

April 5, 2013

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
P O Box 615
Frankfort, KY 40602

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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

JOINT APPLICATION OF BIG SANDY RURAL)	
ELECTRIC CO-OPERATIVE CORP.,)	
FLEMING-MASON ENERGY CO-OPERATIVE,)	CASE NO.
INC., GRAYSON RURAL ELECTRIC CO-OPERATIVE)	2012-00484
CORP., FOR AN ORDER APPROVING KY ENERGY)	
RETROFIT RIDER PERMANENT TARIFF)	

GRAYSON RURAL ELECTRIC CO-OPERATIVE CORPORATION, BIG SANDY RURAL ELECTRIC CO-OPERATIVE CORPORATION, and FLEMING-MASON ENERGY CO-OPERATIVE, INC 's RESPONSE TO COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION

Comes now Grayson Rural Electric Cooperative Corporation, Big Sandy Rural Electric Co-operative Corporation, and Fleming-Mason Energy Co-operative, Inc., for their Response to the Commission Staff's Third Request for Information and states as follows:

Respectfully Submitted.

Carol Hall Fraley

Carol Hall Fraley
President & CEO
Grayson RECC

The undersigned, Don M. Combs, as Manager of Finance & Accounting of Grayson RECC, being first duly sworn, states that the responses to requested data in an order dated March 28, 2013, herein are true to the best of my knowledge and belief formed after reasonable inquiry.

Dated: April 5, 2013

Grayson RECC

By: _____

Don M. Combs
Manager of Finance & Accounting

Subscribed, sworn to, and acknowledged before me by
Don Combs, as Mgr of Finance for Grayson RECC on behalf of
said Corporation this 5th day of April, 2013.

Marshall A. Schaefer
Notary Public
State at Large, Kentucky
My commission expires: 1-9-2015

GRAYSON RURAL ELECTRIC CO-OPERATIVE CORPORATION, BIG SANDY RURAL ELECTRIC CO-OPERATIVE CORPORATION, and FLEMING-MASON ENERGY CO-OPERATIVE, INC 's RESPONSE TO COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION

1. Refer to the Joint Applicants' application at paragraph 13, page 4. It states: "To date, only one of the 98 participating locations is inactive."
 - a. In the Joint Applicants' response to Commission Staff's First Request for Information, filed January 10, 2013, in response to question 5.a., it is indicated that Big Sandy has had one participating location that has had significant damage due to a natural disaster. Does the location referred to by Big Sandy as having had significant damage from a natural disaster currently have an active or inactive account?

Response:

The account is still active and current on project payments.

- b. Refer to Item 5.b. of the Joint Applicants' response to Staff's First Request where it is indicated that Grayson has had two completed retrofit project locations that have been foreclosed upon. For each of the foreclosed locations identified by Grayson, state whether that location has an active or inactive account.

Response:

Both have inactive accounts.



**GRAYSON RURAL ELECTRIC CO-OPERATIVE CORPORATION, BIG SANDY RURAL ELECTRIC CO-OPERATIVE CORPORATION, and FLEMING-MASON ENERGY CO-OPERATIVE, INC 's RESPONSE
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2. If any of the locations identified in questions 1.a or 1.b. above have an inactive account, should those accounts be added to the one indicate in the application at paragraph 13 as being inactive?

Response:

Both accounts referred to in 1.b. should be included.

**GRAYSON RURAL ELECTRIC CO-OPERATIVE CORPORATION, BIG SANDY RURAL ELECTRIC CO-OPERATIVE CORPORATION, and FLEMING-MASON ENERGY CO-OPERATIVE, INC 's RESPONSE
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3. Refer to paragraph 11 of the Joint Applicants' application. It is indicated that the average projected electricity savings per home is 5,365 kWh, with a corresponding average monthly energy savings of \$50.78. It also stated that the average monthly Retrofit Project Charge is \$38.70. Further, Joint Applicants state:

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 \$.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.

- a. Is the reference to the average projected monthly energy savings of \$52.70 the number calculated as a result of post-retrofit data?

Response:

No. The average projected savings of \$52.70 is a projection based on pre-retrofit estimates utilizing the energy modeling software.

- b. Is the reference to the average projected monthly energy savings of \$50.78 the number calculated without regard to post-retrofit data?

Response:

Yes. The average projected savings of \$50.78 is a projection based on pre-retrofit estimates utilizing the energy modeling software.

- c. Is the reference to \$52.70 and \$50.78 a typographical error? If yes, which is the correct figure?

Response:

No, this is not a typographical error. Both figures are correct. The projected savings of \$50.78 is an average for all the completed jobs as of the time at which the application was filed.

The projected savings of \$52.70 is an average for a subset of all the jobs. This subset is defined as those for which, at the time the application was filed, sufficient post-retrofit data existed to calculate savings based on post-retrofit data with weather normalization.

The post-retrofit data for this subset indicate average weather-normalized savings of \$49.94 as a result of post-retrofit data.

**GRAYSON RURAL ELECTRIC CO-OPERATIVE CORPORATION, BIG SANDY RURAL ELECTRIC CO-OPERATIVE CORPORATION, and FLEMING-MASON ENERGY CO-OPERATIVE, INC 's RESPONSE
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4. Refer to Exhibit A of the Joint applicants' application. Fleming-Mason Energy Cooperative, Inc.'s Tariff Sheet P.S.C. No. 3, Original Sheet No. 1. Under the section identified "OTHER", Item No. 6, the tariff language includes the following: "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 Terms and Conditions."
- a. Is the inclusion of this language intended to mean, for each particular cooperative, that the cooperative's other members can be held responsible for any unrecovered balances under the situations described in Item No.6 of the tariff?

Response:

No. "Written off" or "charged as a loss" occurs after a prescribed period of time passes and the account (electric, KERR payment, or other moneys due) is not brought to a current status. This "written off status" can begin from 2-6 months past the original due date, depending on that company's policy.

For the KERR program, the participating Cooperative would start making interest payments, as soon as power is disconnected, to the Capital provider for a maximum period of 24 months. At that point, the Cooperative would apply for reimbursement from the Risk Mitigation Fund (established utilizing a \$50,000 DEDI/TVA settlement grant to MACED and 4% of the 5% Administrative Fee for each project). This would apply to investments made in accordance with program guidelines.

This self-insurance type fund would cover both interest and principle invested in the inactive locations. This would substantially eliminate responsibility by other members.

- b. If the answer to 5.a. is yes, explain why the Joint Applicants believe the other members of each particular cooperative should shoulder that responsibility. Identify the authority under which the Commission can require the rest of the membership to be responsible for unrecovered balances.

Response:

n/a