

RICHARDSON GARDNER & ALEXANDER

ATTORNEYS-AT-LAW
117 EAST WASHINGTON STREET
GLASGOW, KENTUCKY 42141-2696
writer's e-mail: wlg@rgba-law.com

BOBBY H. RICHARDSON
WOODFORD L. GARDNER, JR.
T. RICHARD ALEXANDER II

(270) 651-8884
(270) 651-2116
FAX (270) 651-3662

September 9, 2014

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

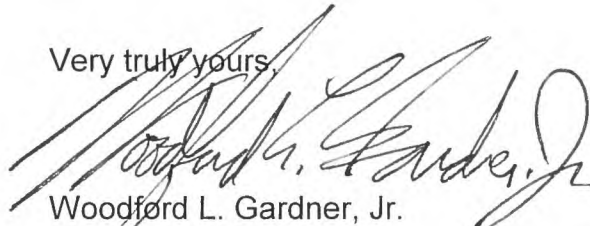
Re: Case No. 2014-00281

Dear Mr. Derouen:

We enclose for filing the original and 10 copies of the Commission Staff's First Request for Information in the Application of Farmers Rural Electric Cooperative Corporation for an Order Approving Kentucky Energy Retrofit Rider Permanent Tariff.

Thank you for your assistance in this mater.

Very truly yours,



Woodford L. Gardner, Jr.
Attorney for Applicant

RECEIVED

SEP 16 2014

PUBLIC SERVICE
COMMISSION

Enclosures

COMMONWEALTH OF KENTUCKY

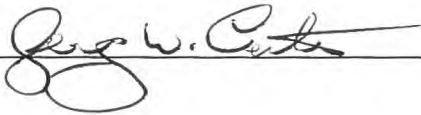
BEFORE THE PUBLIC SERVICE COMMISSION

In The Matter Of:

| | | |
|---|---|------------|
| APPLICATION OF FARMERS RURAL ELECTRIC COOPERATIVE |) | CASE NO. |
| CORPORATION FOR AN ORDER APPROVING KENTUCKY |) | 2014-00281 |
| ENERGY RETROFIT RIDER PERMANENT TARIFF |) | |


CERTIFICATE

Jerry Carter, being duly sworn, states that he has supervised the preparation of the responses of Farmers Rural Electric Cooperative Corporation to the Public Service Commission Staff's First Request for Information in regards to the Application of FRECC for An Order Approving Kentucky Energy Retrofit Rider Permanent Tariff in the above-referenced case, and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.



COMMONWEALTH OF KENTUCKY)
)
 COUNTY OF BARREN)

Subscribed and sworn to before me by Jerry Carter, Vice President, Member & Corporate Services of Farmers Rural Electric Cooperative Corporation this 12th day of September, 2014.



 Notary Public
 ID: 514370

My Commission Expires: June 30, 2018

FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION
PSC CASE NO. 2014-00281
RESPONSE TO COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION

Request 1.

Refer to Sheet No. 111.001 of the Kentucky Energy Retrofit Rider tariff ("KER tariff") filed as Exhibit A of the application. Explain why Farmers is not proposing to offer the program to its small commercial members.

Response 1.

Farmers RECC has chosen not to offer the Kentucky Energy Retrofit Rider (KER) to its commercial members. Commercial accounts are more transient in nature and commercial buildings can have lengthy vacancies without providing a sufficient revenue stream to offset the retrofit costs.

Witness: Jerry Carter

FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION
PSC CASE NO. 2014-00281
RESPONSE TO COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION

Request 2.

Refer to Sheet No. 111.003. Under the heading Retrofit Project Charge, Farmers states: "In proposed projects as bid by contractors or vendors to offset Retrofit program costs." Explain what is meant by this sentence.

Response 2.

Part of the sentence was omitted from the filing. The sentence should read as follows: "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".

Sheet No. 111.003 has been updated with the above change.

Signed tariff sheets, with all updates, are attached in Exhibit C.

Witness: Jerry Carter

FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION
PSC CASE NO. 2014-00281
RESPONSE TO COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION

Request 3.

Refer to Sheet No. 111.005. Item 6 states that Farmers or its agent will file UCC disclosures with the County Clerk for each location. State if Farmers will include the UCC disclosure in its KER tariff.

Response 3.

Yes. Farmers will disclose and file the UCC statement with the respective County Clerk per submitted tariff, Sheet 111.005 Item 6.

Please refer to Farmers' Application, Exhibit C, Page 11 of 18, for the UCC Financing Statement.

Witness: Jerry Carter

**FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION
PSC CASE NO. 2014-00281
RESPONSE TO COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION**

Request 4.

Refer to Sheet No. 111.006.

Request 4a.

Provide a copy of the KY Retrofit Purchase Agreement, and state if the agreement will be included as part of Farmers' KER tariff.

Response 4a.

Exhibit A is an example of the Conservation Plan. This is informational only for the Commission and will not be included in Farmers' Tariff.

The KY Retrofit Purchase Agreement will be included in Farmers' Tariff. Signed tariff sheets, with all updates including the Purchase Agreement, are attached in Exhibit C.

Request 4b.

Provide a copy of the Master Contractor Agreement, and state if the agreement will be included as part of Farmers' KER tariff.

Response 4b.

A Master Contractor Agreement is provided as an example in Exhibit B. Farmers does not plan to include the Master Contractor Agreement as part of its tariff.

Witness: Jerry Carter

FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION
PSC CASE NO. 2014-00281
RESPONSE TO COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION

Request 5.

Refer to Sheet No. 111.007. Item 1 states that portable efficiency products may be include if preapproved and documented by the Cooperative.

Request 5a.

Explain why Farmers intends to install commercial lighting if the retrofit program is available only to its residential members.

Response 5a.

This was an oversight as we do not intend to offer the KER to commercial members. Farmers already has an approved commercial lighting efficiency tariff.

The comment regarding portable efficiency products has been removed from Sheet No. 111.007.

Signed tariff sheets, with all updates, are attached in Exhibit C.

Request 5b.

Provide examples of portable efficiency products that are available to residential members.

Response 5b.

Please refer to Response 5a.

Witness: Jerry Carter

**FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION
PSC CASE NO. 2014-00281
RESPONSE TO COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION**

Request 6.

Explain why Farmers decided to propose the KER as a permanent program, rather than as a pilot program.

Response 6.

The Kentucky Energy Retrofit Rider has already been proven as an effective energy efficiency program in Kentucky. Farmers RECC does not see the need to develop a pilot program for an established proven program.

Witness: Jerry Carter

FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION
PSC CASE NO. 2014-00281
RESPONSE TO COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION

Request 7.

Describe how Farmers' membership and socioeconomic demographics compare with those of the other cooperatives now participating in the KER program.

Response 7.

Farmers RECC serves in part of eight counties but primarily Hart, Barren, and Metcalfe Counties. Two areas served by Farmers RECC, Hart County and Metcalfe County are both Appalachian Regional Commission Counties as is the service areas of the four other cooperatives currently participating in the KER program. Hart County as defined by the Appalachian Regional Commission is an at-risk county and Metcalfe County is defined as a distressed county. Both counties suffer from chronic unemployment and lower than the state average for per capita income similar to the service areas of the four other cooperatives currently participating in the KER program.

Witness: Jerry Carter

FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION
PSC CASE NO. 2014-00281
RESPONSE TO COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION

Request 8.

State whether Farmers expects to incur any substantive administrative costs or require additional staffing to support the KER program.

Response 8.

Farmers RECC does not anticipate additional administrative costs associated with the program. None of the other currently participating cooperatives have hired additional staff or incurred additional administrative costs as a result of the program.

Witness: Jerry Carter

FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION
PSC CASE NO. 2014-00281
RESPONSE TO COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION

Request 9.

Based on the results from the other cooperatives currently participating in a KER program and any other information available to Farmers, provide an estimate for the first two years of the program of 1) number of members participating; 2) projected investments in retrofits; 3) capital deployments; 4) average monthly charge to members; 5) average monthly savings; and 6) overall expected kWh savings.

Response 9.

1. Farmers RECC in comparison to other four participating cooperatives in the KER program expects to complete twenty-five (25) in the first year and twenty-five (25) in the second year.
2. Farmers expects a \$400,000.00 projected investment in retrofit costs for the first two years of activity.
3. Out of the \$400,000.00 projected investment, the capital deployment will be \$274,000.00
4. The average charge to members will be \$34.00 per month.
5. The average monthly savings to the member will be \$50.00 per month.
6. Farmers RECC expects a savings of 200,000 kWh's for the first two years.

Witness: Jerry Carter

FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION
PSC CASE NO. 2014-00281
RESPONSE TO COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION

Request 10.

For the first two years of the program, provide an estimate of the administrative and capital costs that will be borne by Mountain Association for Community Economic Development and Farmers and how those costs are expected to be allocated.

Response 10.

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. Farmers RECC 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.

Witness: Jerry Carter

Exhibit A



| | |
|--------------|-------------------|
| Location ID: | |
| Name | Example |
| OwnerName | |
| Phone | Conservation Plan |
| Assessor | |
| Date | 11/10/2011 |

How Your Home Uses Energy

| model baseline | Elec | Gas | Propane | Wood/Coal |
|-------------------|------------|--------|-------------|-----------|
| Heating | 8,380 kWh | 0 kBTU | 23769 kBTU | 0 kBTU |
| Cooling | 2850 kWh | 0 kBTU | 0 kBTU | |
| Base | 11900 kWh | 0 kBTU | 0 kBTU | |
| Total (yr) | 23,130 kWh | 0 kBTU | 23,769 kBTU | 0 kBTU |
| | 22400 kWh | 0 kBTU | 23769 kBTU | 0 kBTU |

Your home uses energy for heating, cooling, and base load (which is everything that is not heating or cooling).

How Your Home Could Save Energy

- Install Moisture barrier 6 mil plastic lap up on wall 12 and seal.
- Spray 1.5" of closed cell on Rim Joist
- Install R-19 insulation in floor where missing or damaged.
- Spray 1.5" of closed cell on crawl wall
- Spray 1" of closed on Cathedral End Walls
- Remove old blow in. Spray 1.5" closed cell foam and put back blown and add to 15"
- Replace HVAC Heating with New HVAC Heating System.
- Replace HVAC Cooling with New HVAC Cooling System.
- Reduce air leakage to BAS or 70% below that number.

| <u>Savings from Baseline:</u> | <u>Savings from Actuals:</u> | <u>Conversions to Fuel</u> | <u>Current Rates</u> | <u>Projected Savings (yr)</u> |
|-------------------------------|------------------------------|----------------------------|----------------------|-------------------------------|
| 7354 kWh (Elec) | 6,624 kWh (Elec) | 6,624 kWh | 0.12 /kWh | \$795 |
| 0 kBTU (Gas) | 0 kBTU (Gas) | 0 therms | 2.00 /Therm | \$0 |
| 23769 kBTU (Propane) | 23,769 kBTU (Propane) | 256 Gal | 2.88 /Gal | \$736 |

Based on savings from insulation and air seal only due to calibration.

Projected Avg Energy Savings (mo) \$128
before monthly How\$mart Charge

Financing

\$12,067.00 Cost of Improvements (est):
\$2,000.00 Kentucky Home Performance

\$10,067.00 Utility Contribution
\$15,452 Not to Exceed Amount (90% of Savings)

@ 3%
over 15 years

\$75 Monthly Charge
59% of projected savings

Next Steps

1. Sign Purchase Agreement
 2. Select contractor and schedule the job
 3. Energy Specialist returns to inspect completed work
 4. Savings begin and installments charge appears on utility bill.
- If, after operation, any of the upgrades fail, the Utility will reevaluate the work.

Acceptance:

I understand that:

Values on previous page are estimates only and are not a guarantee of savings. Energy savings are a best-effort estimation calculated using a computer model. The model takes into account previous usage and characteristics of the house to determine usage and potential savings. Actual savings will vary depending on behavior, weather events, maintenance of the efficiency improvements, and future utility rates.

The Utility has explained what I can do to reduce my energy consumption including, but no limited to: thermostat and other equipment settings, the impact of lighting changes, and additional appliance or home investments not covered under How\$martKY™.

Value of the improvements (cost of work) is an estimate and will be verified with the selected contractor. Final monthly charge will be determined at the time of contractor selection. If final project cost is more than the "not to exceed" amount, then customer may opt out of the installation. Non-payment of the charge will be treated like non-payment of the utility bill potentially resulting in disconnection of service.

The Kentucky Energy Retrofit Rider (marketed as How\$martKY™) is a voluntary utility tariff that amortizes the cost of the efficiency improvement over the course of fifteen years or 75% of the expected life of the improvement (whichever is less) at a fixed interest rate. The expected cumulative cost to the customer over the course of the payback period of the improvements is as follows:

| | <u>Estimate</u> | <u>Estimated Monthly Savings</u> | <u>Estimated Net Monthly Savings</u> |
|-------------------------------------|-----------------|----------------------------------|--------------------------------------|
| Fixed Monthly Charge | \$75 | \$128 | \$53 |
| Capital Investment | \$10,067 | Payback Period (years) | 15 |
| Data Management Contract Fee | \$250 | Cost of Capital | 3% |
| Project Fee(s) | 5.00% \$516 | | |
| Total Interest over life of payback | <u>\$2,883</u> | | |
| Total Cost over life of payback | \$13,466 | | |

Account Holder: _____
print name

Date: _____

Owner: _____
print name

Date: _____



Energy Efficiency for Everyone

Exhibit B

HowSmartKY Participating Contractor Master Agreement

Contractor Name: _____ Agreement Date: _____, 20____

Contractor Mailing Address: _____

Contractor Employee Identification Number: _____

Contractor Phones - mobile: _____ day: _____ evening: _____

1. PURPOSE OF THIS AGREEMENT

The Contractor is engaged in the business of selling and/or installing resource saving equipment, products and services. By agreeing to the provisions of the HowSmart Program, the Contractor becomes a participating Contractor in the Program to install Energy Efficiency measures to improve the resource efficiency for Customers served by Company. This agreement describes roles, responsibilities, and understandings of the Contractor and the Company/its Agent(s).

2. CONTRACTOR RESPONSIBILITIES AND UNDERSTANDINGS

- 2.1 Contractor shall submit a binding bid for Energy Efficiency measures to the Company. Energy Efficiency measures may include equipment, products and/or services that result in resource savings and lower bills. Company will be solely responsible for determining whether proposed measures meet the general or economic criteria for inclusion in the HowSmart program.
- 2.2 Approved Energy Efficiency measures, specifications and costs for each project shall be as set forth in a Conservation Plan developed by Company/its Agent and subject to this Agreement. An executed Conservation Plan will be considered an instruction to Contractor to commence work.
- 2.3 Contractor understands that only non-portable efficiency measures installed on premises permanently anchored to a foundation are eligible unless explicitly included in conservation plan. Savings must be greater than the monthly Project Charge calculated by Company/its Agent.
- 2.4 Contractor shall be solely responsible for determining the materials and products to be installed, and the means and methods of installation. Contractor shall furnish, at Contractor's own expense, all labor, materials, equipment, and other items necessary to satisfy the binding bid and meet the terms of this Agreement.
- 2.5 Contractor shall complete approved Energy Efficiency work in a timely manner. Upon completion, Contractor shall instruct Customer and Tenant(s), if applicable, on the proper use, operation and maintenance of Retrofit measures.
- 2.6 Contractor will provide for timely removal of debris resulting from installation or repairs of Retrofit projects unless otherwise stipulated in writing with the Customer.
- 2.7 Contractor is responsible for the conduct of its employees or agents. Contractor will be responsible for any costs associated with damage to property of Customer or Tenant(s) caused by its employees or agents.
- 2.8 Contractor will secure and pay for all permits, governmental fees, licenses and inspections necessary for the proper execution and completion of the work.
- 2.9 Contractor will give all notices and comply with all laws, ordinances, rules and orders of any public authority bearing on the performance of the work.
- 2.10 Contractor is obligated to make certain that its work conforms to all applicable federal, state and local laws, statutes, building codes and regulations, including but not limited to all applicable EPA/VOSHA/OSHA/NESC and NEC rules and regulations.

- 2.11 Upon post-installation inspection by Company/its Agent, Contractor agrees to replace any equipment or repair any condition resulting in Energy Efficiency measure performance failing to meet the specifications set forth in the Conservation Plan of any project. Contractor agrees to pay Company for the cost of follow-up inspections which result in rework. Any inspection by Company or initiation of Project Charge on responsible party's utility bill in no way limits either Contractor's or product manufacturer's liability as set forth herein or under Kentucky law.
- 2.12 Contractor shall purchase and maintain a minimum of \$1 million of such comprehensive general liability and other insurance which will provide protection from claims arising from the result of Contractor's performance on any Retrofit project. Contractor shall also maintain insurance coverage consistent with requirements of any regulatory or licensing body associated with the services provided. Any property damage or bodily injury claims related to the performance of this Agreement in excess of insurance limits or not covered by comprehensive liability, worker's compensation, or automobile liability insurance are the responsibility of the Contractor.
- 2.13 Contractor understands that an independent relationship has been created between Customer and Contractor. Contractor is not an employee or agent of the Company. Company will not be liable for personal injury or property damage caused by Customer, Tenant(s) (if different from Customer), Contractor or Contractor's agents or employees. Company is not a guarantor of products, materials, or work performed by Contractor.
- 2.14 Contractor understands that Company's roles under this Agreement are limited to: (1) Providing efficiency guidance to Customer and Contractor, (2) Approving measures that qualify for the program (3) Inspecting to ensure quality and investigating when Customer's raise concern about performance of measures. (4)Facilitating payment to Contractor for approved Energy Efficiency measures, (5) Collecting Project Charge revenue from the party responsible for utility bills, and (6) Facilitating dispute resolution.
- 2.15 In the event of any dispute arising over the Retrofit program between Customers, Tenant(s) and/or Contractors, Company will work with the disputing parties to obtain a mutually satisfactory resolution. In the event satisfactory resolution cannot be reached, the dispute will be submitted to an arbiter of Company's choice. Responsibility for all costs of arbitration shall be allocated between the disputing parties as determined by the arbiter.
- 2.16 Contractor shall be responsible for ensuring that all utilities are properly located, marked and identified through utilization of and compliance with the requirements of the Kentucky One-Call "Dig Safe" program. Contractor is responsible for working around existing utilities and agrees to defend, indemnify and hold harmless Company and Customer for any and all claims for damages to such utilities.
- 2.17 Contractor understands that failure to abide by the terms of this Agreement may result in disallowance of Contractor's subsequent participation in the How\$mart program in addition to any other remedies afforded to offended parties. Any such disallowance shall be at Company's sole discretion.

3. PAYMENT FOR RETROFIT PROJECTS

- 3.1 Contractor should notify Company when work on a Retrofit Project is complete. When work is considered complete and satisfactory, Company will pay to Contractor and Customer jointly the outstanding balance of the amount agreed upon in the Conservation Plan. For projects with equipment purchases costing more than one-thousand (1,000) dollars, Company will pay Contractor in advance up to fifty (50) percent of the total project cost agreed upon in the Conservation Plan provided Contractor is bonded at or above the amount of the advance.
- 3.2 In lieu of supplying a bond, Contractor has the option of performing work and receiving full payment upon satisfactory completion, with check payable to Contractor.
- 3.3 Work shall be considered complete and satisfactory when Customer and Company have signed off that the work is complete and acceptable. Acceptance is signified by endorsement of the check written by Company jointly to Customer and Contractor for the approved Energy Efficiency measures. Company/its agent may waive Customer/owner acceptance of work as a requirement for payment if it deems work is complete and acceptable.

3.4 In the event the Company/its Agent documents that work has not been completed as specified in the Conservation Plan/work order, the Company/has the Contractor's permission to withhold from final payment a penalty amount of \$500 for each failed inspection conducted by the Company/its Agent.

4. WARRANTEES

4.1 Contractor will warrant to Customer that all materials and equipment furnished under this Agreement will be new, and that all work will be of good quality, free from faults and defects.

4.2 Contractor will guarantee its workmanship, including all parts and labor, for a period of one year from date of final payment and acceptance of the work.

4.3 Contractor warrants that the resource efficient products designed and installed by the Contractor will meet Customer's requirements.

4.4 Contractor will extend to Customer all manufacturer's warranties for material and equipment installed. Contractor agrees to provide copies of all warrantee information to Customer should such information exist. Said warrantees will not in any way limit Contractor's obligations as set forth above.

5. INDEMNIFICATION

5.1 Contractor shall assume all liability and shall defend, indemnify and hold harmless Customer, Tenant, Owner and Company, individually, against all liability or loss and against all claims or actions based upon or arising out of damage or injury (including death) to persons or property caused by or sustained in connection with the performance of the Agreement or by conditions created thereby, or based upon any violation of any statute, ordinance, building code or regulation and the defense of any such claims or actions.

5.2 In addition to the indemnification set forth above, Contractor agrees to indemnify, defend and hold harmless the Customer, Tenant, Owner, and Company and any and all of Company's officers, employees, contractors and agents from and against any costs or damages resulting from enforcement or nuisance actions brought by any governmental entity or third party arising from the handling, removal and/or disposal of Hazardous Materials from the project, such costs to include but not be limited to costs of remediation, fines, penalties, and legal costs incurred in the defense of such actions either in a court of law or an administrative proceeding including reasonable fees and disbursements of attorneys and consultants, property damage, personal injury and third party claims.

6. TERMINATION

6.1 This Agreement may be terminated either by Company or Contractor with seven (7) days written notice from one party to the other.

6.2 In the event of termination, Contractor will be paid for any work completed to the satisfaction of Customer, less the cost of Company's estimate of the additional cost that might be incurred in completing work in progress and started under this Agreement. Company may delay such payment until such time as another contractor has signed an agreement to complete the remaining work.

7. CHANGES IN WORK

7.1 Contractor shall not make changes to the work which either increase or decrease the Agreement price, without the written approval of Company and Customer. Said changes include but are not limited to substitutions or alterations of specified materials or equipment, relocations and replacements. Additional costs for change orders may render proposed measures uneconomic and not acceptable as Energy Efficiency measures.

7.2 The cost or credit resulting from such change shall be determined by lump sum, mutually agreed to by Company, Customer, Owner and Contractor and supported by substantiating data. If the parties are unable to agree, Company will work with the disputing parties to obtain a mutually satisfactory resolution. In the event satisfactory resolution cannot be reached, the dispute will be submitted to an arbiter of Company's choice. Responsibility for all costs of arbitration shall be allocated between the disputing parties as determined by the arbiter.

8. MISCELLANEOUS PROVISIONS

- 8.1 No waiver, alteration, or modification of any of the provisions of this Agreement shall be binding unless in writing and signed by a duly authorized representative of both parties to this Agreement.
- 8.2 This Agreement may not be assigned nor any of the rights and duties hereunder without the prior written consent of Contractor and Company.
- 8.3 Notice from one party to the other under this Agreement shall be deemed to have been properly delivered if forwarded by United States Postal Service, First Class Mail, to the addresses shown in this Agreement.
- 8.4 If any of this Agreement shall be held invalid or ineffective in whole or in part, such determination shall not be deemed to invalidate any of the remaining portions of this Agreement. This agreement is governed by Kentucky law.

| | | | |
|---------|------|------------|------|
| COMPANY | Date | CONTRACTOR | Date |
|---------|------|------------|------|

Please submit the following other items along with this agreement:

_____ Proof of insurance, from your agent, naming the particular RECC that you are working with as additional insured.

_____ W-9 form

Exhibit C

FOR ALL TERRITORY SERVED
Community, Town or City

P.S.C. KY. NO. 10

Original SHEET NO. 111.001

CANCELLING P.S.C. KY. NO. _____

_____ SHEET NO. _____

**FARMERS RURAL ELECTRIC
COOPERATIVE CORPORATION**

KENTUCKY ENERGY RETROFIT RIDER

APPLICABLE: In all territory served by the Cooperative.

AVAILABILITY:

The Kentucky Energy Retrofit Rider (Rider) is a voluntary tariff available to residential members for the purpose of improving resource efficiency and reducing energy consumption and net member bills. The Rider is only available to qualifying members taking service under the Cooperative's residential tariffs.

Definitions:

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

Cooperative – The utility implementing the tariff.

Contractor – The individual or company installing a Retrofit.

Member – 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 Member of the Cooperative, 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 Member to the Cooperative covering the Retrofit service/amortization.

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

DATE OF ISSUE: 09-01-2014

DATE EFFECTIVE: 10-01-2014

ISSUED BY William J. Patton
TITLE: President & Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of KY
in Case No. _____ Dated: _____

FOR ALL TERRITORY SERVED
Community, Town or City

P.S.C. KY. NO. 10

Original SHEET NO. 111.002

CANCELLING P.S.C. KY. NO. _____

_____ SHEET NO. _____

**FARMERS RURAL ELECTRIC
COOPERATIVE CORPORATION**

RETROFIT INVESTMENT AND REPAYMENT TERMS:

1. No up-front investment is required by Members. The initial cost of approved efficiency measures will be paid by the Cooperative 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.
4. The Retrofit Project Charge shall be part of the Cooperative's charges for basis utility service. Failure to make payment may result in disconnection in accordance with the Cooperative'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. Cooperative 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 Cooperative and its Agent(s) expect that all Members will receive lower monthly utility bills, there is no guarantee of savings.
8. If a Retrofit measure is reported to be faulty, the Cooperative 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 it meter/facility is transferred to a new Member, 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 Cooperative or its Agent and specify measures recommended by the Cooperative to the prospective Retrofit Member. The Conservation Plan includes:

DATE OF ISSUE: 09-01-2014

DATE EFFECTIVE: 10-01-2014

ISSUED BY William J. Anthony
TITLE: President & Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of KY
in Case No. _____ Dated: _____

FOR ALL TERRITORY SERVED
Community, Town or City

P.S.C. KY. NO. 10

Original SHEET NO. 111.003

CANCELLING P.S.C. KY. NO. _____

_____ SHEET NO. _____

**FARMERS RURAL ELECTRIC
COOPERATIVE CORPORATION**

- Plan Scope – The Conservation Plan will include a detailed description of each retrofit option proposed. The estimated and maximum amounts of financing the Cooperative/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 the Member 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 Cooperative or its Agent will be solely responsible for savings estimates and will use generally accepted modeling software and techniques.
- Retrofit Project Charge – The charge to be included on the Member’s utility bill based on the cost of the proposed measure(s) and the resulting savings. The Cooperative will be solely responsible for calculating the Retrofit Project Charge utilizing its standard economic model of discounted cash flows. To the extent available, the Cooperative will incorporate grants and low-interest funds into calculation of Retrofit Project Charge for the benefit of Members 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 Member or Landlord may be charged a \$200.00 Audit Fee for complete Conservation Plans. The Charge will be waived for program participants or when the Conservation Plan yields less than \$1,000.00 in improvements that can be paid for by the Cooperative through the program. The charge will be assessed no sooner than (90) days after the Conservation Plan has been provided to the Member.

DATE OF ISSUE: 09-01-2014

DATE EFFECTIVE: 10-01-2014

ISSUED BY William J. Patton
TITLE: President & Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of KY
in Case No. _____ Dated: _____

FOR ALL TERRITORY SERVED
Community, Town or City

P.S.C. KY. NO. 10

Original SHEET NO. 111.004

CANCELLING P.S.C. KY. NO. _____

_____ SHEET NO. _____

**FARMERS RURAL ELECTRIC
COOPERATIVE CORPORATION**

- 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 Member’s bill until all measures have been completed.

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

“BUY DOWN” ALTERNATIVE:

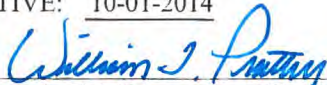
A Member or Landlord may elect to “buy down” the cost of implementing an efficiency measure so that the Retrofit Project Charge will be less than the average estimated monthly savings. In this way, measures that might not otherwise yield sufficient economic savings to pay for themselves may still be approved. Prior to Cooperative approval of a Conservation Plan that includes one or more uneconomic measures, the Member 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:

A Member 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, Member 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.

DATE OF ISSUE: 09-01-2014

DATE EFFECTIVE: 10-01-2014

ISSUED BY 
TITLE: President & Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of KY
in Case No. _____ Dated: _____

FOR ALL TERRITORY SERVED
Community, Town or City

P.S.C. KY. NO. 10

Original SHEET NO. 111.005

CANCELLING P.S.C. KY. NO. _____

_____ SHEET NO. _____

**FARMERS RURAL ELECTRIC
COOPERATIVE CORPORATION**

RESPONSIBILITIES:

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

The Cooperative/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 Member'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 Members.

The Cooperative will not be liable for any decisions or actions taken by its Agent, including but not limited to selection of measures, saving 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 Cooperative will not be liable for any failure by the previous occupant, building owner or landlord to disclose a Member's payment obligation.

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

DATE OF ISSUE: 09-01-2014

DATE EFFECTIVE: 10-01-2014

ISSUED BY William J. Priddy
TITLE: President & Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of KY
in Case No. _____ Dated: _____

FOR ALL TERRITORY SERVED
Community, Town or City

P.S.C. KY. NO. 10

Original SHEET NO. 111.006

CANCELLING P.S.C. KY. NO.

 SHEET NO.

**FARMERS RURAL ELECTRIC
COOPERATIVE 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. Member responsibilities include signing agreement to participate, providing access to the Cooperative, 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 Cooperative is an installed retrofit measures fails or malfunctions, being responsible for all costs associated with Member 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 Member responsibilities any time metered location is in the Owner's name. Residential locations will have repayment terms of up to 15 years.
- 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 Cooperative 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 Cooperative is not responsible for the contractor's work, but the Cooperative 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 Member, 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.

DATE OF ISSUE: 09-01-2014

DATE EFFECTIVE: 10-01-2014

ISSUED BY 
TITLE: President & Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of KY
in Case No. Dated:

FOR ALL TERRITORY SERVED
Community, Town or City

P.S.C. KY. NO. 10

Original SHEET NO. 111.007

CANCELLING P.S.C. KY. NO. _____

_____ SHEET NO. _____

**FARMERS RURAL ELECTRIC
COOPERATIVE CORPORATION**

FAILURE TO MAKE REPAYMENT:

The Member 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 Cooperative's approved Terms and Conditions.

OTHER:

1. This Rider applies to retrofit measures permanently installed as fixtures at the premises. The Cooperative 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 be applied for by Member, then Member shall retain eligibility.
3. The Cooperative or its Agent will determine the eligibility of a Member based upon the Member's bill payment history with the Cooperative, projected energy savings and program capacity. At its soles discretion, the Cooperative 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 Cooperative will determine the maximum Retrofit program investment in any year.
5. The initial term of the Retrofit Purchase Agreement may be extended by the Cooperative or its Agent to recover its costs for out-of-warranty repairs or missed payments.

DATE OF ISSUE: 09-01-2014

DATE EFFECTIVE: 10-01-2014

ISSUED BY William J. Prater
TITLE: President & Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of KY
in Case No. _____ Dated: _____

FOR ALL TERRITORY SERVED
Community, Town or City

P.S.C. KY. NO. 10

Original SHEET NO. 111.008

CANCELLING P.S.C. KY. NO. _____

_____ SHEET NO. _____

**FARMERS RURAL ELECTRIC
COOPERATIVE CORPORATION**

-
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 Cooperative's approved Terms and Conditions.

DATE OF ISSUE: 09-01-2014

DATE EFFECTIVE: 10-01-2014

ISSUED BY William J. Patton
TITLE: President & Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of KY
in Case No. _____ Dated: _____

FOR ALL TERRITORY SERVED
Community, Town or City

P.S.C. KY. NO. _____

Original SHEET NO. 111.009

CANCELLING P.S.C. KY. NO. _____

_____ SHEET NO. _____

**FARMERS RURAL ELECTRIC
COOPERATIVE CORPORATION**

RATES AND CHARGES

HowSmartKY Purchasing Agreement

Location Number: _____ Date of Assessment: _____ Utility: _____

Account # _____ Customer Information: _____

Owner Information:

Financing Terms (Years): _____ Projected Savings (kWh): _____

Value of Measures: _____ Kentucky Home Performance: _____

1. RETROFIT MEASURES

| | |
|-------------------------------|--------------|
| Amount Paid by Utility: | \$ xx,xxx.xx |
| Data Management Contract Fee: | \$ xxx.xx |
| Project Fee: | \$ xxx.xx |
| Total Cost of Retrofit: | \$ xx,xxx.xx |

2. INFORMATION ACCURACY

Customer and owner have made every effort to provide Company/its Agent with accurate information about the structure and its use to enable the Company to assess the energy efficiency of Customer's premises and equipment. Customer and owner acknowledge that the accuracy of the savings estimates above depend on the accuracy of information provided to the Company.

Customer's Initials _____ Owner's Initials _____

3. PURPOSE OF THIS AGREEMENT

This Agreement permits the Retrofit Measure(s) noted above to be installed on behalf of the Customer, in the Owners' building at the above property address with the above Location ID and obligates the Owner to disclose any payment requirement to future tenants and to any purchaser of these premises as described in Section 6.2 below. The agreement also describes the responsibilities, understandings and authorizations of Customers and Owners in implementing, maintaining, disclosing and paying for the above mentioned Retrofit measures.

4. CUSTOMER RESPONSIBILITIES AND UNDERSTANDING

4.1 Customer will provide access to premises to the Company/its agent, Contractor and their respective employees or subcontractors to install, inspect and/or repair Retrofit measures.

DATE OF ISSUE: 09-01-2014

DATE EFFECTIVE: 10-01-2014

ISSUED BY William J. Pratten
TITLE: President & Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of KY
in Case No. _____ Dated: _____

FOR ALL TERRITORY SERVED
Community, Town or City

P.S.C. KY. NO. _____

Original SHEET NO. 111.010

CANCELLING P.S.C. KY. NO. _____

_____ SHEET NO. _____

**FARMERS RURAL ELECTRIC
COOPERATIVE CORPORATION**

RATES AND CHARGES

HowSmartKY Purchasing Agreement (cont.)

4.2 Customer shall make consecutive monthly payments specified above to the Company as part of the utility bill until all payments have been made or Customer no longer has an account with the Company. For portable Retrofit measures, all remaining payments will be due with the final bill.

4.3 Maintain the installed Retrofit measure(s) in place for at least as long as there are payments due under this Agreement unless otherwise agreed to by Company/its Agent. Customers will be responsible for all required maintenance and out of warrantee repairs.

4.4 Customer shall notify the Company if any of the above Retrofit measures stop working. The Company/its Agent will verify Retrofit failure, assess repair need/cause and authorize the repair. The Company/its agent may suspend Customer's Retrofit Project charges while repairs are being made, to the degree that energy savings are compromised. Contractors and warrantees will cover costs of repairs due to defects in workmanship or equipment per contract and warrantees. Customers will cover costs for customer damage, out of warrantee repairs and any remaining repair costs. The Company/its Agent may increase the number of remaining Retrofit payments to recover repair costs not reimbursed, including administration.

Alternatively, Customer may repair Retrofit measures at Customer's expense and, if applicable, will be entitled to any reimbursement from existing warranties.

The Company/its Agent may repair a measure that is not working and seek compensation from Customer or owner as appropriate or recover any costs that were not reimbursed after warranty payments are applied by increasing the number of Retrofit payments at this location. The Company/its Agent may likewise be reimbursed for maintenance costs required to keep systems operating as described above.

4.5 Capital Provider will own the installed Retrofit measures during the duration of payments by occupant, Customer will not apply for or claim tax or other credits which will be claimed by and belong to the Capital Provider.

4.6 In some cases,(where the portable equipment replaced belonged to the meter holder) Customers may relocate portable retrofit measures to another meter/account location also served by Company upon obtaining Company prior agreement in writing and transferring all outstanding balances for the relocated Retrofit measures to their new account.

4.7 Customer will make a good faith effort to participate in Retrofit program follow-up surveys for the purpose of evaluating the effectiveness of the Retrofit system and to provide information requested by the Public Service Commission and state Energy Office.

DATE OF ISSUE: 09-01-2014

DATE EFFECTIVE: 10-01-2014

ISSUED BY William J. Antton
TITLE: President & Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of KY
in Case No. _____ Dated: _____

FOR ALL TERRITORY SERVED
Community, Town or City

P.S.C. KY. NO. _____

Original SHEET NO. 111.011

CANCELLING P.S.C. KY. NO. _____

_____ SHEET NO. _____

**FARMERS RURAL ELECTRIC
COOPERATIVE CORPORATION**

RATES AND CHARGES

HowSmartKY Purchasing Agreement (cont.)

4.8 The Customer understands that an Independent Contractor-Customer relationship has been created by virtue of the Contractor Master Agreement between Company/its Agent and Contractor. Contractor is not an employee or agent of Company/its Agent. Company/its Agent will not be liable for personal injury, property damage or illegal activity caused by Contractor or Contractor's agents or employees. Company is not a guarantor of products and this Agreement does not limit Customer's rights regarding manufacturers, vendors and contractors.

4.9 Customer understands that this Agreement does not constitute a loan nor create any obligations under Kentucky law pertaining to consumer credit or mortgage financing. Early repayment of Retrofit obligations shall not result in any prepayment discounts nor refunds.

5. CUSTOMER AUTHORIZES COMPANY/ITS AGENT TO:

5.1 Assign the Retrofit Tariff to this location which shall remain in full force until the final Retrofit obligation has been paid in full.

5.2 Be its representative to coordinate and facilitate the installation of the Retrofit measure(s) listed above and related work including arranging for repair or replacement if any of the Retrofit measures fail prior to the Customer making the final payment.

5.3 Enter into the Contractor Installation Agreement with the Contractor on Customer's behalf for the purpose of installing Retrofit measure(s) and related work.

5.4 Enter into change orders with Contractor on behalf of the Customer so long as the change orders do not increase the Customer's monthly payment amount under the terms of this Agreement. Customer understands that any change order that increases Customer's monthly payment amount under this Agreement must be agreed to in writing by Customer, the Owner, the Company/its Agent and the Contractor.

6. CUSTOMER AUTHORIZES COMPANY/ITS AGENT TO:

6.1 Owner agrees to assume all the above mentioned Customer Responsibilities, Understandings and Authorizations, including Retrofit repayment whenever utility service to the above reference service location is in the Owners' name.

DATE OF ISSUE: 09-01-2014

DATE EFFECTIVE: 10-01-2014

ISSUED BY William J. Amthor
TITLE: President & Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of KY
in Case No. _____ Dated: _____

FOR ALL TERRITORY SERVED
Community, Town or City

P.S.C. KY. NO. _____

Original SHEET NO. 111.012

CANCELLING P.S.C. KY. NO. _____

_____ SHEET NO. _____

**FARMERS RURAL ELECTRIC
COOPERATIVE CORPORATION**

RATES AND CHARGES

HowSmartKY Purchasing Agreement (cont.)

6.2 Owner shall make all remaining Retrofit payments upon closing their utility account or upon sale of the property or disclose the Retrofit monthly payment obligation to the next customer. Owners renting out the above premises shall disclose monthly Retrofit payment obligation to all subsequent tenants until the obligation has been repaid. Failure to disclose will constitute permission by the Owner for the next customer to break a lease or purchase agreement for the premises within thirty (30) business days of applying for utility service. A signed copy of the New Customer Disclosure form will constitute proof of disclosure.

6.3 Owner will maintain installed Retrofit measures in place for at least as long as there are payments due under this Agreement and responsible for any required maintenance and for costs incurred from failure to properly maintain the Retrofit measure(s).

6.4 Owner will be responsible for cost associated with owner damage.

6.5 Owner will obtain and maintain property insurance for casualty losses on the premises sufficient to ensure replacement of any measure installed under this program, or repayment of any outstanding Retrofit obligation if building/measures are not restored. Customer and owner agree to use any insurance claims payments to pay for replacement or repair of damaged measures with comparable products approved by Company/its Agent or to pay off any balance owed to the Company for Retrofit products installed in the premises.

6.6 Owner understands that this Agreement does not constitute a loan nor create any obligations under Kentucky law pertaining to consumer credit or mortgage financing. Early repayment of Retrofit obligations shall not result in any prepayment discounts nor refunds.

6.7 Owner warrants that (s)he is the sole owner or represents all owners of these premises and is authorized to sign below. If this is not the case, signee agrees to assume all responsibility for costs associated with the installation of Retrofit measures including but not limited to their installation, removal, premises repairs, and program costs.

7. OWNER AUTHORIZES COMPANY/ITS AGENT TO:

7.1 Arrange for installation of the Retrofit measures listed above and detailed in the Conservation Plan.

7.2 Assign the Retrofit Tariff to this premise. Owner understands repayment obligations will continue until such time Company has been fully reimbursed for costs itemized above. Owner has no repayment obligations at any time utility service is in the name of his/her current tenant or future tenants with this exception: Owner will assume the payment obligation any time a Retrofit measure is removed by Owner.

DATE OF ISSUE: 09-01-2014

DATE EFFECTIVE: 10-01-2014

ISSUED BY William S. Patton
TITLE: President & Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of KY
in Case No. _____ Dated: _____

FOR ALL TERRITORY SERVED
Community, Town or City

P.S.C. KY. NO. _____

Original SHEET NO. 111.013

CANCELLING P.S.C. KY. NO. _____

_____ SHEET NO. _____

**FARMERS RURAL ELECTRIC
COOPERATIVE CORPORATION**

RATES AND CHARGES

HowSmartKY Purchasing Agreement (cont.)

7.3 Owner may indicate a preferred Contractor among those qualified by the Company/its agent to install Retrofit measures. Owner authorizes the Company/its Agent to arrange for a qualified Contractor to install Retrofit measures. Owner understands that when an independent contractor installs Retrofit measures, an independent relationship has been created by virtue of the Contractor Master Agreement between Company/its Agent and Contractor. Contractor is not an employee or agent of the Company. Company/its Agent will not be liable for personal injury or property damage caused by Owner, Contractor or Contractor's agents or employees. Company is not a guarantor of products, materials, or work performed by contractor. This Agreement does not limit or increase Owner's rights regarding manufacturers, vendors and contractors.

7.4 Manage change orders consistent with the Conservation Plan. Any change that deviates from the approved Conservation Plan must be agreed to in writing by Customer, Owner, Company/its Agent, and the Contractor.

7.5 Issue payment for Retrofit products, materials and/or work when an independent contractor or vendor is used. (Labor or installation charges will not be reimbursed for self-installed measures). Payment made by Company does not guarantee the work performed by the Contractor. The Contractor is solely responsible for the installation of the Retrofit measure(s).

7.6 Obtain insurance (e.g., fire) or authorize its agent to obtain insurance at its cost on the premises sufficient to ensure Company or its financing agent recovers all costs associated with measure installation. Any insurance costs to be charged back to Customer are included in the Retrofit measure costs noted above.

7.7 Record the attached UCC-1 Fixture Lien form at the County Clerk's Office to facilitate disclosure of Retrofit obligations to successor customers at this location.

8. AGREEMENT DURATION, TERMINATION AND MISCELLANEOUS PROVISIONS

8.1 This Agreement shall remain in full force and effect until the final Retrofit payment has been made, Customer closes the account at this location, or the Agreement is terminated by mutual consent of the parties.

No Retrofit payments will be due to Company until these premises are occupied but no later than three months after the completion of the work.

If the Customer breaches any of the terms of this Agreement, Customer shall reimburse Company for all costs incurred for Retrofit measures. Such costs include but are not limited to all costs for measures, installation, repair or replacement, administration, litigation, product subsidy, and interest. At its option, Company may recover these costs through payments to Company from customers at this location.

DATE OF ISSUE: 09-01-2014

DATE EFFECTIVE: 10-01-2014

ISSUED BY William J. Peatley
TITLE: President & Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of KY
in Case No. _____ Dated: _____