going basis during the operation of the program.
20. The KER Rider has been designed to reduce financial risks at all stages of development. Additionally, Joint Applicants and MACED are considering additional measures to protect against risk, including the implementation of a Risk Mitigation Fund whereby a portion of the project fee—currently assessed as five percent of the capitalized cost of projects – be allocated to a shared fund in case of a total loss.
21. Joint Applicants are in regular communication with other utilities in Kentucky interested in the results and experiences from the pilot program and have made summary data available

⁴ Federal Register Volume 77, Number 144 (Thursday, July 26, 2012). Proposed Rules, Pages 43723-43734. FR Doc No: 2012-17784. Please see Exhibit E.

to other utilities interested in the KER Rider program. Joint Applicants have shared experiences with the pilot program through a variety of channels within the East Kentucky system, including the Demand Side Management and Renewable Energy Collaborative and across the Commonwealth, including the Department of Energy Development and Independence's Stimulating Energy Efficiency in Kentucky initiative. As additional data is collected and analyzed, Joint Applicants and MACED will continue to provide education and outreach efforts related to the program to interested parties.

22. Where possible, Joint Applicants have sought to maximize the program's reach by working with community partners to advance marketing and education related to the program. Additionally, Joint Applicants have coordinated with other efficiency improvement programs to maximize benefits to participating customers. Specifically, Fleming-Mason has partnered with People's Self Help Housing in Lewis County, in the case of two retrofits that might not have gone forward without access to financing through the KER Rider program. If an interested customer is found unsuitable for participation in the program due to low usage or inability to buy down the cost of the project, Joint Applicants make every effort to refer the customer to other eligible programs including the Weatherization Assistance Program administered by local Community Action agencies and housing groups like Frontier Housing. Home Energy Partners in Madison County has also been a partner in supporting the KER Rider outreach efforts, as well as working with customers unsuitable for the KER Rider. Financial support from the Kentucky Home Performance program was critical to jumpstarting the initial phase of the pilot; should funding become available for Kentucky Home Performance in the future, Joint Applicants will seek to collaborate with that program.

23. Jackson Energy participated in the pilot program, but has elected not to file for a permanent tariff at this time given the change in management they are currently undergoing. The Joint Applicants hope that Jackson will consider resuming participation in the program and file for a permanent tariff in the future.

24. Attached to this application are the following documents associated with the KER Rider and the on-bill financing program:

- Exhibit A – Proposed KER Rider
- Exhibit B – Existing KER Rider with cross-outs and insertions
- Exhibit C -- Testimony from Satisfied Customers
- Exhibit D – Prepared Testimony from the Joint Applicants and MACED
- Exhibit E – Notice of Proposed Rulemaking regarding the Rural Utility Service’s Energy Efficiency and Conservation Loan Program

WHEREFORE, the Joint Applicants request that the Commission issue an Order as soon as possible approving the continuance of the current pilot program until a Final Order is granted in this case, and a Final Order approving a permanent on-bill financing program, including the proposed KER Rider, as described herein and as set out in the attached illustrative tariff sheets.

Dated:

Respectfully submitted,



Albert A. Burchett
P.O. Box 0346
Prestonsburg, Kentucky 41653

Counsel for Big Sandy Rural Electric
Cooperative Corporation

Marvin W. Suit
207 Court Square
Flemingsburg, Kentucky 41041
Telephone: (606) 849-2338

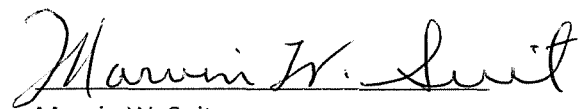
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Cooperative Corporation

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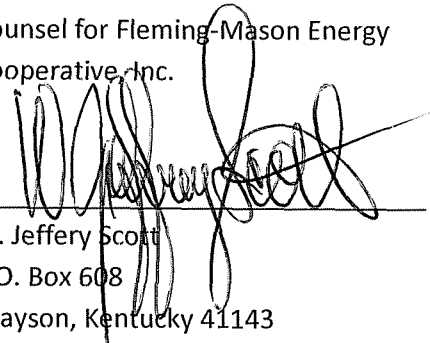
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Cooperative Corporation

Marvin W. Suit
207 Court Square
Flemingsburg, Kentucky 41041
Telephone: (606) 849-2338

Counsel for Fleming-Mason Energy
Cooperative, Inc.

A handwritten signature in black ink, appearing to read 'W. Jeffery Scott', is written over a horizontal line. The signature is stylized and somewhat illegible.

W. Jeffery Scott
P.O. Box 608
Grayson, Kentucky 41143
Telephone: (606) 474-5194

Counsel for Grayson Rural Electric
Cooperative Corporation

JOINT APPLICATION

EXHIBIT A

Attached is the current KY Energy Retrofit Rider Tariff with proposed changes indicated by striking over deletions and adding or changing text as noted. Please accept this proposed tariff on behalf of all applicants as wording is the same for all.

Upon approval, each Applicant will file a separate tariff for each Cooperative.

Form for Filing Rate Schedules
Fleming-Mason Energy Cooperative, Inc.
P. O. Box 328
emingsburg, KY 41041

For All Territory Served
P.S.C. No. 3
Original Sheet No. 1

Name of Issuing Corporation

AVAILABILITY

The KY Energy Retrofit Rider (Rider) is a voluntary tariff available to customers for the purpose of improving resource efficiency and reducing energy consumption and net customer bills. The Rider is only available to qualifying customers taking service under Rate Schedules 1 (residential) and 2 (commercial/small industrial).

Definitions:

Agent – party acting on behalf of the company as defined under Kentucky law.

Company – Utility company implementing the tariff.

Contractor – The individual or company installing a Retrofit.

Customer – The purchaser of utility services at a property that includes a Retrofit or who is applying for a Retrofit. May be an owner or a tenant.

Owner/Landlord – The owner of the property where the retrofit is being installed. May also be the customer of the utility, or just the landlord.

Retrofit – the energy efficiency improvement being funded as part of utility service, including efficiency improvements to new construction.

Retrofit Project Charge – The monthly payment from the Customer to the Company covering the Retrofit service/amortization.

Terms and Conditions – Any and all regulations, guidelines, and agreements under which the Company provides service to the Customer.

RETROFIT INVESTMENT AND REPAYMENT TERMS

1. No up-front investment is required by Customers. The initial cost of approved efficiency measures will be paid by the Company or its Agent.
2. The Retrofit repayment obligation shall be assigned to the premises and will survive changes in ownership and/or tenancy.
3. Retrofit program costs shall be recovered through a monthly line item Retrofit Project Charge on the utility bill.

Date of Issue _____ Date Effective _____
Issued By _____ Title President and CEO
Issued by authority of an order of the Public Service Commission of Kentucky.
Case No. _____ Dated _____

Name of Issuing Corporation

4. The Retrofit Project Charge shall be part of the Company's charges for basic utility service. Failure to make payment may result in disconnection in accordance with the Company's approved Terms and Conditions.
5. The Retrofit Project Charge must be less than ninety (90) percent of the estimated average savings associated with the investment.
6. Company or its Agent will be responsible for estimating resource savings and developing a Conservation Plan upon which the Retrofit Project Charge will be based.
7. Although the Company and its Agent(s) expect that all Customers will receive lower monthly utility bills, there is no guarantee of savings.
8. If a Retrofit measure is reported to be faulty, the Company or its Agent will assess (verify the failure), suspend Retrofit Project Charges to the degree that savings are compromised, initiate and verify repairs, assign cost to responsible party and reinstitute Retrofit Project Charges.
9. When an account is closed, the outstanding balance of the Retrofit obligation remains with the meter/facility until the account is reopened, combined with another account/service or its meter/facility is transferred to a new Customer, at which time Retrofit repayments will resume as part of service to that meter/facility until paid in full.

CONSERVATION PLAN

The Conservation Plan will be developed by the Company or its Agent and specify measures recommended by the Company to the prospective Retrofit Customer. The Conservation Plan includes:

- Plan Scope – The Conservation Plan will include a detailed description of each retrofit option proposed. The estimated and maximum amounts of financing the Company/its Agent would pay/invest towards each retrofit would be identified. If energy savings are not completely justified on a cost basis, the Conservation Plan will include the amount Customer would pay or invest to 'buy down' the remaining project balance to what can be amortized by energy savings/on-bill repayment. There will also be a financial summary of the cumulative projected on-bill repayments including: amount of cumulative program fees repaid; amount of cumulative interest repaid; amount of cumulative principle repaid; and total amount to be repaid over the life of the investment.
- Estimated Resource Savings – The modeled change(s) in cost of resources consumed at the premises attributable to the efficiency measure(s) recommended. The Company or its Agent will be solely responsible for savings estimates and will use generally accepted modeling software and techniques.

Form for Filing Rate Schedules

Fleming-Mason Energy Cooperative, Inc.
P. O. Box 328
Flemingsburg, KY 41041

For All Territory Served

P.S.C. No. 3
Original Sheet No. 1

Name of Issuing Corporation

Retrofit Project Charge – The charge to be included on Customer’s utility bill based on the cost of the proposed measure(s) and the resulting savings. The Company will be solely responsible for calculating the Retrofit Project Charge utilizing its standard economic model of discounted cash flows. To the extent available, Company will incorporate grants and low-interest funds into calculation of Retrofit Project Charge for the benefit of Customers who meet qualifying guidelines of such funding sources. In calculating the Project Charge, the Company may add five (5) percent of the capitalized cost of proposed projects as bid by contractors or vendors to offset Retrofit program costs. The annual interest rate used to calculate the Retrofit Project Charge shall be no more than the cost of the capital used by the capital provider to finance the project.

- Audit Fee- A Customer or Landlord may be charged a \$200 Audit Fee for complete Conservation Plans. The charge will be waived for program participants or when the Conservation Plan yields less than \$1,000 in improvements that can be paid for by the Company through the program. The charge will be assessed no sooner than (90) days after the Conservation Plan has been provided to the Customer.
- Number of payments- The number of periods for which Retrofit Project Charge will apply at the premises. In no case shall the duration of the Retrofit Project Charge exceed seventy-five (75) percent of the estimated life of the measure or fifteen (15) years, whichever is less.
- In the event that multiple measures are being completed as part of a Conservation Plan, the Project Charge will not appear on the Customer’s bill until all measures have been completed.

A Customer’s and Landlord’s signature on the Retrofit Agreement shall indicate acceptance of the Conservation Plan.

“BUY DOWN” ALTERNATIVE

A Customer or Landlord may elect to “buy down” the cost of implementing an efficiency measure so that the Retrofit Project Charge will be less than the average estimated monthly savings. In this way, measures that might not otherwise yield sufficient economic savings to pay for themselves may still be approved. Prior to Company approval of a Conservation Plan that includes one or more uneconomic measures, the Customer or Landlord or a third party must agree to pay the amount required to buy down said measure(s) such that the Retrofit charge is no greater than ninety (90) percent of the estimated savings.

NEW STRUCTURES

Date of Issue _____ Date Effective

Issued By _____ Title President and CEO

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Case No. Dated _____

Form for Filing Rate Schedules

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Flemingsburg, KY 41041

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Original Sheet No. 1

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A Customer or Owner may utilize this Rider to install high efficiency equipment or measures in new structures. The tariff may cover only the incremental cost between the lowest allowable or “standard” efficiency equipment or measure required in the structure and the higher efficiency equipment or measures chosen by the Contractor, Customer or Owner. Under any circumstances, the Retrofit Project Charge to appear on the participant’s bill must be less than the average estimated cost of resources saved by purchase of the higher efficiency equipment or measures.

RESPONSIBILITIES

Responsibilities, understandings and authorizations of the Customer, Company, landlord (if applicable) and Contractor shall be evidenced by this Rider and written agreements, notifications and disclosures/consents, the forms of which are incorporated into this Rider by reference.

The Company/its Agent(s) will

1. market and administer the program,
2. prequalify eligible locations,
3. perform energy audits to produce Conservation Plans,
4. certify and maintain a list of Contractors, and arrange for a certified Contractor to install retrofit measures
5. act as Customer’s representative in verifying suitability of proposed retrofits, estimated savings, satisfactory installation of retrofit measures, and evaluating ongoing performance or need for repair of measures
6. file UCC disclosures with County Clerk for each location
7. disclose pre-existing retrofit investment benefits and costs to new Customers,

The Company will not be liable for any decisions or actions taken by its Agent, including but not limited to selection of measures, savings estimates, decisions on repairs or extending payment terms to collect missed payments and repair costs, or injury or damage to homes related to installation or use of retrofit measures.

The Company will not be liable for any failure by the previous occupant, building owner or landlord to disclose a Customer’s payment obligation.

Company will not be liable for Contractor’s work. Any verification by the Company or its Agent and request that the Company initiate Retrofit charges in no way limits the installing Contractor’s and product manufacturer’s liability as per contractual agreement with the Company/its Agent and under State law.

Date of Issue ____

Date Effective

Issued By _____

Title President and CEO

Issued by authority of an order of the Public Service Commission of Kentucky.

Case No. _____

Dated _____

Name of Issuing Corporation

The written agreements include:

- **KY Retrofit Purchase Agreement** – Establishes permission and terms for program participation, clarifies charges involved in the program, roles and responsibilities of each party, and notification requirements. Customer responsibilities include signing agreement to participate, providing access to the Company, its Agent and retrofit Contractor(s) for audit, retrofit, inspection and repairs, payment of retrofit charges included in utility bills, becoming informed about routine operation of retrofits, informing the Company if an installed retrofit measure fails or malfunctions, being responsible for all costs associated with Customer damage or neglect and accepting cost for out-of-warranty repairs. Owner responsibilities include agreeing to have retrofit installed, maintaining retrofits, written notification to prospective tenants or purchasers of the property so new occupants sign that they are informed of the energy investment burden on the meter, and fulfillment of Customer responsibilities any time metered location is in the Owner's name. Residential locations will have repayment terms of up to 15 years, while commercial property locations will have a maximum repayment term of 10 years and require loan security on investments greater than \$20,000.
- **Master Contractor Agreement** – Establishes that the contractor agrees to do the work as specified in the Conservation Plan. If the contractor needs to deviate from the Conservation Plan, the contractor will secure written authorization from the Company in advance. The Contractor is responsible for all aspects of his/her work, energy savings if provided, and all permits, insurance coverage, warranties, bonding and representation. The contractor will not charge more than the final approved estimate for the work performed. The Agreement states that the Company is not responsible for the contractor's work, but the Company does act as an intermediary in attempting to resolve any disputes.

TRANSITION IN ROLES

Unless otherwise specifically set forth in a standard Retrofit purchase agreement made part of this Rider, responsibility for outstanding Retrofit obligations falls on the successor party when the roles of the Customer, Owner or tenant change, provided the required disclosure is made and consent to assume the obligation is obtained. For example: If a tenant purchases an apartment complex, that individual assumes the obligations of Owner if disclosure is made and consent is obtained.

FAILURE TO MAKE REPAYMENT

The Customer or Landlord is obligated to pay for overall utility service which includes both the electric service provided and the repayment of the energy efficient investment as presented on the monthly bill.

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P. O. Box 328
Flemingsburg, KY 41041

For All Territory Served

P.S.C. No. 3
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Name of Issuing Corporation

In the event no payment is made and the total monthly bill become past due, then delinquency will be handled in accordance with the Company’s approved Terms and Conditions.

OTHER

1. This Rider applies to Retrofit measures permanently installed as fixtures at the premises. Portable efficiency products such as commercial lighting may be included where preapproved and documented by the Company/its Agent. The Company will solely determine which measures or products may be included in the Retrofit Program.
2. Measures will be owned by the capital provider for tax or carbon credit purposes until Retrofits have been fully paid off, however if tax credits can only be applied for by Customer, than Customer shall retain eligibility.
3. The Company or its Agent will determine the eligibility of a Customer based upon the Customer’s bill payment history with the Company, projected energy savings and program capacity. At its sole discretion, the Company may determine a property is not eligible for the program and does not qualifies for this Rider if:
 - a. The structure has an expected life shorter than the payback period, or
 - b. The structure does not meet applicable public safety or health codes.
4. At its sole discretion, the Company will determine the maximum Retrofit program investment in any year.
5. The initial term of the Retrofit Purchase Agreement may be extended by the Company or its Agent to recover its costs for out-of-warranty repairs or missed payments.
6. If a location is dormant for more than one year, or the underlying facility has been destroyed, any outstanding retrofit balance net of insurance reimbursement may be charged as loss in accordance with the Company’s approved Terms and Conditions.

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Exhibit B: Existing KER Rider with cross-outs and insertions

Form for Filing Rate Schedules

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P. O. Box 328
Flemingsburg, KY 41041

For All Territory Served

P.S.C. No. 3
Original Sheet No. 1

Name of Issuing Corporation

AVAILABILITY

The KY Energy Retrofit Rider (Rider) is a voluntary tariff available to customers for the purpose of improving resource efficiency and reducing energy consumption and net customer bills. The Rider is only available to qualifying customers taking service under Rate Schedules 1 (residential) and 2 (commercial/small industrial).

Definitions:

Agent – party acting on behalf of the company as defined under Kentucky law.

Company – Utility company implementing the tariff.

Contractor – The individual or company installing a Retrofit.

Customer – The purchaser of utility services at a property that includes a Retrofit or who is applying for a Retrofit. May be an owner or a tenant.

Owner/Landlord – The owner of the property where the retrofit is being installed. May also be the customer of the utility, or just the landlord.

Retrofit – the energy efficiency improvement being funded as part of utility service, including efficiency improvements to new construction.

Retrofit Project Charge – The monthly payment from the Customer to the Company covering the Retrofit service/amortization.

Terms and Conditions – Any and all regulations, guidelines, and agreements under which the Company provides service to the Customer.

RETROFIT INVESTMENT AND REPAYMENT TERMS

1. No up-front investment is required by Customers. The initial cost of approved efficiency measures will be paid by the Company or its Agent.
2. The Retrofit repayment obligation shall be assigned to the premises and will survive changes in ownership and/or tenancy.
3. Retrofit program costs shall be recovered through a monthly line item Retrofit Project Charge on the utility bill.

Date of Issue January 3, 2011

Date Effective December 16, 2010

Issued By _____

Title President and CEO

Issued by authority of an order of the Public Service Commission of Kentucky.

Case No. 2010-00089

Dated December 16, 2010

Form for Filing Rate Schedules

Fleming-Mason Energy Cooperative, Inc.
P. O. Box 328
Flemingsburg, KY 41041

For All Territory Served

P.S.C. No. 3
Original Sheet No. 1

Name of Issuing Corporation

4. The Retrofit Project Charge shall be part of the Company’s charges for basic utility service. Failure to make payment may result in disconnection in accordance with the Company’s approved Terms and Conditions.
5. The Retrofit Project Charge must be less than ninety (90) percent of the estimated average savings associated with the investment.
6. Company or its Agent will be responsible for estimating resource savings and developing a Conservation Plan upon which the Retrofit Project Charge will be based.
7. Although the Company and its Agent(s) expect that all Customers will receive lower monthly utility bills, there is no guarantee of savings.
8. If a Retrofit measure is reported to be faulty, the Company or its Agent will assess (verify the failure), suspend Retrofit Project Charges to the degree that savings are compromised, initiate and verify repairs, assign cost to responsible party and reinstitute Retrofit Project Charges.
9. When an account is closed, the outstanding balance of the Retrofit obligation remains with the meter/facility until the account is reopened, combined with another account/service or its meter/facility is transferred to a new Customer, at which time Retrofit repayments will resume as part of service to that meter/facility until paid in full.

CONSERVATION PLAN

The Conservation Plan will be developed by the Company or its Agent and specify measures recommended by the Company to the prospective Retrofit Customer. The Conservation Plan includes:

- Plan Scope – The Conservation Plan will include a detailed description of each retrofit option proposed. The estimated and maximum amounts of financing the Company/its Agent would pay/invest towards each retrofit would be identified. If energy savings are not completely justified on a cost basis, the Conservation Plan will include the amount Customer would pay or invest to ‘buy down’ the remaining project balance to what can be amortized by energy savings/on-bill repayment. There will also be a financial summary of the cumulative projected on-bill repayments including: amount of cumulative program fees repaid; amount of cumulative interest repaid; amount of cumulative principle repaid; and total amount to be repaid over the life of the investment.
- Estimated Resource Savings – The modeled change(s) in cost of resources consumed at the premises attributable to the efficiency measure(s) recommended. The Company or its Agent will be solely responsible for savings estimates and will use generally accepted modeling software and techniques.

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Retrofit Project Charge – The charge to be included on Customer’s utility bill based on the cost of the proposed measure(s) and the resulting savings. The Company will be solely responsible for calculating the Retrofit Project Charge utilizing its standard economic model of discounted cash flows. To the extent available, Company will incorporate grants and low-interest funds into calculation of Retrofit Project Charge for the benefit of Customers who meet qualifying guidelines of such funding sources. In calculating the Project Charge, the Company may add five (5) percent of the capitalized cost of proposed projects as bid by contractors or vendors to offset Retrofit program costs. The annual interest rate used to calculate the Retrofit Project Charge shall be no more ~~that the Company’s current average cost of long term debt.~~ than the cost of the capital used by the capital provider to finance the project.

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- Audit Fee- A Customer or Landlord may be charged a \$200 Audit Fee for complete Conservation Plans. The charge will be waived for program participants or when the Conservation Plan yields less than \$1,000 in improvements that can be paid for by the Company through the program. The charge will be assessed no sooner than (90) days after the Conservation Plan has been provided to the Customer.
- Number of payments- The number of periods for which Retrofit Project Charge will apply at the premises. In no case shall the duration of the Retrofit Project Charge exceed seventy-five (75) percent of the estimated life of the measure or fifteen (15) years, whichever is less.
- In the event that multiple measures are being completed as part of a Conservation Plan, the Project Charge will not appear on the Customer’s bill until all measures have been completed.

A Customer’s and Landlord’s signature on the Retrofit Agreement shall indicate acceptance of the Conservation Plan.

“BUY DOWN” ALTERNATIVE

A Customer or Landlord may elect to “buy down” the cost of implementing an efficiency measure so that the Retrofit Project Charge will be less than the average estimated monthly savings. In this way, measures that might not otherwise yield sufficient economic savings to pay for themselves may still be approved. Prior to Company approval of a Conservation Plan that includes one or more uneconomic measures, the Customer or Landlord or a third party must agree to pay the amount required to buy down said measure(s) such that the Retrofit charge is no greater than ninety (90) percent of the estimated savings.

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NEW STRUCTURES

A Customer or Owner may utilize this Rider to install high efficiency equipment or measures in new structures. The tariff may cover only the incremental cost between the lowest allowable or "standard" efficiency equipment or measure required in the structure and the higher efficiency equipment or measures chosen by the Contractor, Customer or Owner. Under any circumstances, the Retrofit Project Charge to appear on the participant's bill must be less than the average estimated cost of resources saved by purchase of the higher efficiency equipment or measures.

RESPONSIBILITIES

Responsibilities, understandings and authorizations of the Customer, Company, landlord (if applicable) and Contractor shall be evidenced by this Rider and written agreements, notifications and disclosures/consents, the forms of which are incorporated into this Rider by reference.

The Company/its Agent(s) will

1. market and administer the program,
2. prequalify eligible ~~accounts~~ locations,
3. perform energy audits to produce Conservation Plans,
4. certify and maintain a list of Contractors, and arrange for a certified Contractor to install retrofit measures
5. act as Customer's representative in verifying suitability of proposed retrofits, estimated savings, satisfactory installation of retrofit measures, and evaluating ongoing performance or need for repair of measures
6. file UCC disclosures with County Clerk for each location
7. disclose pre-existing retrofit investment benefits and costs to new Customers,

(T)

The Company will not be liable for any decisions or actions taken by its Agent, including but not limited to selection of measures, savings estimates, decisions on repairs or extending payment terms to collect missed payments and repair costs, or injury or damage to homes related to installation or use of retrofit measures.

The Company will not be liable for any failure by the previous occupant, building owner or landlord to disclose a Customer's payment obligation.

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Company will not be liable for Contractor’s work. Any verification by the Company or its Agent and request that the Company initiate Retrofit charges in no way limits the installing Contractor’s and product manufacturer’s liability as per contractual agreement with the Company/its Agent and under State law.

The written agreements include:

- KY Retrofit Purchase Agreement – Establishes permission and terms for program participation, clarifies charges involved in the program, roles and responsibilities of each party, and notification requirements. Customer responsibilities include signing agreement to participate, providing access to the Company, its Agent and retrofit Contractor(s) for audit, retrofit, inspection and repairs, payment of retrofit charges included in utility bills, becoming informed about routine operation of retrofits, informing the Company if an installed retrofit measure fails or malfunctions, being responsible for all costs associated with Customer damage or neglect and accepting cost for out-of-warranty repairs. Owner responsibilities include agreeing to have retrofit installed, maintaining retrofits, written notification to prospective tenants or purchasers of the property so new occupants sign that they are informed of the energy investment burden on the meter, and fulfillment of Customer responsibilities any time metered ~~account~~ location is in the Owner’s name. Residential ~~accounts~~ locations will have repayment terms of up to 15 years, while commercial property ~~accounts~~ locations will have a maximum repayment term of 10 years and require loan security on investments greater than \$20,000.
- Master Contractor Agreement – Establishes that the contractor agrees to do the work as specified in the Conservation Plan. If the contractor needs to deviate from the Conservation Plan, the contractor will secure written authorization from the Company in advance. The Contractor is responsible for all aspects of his/her work, energy savings if provided, and all permits, insurance coverage, warranties, bonding and representation. The contractor will not charge more than the final approved estimate for the work performed. The Agreement states that the Company is not responsible for the contractor’s work, but the Company does act as an intermediary in attempting to resolve any disputes.

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TRANSITION IN ROLES

Unless otherwise specifically set forth in a standard Retrofit purchase agreement made part of this Rider, responsibility for outstanding Retrofit obligations falls on the successor party when the roles of the Customer, Owner or tenant change, provided the required disclosure is made and consent to assume the obligation is obtained. For example: If a tenant purchases an apartment complex, that individual assumes the obligations of Owner if disclosure is made and consent is obtained.

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FAILURE TO MAKE REPAYMENT

The Customer or Landlord is obligated to pay for overall utility service which includes both the electric service provided and the repayment of the energy efficient investment as presented on the monthly bill. In the event no payment is made and the total monthly bill become past due, then delinquency will be handled in accordance with the Company's approved Terms and Conditions.

OTHER

1. This Rider applies to Retrofit measures permanently installed as fixtures at the premises. Portable efficiency products such as commercial lighting may be included where preapproved and documented by the Company/its Agent. The Company will solely determine which measures or products may be included in the Retrofit Program. ~~Premises in which Retrofit measures will be installed must be permanently anchored to a foundation.~~ (T)
2. Measures will be owned by the capital provider for tax or carbon credit purposes until Retrofits have been fully paid off, however if tax credits can only be applied for by Customer, than Customer shall retain eligibility.
 - . The Company or its Agent will determine the eligibility of a Customer based upon the Customer's bill payment history with the Company, projected energy savings and program capacity. At its sole discretion, the Company may determine a property is not eligible for the program and does not qualifies for this Rider if:
 - a. The structure has an expected life shorter than the payback period, or
 - b. The structure does not meet applicable public safety or health codes.
4. At its sole discretion, the Company will determine the maximum Retrofit program investment in any year.
5. The initial term of the Retrofit Purchase Agreement may be extended by the Company or its Agent to recover its costs for out-of-warranty repairs or missed payments.
6. If ~~an account~~ a location is dormant for more than one year, or the underlying facility has been destroyed, any outstanding retrofit balance net of insurance reimbursement may be charged as loss in accordance with the Company's approved Terms and Conditions. (T)

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Exhibit C: Testimonials from Satisfied Customers

Fleming Mason Energy

Paula, a Fleming Mason customer who works full time while going to school, provides a home to a number of family members and pets. Her mom lives in the unfinished, drafty basement, and had been very uncomfortable there prior to participating in the KER Rider program.

Before the retrofit, Paula was using 1177 kWh a month. Paula's conservation plan indentified a number of opportunities for savings, including a new heat pump, insulation, air sealing, a garage door replaced by an insulated wall, and replacement basement windows. The total job cost was \$9,840 with zero dollars out of pocket. Since the upgrades were installed, Paula and her family have cut down their usage to 862.5 kWh/month. That's a projected yearly savings of 6,715 kWh. The projected savings are \$57/month, with a monthly Retrofit Project Charge payment of \$51/month.

\$9,840 total job costs, \$0 dollars out of pocket from customer.

- Projected savings: \$57/month.
- Monthly payment: \$51/month.

Upgrades:

- HVAC: Installed new heat pump, including new electrical service to accommodate it.
- Insulation: Insulated attic and rim joists/band boards.
- Air sealing: Sealed doors, windows, large holes in attic, rim/band.
- Windows/doors: Replaced four basement windows.
- Other improvements: Replaced basement garage door with insulated wall, finished with vinyl siding.

Average bill before retrofit: 1177 kWh/month over two months last year

Average bill after retrofit: 862.5 kWh/month over same two calendar months this year

Savings:

- Projected yearly savings: 6715 kWh
- Savings to date: 629 kWh over two months (shoulder months so savings is minimal so far)
- Normalized savings to date: 751 kWh over two months

Grayson RECC

One of Grayson's pioneer customers, among the first to participate in the KER Rider program, has proven to have great savings. Sherry used 2662 kWh/month prior to her retrofit. Contractors participating in the KER Rider program installed a new dual fuel heat pump/furnace system, and insulated the floor of an addition. Caulking and spray foam were applied to existing windows and plumbing penetrations. Sherry decided to replace six windows with double pane units. The job came to

a total of \$9,584, and required no customer contribution. However, Sherry decided to pay for the windows out of pocket by choice.

Following the installation of energy efficiency improvements, Sherry and her family had a post-retrofit average usage of 554 kWh/month. Normalized for weather, Sherry has saved almost 9,000 kWh over the seven months since the retrofit took place. Her projected dollar savings are \$55/month, with a Retrofit Project Charge monthly payment of \$30/month.

\$9,584 total job costs, \$0 dollars out of pocket from customers required, but they paid for the windows out of pocket by choice.

- Projected savings: \$55/month
- Monthly payment: \$30/month

Improvements:

- HVAC: Installed new dual fuel heat pump/furnace system.
- Insulation: Installed R-19 batts to floor of addition.
- Air sealing: Installed caulking and spray foam to existing windows and plumbing penetrations.
- Other improvements: Replaced six windows with new double pane units.
- Other improvements: Repaired footer and block foundation walls as needed.

Average bill before retrofit: 2662 kWh over seven months last year

Average bill after retrofit: 554 kWh over the same seven calendar months this year

Savings:

- Projected yearly savings: 7,193 kWh
- Savings to date: 14,756 kWh over seven months
- Normalized savings to date: 8,997 kWh over seven months

Big Sandy RECC

Big Sandy customer Brenda came to the KER Rider program looking to improve the comfort of her house. She lives on a fixed income, and wanted to find low cost, high impact improvements. Her usage averaged 1,749 kWh/month before the retrofit. Insulation and sealing proved to be big improvements for her home, including adding attic insulation, sealing duct work and sealing several openings throughout the house.

Following the upgrades, Brenda has saved over 2,200 kWh (normalized for weather) in the past six months. Her total job came to just over \$1,800 and Brenda did not have to pay any out of pocket costs. Brenda's projected savings were \$28/month, and her Retrofit Project Charge monthly payment \$23/month.

\$1,820 total job costs, \$0 dollars out of pocket from customers.

- Projected savings: \$28/month.
- Monthly payment: \$23/month.

Upgrades:

- HVAC: Sealed duct work.
- Insulation: Insulated attic by adding 12" of loose fill over existing batts.
- Air sealing: Sealed soffits above cabinets, holes in floor to crawl space, caulked paneling in one bedroom.

Average bill before retrofit: 1,749 kWh/month over six months last year

Average bill after retrofit: 1,434 kWh/month over the same six calendar months this year

Savings:

- Projected yearly savings: 3,063 kWh
- Savings to date: 1,892 kWh over six months
- Normalized savings to date: 2,203 over six months



Exhibit D – Prepared Testimony from the Joint Applicants

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BIG SANDY RURAL ELECTRIC COOPERATIVE,)
CORP., FLEMING-MASON ENERGY COOPERATIVE, INC.,) CASE NO. _____
GRAYSON RURAL ELECTRIC COOPERATIVE, CORP. FOR KY)
ENERGY RETROFIT RIDER PERMANENT TARIFF)

PREPARED TESTIMONY OF BILL BLAIR from MACED

- Q1: Please state your name and business address.
A1: My name is Bill Blair and my business address is 433 Chestnut Street Berea, Kentucky 40403.
- Q2: What is your occupation?
A2: I am the How\$martKY program coordinator and the Data Manager for MACED.
- Q3: How long have you been employed at your organization?
A3: I have been working at MACED for two years, since June of 2010.
- Q4: What is your education and work experience?
A4: I am a graduate of Eastern Kentucky University with a degree in computer electronics.
I have worked in the information technology field for 21 years.
- Q5: What is your role in administering the KY Energy Retrofit Rider (How\$mart) program?
A5: As the How\$martKY program coordinator I oversee MACED's energy assessment team and support each retrofit following the completion of the job to the customer and cooperative's satisfaction. Developed the application which tracks each retrofit and reports the results of the before and after retrofit utility usage. I also help with gathering these reports to share results of these savings on a regular basis to the Public Service Commission and other relevant stakeholders and funders. Responsible for supporting the finance team at MACED to setup and maintain each retrofit that has been completed and monitor the repayment.
- Q6: How many energy assessments and retrofits have been completed across the pilot program, the total dollar amount financed, and the average amount financed for each retrofit?
A6: As of October 23, 2012, across all four partner energy cooperatives we have completed 200 energy assessments and 98 retrofits have been completed. Of that 98 completed retrofits the total amount financed is \$538,008 and our average job cost are \$7,780 utilizing rebates from our cooperative partners and Kentucky Home Performance the average financed job cost is \$5,604.

Q7: In your experience, what has been the overall satisfaction level of the cooperative members that have participated in the program?

A7: Because of the careful attention to quality service, we have heard overwhelmingly positive feedback from participants in the pilot program. One Fleming-Mason customer told us that after the work was done, "our house was the warmest it has been in twenty-four years. And the air-conditioning is great, too. I truly appreciate all the work and wish we could have done it sooner." A Big Sandy customer told us, "Having had the work done, living in our house is like 'going from dark to daylight' Our home is so much more comfortable. We've used the heat and the A/C already because of the warm spring, and we couldn't be happier." I think these sentiments show the satisfaction that many of the participating members have felt with the program.

Q8: What criteria do you use to determine what retrofits can be financed?

A8: We have worked with each cooperative to design a check list for the cooperative's auditors to use when evaluating a potential house. This discretion is left to the cooperative, but generally speaking we all want to be sure that the home is physically going to be around in ten, fifteen, twenty years such that the energy efficiency improvements will be worthwhile. This is ultimately a decision that is made by each cooperative, however. In accordance with program guide lines the location must be current on the last 12 months of utility bill's and that only 90% of the savings is used to determine the maximum amount that can be financed.

Q9: What trends have you seen in administering this pilot for the last two years?

A9: By looking at the data across the program to date, we are seeing a consistent pattern of meaningful savings for the participating customers. Recently, I normalized the data we have so far to remove weather fluctuations from our analysis. I found that on average, participating customers are saving 21 percent after the retrofit work is done. In terms of our modeling accuracy, we are finding that the average projected savings calculated by our software model are within a dollar or two of the average actual savings experienced by participating customers. Because the pilot has been limited in time and in scale, we look forward to working with more customers and inputting more data into the system. But what we have seen so far supports this program as one of the most effective ways for cooperative members to save money and live more comfortably in their homes.

Q10: Does this conclude your testimony in this case?

A10: Yes, it does.

COMMONWEALTH OF KENTUCKY
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GRAYSON RURAL ELECTRIC COOPERATIVE, CORP. FOR KY)
ENERGY RETROFIT RIDER PERMANENT TARIFF)

PREPARED TESTIMONY OF JONI HAZELRIGG

Q1: Please state your name and business address.

A1: Joni Hazelrigg, Fleming-Mason Energy, P.O. Box 328, Flemingsburg, KY 41041

Q2: What is your occupation?

A2: Chief Financial Officer of Fleming-Mason Energy

Q3: How long have you been employed at your Cooperative?

A3: 27 Years

Q4: What is your education and work experience?

A4: Received a Bachelor of Business Administration with an Accounting Option from Morehead State University. I have made a lifelong career at Fleming-Mason Energy beginning in the Cashiering Department, promoted to General Office Supervisor in 1992 then Sr. Accountant in 1999. I was promoted to Chief Financial Officer in 2006. As CFO, I manage the customer billing and collections, and the accounting functions of FME.

Q5: What is your role in administering the KY Energy Retrofit Rider (KERR) program at your Cooperative?

A5: I have been active in educating and training our CSR's about the program. I have supervised the line item added onto the customer's bill as well as proper accounting for the program on Fleming-Mason's financial statements. I balance the amounts billed and collected each month to the checks written to MACED and keep up to date on all retrofits both completed and in the pipeline. I attend the joint Cooperative and MACED meetings regularly and am committed to making this program successful.

Q6: How many retrofits have been completed at your cooperative, the total dollar amount financed, and the average amount financed for each retrofit?

A6: Retrofits completed: 20
Total dollar financed: \$132,035.15
Average amount: \$6,601.76

Q7: How many financed retrofits are currently in default at your cooperative?

A7: Fleming-Mason has no retrofits in default.

Q8: What has been the overall satisfaction level of the members that have received a financed retrofit at your Cooperative?

A8: Members have been thrilled with the opportunity to make their homes more energy efficient and more comfortable without being required to have a large sum of money on hand up front. Many of these retrofits are projects that the member has wanted to do for a while but lacked the capital to complete. Fleming-Mason views this program as a long-term investment in both the structure on the other side of the meter and an investment in its members.

Q9: What criteria is your Cooperative using to determine what retrofits can be financed?

A9: Fleming-Mason uses the guidelines spelled out in the tariff and also screens retrofits based on payment history and the stability of the structure and member.

Q10: Has your Cooperative experienced any difficulties in collecting the monthly payment?

A10: None at all to this point.

Q11: How has your Cooperative been marketing this program to its membership?

A11: Because this has been a pilot project, Fleming-Mason has not done a formal marketing program. Retrofits completed have primarily come from high bill complaints, energy audit requests and word of mouth. Upon approval of the permanent tariff, Fleming-Mason plans to formally market the program.

Q11: Does this conclude your testimony in this case?

A11: This does conclude my testimony.

COMMONWEALTH OF KENTUCKY
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GRAYSON RURAL ELECTRIC COOPERATIVE, CORP. FOR KY)
ENERGY RETROFIT RIDER PERMANENT TARIFF)

CASE NO. _____

PREPARED TESTIMONY OF DON COMBS

Q1: Please state your name and business address.

A1: Don Combs, Grayson RECC, 109 Bagby Park, Grayson, KY 41143

Q2: What is your occupation?

A2: I am the Mgr. Finance and Accounting at Grayson RECC

Q3: How long have you been employed at your Cooperative?

A3: 18 years

Q4: What is your education and work experience?

A4: BS in Business Administration, Georgetown College with 28 years in the Rural Electric Cooperative Industry

Q5: What is your role in administering the KY Energy Retrofit Rider (How\$mart) program at your Cooperative?

A5: I was involved in the initial development and PSC approval of the KERR Pilot Project.

Q6: How many retrofits have been completed at your cooperative?

A6: 17 retrofits have been completed.

Q7: How many financed retrofits are currently inactive at your cooperative?

A7: We have one retrofit that is currently inactive.

Q8: What has been the overall satisfaction level of the members that have received a financed retrofit at your Cooperative?

A8: The energy savings have generally exceeded estimates and that has made for a very satisfactory experience. Comments heard from participants have ranged from "It was a life saver", to "the comfort I am experiencing was not expected" to "I'm looking forward to the heating season".

Q9: What criteria is your Cooperative using to determine what retrofits can be financed?

A9: Grayson requires homeowners to be in good standing with mortgage holder and electric utility. The structure should be in good condition and have a useful life in excess of the payback period.

Q10: Has your Cooperative experienced any difficulties in collecting the monthly payment?

A10: Generally no.

Q11: How has your Cooperative been marketing this program to its membership?

A11: The program has been advertised through newspaper and radio. Referrals from other participants and those questioning their high energy usage have been the most effective means of marketing.

Q12: Has this program had any effect on other people involved with the program?

A12: Contractors have learned that there are little things, like caulking and sealing, can have a big effect on the customer and they are doing a better job, because their work is being checked by professionals. Coop Energy Advisors are learning what really works for the members and feel more accountable for what they recommend to members.

Q13: Does this conclude your testimony in this case?

A13: Yes.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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GRAYSON RURAL ELECTRIC COOPERATIVE, CORP. FOR KY)
ENERGY RETROFIT RIDER PERMANENT TARIFF)

PREPARED TESTIMONY OF BRUCE AARON DAVIS

Q1: Please state your name and business address.

A1: Bruce Aaron Davis 504 11th Street Paintsville, Ky 41240

Q2: What is your occupation?

A2: Manager of Member Services

Q3: How long have you been employed at your Cooperative?

A3: 12 years

Q4: What is your education and work experience?

A4: Prestonsburg Community College, NRECA Management Internship Program, Dale Carnegie Course, BPI Certified (Building Analyst Professional), Level 1 Thermographer, 10 year Energy Auditor and Member Service Manager.

Q5: What is your role in administering the KY Energy Retrofit Rider (How\$mart) program at your Cooperative?

A5: I participate in KY Energy Retrofit Rider (How\$mart) energy audits, review and evaluate potential KY Energy Retrofit Rider (How\$mart) participants, act as the General Contractor for KY Energy Retrofit Rider (How\$mart) jobs and attend all KY Energy Retrofit Rider (How\$mart) meetings regularly and am committed to making this program successful.

Q6: How many retrofits have been completed at your cooperative, the total dollar amount financed, and the average amount financed for each retrofit?

A6: 16 jobs completed, \$90,027.56 total dollars financed and the average amount financed for each retrofit is \$5,626.72.

Q7: How many financed retrofits are currently in default at your cooperative?

A7: Big Sandy RECC has no defaults at this time.

Q8: What has been the overall satisfaction level of the members that have received a financed retrofit at your Cooperative?

A8: Big Sandy RECC has a 98% satisfaction rate.

Q9: What criteria is your Cooperative using to determine what retrofits can be financed?

Q9: Big Sandy RECC uses the guidelines spelled out in the tariff and also screens retrofits based on payment history and the stability of the structure and member.

Q10: Has your Cooperative experienced any difficulties in collecting the monthly payment?

A10: Big Sandy RECC has had no difficulties collecting the monthly payment.

Q11: How has your Cooperative been marketing this program to its membership?

A11: Although this has been a pilot thus far, Big Sandy RECC has been marketing the program through our website and the KY Living Magazine.

Q11: Does this conclude your testimony in this case?

A11: This concludes my testimony in this case.



Exhibit E – Notice of Proposed Rulemaking regarding the Energy Efficiency and Conservation Loan Program

Proposed Rules

Federal Register

Vol. 77, No. 173

Thursday, September 6, 2012

This section of the FEDERAL REGISTER contains notices to the public of the proposed issuance of rules and regulations. The purpose of these notices is to give interested persons an opportunity to participate in the rule making prior to the adoption of the final rules.

DEPARTMENT OF AGRICULTURE

Rural Utilities Service

7 CFR Parts 1710, 1717, 1721, 1724, and 1730

RIN 0572-AC19

Energy Efficiency and Conservation Loan Program

AGENCY: Rural Utilities Service, USDA.

ACTION: Notice of Proposed Rulemaking; correction.

SUMMARY: The Rural Utilities Service (RUS) published a document in the *Federal Register* on July 26, 2012, proposing policies and procedures for loan and guarantee financial assistance in support of energy efficiency programs (EE Programs) sponsored and implemented by electric utilities for the benefit of rural persons in their service territory. The comment period closing date was incorrect.

FOR FURTHER INFORMATION CONTACT: Michele Brooks, USDA-Rural Utilities Service, 1400 Independence Avenue SW., Stop 1522, Washington, DC 20250-1522, telephone (202) 690-1078 or email to michele.brooks@wdc.usda.gov.

Correction

In the *Federal Register* of July 26, 2012, in FR Doc. 2012-17784, on page 43723, in the first column, under the heading "DATES," the date should read September 26, 2012.

Dated: August 29, 2012.

Jonathan Adelstein,

Administrator, Rural Utilities Service.

[FR Doc. 2012-21779 Filed 9-5-12; 8:45 am]

BILLING CODE P

NUCLEAR REGULATORY COMMISSION

10 CFR Part 50

[NRC-2012-0204]

Clarification of Submission of Requests for Relief or Alternatives From the Regulatory Requirements Pertaining to Codes and Standards

AGENCY: Nuclear Regulatory Commission.

ACTION: Draft regulatory issue summary; request for comment.

SUMMARY: The U.S. Nuclear Regulatory Commission (NRC or the Commission) is seeking public comment on a draft regulatory issue summary (RIS) that provides information on requests for alternatives to and relief from the regulatory requirements pertaining to Codes and Standards. The draft RIS also provides clarification when relief is requested by licensees and applicants where American Society of Mechanical Engineers Code requirements are determined impractical, and when proposed alternatives to the regulations are submitted to the NRC.

DATES: Submit comments by October 22, 2012. Comments received after this date will be considered if it is practical to do so, but the NRC is able to assure consideration only for comments received on or before this date.

ADDRESSES: You may access information and comment submissions related to this document, which the NRC possesses and is publicly available, by searching on <http://www.regulations.gov> under Docket ID NRC-2012-0204.

You may submit comments by any of the following methods:

- Federal Rulemaking Web Site: Go to <http://www.regulations.gov> and search for Docket ID NRC-2012-0204. Address questions about NRC dockets to Carol Gallagher; telephone: 301-492-3668; email: Carol.Gallagher@nrc.gov.

- Mail comments to: Cindy Bladey, Chief, Rules, Announcements, and Directives Branch (RADB), Office of Administration, Mail Stop: TWB-05-B01M, U.S. Nuclear Regulatory Commission, Washington, DC 20555-0001.

- Fax comments to: RADB at 301-492-3446.

For additional direction on accessing information and submitting comments,

see "Accessing Information and Submitting Comments" in the **SUPPLEMENTARY INFORMATION** section of this document.

FOR FURTHER INFORMATION CONTACT:

Thomas Alexion, Senior Project Manager, Office of Nuclear Reactor Regulation, U.S. Nuclear Regulatory Commission, Washington, DC 20555-0001; telephone: 301-415-1326, email: Thomas.Alexion@nrc.gov.

SUPPLEMENTARY INFORMATION:

I. Accessing Information and Submitting Comments

A. Accessing Information

Please refer to Docket ID NRC-2012-0204 when contacting the NRC about the availability of information regarding this document. You may access information related to this document, which the NRC possesses and is publicly available, by any of the following methods:

- Federal Rulemaking Web Site: Go to <http://www.regulations.gov> and search for Docket ID NRC-2012-0204.

- NRC's Agencywide Documents Access and Management System (ADAMS): You may access publicly available documents online in the NRC Library at <http://www.nrc.gov/reading-rm/adams.html>. To begin the search, select "ADAMS Public Documents" and then select "Begin Web-based ADAMS Search." For problems with ADAMS, please contact the NRC's Public Document Room (PDR) reference staff at 1-800-397-4209, 301-415-4737, or by email to pdr.resource@nrc.gov. The draft RIS "Clarification of Submission of Requests for Relief or Alternatives Under 10 CFR 50.55a," is available electronically under ADAMS Accession No. ML111150172.

- NRC's PDR: You may examine and purchase copies of public documents at the NRC's PDR, Room O1-F21, One White Flint North, 11555 Rockville Pike, Rockville, Maryland 20852.

B. Submitting Comments

Please include Docket ID NRC-2012-0204 in the subject line of your comment submission, in order to ensure that the NRC is able to make your comment submission available to the public in this docket.

The NRC cautions you not to include identifying or contact information that you do not want to be publicly disclosed in your comment submission.