

Grayson Rural Electric Cooperative Corporation

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PUBLIC SERVICE
COMMISSION

June 14, 2013

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

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 Fourth REQUEST FOR INFORMATION**

Comes now Grayson Rural Electric Cooperative Corporation for their Response to the
Commission Staff's Third Request for Information and states as follows:

I have read the foregoing and hereby certify that the above responses are true and accurate to the best of my knowledge, information, and belief formed after reasonable inquiry.



Don M. Combs
Mgr. Finance & Accounting
Grayson Rural Electric

STATE OF KENTUCKY
COUNTY OF CARTER

Subscribed and sworn to before me by DON M. COMBS, this 14th day of June, 2013.

Marsha A. Shacker

NOTARY PUBLIC, KENTUCKY STATE AT LARGE

My commission expires: 1-9-2015

Respectfully submitted.

W. Jeffrey Scott, PSC

BY: 

W. Jeffrey Scott
Attorney for Grayson Rural Electric
Cooperative Corporation
311 West Main Street
P O Box 608
Grayson, KY 41143
(606) 474-5194

**GRAYSON RURAL ELECTRIC'S RESPONSE TO
COMMISSION STAFF'S FOURTH REQUEST FOR INFORMATION
2012-00484**

1. Refer to Joint Applicants' response to Item 4.a. of Commission Staff's Third Request for Information. Joint Applicants describe the establishment of a Risk Mitigation Fund, initially funded with \$50,000.00 from a DEDI/TVA (Department for Energy Development and Independence/Tennessee Valley Authority) settlement grant to MACED (Mountain Association for Community Economic Development) and 4 percent of the 5 percent Administrative Fee for each project.
 - a. Provide the current balance of the Risk Mitigation Fund. Include with the balance any additions or subtractions made to the initial \$50,000.00 funding, with an explanation for each change.

Response: The current balance of the Risk Mitigation fund is zero (0). There is no provision for a Risk Management Fund under the current existing pilot tariff. In the permanent Kentucky Energy Retrofit Rider ("KERR") Program, there will be a Risk Mitigation Fund that will be created with an initial balance of \$50,000 from the DEDI TVA grant. Because no funds may be recovered from the RMF until a location has been inactive for 24 months, significant additional deposits will accrue before any funds are withdrawn. See further information regarding the RMF (Attachment B, Attachment #3) in the documentation furnished under Item 2 of this Data Request.

- b. If the Kentucky Energy Retrofit Rider ("KERR") Program is terminated at some point, explain what would happen to the balance of the money in the Risk Mitigation Fund.

Response: If the Kentucky Energy Retrofit Rider ("KERR") Program is terminated at some point, the balance of the money in the Risk Mitigation Fund will be allocated as indicated in the *Risk Mitigation Fund Operational Procedures* document. In that document, it states in *Section 5.4* that:

"If the fund is determined by unanimous vote of the committee to no longer be needed and after all obligation of funds from the RMF have been met, any balance of grant funds used to initiate the RMF will be distributed according to the grant agreements through which those funds were secured. Remaining funds will be

distributed for a purpose consistent with the goals of the How\$mart program (below) in a manner to be determined by the committee.”

See Attachment B. Attachment 3 - Risk Mitigation Fund Operational Procedures under Item 2 of this Data request.

- c. If the Risk Mitigation Fund is seldom utilized, and the balance in the fund continues to grow, explain whether Joint Applicants foresee capping the fund balance, and if so, explain whether Joint Applicants believe Commission approval would be required to do so.

Response: If the Risk Mitigation Fund is seldom utilized, and the balance in the fund continues to grow, the Joint Applicants foresee following the guidelines established in the Risk Mitigation Fund Operational Procedures document. In that document, it states in Section 5.3 that:

“If the RMF balance exceeds \$100,000 and also exceeds 5% of the total outstanding retrofit balances, the committee may reduce the percentage paid in for each job.”

See Attachment B, Attachment 3 - Risk Mitigation Fund Operational Procedures under Item 2 of this Data request.

- d. If due to economic, or other unforeseen problems, the Risk Mitigation Fund is fully depleted, explain whether the cooperatives’ residential customers would then ultimately be responsible for unpaid liabilities resulting from defaults by participants, assuming the subject location remains vacant, or is destroyed. If responsible, explain whether each particular cooperative will be responsible for the defaults of its own participants.

Response: Under those scenarios, Grayson would ultimately be responsible for any unpaid liabilities of its own participants. As far as being included in expenses that are part of rate base calculations, Grayson believes that they are legitimate, however, would not object to them being excluded for rate-making purposes.

- e. Since Jackson Energy Cooperative has chosen not to participate in the permanent KERR Program, explains what happens to the liability resulting if one or more of its member participant's default and the subject location remains vacant, or is destroyed.

Response: There is no provision for a Risk Mitigation Fund under the current existing pilot tariff. Therefore if any participating cooperative experiences liability due to one or more of its member participants default and the subject location(s) remains vacant, or is destroyed, the cooperative would proceed according to Other Item 6 in the original Kentucky Energy Retrofit Rider ("KERR") Pilot Program which states as follows:

"If an account 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."

See "KY Energy Retrofit Rider"

The RMF Operating Procedures do not prohibit recovery of losses from the KERR pilot. In the event that Jackson Energy applies to the PSC and is approved to resume participation in the KERR Program, they would be eligible to participate in the RMF along with the other cooperatives.

**GRAYSON RURAL ELECTRIC'S RESPONSE TO
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2012-00484**

2. Provide a copy of any and all contracts, memoranda or understanding, and any other documentation that identifies the agreement that your cooperative has with MACED and any or its partners or affiliates.

Response: Two sets of documents are being submitted relative to Item 2 of this Data Request. The first is a complete set of documents currently in effect for the continuation of the pilot KERR Program. The second is a set of documents that have been developed by the cooperatives and MACED based on lessons learned in the pilot. These new documents, while agreed upon, are not in effect as they are subject to PSC approval of the permanent tariff. The majority of the improvements are designed to reduce the risk of loss associated with the program.

Attached:

Attachment A, Current KERR Program Documents, and

Attachment B, New Documents for Permanent KERR Program.

Attachment A

Kentucky Energy Retrofit Program ***4th Data Request***

This attachment includes program documents that were used in the pilot.

Kentucky Energy Retrofit Program
Utility/Program Developer/Capital Provider Agreement

Agreement made this 4th day of January, 20 11, by and between the Parties: BIGSANDY REEL (Utility) located at 564 11th St PAINTSVILLE KY and Mountain Association for Community and Economic Development (MACED, Program Developer, Capital Provider) located at 433 Chestnut Street, Berea, KY 40403.

Whereas the Parties seek to provide Utility's customers with access to the Kentucky Energy Retrofit Rider (a/k/a HowSmartKY™) for the purchase and installation of cost-effective, energy efficient products, the Parties agree to the responsibilities as assigned and described below.

1. PROGRAM DEVELOPER RESPONSIBILITIES (MACED)

- 1.1 Program Developer will provide energy assessment software, energy assessment protocols, and "best practice" recommendations to Utility. In addition, Program Developer will assist utility with any data requests from the Public Service Commission or other regulatory body, and will provide technical assistance and troubleshooting where needed. Program Developer will work with Utility to create processes that encourage excellence and accuracy throughout the Pilot.
- 1.2 Program Developer will track and coordinate with Utility to store and make data available to the Utility regarding utility usage, building characteristics, and financial information for each Account.
- 1.3 Program Developer will analyze data to evaluate the accuracy of financial and energy estimated savings and the effectiveness of installed measures in improving energy efficiency. Program developer will identify Accounts which vary significantly from projected usage, and will track overall Pilot success in predicting energy usage. Program developer will identify Accounts for utility follow-up when usage varies greatly from the savings that were predicted.
- 1.4 Program Developer will track data and pursue analysis to identify consistent variation of technology, contractor, or energy assessor performance from predicted values. Program Developer will also work with Utility to develop educational tools to encourage program

customers to save more by properly operating their home or building. Program Developer will also identify new technologies as they become cost effective for the program based on cost reductions or increases in the price of electricity.

- 1.5 Program Developer will provide start-up capital to Utility for program purposes including: assessment equipment purchase, BPI and/or other required training, and program software. The Utility will provide documentation of its proposed and actual uses of this capital. If the utility documents that it has provided for needed equipment and BPI training of its assessors from other funds, the start-up capital may be applied to other program operating costs incurred by the Utility with approval by the Program Developer. Up to \$13,005 may be provided for these approved start-up purposes.

2. PROGRAM OPERATION RESPONSIBILITIES (UTILITY)

- 2.1 Utility or its Agent will be responsible for certifying contractors to install energy efficiency measures under this program. Utility or its Agent will maintain a list of certified contractors who have signed the Participating Contractor Master Agreement and will be responsible for ensuring that certified contractors adhere to the provisions of that agreement. Utility or its Agent will make this list available to Utility customers to elicit customer preference and, where possible will arrange for the preferred contractor to bid and perform program upgrades on that Customer's property. Referral will not constitute any additional assumption of liability by Utility or its Agent for a contractor's performance.
 - 2.1.1 Utility or its Agent will perform an energy assessment utilizing approved Pilot protocol and software. At time of assessment, Utility or its Agent will provide customer with a list of recommended measures and projection of energy savings that could be realized from such measures.
- 2.2 Utility or its Agent will act as the customers' representative for the installation of efficiency measures after a certified contractor and a customer sign a KY Retrofit Purchase Agreement (and landlord, if customer does not own the premises where efficiency measures are to be installed). As the customer's representative, the Utility or its Agent will verify that any changes in work scope on efficiency measures proposed for installation by a certified contractor are suitable for the customer's end uses and are estimated to result in sufficient savings in energy usage, demand or other savings to qualify as efficiency measures (i.e., ninety percent of all estimated savings over three quarters of the product's estimated useful life will cover all costs associated with the

installation). Utility or its Agent will also complete and record with the County Clerk the attached Energy Retrofit Tariff Obligation form (Attachment 1) for each location at which a efficiency measures are installed to facilitate disclosure of tariff obligations to successor customers at this location. Additionally, when the Capital Provider will own the measures to be installed at customer's location for the duration of payments, the Utility or its Agent will ensure the customer, and building owner if different, understands that the Capital Provider will claim any transferable tax or other credits associated with the installation and the customer or building owner is precluded from applying for them.

- 2.3 Upon notification by the contractor or customer that work is complete, Utility or its Agent will verify with the customer and the contractor that the customer is satisfied with the installation and that the contractor has properly installed the correct Efficiency measures and has instructed the customer on their proper use, operation and maintenance. Nevertheless, contractors will be solely responsible for determining the materials needed, the means and methods of installation, and for complying with all local, state, and federal codes, manufacturers' specifications, and accepted installation practices.
- 2.4 Utility or its Agent will arrange for payment to the contractor once the work is completed and accepted by the Utility or its Agent, and initiate a charge to the customer for the estimated payment term. If the Utility or its Agent determines the work is complete and acceptable without customer agreement, such determination must follow an on-site inspection of the installation.
- 2.5 Utility or its Agent will inspect Installations to verify that the correct measure(s) have been installed properly and are operating as designed and to ensure the accuracy of contractor reports. However, Utility or its Agent's verification per 2.2 and 2.3 above, any inspection per this section, or its authorization that the Utility initiate billing to the customer under the tariff per 2.4 above in no way limits either the installing contractor's or product manufacturer's liability per 2.3 above, the contractor's agreement with Utility or its Agent, or state and federal law.
- 2.6 Utility or its Agent will be responsible for making monthly payments to Capital Provider within thirty (30) days of Utility or its Agent's receipt of payments from customer, unless the Capital Provider is the Utility or its Agent's designee per 3.3 below. Utility or its Agent will also be responsible for making monthly payments to any Certified Contractor who finances the up-front cost of an efficiency measure installation within thirty (30) days of Utility or its Agent's receipt of payments from Utility.

- 2.7 In the event of any dispute between Utility's customer and a certified contractor, where the Utility or its Agent is acting as the customer's representative, Utility or its Agent will work on the customer's behalf to obtain a mutually satisfactory resolution. Utility or its Agent will participate in any complaint resolution process described in its contracts with other parties, including binding arbitration.
- 2.8 Utility or its Agent will evaluate any customer report of a failed efficiency measure(s), and at its option will cause the product to be repaired or replaced. If the failed product is under warranty, Utility or its Agent will use any warranty funds to pay for repair or replacement costs, including seeking recovery under a contractor's bond, if necessary. If a efficiency measure is repaired or replaced and any of these costs are not covered by warranty and the failure is not assignable to the Certified Contractor, and the customer chooses not to or can not pay for the repair or replacement, Utility or its Agent may increase the number of payments as required to recover all repair or replacement costs including Utility or its Agent's administrative costs, but in no case should the Utility or its Agent authorize repairs that require the payment term to extend beyond the estimated useful life of the measure(s). If failed efficiency measures are not repaired or replaced, unless they were damaged by customer or building owner, if different from the customer, Utility will terminate charges attributable to the failed measure under the tariff. Additionally, Utility or its Agent may treat maintenance costs required to keep the system operating similar to repair costs as described above.
- 2.9 Utility will make a best-effort to complete between fifty (50) and seventy-five (75) Installations during the course of the Pilot. The utility may complete additional Installations as long as program funding is available and the total number of Accounts in the Pilot does not exceed the quantity authorized by the PSC.

3. CUSTOMER SERVICE AND ADMINISTRATION RESPONSIBILITIES (UTILITY)

- 3.1 Utility will bill and collect charges from the Installation to a customer as it does with all other tariffed charges following its customary and Commission-approved collection procedures including disconnection when necessary.
- 3.2 Utility will recover any documented Installation-related bad debt from funds outside the Utility's rate base after having exhausted all reasonable and customary collection efforts and accounted for any collections from extended payment terms to cover costs associated with missed payments in accordance with customary Commission-approved procedures.

- 3.3 Utility will make monthly payments to Capital Provider in the amount of the total payments it is obligated to collect for that month. In the case of a closed account, the Capital Provider will waive the payment of principal for up to 12 months or until the account is reopened, whichever is sooner, requiring interest payments only on the outstanding principal balance in the interim. If at the end of 12 months, an account remains closed and payments have not resumed, Utility will pay, in whole, to the Capital Provider any and all outstanding principal linked to the closed account. If at a later date, the account reopens, the Utility retains the right to recover for its own fund balance any bad debt previously written off through additional charges to that meter's account.
- 3.4 Utility staff will answer customers' questions about energy efficiency measures and payment obligations, including questions about the measures installed, estimated savings, payment amount, estimated term of payments, disclosure obligations and customers' rights and responsibilities as per the tariff and agreements, with which Utility staff will be familiar.
- 3.5 Utility will be responsible for notifying new customers at locations at which efficiency measures have been installed of the benefits associated with the efficiency measures, the customer's responsibility for the payment of the remaining charges, and other rights and obligations and will send these customers the Transfer Customer Efficiency Measure Disclosure Form (Attachment 2), which enumerates these rights and responsibilities, within 15 business days of their application for service.
- 3.6 Utility will instruct customers how they can purchase efficiency measures in accordance with the tariff, for example, by scheduling an appointment with Energy Assessors or providing them with a sample KY Retrofit Purchase Agreement or list of certified contractors working with the program.
- 3.7 Utility will not be liable for any decisions or actions taken by certified contractors, including but not limited to savings estimates, selection of measures, quality of workmanship, damage to customers' homes, or injury to customers, contractors' workers, or passersby. Utility will not be liable for any failure by the previous occupant, building owner, or landlord to disclose a customer's payment obligation. The responsibility for disclosure rests with the building owner. However, Utility agrees to initiate charges to a new customer for any existing payment obligations only after it has sent the customer the Customer Transfer Form per 3.5 above.

- 3.8 If the Capital Provider wants to lease measures in order to claim tax and other credits associated with installation of efficiency or renewable measures including carbon credits, Utility agrees to lease such measures from the Capital Provider for the duration of all payments. As noted in 2.8 above, any maintenance costs for leased items may be paid for by the capital provider who will recover these costs by Utility extending the term of payments. Utility agrees that energy savings from the installation of these measures are a source of energy (i.e., megawatts or megatherms) and that the lease is for the delivery of such energy. This agreement will constitute the single lease agreement between the parties for delivery of such energy through Capital Provider's investment in installed renewable or energy efficiency technologies.
- 3.9 Utility will provide Program Developer with all available data about electricity use and structural characteristics for participating customers/meters before, during, and after customer participation in the Pilot.
- 3.10 Utility will provide Capital Provider with documentation of repayment calculations, itemized Installation estimates and expenditures, and record of repayment transactions, indexed by unique location identifier.

4. CAPITAL PROVIDER RESPONSIBILITIES (MACED)

- 4.1 Capital Provider will provide funds according to the Loan Agreement and Note with Utility or its Agent, and will transfer such funds as requested by Utility or its Agent within five business days of request. These funds will be used by the Utility or its Agent to pay contractors for installations and subsequent non-warranty repairs to such installations and to cover other costs related to these installations including the Utility or its Agent's fee.
- 4.2 Capital Provider may limit the number of Installations or capital available to Utility to conform to the scope of the pilot or limitations of funds.

5. DISPUTES

- 5.1 In the event of any dispute arising during the Pilot between the Utility and Capital Provider, each will work with the other to obtain a mutually satisfactory resolution. In the event a satisfactory resolution cannot be reached, the dispute will be submitted to an arbiter of Utility's choice.

5.2 Prior to submission of any dispute to the arbiter, the parties agree to attend at least one (1) conciliation conference to be held at either party's request and at no additional charge to either party.

6. INDEMNIFICATION

6.1 Both parties will defend, indemnify and hold harmless each other, their respective officers, employees, contractors and servants from and 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 purchase of a efficiency product or actions related to a Certified Contractor 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.

6.2 In addition to the indemnification set forth in 6.1 above, both parties will defend, indemnify and hold harmless each other, their respective officers, employees, and contract employees 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 related to the purchase or installation of a efficiency measure, 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.

7. TERMINATION

7.1 Upon completion of the Pilot term, as set by the Public Services Commission, this Agreement may be terminated by either party upon submission of written notice to the address specified above, forty-five (45) days in advance.

7.2 Termination per 7.1 will not, however, limit the rights and responsibilities for either the Program Developer, Utility or its Agent or Capital Provider for efficiency measures that have already been completely or partially installed or administration and collection of repayments outstanding.

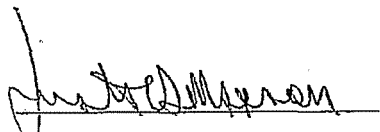
7.3 In the event of termination, Program Developer and Capital Provider or its designee will continue to be paid by Utility for the duration of the tariffs for any efficiency measures installed completely or in part prior to the date of termination in accordance with this Agreement.

8. MISCELLANEOUS PROVISIONS

- 8.1 All parties to this Agreement will provide Commission with any requested records, work products, communications, or other relevant information to enable it to evaluate and ensure the integrity of the program for Utility's customers.
- 8.2 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 all parties to this Agreement.
- 8.3 This Agreement may not be assigned nor any of the rights and duties hereunder without the prior written consent of the other parties. Notwithstanding this prohibition on assignment, successors to the parties shall acquire all of that party's rights and duties under this Agreement and shall have all right and power to enforce the terms of this Agreement as if they were the original party
- 8.4 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 noted above.
- 8.5 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 State law.
- 8.6 This Agreement is contingent upon successful approval of the application to the Public Services Commission titled "Joint Application for Approval of a Pilot On-Bill Financing Program And KY Energy Retrofit Rider" dated February 25, 2010.

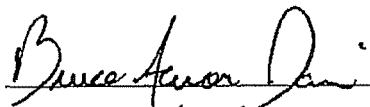
9. ACCEPTANCE

FOR MACED:


Title: Executive Director

DATE 12/30/10

FOR UTILITY:


Title: Mgr. of Member Services

DATE 1-4-11

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Kentucky Energy Retrofit Program
Utility/Program Developer/Capital Provider Agreement

Agreement made this 29th day of January, 20 10, by and between the Parties: Fleming-Mason Energy (Utility) located at 1449 Elizaville Rd.; and Mountain Association for Community and Economic Development (MACED), Program Developer, Capital Provider) located at 433 Chestnut Street, Berea, KY40403.

Whereas the Parties seek to provide Utility's customers with access to the Kentucky Energy Retrofit Rider (a/k/a HowSmartKY™) for the purchase and installation of cost-effective, energy efficient products, the Parties agree to the responsibilities as assigned and described below.

1. PROGRAM DEVELOPER RESPONSIBILITIES (MACED)

- 1.1 Program Developer will provide energy assessment software, energy assessment protocols, and "best practice" recommendations to Utility. In addition, Program Developer will assist utility with any data requests from the Public Service Commission or other regulatory body, and will provide technical assistance and troubleshooting where needed. Program Developer will work with Utility to create processes that encourage excellence and accuracy throughout the Pilot.
- 1.2 Program Developer will track and coordinate with Utility to store and make data available to the Utility regarding utility usage, building characteristics, and financial information for each Account.
- 1.3 Program Developer will analyze data to evaluate the accuracy of financial and energy estimated savings and the effectiveness of installed measures in improving energy efficiency. Program developer will identify Accounts which vary significantly from projected usage, and will track overall Pilot success in predicting energy usage. Program developer will identify Accounts for utility follow-up when usage varies greatly from the savings that were predicted.
- 1.4 Program Developer will track data and pursue analysis to identify consistent variation of technology, contractor, or energy assessor performance from predicted values. Program Developer will also work with Utility to develop educational tools to encourage program

customers to save more by properly operating their home or building. Program Developer will also identify new technologies as they become cost effective for the program based on cost reductions or increases in the price of electricity.

- 1.5 Program Developer will provide start-up capital to Utility for program purposes including: assessment equipment purchase, BPI and/or other required training, and program software. The Utility will provide documentation of its proposed and actual uses of this capital. If the utility documents that it has provided for needed equipment and BPI training of its assessors from other funds, the start-up capital may be applied to other program operating costs incurred by the Utility with approval by the Program Developer. Up to \$13,005 may be provided for these approved start-up purposes.

2. PROGRAM OPERATION RESPONSIBILITIES (UTILITY)

- 2.1 Utility or its Agent will be responsible for certifying contractors to install energy efficiency measures under this program. Utility or its Agent will maintain a list of certified contractors who have signed the Participating Contractor Master Agreement and will be responsible for ensuring that certified contractors adhere to the provisions of that agreement. Utility or its Agent will make this list available to Utility customers to elicit customer preference and, where possible will arrange for the preferred contractor to bid and perform program upgrades on that Customer's property. Referral will not constitute any additional assumption of liability by Utility or its Agent for a contractor's performance.
 - 2.1.1 Utility or its Agent will perform an energy assessment utilizing approved Pilot protocol and software. At time of assessment, Utility or its Agent will provide customer with a list of recommended measures and projection of energy savings that could be realized from such measures.
- 2.2 Utility or its Agent will act as the customers' representative for the installation of efficiency measures after a certified contractor and a customer sign a KY Retrofit Purchase Agreement (and landlord, if customer does not own the premises where efficiency measures are to be installed). As the customer's representative, the Utility or its Agent will verify that any changes in work scope on efficiency measures proposed for installation by a certified contractor are suitable for the customer's end uses and are estimated to result in sufficient savings in energy usage, demand or other savings to qualify as efficiency measures (i.e., ninety percent of all estimated savings over three quarters of the product's estimated useful life will cover all costs associated with the

installation). Utility or its Agent will also complete and record with the County Clerk the attached Energy Retrofit Tariff Obligation form (Attachment 1) for each location at which a efficiency measures are installed to facilitate disclosure of tariff obligations to successor customers at this location. Additionally, when the Capital Provider will own the measures to be installed at customer's location for the duration of payments, the Utility or its Agent will ensure the customer, and building owner if different, understands that the Capital Provider will claim any transferable tax or other credits associated with the installation and the customer or building owner is precluded from applying for them.

- 2.3 Upon notification by the contractor or customer that work is complete, Utility or its Agent will verify with the customer and the contractor that the customer is satisfied with the installation and that the contractor has properly installed the correct Efficiency measures and has instructed the customer on their proper use, operation and maintenance. Nevertheless, contractors will be solely responsible for determining the materials needed, the means and methods of installation, and for complying with all local, state, and federal codes, manufacturers' specifications, and accepted installation practices.
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- 2.5 Utility or its Agent will inspect Installations to verify that the correct measure(s) have been installed properly and are operating as designed and to ensure the accuracy of contractor reports. However, Utility or its Agent's verification per 2.2 and 2.3 above, any inspection per this section, or its authorization that the Utility initiate billing to the customer under the tariff per 2.4 above in no way limits either the installing contractor's or product manufacturer's liability per 2.3 above, the contractor's agreement with Utility or its Agent, or state and federal law.
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3. CUSTOMER SERVICE AND ADMINISTRATION RESPONSIBILITIES (UTILITY)

- 3.1 Utility will bill and collect charges from the Installation to a customer as it does with all other tariffed charges following its customary and Commission-approved collection procedures including disconnection when necessary.
- 3.2 Utility will recover any documented Installation-related bad debt from funds outside the Utility's rate base after having exhausted all reasonable and customary collection efforts and accounted for any collections from extended payment terms to cover costs associated with missed payments in accordance with customary Commission-approved procedures.

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- 3.4 Utility staff will answer customers' questions about energy efficiency measures and payment obligations, including questions about the measures installed, estimated savings, payment amount, estimated term of payments, disclosure obligations and customers' rights and responsibilities as per the tariff and agreements, with which Utility staff will be familiar.
- 3.5 Utility will be responsible for notifying new customers at locations at which efficiency measures have been installed of the benefits associated with the efficiency measures, the customer's responsibility for the payment of the remaining charges, and other rights and obligations and will send these customers the Transfer Customer Efficiency Measure Disclosure Form (Attachment 2), which enumerates these rights and responsibilities, within 15 business days of their application for service.
- 3.6 Utility will instruct customers how they can purchase efficiency measures in accordance with the tariff, for example, by scheduling an appointment with Energy Assessors or providing them with a sample KY Retrofit Purchase Agreement or list of certified contractors working with the program.
- 3.7 Utility will not be liable for any decisions or actions taken by certified contractors, including but not limited to savings estimates, selection of measures, quality of workmanship, damage to customers' homes, or injury to customers, contractors' workers, or passersby. Utility will not be liable for any failure by the previous occupant, building owner, or landlord to disclose a customer's payment obligation. The responsibility for disclosure rests with the building owner. However, Utility agrees to initiate charges to a new customer for any existing payment obligations only after it has sent the customer the Customer Transfer Form per 3.5 above.

3.8 If the Capital Provider wants to lease measures in order to claim tax and other credits associated with installation of efficiency or renewable measures including carbon credits, Utility agrees to lease such measures from the Capital Provider for the duration of all payments. As noted in 2.8 above, any maintenance costs for leased items may be paid for by the capital provider who will recover these costs by Utility extending the term of payments. Utility agrees that energy savings from the installation of these measures are a source of energy (i.e., megawatts or megatherms) and that the lease is for the delivery of such energy. This agreement will constitute the single lease agreement between the parties for delivery of such energy through Capital Provider's investment in installed renewable or energy efficiency technologies.

3.9 Utility will provide Program Developer with all available data about electricity use and structural characteristics for participating customers/meters before, during, and after customer participation in the Pilot.

3.10 Utility will provide Capital Provider with documentation of repayment calculations, itemized Installation estimates and expenditures, and record of repayment transactions, indexed by unique location identifier.

4. CAPITAL PROVIDER RESPONSIBILITIES (MACED)

4.1 Capital Provider will provide funds according to the Loan Agreement and Note with Utility or its Agent, and will transfer such funds as requested by Utility or its Agent within five business days of request. These funds will be used by the Utility or its Agent to pay contractors for installations and subsequent non-warranty repairs to such installations and to cover other costs related to these installations including the Utility or its Agent's fee.

4.2 Capital Provider may limit the number of Installations or capital available to Utility to conform to the scope of the pilot or limitations of funds.

5. DISPUTES

5.1 In the event of any dispute arising during the Pilot between the Utility and Capital Provider, each will work with the other to obtain a mutually satisfactory resolution. In the event a satisfactory resolution cannot be reached, the dispute will be submitted to an arbiter of Utility's choice.

5.2 Prior to submission of any dispute to the arbiter, the parties agree to attend at least one (1) conciliation conference to be held at either party's request and at no additional charge to either party.

6. INDEMNIFICATION

6.1 Both parties will defend, indemnify and hold harmless each other, their respective officers, employees, contractors and servants from and 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 purchase of a efficiency product or actions related to a Certified Contractor 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.

6.2 In addition to the indemnification set forth in 6.1 above, both parties will defend, indemnify and hold harmless each other, their respective officers, employees, and contract employees 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 related to the purchase or installation of a efficiency measure, 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.

7. TERMINATION

7.1 Upon completion of the Pilot term, as set by the Public Services Commission, this Agreement may be terminated by either party upon submission of written notice to the address specified above, forty-five (45) days in advance.

7.2 Termination per 7.1 will not, however, limit the rights and responsibilities for either the Program Developer, Utility or its Agent or Capital Provider for efficiency measures that have already been completely or partially installed or administration and collection of repayments outstanding.

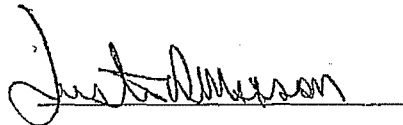
7.3 In the event of termination, Program Developer and Capital Provider or its designee will continue to be paid by Utility for the duration of the tariffs for any efficiency measures installed completely or in part prior to the date of termination in accordance with this Agreement.

8. MISCELLANEOUS PROVISIONS

- 8.1 All parties to this Agreement will provide Commission with any requested records, work products, communications, or other relevant information to enable it to evaluate and ensure the integrity of the program for Utility's customers.
- 8.2 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 all parties to this Agreement.
- 8.3 This Agreement may not be assigned nor any of the rights and duties hereunder without the prior written consent of the other parties. Notwithstanding this prohibition on assignment, successors to the parties shall acquire all of that party's rights and duties under this Agreement and shall have all right and power to enforce the terms of this Agreement as if they were the original party
- 8.4 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 noted above.
- 8.5 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 State law.
- 8.6 This Agreement is contingent upon successful approval of the application to the Public Services Commission titled "Joint Application for Approval of a Pilot On-Bill Financing Program And KY Energy Retrofit Rider" dated February 25, 2010.

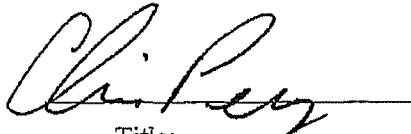
9. ACCEPTANCE

FOR MACED:


 Title: Executive Director

DATE 12/20/10

FOR UTILITY:


 Title:

DATE 12-23-10

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Kentucky Energy Retrofit Program

Utility/Program Developer/Capital Provider Agreement

Agreement made this 29 day of December, 2010, by and between the Parties: Grayson Rural Electric Cooperative Corporation (Utility) located at 109 Bagby Park Grayson, KY 41143; and Mountain Association for Community and Economic Development (MACED, Program Developer, Capital Provider) located at 433 Chestnut Street, Berea, KY40403.

Whereas the Parties seek to provide Utility's customers with access to the Kentucky Energy Retrofit Rider (a/k/a How\$martKY™) for the purchase and installation of cost-effective, energy efficient products, the Parties agree to the responsibilities as assigned and described below.

1. PROGRAM DEVELOPER RESPONSIBILITIES (MACED)

- 1.1 Program Developer will provide energy assessment software, energy assessment protocols, and "best practice" recommendations to Utility. In addition, Program Developer will assist utility with any data requests from the Public Service Commission or other regulatory body, and will provide technical assistance and troubleshooting where needed. Program Developer will work with Utility to create processes that encourage excellence and accuracy throughout the Pilot.
- 1.2 Program Developer will track and coordinate with Utility to store and make data available to the Utility regarding utility usage, building characteristics, and financial information for each Account.
- 1.3 Program Developer will analyze data to evaluate the accuracy of financial and energy estimated savings and the effectiveness of installed measures in improving energy efficiency. Program developer will identify Accounts which vary significantly from projected usage, and will track overall Pilot success in predicting energy usage. Program developer will identify Accounts for utility follow-up when usage varies greatly from the savings that were predicted.
- 1.4 Program Developer will track data and pursue analysis to identify consistent variation of technology, contractor, or energy assessor performance from predicted values. Program Developer will also work with Utility to develop educational tools to encourage program

customers to save more by properly operating their home or building. Program Developer will also identify new technologies as they become cost effective for the program based on cost reductions or increases in the price of electricity.

- 1.5 Program Developer will provide start-up capital to Utility for program purposes including: assessment equipment purchase, BPI and/or other required training, and program software. The Utility will provide documentation of its proposed and actual uses of this capital. If the utility documents that it has provided for needed equipment and BPI training of its assessors from other funds, the start-up capital may be applied to other program operating costs incurred by the Utility with approval by the Program Developer. Up to \$13,005 may be provided for these approved start-up purposes.

2. PROGRAM OPERATION RESPONSIBILITIES (UTILITY)

- 2.1 Utility or its Agent will be responsible for certifying contractors to install energy efficiency measures under this program. Utility or its Agent will maintain a list of certified contractors who have signed the Participating Contractor Master Agreement and will be responsible for ensuring that certified contractors adhere to the provisions of that agreement. Utility or its Agent will make this list available to Utility customers to elicit customer preference and, where possible will arrange for the preferred contractor to bid and perform program upgrades on that Customer's property. Referral will not constitute any additional assumption of liability by Utility or its Agent for a contractor's performance.
 - 2.1.1 Utility or its Agent will perform an energy assessment utilizing approved Pilot protocol and software. At time of assessment, Utility or its Agent will provide customer with a list of recommended measures and projection of energy savings that could be realized from such measures.
- 2.2 Utility or its Agent will act as the customers' representative for the installation of efficiency measures after a certified contractor and a customer sign a KY Retrofit Purchase Agreement (and landlord, if customer does not own the premises where efficiency measures are to be installed). As the customer's representative, the Utility or its Agent will verify that any changes in work scope on efficiency measures proposed for installation by a certified contractor are suitable for the customer's end uses and are estimated to result in sufficient savings in energy usage, demand or other savings to qualify as efficiency measures (i.e., ninety percent of all estimated savings over three quarters of the product's estimated useful life will cover all costs associated with the

installation). Utility or its Agent will also complete and record with the County Clerk the attached Energy Retrofit Tariff Obligation form (Attachment 1) for each location at which a efficiency measures are installed to facilitate disclosure of tariff obligations to successor customers at this location. Additionally, when the Capital Provider will own the measures to be installed at customer's location for the duration of payments, the Utility or its Agent will ensure the customer, and building owner if different, understands that the Capital Provider will claim any transferable tax or other credits associated with the installation and the customer or building owner is precluded from applying for them.

- 2.3 Upon notification by the contractor or customer that work is complete, Utility or its Agent will verify with the customer and the contractor that the customer is satisfied with the installation and that the contractor has properly installed the correct Efficiency measures and has instructed the customer on their proper use, operation and maintenance. Nevertheless, contractors will be solely responsible for determining the materials needed, the means and methods of installation, and for complying with all local, state, and federal codes, manufacturers' specifications, and accepted installation practices.
- 2.4 Utility or its Agent will arrange for payment to the contractor once the work is completed and accepted by the Utility or its Agent, and initiate a charge to the customer for the estimated payment term. If the Utility or its Agent determines the work is complete and acceptable without customer agreement, such determination must follow an on-site inspection of the installation.
- 2.5 Utility or its Agent will inspect Installations to verify that the correct measure(s) have been installed properly and are operating as designed and to ensure the accuracy of contractor reports. However, Utility or its Agent's verification per 2.2 and 2.3 above, any inspection per this section, or its authorization that the Utility initiate billing to the customer under the tariff per 2.4 above in no way limits either the installing contractor's or product manufacturer's liability per 2.3 above, the contractor's agreement with Utility or its Agent, or state and federal law.
- 2.6 Utility or its Agent will be responsible for making monthly payments to Capital Provider within thirty (30) days of Utility or its Agent's receipt of payments from customer, unless the Capital Provider is the Utility or its Agent's designee per 3.3 below. Utility or its Agent will also be responsible for making monthly payments to any Certified Contractor who finances the up-front cost of an efficiency measure installation within thirty (30) days of Utility or its Agent's receipt of payments from Utility.

- 2.7 In the event of any dispute between Utility's customer and a certified contractor, where the Utility or its Agent is acting as the customer's representative, Utility or its Agent will work on the customer's behalf to obtain a mutually satisfactory resolution. Utility or its Agent will participate in any complaint resolution process described in its contracts with other parties, including binding arbitration.
- 2.8 Utility or its Agent will evaluate any customer report of a failed efficiency measure(s), and at its option will cause the product to be repaired or replaced. If the failed product is under warranty, Utility or its Agent will use any warranty funds to pay for repair or replacement costs, including seeking recovery under a contractor's bond, if necessary. If a efficiency measure is repaired or replaced and any of these costs are not covered by warranty and the failure is not assignable to the Certified Contractor, and the customer chooses not to or can not pay for the repair or replacement, Utility or its Agent may increase the number of payments as required to recover all repair or replacement costs including Utility or its Agent's administrative costs, but in no case should the Utility or its Agent authorize repairs that require the payment term to extend beyond the estimated useful life of the measure(s). If failed efficiency measures are not repaired or replaced, unless they were damaged by customer or building owner, if different from the customer, Utility will terminate charges attributable to the failed measure under the tariff. Additionally, Utility or its Agent may treat maintenance costs required to keep the system operating similar to repair costs as described above.
- 2.9 Utility will make a best-effort to complete between fifty (50) and seventy-five (75) Installations during the course of the Pilot. The utility may complete additional Installations as long as program funding is available and the total number of Accounts in the Pilot does not exceed the quantity authorized by the PSC.

3. CUSTOMER SERVICE AND ADMINISTRATION RESPONSIBILITIES (UTILITY)

- 3.1 Utility will bill and collect charges from the Installation to a customer as it does with all other tariffed charges following its customary and Commission-approved collection procedures including disconnection when necessary.
- 3.2 Utility will recover any documented Installation-related bad debt from funds outside the Utility's rate base after having exhausted all reasonable and customary collection efforts and accounted for any collections from extended payment terms to cover costs associated with missed payments in accordance with customary Commission-approved procedures.

- 3.3 Utility will make monthly payments to Capital Provider in the amount of the total payments it is obligated to collect for that month. In the case of a closed account, the Capital Provider will waive the payment of principal for up to 12 months or until the account is reopened, whichever is sooner, requiring interest payments only on the outstanding principal balance in the interim. If at the end of 12 months, an account remains closed and payments have not resumed, Utility will pay, in whole, to the Capital Provider any and all outstanding principal linked to the closed account. If at a later date, the account reopens, the Utility retains the right to recover for its own fund balance any bad debt previously written off through additional charges to that meter's account.
- 3.4 Utility staff will answer customers' questions about energy efficiency measures and payment obligations, including questions about the measures installed, estimated savings, payment amount, estimated term of payments, disclosure obligations and customers' rights and responsibilities as per the tariff and agreements, with which Utility staff will be familiar.
- 3.5 Utility will be responsible for notifying new customers at locations at which efficiency measures have been installed of the benefits associated with the efficiency measures, the customer's responsibility for the payment of the remaining charges, and other rights and obligations and will send these customers the Transfer Customer Efficiency Measure Disclosure Form (Attachment 2), which enumerates these rights and responsibilities, within 15 business days of their application for service.
- 3.6 Utility will instruct customers how they can purchase efficiency measures in accordance with the tariff, for example, by scheduling an appointment with Energy Assessors or providing them with a sample KY Retrofit Purchase Agreement or list of certified contractors working with the program.
- 3.7 Utility will not be liable for any decisions or actions taken by certified contractors, including but not limited to savings estimates, selection of measures, quality of workmanship, damage to customers' homes, or injury to customers, contractors' workers, or passersby. Utility will not be liable for any failure by the previous occupant, building owner, or landlord to disclose a customer's payment obligation. The responsibility for disclosure rests with the building owner. However, Utility agrees to initiate charges to a new customer for any existing payment obligations only after it has sent the customer the Customer Transfer Form per 3.5 above.

- 3.8 If the Capital Provider wants to lease measures in order to claim tax and other credits associated with installation of efficiency or renewable measures including carbon credits, Utility agrees to lease such measures from the Capital Provider for the duration of all payments. As noted in 2.8 above, any maintenance costs for leased items may be paid for by the capital provider who will recover these costs by Utility extending the term of payments. Utility agrees that energy savings from the installation of these measures are a source of energy (i.e., megawatts or megatherms) and that the lease is for the delivery of such energy. This agreement will constitute the single lease agreement between the parties for delivery of such energy through Capital Provider's investment in installed renewable or energy efficiency technologies.
- 3.9 Utility will provide Program Developer with all available data about electricity use and structural characteristics for participating customers/meters before, during, and after customer participation in the Pilot.
- 3.10 Utility will provide Capital Provider with documentation of repayment calculations, itemized Installation estimates and expenditures, and record of repayment transactions, indexed by unique location identifier.

4. CAPITAL PROVIDER RESPONSIBILITIES (MACED)

- 4.1 Capital Provider will provide funds according to the Loan Agreement and Note with Utility or its Agent, and will transfer such funds as requested by Utility or its Agent within five business days of request. These funds will be used by the Utility or its Agent to pay contractors for installations and subsequent non-warranty repairs to such installations and to cover other costs related to these installations including the Utility or its Agent's fee.
- 4.2 Capital Provider may limit the number of Installations or capital available to Utility to conform to the scope of the pilot or limitations of funds.

5. DISPUTES

- 5.1 In the event of any dispute arising during the Pilot between the Utility and Capital Provider, each will work with the other to obtain a mutually satisfactory resolution. In the event a satisfactory resolution cannot be reached, the dispute will be submitted to an arbiter of Utility's choice.

5.2 Prior to submission of any dispute to the arbiter, the parties agree to attend at least one (1) conciliation conference to be held at either party's request and at no additional charge to either party.

6. INDEMNIFICATION

6.1 Both parties will defend, indemnify and hold harmless each other, their respective officers, employees, contractors and servants from and 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 purchase of a efficiency product or actions related to a Certified Contractor 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.

6.2 In addition to the indemnification set forth in 6.1 above, both parties will defend, indemnify and hold harmless each other, their respective officers, employees, and contract employees 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 related to the purchase or installation of a efficiency measure, 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.

7. TERMINATION

7.1 Upon completion of the Pilot term, as set by the Public Services Commission, this Agreement may be terminated by either party upon submission of written notice to the address specified above, forty-five (45) days in advance.

7.2 Termination per 7.1 will not, however, limit the rights and responsibilities for either the Program Developer, Utility or its Agent or Capital Provider for efficiency measures that have already been completely or partially installed or administration and collection of repayments outstanding.

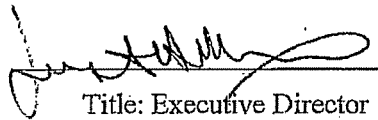
7.3 In the event of termination, Program Developer and Capital Provider or its designee will continue to be paid by Utility for the duration of the tariffs for any efficiency measures installed completely or in part prior to the date of termination in accordance with this Agreement.

8. MISCELLANEOUS PROVISIONS

- 8.1 All parties to this Agreement will provide Commission with any requested records, work products, communications, or other relevant information to enable it to evaluate and ensure the integrity of the program for Utility's customers.
- 8.2 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 all parties to this Agreement.
- 8.3 This Agreement may not be assigned nor any of the rights and duties hereunder without the prior written consent of the other parties. Notwithstanding this prohibition on assignment, successors to the parties shall acquire all of that party's rights and duties under this Agreement and shall have all right and power to enforce the terms of this Agreement as if they were the original party
- 8.4 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 noted above.
- 8.5 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 State law.
- 8.6 This Agreement is contingent upon successful approval of the application to the Public Services Commission titled "Joint Application for Approval of a Pilot On-Bill Financing Program And KY Energy Retrofit Rider" dated February 25, 2010.

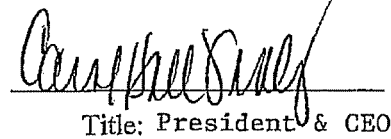
9. ACCEPTANCE

FOR MACED:


Title: Executive Director

DATE 12/20/10

FOR UTILITY:


Title: President & CEO

DATE 12/29/10

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UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

A. NAME & PHONE OF CONTACT AT FILER [optional]
B. SEND ACKNOWLEDGMENT TO: (Name and Address)

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S EXACT FULL LEGAL NAME - insert only one debtor name (1a or 1b) - do not abbreviate or combine names

1a. ORGANIZATION'S NAME					
OR	1b. INDIVIDUAL'S LAST NAME		FIRST NAME	MIDDLE NAME	SUFFIX
1c. MAILING ADDRESS		CITY	STATE	POSTAL CODE	COUNTRY
1d. <u>SEE INSTRUCTIONS</u>	ADD'L INFO RE ORGANIZATION DEBTOR	1e. TYPE OF ORGANIZATION	1f. JURISDICTION OF ORGANIZATION	1g. ORGANIZATIONAL ID #, if any <input type="checkbox"/> NONE	

2. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME - insert only one debtor name (2a or 2b) - do not abbreviate or combine names

2a. ORGANIZATION'S NAME					
OR	2b. INDIVIDUAL'S LAST NAME		FIRST NAME	MIDDLE NAME	SUFFIX
2c. MAILING ADDRESS		CITY	STATE	POSTAL CODE	COUNTRY
2d. <u>SEE INSTRUCTIONS</u>	ADD'L INFO RE ORGANIZATION DEBTOR	2e. TYPE OF ORGANIZATION	2f. JURISDICTION OF ORGANIZATION	2g. ORGANIZATIONAL ID #, if any <input type="checkbox"/> NONE	

3. SECURED PARTY'S NAME (or NAME of TOTAL ASSIGNEE of ASSIGNOR S/P) - insert only one secured party name (3a or 3b)

3a. ORGANIZATION'S NAME					
OR	3b. INDIVIDUAL'S LAST NAME		FIRST NAME	MIDDLE NAME	SUFFIX
3c. MAILING ADDRESS		CITY	STATE	POSTAL CODE	COUNTRY

4. This FINANCING STATEMENT covers the following collateral:

5. ALTERNATIVE DESIGNATION [if applicable]:	<input type="checkbox"/> LESSEE/LESSOR	<input type="checkbox"/> CONSIGNEE/CONSIGNOR	<input type="checkbox"/> BAILEE/BAILOR	<input type="checkbox"/> SELLER/BUYER	<input type="checkbox"/> AG. LIEN	<input type="checkbox"/> NON-UCC FILING
6. <input type="checkbox"/> This FINANCING STATEMENT is to be filed [for record] (or recorded) in the REAL ESTATE RECORDS. Attach Addendum	<input type="checkbox"/> [if applicable]	7. Check to REQUEST SEARCH REPORT(S) on Debtor(s) [ADDITIONAL FEE] [optional]		<input type="checkbox"/> All Debtors	<input type="checkbox"/> Debtor 1	<input type="checkbox"/> Debtor 2
8. OPTIONAL FILER REFERENCE DATA						

Instructions for UCC Financing Statement (Form UCC1)

Please type or laser-print this form. Be sure it is completely legible. Read all Instructions, especially Instruction 1; correct Debtor name is crucial. Follow Instructions completely.

Fill in form very carefully; mistakes may have important legal consequences. If you have questions, consult your attorney. Filing office cannot give legal advice. Do not insert anything in the open space in the upper portion of this form, it is reserved for filing office use.

When properly completed, send Filing Office Copy, with required fee, to filing office. If you want an acknowledgment, complete item B and, if filing in a filing office that returns an acknowledgment copy furnished by filer, you may also send Acknowledgment Copy, otherwise detach. If you want to make a search request, complete item 7 (after reading Instruction 7 below) and send Search Report Copy, otherwise detach. Always detach Debtor and Secured Party Copies.

If you need to use attachments, you are encouraged to use either Addendum (Form UCC1Ad) or Additional Party (Form UCC1AP).

A. To assist filing offices that might wish to communicate with filer, filer may provide information in item A. This item is optional.

B. Complete item B if you want an acknowledgment sent to you. If filing in a filing office that returns an acknowledgment copy furnished by filer, present simultaneously with this form a carbon or other copy of this form for use as an acknowledgment copy.

1. **Debtor name:** Enter only one Debtor name in item 1, an organization's name (1a) or an individual's name (1b). Enter Debtor's exact full legal name. Don't abbreviate.
- 1a. **Organization Debtor.** "Organization" means an entity having a legal identity separate from its owner. A partnership is an organization; a sole proprietorship is not an organization, even if it does business under a trade name. If Debtor is a partnership, enter exact full legal name of partnership; you need not enter names of partners as additional Debtors. If Debtor is a registered organization (e.g., corporation, limited partnership, limited liability company), it is advisable to examine Debtor's current filed charter documents to determine Debtor's correct name, organization type, and jurisdiction of organization.
- 1b. **Individual Debtor.** "Individual" means a natural person; this includes a sole proprietorship, whether or not operating under a trade name. Don't use prefixes (Mr., Mrs., Ms.). Use suffix box only for titles of lineage (Jr., Sr., III) and not for other suffixes or titles (e.g., M.D.). Use married woman's personal name (Mary Smith, not Mrs. John Smith). Enter individual Debtor's family name (surname) in Last Name box, first given name in First Name box, and all additional given names in Middle Name box.
For both organization and individual Debtors: Don't use Debtor's trade name, DBA, AKA, FKA, Division name, etc. in place of or combined with Debtor's legal name; you may add such other names as additional Debtors if you wish (but this is neither required nor recommended).
- 1c. An address is always required for the Debtor named in 1a or 1b.
- 1d. Reserved for Financing Statements to be filed in North Dakota or South Dakota only. If this Financing Statement is to be filed in North Dakota or South Dakota, the Debtor's taxpayer identification number (tax ID#) — social security number or employer identification number must be placed in this box.
- 1e,f,g. "Additional information re organization Debtor" is always required. Type of organization and jurisdiction of organization as well as Debtor's exact legal name can be determined from Debtor's current filed charter document. Organizational ID #, if any, is assigned by the agency where the charter document was filed; this is different from tax ID #; this should be entered preceded by the 2-character U.S. Postal identification of state of organization if one of the United States (e.g., CA12345, for a California corporation whose organizational ID # is 12345); if agency does not assign organizational ID #, check box in item 1g indicating "none."
2. If an additional Debtor is included, complete item 2, determined and formatted per Instruction 1. To include further additional Debtors, attach either Addendum (Form UCC1Ad) or Additional Party (Form UCC1AP) and follow Instruction 1 for determining and formatting additional names.
3. Enter information for Secured Party or Total Assignee, determined and formatted per Instruction 1. To include further additional Secured Parties, attach either Addendum (Form UCC1Ad) or Additional Party (Form UCC1AP) and follow Instruction 1 for determining and formatting additional names. If there has been a total assignment of the Secured Party's interest prior to filing this form, you may either (1) enter Assignor S/P's name and address in item 3 and file an Amendment (Form UCC3) [see item 5 of that form]; or (2) enter Total Assignee's name and address in item 3 and, if you wish, also attaching Addendum (Form UCC1Ad) giving Assignor S/P's name and address in item 12.
4. Use item 4 to indicate the collateral covered by this Financing Statement. If space in item 4 is insufficient, put the entire collateral description or continuation of the collateral description on either Addendum (Form UCC1Ad) or other attached additional page(s).
5. If filer desires (at filer's option) to use titles of lessee and lessor, or consignee and consignor, or seller and buyer (in the case of accounts or chattel paper), or bailee and bailor instead of Debtor and Secured Party, check the appropriate box in item 5. If this is an agricultural lien (as defined in applicable Commercial Code) filing or is otherwise not a UCC security interest filing (e.g., a tax lien, judgment lien, etc.), check the appropriate box in item 5, complete items 1-7 as applicable and attach any other items required under other law.
6. If this Financing Statement is filed as a fixture filing or if the collateral consists of timber to be cut or as-extracted collateral, complete items 1-5, check the box in item 6, and complete the required information (items 13, 14 and/or 15) on Addendum (Form UCC1Ad).
7. This item is optional. Check appropriate box in item 7 to request Search Report(s) on all or some of the Debtors named in this Financing Statement. The Report will list all Financing Statements on file against the designated Debtor on the date of the Report, including this Financing Statement. There is an additional fee for each Report. If you have checked a box in item 7, file Search Report Copy together with Filing Officer Copy (and Acknowledgment Copy). Note: Not all states do searches and not all states will honor a search request made via this form; some states require a separate request form.
8. This item is optional and is for filer's use only. For filer's convenience of reference, filer may enter in item 8 any identifying information (e.g., Secured Party's loan number, law firm file number, Debtor's name or other identification, state in which form is being filed, etc.) that filer may find useful.

Note: If Debtor is a trust or a trustee acting with respect to property held in trust, enter Debtor's name in item 1 and attach Addendum (Form UCC1Ad) and check appropriate box in item 17. If Debtor is a decedent's estate, enter name of deceased individual in item 1b and attach Addendum (Form UCC1Ad) and check appropriate box in item 17. If Debtor is a transmitting utility or this Financing Statement is filed in connection with a Manufactured-Home Transaction or a Public-Finance Transaction as defined in applicable Commercial Code, attach Addendum (Form UCC1Ad) and check appropriate box in item 18.

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Transfer Customer Retrofit Disclosure Form

Energy Retrofit measures were installed at this location to save on utility costs. Monthly Retrofit charges will appear on your electric/gas bill. The savings are estimated to be significantly greater than the charges.

Read below to understand what this means.

This form should be signed prior to signing a lease or purchase agreement for this property.

Property Address: _____ Unit #: _____

Location ID: _____

Whoever pays the utility bills at this location will be required to make monthly payments to Company for cost-saving energy Retrofit measures installed here. Payments will continue until the required number of payments for these measures has been paid. These measures were installed to lower the utility bills for this location. If you decide to occupy the premises you will get these lower utility bills. Therefore, you will help pay for these products as long as you receive the savings and there are remaining payments to be paid. The savings are estimated to be greater than the charges.

If you want more information **before buying this property or signing a lease**, you can call Company (1-800-000-0000) to learn about the:

- Specific Retrofit measures installed,
- Monthly payment amount,
- Number of payments remaining, and
- Your estimated savings.

When you request utility service, Company will send you a form outlining your Retrofit related Customer Responsibilities, including:

- Making monthly payments,
- If you rent, promptly reporting to your landlord if a Retrofit measure stops working, and,
- If you own the property, maintaining the measures in good working condition as long as payments are due.

My signature below indicates that I have read or have had this form read to me. I understand my obligation to make monthly payments for the Retrofit measures installed at this location should I choose to rent or buy the premises. I am signing this form before signing any purchase or lease agreement.

(Purchaser/Renter) Signature _____ Date _____

(Purchaser/Renter) Name (print) _____

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Location ID:	63992
Name	William Blair
OwnerName	
Phone	606-625-2902
Assessor	Roger Medlock
Date	7/18/2011

How Your Home Uses Energy

<i>model baseline</i>		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**
\$15,712 Not to Exceed Amount (90% of Savings)

@ 3%
over 15 years

\$73 Monthly Charge
57% 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>Not to Exceed</u>		
Fixed Monthly Charge	\$73	\$115		
Capital Investment	\$10,067	\$15,712		
Project Fee(s)	4.50% \$453	\$707	Payback Period (years)	15
Capital Fee	0.50% \$50	\$79	Cost of Capital	3%
Total Interest over life of payback	<u>\$2,619</u>	<u>\$4,249</u>		
Total Cost over life of payback	\$13,139	\$20,668		

Account Holder: _____
print name

Date: _____

Owner: _____
print name

Date: _____



GENERAL

Location Number 63992
 Date of Assessment 7/18/2011
 Utility Jackson Energy

Account #

CUSTOMER INFORMATION

William Blair
 862 Lambert Rd
 Berea
 606-625-2902

Owner Information

6624	Projected Savings (kWh)
\$73.00	Calculated Monthly Payment
\$12,067.00	Value of Measures*
\$2,000.00	Kentucky Home Performance*

1. RETROFIT MEASURES

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

\$10,067.00	Amount paid by Utility
\$29.00	UCC Filing Fee*
\$20.00	Software License Fee*
\$404.02	Utility Admin Fee*
\$50.34	Capital Fee*
\$10,570.36	Total Cost of Retrofit

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.

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.

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.

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.

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.

8.4 At Customer's request, at any time, Company will terminate this Agreement. Customer must pay all costs Company/its Agent incurred for these Retrofit measure(s).

8.5 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. Notice from one party to the other under this Agreement shall be deemed to have been properly delivered if forwarded by First Class Mail to Customer or Company addresses noted on this page. Company maintains a right of inspection and access for repair, upon reasonable notice and during normal business hours, of the Retrofit measure(s) installed pursuant to this Agreement for the duration of this Agreement. Any such inspection shall not be deemed as endorsement by Company/its Agent of work performed.

8.8 In the event of any dispute arising over the Retrofit program between Customers, Owners, and/or Contractors, Company will work with the disputing parties to obtain a mutually satisfactory resolution. In the event a 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

8.9 Company's Retrofit program is subject to Kentucky Public Service Commission (PSC) jurisdiction and approved as Kentucky Energy Retrofit Rider.

8.10 The provisions of this Agreement shall benefit and bind the successors and assigns of Customer and Company. 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 State law.

Name: _____ Date: _____ (Owner)

Name: _____ Date: _____ (Account holder - if different)

Name: _____ Date: _____ (Utility Representative)

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Attachment B

Kentucky Energy Retrofit Program ***4th Data Request***

This attachment includes program documents that will be used when the permanent tariff has been approved.

Kentucky Energy Retrofit Program

Memorandum of Agreement

Agreement made this _____ day of _____, 201____, by and between the Parties:

_____ (Utility) located at _____ ; and
Mountain Association for Community and Economic Development, Inc., (MACED) located at 433
Chestnut Street, Berea, KY40403.

Whereas the Parties seek to provide Utility's customers with access to the Kentucky Energy Retrofit Rider (a/k/a How\$martKY™) for the purchase and installation of cost-effective, energy efficient products, the Parties agree to the responsibilities as assigned and described below.

MACED will serve as a partner with the Utility in conducting the How\$martKY™ program. In relation to the roles set forth in this Agreement, MACED will serve as the Data Management Contractor and the Capital Provider. MACED will also serve as “Agent” (as defined in the KER Rider) for the Utility to the extent that such duties are identified in Attachment 1. In the role of Data Management Contractor MACED will be a “Contractor” as defined in the KER Rider.

1. DATA MANAGEMENT CONTRACTOR RESPONSIBILITIES (MACED)

- 1.1 As Data Management Contractor, MACED will provide the services described in this section for each retrofit. These contractual services, as an essential component of the retrofit, will be included along with other Contractors’ services that are included in the total project cost which is used to develop the Retrofit Project Charge as provided in the KER Rider. Fee for this contractual service is detailed in Attachment 1.
- 1.2 Data Management Contractor will provide energy assessment protocols, and “best practice” recommendations to Utility. In addition, Data Management Contractor will assist utility with any data requests from the Public Service Commission or other regulatory body, and will provide technical assistance and troubleshooting where needed. Data Management Contractor will work with Utility to create processes that encourage excellence and accuracy.

- 1.3 Data Management Contractor will track and coordinate with Utility to store and make data available to the Utility regarding utility usage, building characteristics, and financial information for each location.
- 1.4 Data Management Contractor will analyze data to evaluate the accuracy of financial and energy estimated savings and the effectiveness of installed measures in improving energy efficiency for at least one year following the completion of the retrofit. Data Management Contractor will identify locations which vary significantly from projected usage, and will track overall success in predicting energy usage. Data Management Contractor will identify Locations for utility follow-up when usage varies greatly from the savings that were predicted.
- 1.5 Data Management Contractor will track data and pursue analysis to identify consistent variation of technology, contractor, or energy assessor performance from predicted values. Data Management Contractor will also work with Utility to develop educational tools to encourage program customers to save more by properly operating their home or building. Data Management Contractor will also identify new technologies as they become cost effective for the program based on cost reductions or increases in the cost of utility service.

2. PROGRAM OPERATION RESPONSIBILITIES (UTILITY OR MACED AS AGENT)

- 2.1 Utility or its Agent will be responsible for approving contractors to install energy efficiency measures under this program. Utility or its Agent will maintain a list of approved contractors who have signed the Participating Contractor Master Agreement and will be responsible for ensuring that approved contractors adhere to the provisions of that agreement. Utility or its Agent will make this list available to Utility customers to elicit customer preference and, where possible will arrange for the preferred contractor to bid and perform program upgrades at that Customer's location. Referral will not constitute any additional assumption of liability by Utility or its Agent for a contractor's performance.
- 2.2 Utility or its Agent will perform an energy assessment utilizing HowSmartKY™ program guidelines. At time of assessment, Utility or its Agent will provide customer with a list of recommended measures and projection of energy savings that could be realized from such measures.
- 2.3 Utility or its Agent will act as the customer's representative for the installation of efficiency measures after an approved contractor and a customer sign a KY Retrofit Purchase Agreement

(and landlord, if customer does not own the premises where efficiency measures are to be installed). As the customer's representative, the Utility or its Agent will verify that any changes in work scope on efficiency measures proposed for installation by an approved contractor are suitable for the customer's end uses and are estimated to result in sufficient savings in energy usage, demand or other savings to qualify as efficiency measures (i.e., ninety percent of all estimated savings over three quarters of the product's estimated useful life will cover all costs associated with the installation). In order to facilitate disclosure of tariff obligations to successor customers at this location, Utility or its Agent will complete and record with the County Clerk the following documents:

- A. UCC Financing Statement form (Attachment 2); and
- B. a copy of the completed How\$martKY™ Purchase Agreement; and
- C. a copy of the Kentucky Energy Retrofit Rider

- 2.4 Upon notification by the contractor or customer that work is complete, Utility or its Agent will verify with the customer and the contractor that the customer is satisfied with the installation and that the contractor has properly installed the correct efficiency measures and has instructed the customer on their proper use, operation and maintenance. Utility or its Agent will inspect Retrofit installations to verify that the correct measure(s) have been installed as per manufacturers recommendations and are operating as designed and to verify the accuracy of contractor reports. Nevertheless, contractors will be solely responsible for determining the materials needed, the means and methods of installation, and for complying with all local, state, and federal codes, manufacturers' specifications, and accepted installation practices.
- 2.5 Utility will arrange for payment to the contractor once the work is completed and accepted by the Utility and initiate a charge to the customer for the estimated Retrofit payment. If the Utility or its Agent determines the work is complete and acceptable without customer agreement, such determination must follow an on-site inspection of the installation.
- 2.6 Notwithstanding the Utility or its Agent's verification per 2.2, 2.3 and 2.4 above, any inspection per this section, or the authorization that the Utility initiate billing to the customer under the tariff per 2.5 above, the provisions of this section in no way limit either the installing contractor's or product manufacturer's liability per 2.4 above, the contractor's agreement with Utility or its Agent, or state and federal law.

- 2.7 Utility will be responsible for making monthly payments to Capital Provider within thirty (30) days of Utility's receipt of payments from customer, or within sixty (60) days of receipt of disbursement from Capital Provider, whichever is sooner.
- 2.8 In the event of any dispute between Utility's customer and an approved contractor, where the Utility or its Agent is acting as the customer's representative, Utility or its Agent will work on the customer's behalf to obtain a mutually satisfactory resolution. Utility or its Agent will participate in any complaint resolution process described in its contracts with other parties, including binding arbitration.
- 2.9 Utility or its Agent will evaluate any customer report of a failed efficiency measure(s), and at its option will cause the product to be repaired or replaced. If the failed product is under warranty, Utility or its Agent will use any warranty funds to pay for repair or replacement costs, including seeking recovery under a contractor's bond, if necessary. If an efficiency measure is repaired or replaced and any of these costs are not covered by warranty and the failure is not assignable to the approved contractor, and the customer chooses not to or cannot pay for the repair or replacement, Utility or its Agent may increase the number of payments as required to recover all repair or replacement costs including Utility or its Agent's administrative costs, but in no case should the Utility or its Agent authorize repairs that require the payment term to extend beyond the estimated useful life of the measure(s). If failed efficiency measures are not repaired or replaced, unless they were damaged by customer or building owner, if different from the customer, Utility will terminate charges attributable to the failed measure under the tariff. Additionally, Utility or its Agent may treat maintenance costs required to keep the system operating similar to repair costs as described above.
- 2.10 MACED will perform duties of "Agent" in this section to the extent that such duties are included in Attachment 1 of this Agreement, and in accordance with the fee schedule in said Attachment.

3. CUSTOMER SERVICE AND ADMINISTRATION RESPONSIBILITIES (UTILITY)

- 3.1 Utility will bill the monthly portion of the Retrofit Project Charge (as defined in the KER Rider) to a HowSmartKY™ participating customer and collect payment for that amount as it does with all other tariffed charges following its customary and Commission-approved collection procedures including disconnection when necessary.

- 3.2 Utility will make monthly payments to Capital Provider in the amount of the total payments it is obligated to collect for that month (in accordance with the procedure in Item 4.3 below).
- 3.3 In the case of an inactive location, the Utility will continue to pay interest and the Capital Provider will waive the payment of principal for up to 24 months or until the location is active, whichever is sooner, requiring interest payments only on the outstanding principal balance in the interim. If at the end of 24 months, a location remains inactive and payments have not resumed, Utility will pay, in whole, to the Capital Provider any and all outstanding principal and any interest due linked to the inactive location. If at a later date, the location becomes active, the Utility retains the right to recover for its own fund balance any bad debt previously written off through additional charges to that meter's location. The Utility may apply to recover payments it has made on inactive locations, both principle and interest, from a Risk Mitigation Fund to be established and administered by the participating utilities and the Capital Provider as described in Attachment 3.
- 3.4 Utility staff will answer customers' questions about energy efficiency measures and payment obligations, including questions about the measures installed, estimated savings, payment amount, estimated term of payments, disclosure obligations and customers' rights and responsibilities as per the tariff and agreements.
- 3.5 Utility will be responsible for notifying new customers at locations at which efficiency measures have been installed of the benefits associated with the efficiency measures, the customer's responsibility for the payment of the remaining charges, and other rights and obligations and will send these customers the Transfer Customer Retrofit Disclosure Form (Attachment 4), which enumerates these rights and responsibilities, within 15 business days of their application for service.
- 3.6 Utility will inform customers as to how they can purchase efficiency measures in accordance with the tariff, for example, by scheduling an appointment with Energy Assessors or providing them with a sample KY Retrofit Purchase Agreement or list of approved contractors working with the program.
- 3.7 Utility will not be liable for any decisions or actions taken by retrofit installation contractors, including but not limited to savings estimates, selection of measures, quality of workmanship,

damage to customers' homes, or injury to customers, contractors' workers, or passersby. Utility will not be liable for any failure by the previous occupant, building owner, or landlord to disclose a customer's payment obligation. The responsibility for disclosure rests with the building owner. However, Utility agrees to initiate charges to a new customer for any existing payment obligations only after it has duly notified the customer using the Transfer Customer Retrofit Disclosure Form per 3.5 above.

- 3.8 Utility will provide Data Management Contractor with all available data about electricity use and structural characteristics for participating locations before, during, and after customer participation in the program.
- 3.9 Utility will provide Capital Provider with documentation of repayment calculations, itemized Installation estimates and expenditures, and record of repayment transaction, indexed by unique location identifier.

4. CAPITAL PROVIDER RESPONSIBILITIES (MACED)

- 4.1 Capital Provider will provide funds according to the Loan Agreement and Note with Utility, and will transfer such funds as requested by Utility within ten (10) business days of request. These funds will be used by the Utility to pay contractors for retrofits (including the Data Management Contractor); the Utility's administrative fee as provided in the KER Rider; and, subsequent non-warranty repairs to such retrofits.
- 4.2 Capital Provider may limit the number of retrofits or capital available to Utility to conform to the limitations of funds.
- 4.3 Capital Provider will bill on a monthly basis for the previous month and provide a break down of the payments for each unique location. When Utility informs Capital Provider of an inactive location, Capital Provider will adjust the monthly bill to reflect interest-only payment for that location. Capital Provider will also provide pay off estimates for individual locations on request by the Utility. Attachment 5 further delineates the details of the Agreement regarding inactive locations and is included in this Agreement by reference.

5. DISPUTES

- 5.1 In the event of any dispute arising during the Program between the Utility and MACED, each will work with the other to obtain a mutually satisfactory resolution.

- 5.2 In the event a satisfactory resolution cannot be reached, the dispute will be submitted to a three-member arbitration committee with one arbiter of Utility's choice, a second arbiter of MACED's choice, and a third arbiter to be chosen by the first two. Cost of arbitration will be shared by MACED and the Utility. Decision by a majority of the arbitration committee will be binding on both parties.
- 5.3 Prior to submission of any dispute to the arbitration committee, the parties agree to attend at least one (1) conciliation conference to be held at either party's request and at no additional charge to either party.
- 5.4 The provisions for arbitration of disputes in this section do not take precedence over the terms of the Loan Agreements between MACED and the Utility.

6. INDEMNIFICATION

- 6.1 Both parties will defend, indemnify and hold harmless each other, their respective officers, employees, contractors and servants from and 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 purchase of a efficiency product or actions related to a approved contractor 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.
- 6.2 In addition to the indemnification set forth in 6.1 above, both parties will defend, indemnify and hold harmless each other, their respective officers, employees, and contract employees 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 related to the purchase or installation of a efficiency measure, 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.

7. TERMINATION

- 7.1 Utility will send notice to MACED ninety five (95) days in advance when requesting termination of the program.

- 7.2 Termination per 7.1 will not, however, limit the rights and responsibilities for either the Data Management Contractor, Utility or its Agent or Capital Provider for efficiency measures that have already been completely or partially installed or administration and collection of repayments outstanding.
- 7.3 In the event of termination, Utility remains responsible for repayment of all funds furnished by the Capital Provider, including interest, per the terms of this Memorandum of Agreement and the Loan Agreement with the Capital Provider.

8. MISCELLANEOUS PROVISIONS

- 8.1 All parties to this Agreement will provide Kentucky Public Service Commission with any requested records, work products, communications, or other relevant information to enable it to evaluate and ensure the integrity of the program for Utility's customers.
- 8.2 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 all parties to this Agreement.
- 8.3 This Agreement may not be assigned nor any of the rights and duties hereunder without the prior written consent of the other parties. Notwithstanding this prohibition on assignment, successors to the parties shall acquire all of that party's rights and duties under this Agreement and shall have all right and power to enforce the terms of this Agreement as if they were the original party
- 8.4 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 noted above.
- 8.5 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 State law.
- 8.6 This Agreement is contingent upon successful approval of the application to the Public Services Commission for the "KY Energy Retrofit Rider" dated November 2, 2012.

9. DISCLOSURE OF INFORMATION

9.1 MACED shall not disclose or appropriate to its own use, or to the use of any third party, at any time during or subsequent to the term of this agreement, any secret or confidential information of the Utility.

9.2 MACED shall not disclose or appropriate for its own use the personal and identifying data of Utility customers of which MACED has been or hereafter becomes informed, including, but not limited to, processes, prices, profits, contract terms or operating procedures, except as required in connection with MACED's performance of this agreement, or as required by a governmental authority, or with approval by both Utility and customer.

10. ACCEPTANCE

FOR MACED: _____ DATE _____
Title: President

FOR UTILITY: _____ DATE _____
Title:

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Attachment 1
How\$martKY™ Services and Fees

MACED services as Data Management Contractor

- Track and analyze data for the retrofit.
- Upload "Before Retrofit" (BR) usage file into How\$martKY™ system.
- Review How\$martKY™ retrofit packet and requisition.
- Set up retrofit in data collection systems.

Data Management Contractor fee: \$250.00 per retrofit to be included in the retrofit project cost and included in calculating the monthly payment by the customer, along with all other contractor costs, per Section 1 of the Memorandum of Agreement.

MACED services as Agent of the Utility

MACED will perform the services initialed by both parties below per Section 2 of the Memorandum of Agreement.

MACED's fees for these services is \$_____per retrofit.

If available, third-party funds or grant-funded subsidies may be applied to some or all of this cost.

From the date of signing through _____, 201__, MACED will furnish a grant-funded subsidy of \$ _____ per retrofit for up to _____ retrofits per year subject to availability of funds.

The Utility agrees to pay MACED for any portion of these services not covered by subsidies.

MACED	Utility	
		_ Contact customer to schedule appointment
		_ Perform energy assessment
		_ Create conservation plan & purchase agreement
		_ Present customer with initial conservation plan and purchase agreement
		_ Contact contractors and request bids using Conservation Plan specifications
		_ Verify all paperwork is complete and signed including How\$martKY application form, initial conservation plan, purchase agreement, copy of deed, UCC
		_ Contact contractors to arrange for job start up
		_ Perform quality assurance during installation & test out at retrofit completion
		_ Create final conservation plan and purchase agreement
		_ Present final conservation plan and purchase agreement to customer
		_ Create retrofit packet (contains all paperwork for the job)
		_ Submit requisition
		_ File UCC Financing Statements (up to 3 filings per retrofit)

Annual fee review: MACED's fee structure will be reviewed on a yearly contract basis with our utility partners. Fees or services to be performed are subject to change upon mutual agreement

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UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

A. NAME & PHONE OF CONTACT AT FILER [optional]

B. SEND ACKNOWLEDGMENT TO: (Name and Address)

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S EXACT FULL LEGAL NAME - insert only one debtor name (1a or 1b) - do not abbreviate or combine names

1a ORGANIZATION'S NAME

OR

1b INDIVIDUAL'S LAST NAME

FIRST NAME	MIDDLE NAME	SUFFIX
------------	-------------	--------

1c MAILING ADDRESS

CITY	STATE	POSTAL CODE	COUNTRY
------	-------	-------------	---------

1d <u>SEE INSTRUCTIONS</u>	ADD'L INFO RE ORGANIZATION DEBTOR	1e TYPE OF ORGANIZATION	1f JURISDICTION OF ORGANIZATION	1g ORGANIZATIONAL ID #, if any
				<input type="checkbox"/> NONE

2. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME - insert only one debtor name (2a or 2b) - do not abbreviate or combine names

2a ORGANIZATION'S NAME

OR

2b INDIVIDUAL'S LAST NAME

FIRST NAME	MIDDLE NAME	SUFFIX
------------	-------------	--------

2c MAILING ADDRESS

CITY	STATE	POSTAL CODE	COUNTRY
------	-------	-------------	---------

2d <u>SEE INSTRUCTIONS</u>	ADD'L INFO RE ORGANIZATION DEBTOR	2e TYPE OF ORGANIZATION	2f JURISDICTION OF ORGANIZATION	2g ORGANIZATIONAL ID #, if any
				<input type="checkbox"/> NONE

3. SECURED PARTY'S NAME (or NAME of TOTAL ASSIGNEE of ASSIGNOR S/P) - insert only one secured party name (3a or 3b)

3a ORGANIZATION'S NAME

OR

3b INDIVIDUAL'S LAST NAME

FIRST NAME	MIDDLE NAME	SUFFIX
------------	-------------	--------

3c MAILING ADDRESS

CITY	STATE	POSTAL CODE	COUNTRY
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4. This FINANCING STATEMENT covers the following collateral:

ATTENTION: Attached to this form and included by reference to this document are the following;
A. a copy of the current How\$mart™ Purchase Agreement; and
B. a copy of the Kentucky Energy Retrofit Rider

5. ALTERNATIVE DESIGNATION (if applicable):	<input type="checkbox"/> LESSEE/LESSOR	<input type="checkbox"/> CONSIGNEE/CONSIGNOR	<input type="checkbox"/> BAILEE/BAILOR	<input type="checkbox"/> SELLER/BUYER	<input type="checkbox"/> AG. LIEN	<input type="checkbox"/> NON-UCC FILING
6. <input type="checkbox"/> This FINANCING STATEMENT is to be filed [for record] (or recorded) in the REAL ESTATE RECORDS. Attach Addendum	<input type="checkbox"/> [if applicable]	7. Check to REQUEST SEARCH REPORT(S) on Debtor(s) [ADDITIONAL FEE] [optional]	<input type="checkbox"/> All Debtors	<input type="checkbox"/> Debtor 1	<input type="checkbox"/> Debtor 2	
8. OPTIONAL FILER REFERENCE DATA						

Instructions for UCC Financing Statement (Form UCC1)

Please type or laser-print this form. Be sure it is completely legible. Read all Instructions, especially Instruction 1; correct Debtor name is crucial. Follow Instructions completely.

Fill in form very carefully; mistakes may have important legal consequences. If you have questions, consult your attorney. Filing office cannot give legal advice. Do not insert anything in the open space in the upper portion of this form; it is reserved for filing office use.

When properly completed, send Filing Office Copy, with required fee, to filing office. If you want an acknowledgment, complete item B and, if filing in a filing office that returns an acknowledgment copy furnished by filer, you may also send Acknowledgment Copy; otherwise detach. If you want to make a search request, complete item 7 (after reading Instruction 7 below) and send Search Report Copy; otherwise detach. Always detach Debtor and Secured Party Copies.

If you need to use attachments, you are encouraged to use either Addendum (Form UCC1Ad) or Additional Party (Form UCC1AP).

A. To assist filing offices that might wish to communicate with filer, filer may provide information in item A. This item is optional.

B. Complete item B if you want an acknowledgment sent to you. If filing in a filing office that returns an acknowledgment copy furnished by filer, present simultaneously with this form a carbon or other copy of this form for use as an acknowledgment copy.

1. **Debtor name:** Enter only one Debtor name in item 1, an organization's name (1a) or an individual's name (1b). Enter Debtor's exact full legal name. Don't abbreviate.
 - 1a. **Organization Debtor.** "Organization" means an entity having a legal identity separate from its owner. A partnership is an organization; a sole proprietorship is not an organization, even if it does business under a trade name. If Debtor is a partnership, enter exact full legal name of partnership; you need not enter names of partners as additional Debtors. If Debtor is a registered organization (e.g., corporation, limited partnership, limited liability company), it is advisable to examine Debtor's current filed charter documents to determine Debtor's correct name, organization type, and jurisdiction of organization.
 - 1b. **Individual Debtor.** "Individual" means a natural person; this includes a sole proprietorship, whether or not operating under a trade name. Don't use prefixes (Mr., Mrs., Ms.). Use suffix box only for titles of lineage (Jr., Sr., III) and not for other suffixes or titles (e.g., M.D.). Use married woman's personal name (Mary Smith, not Mrs. John Smith). Enter individual Debtor's family name (surname) in Last Name box, first given name in First Name box, and all additional given names in Middle Name box.

For both organization and individual Debtors: Don't use Debtor's trade name, DBA, AKA, FKA, Division name, etc. in place of or combined with Debtor's legal name; you may add such other names as additional Debtors if you wish (but this is neither required nor recommended).
 - 1c. An address is always required for the Debtor named in 1a or 1b.
 - 1d. Reserved for Financing Statements to be filed in North Dakota or South Dakota only. If this Financing Statement is to be filed in North Dakota or South Dakota, the Debtor's taxpayer identification number (tax ID#) — social security number or employer identification number must be placed in this box.
 - 1e,f,g. "Additional information re organization Debtor" is always required. Type of organization and jurisdiction of organization as well as Debtor's exact legal name can be determined from Debtor's current filed charter document. Organizational ID #, if any, is assigned by the agency where the charter document was filed; this is different from tax ID #; this should be entered preceded by the 2-character U.S. Postal identification of state of organization if one of the United States (e.g., CA12345, for a California corporation whose organizational ID # is 12345); if agency does not assign organizational ID #, check box in item 1g indicating "none."
2. If an additional Debtor is included, complete item 2, determined and formatted per Instruction 1. To include further additional Debtors, attach either Addendum (Form UCC1Ad) or Additional Party (Form UCC1AP) and follow Instruction 1 for determining and formatting additional names.
3. Enter information for Secured Party or Total Assignee, determined and formatted per Instruction 1. To include further additional Secured Parties, attach either Addendum (Form UCC1Ad) or Additional Party (Form UCC1AP) and follow Instruction 1 for determining and formatting additional names. If there has been a total assignment of the Secured Party's interest prior to filing this form, you may either (1) enter Assignor S/P's name and address in item 3 and file an Amendment (Form UCC3) [see item 5 of that form]; or (2) enter Total Assignee's name and address in item 3 and, if you wish, also attaching Addendum (Form UCC1Ad) giving Assignor S/P's name and address in item 12.
4. Use item 4 to indicate the collateral covered by this Financing Statement. If space in item 4 is insufficient, put the entire collateral description or continuation of the collateral description on either Addendum (Form UCC1Ad) or other attached additional page(s).
5. If filer desires (at filer's option) to use titles of lessee and lessor, or consignee and consignor, or seller and buyer (in the case of accounts or chattel paper), or bailee and bailor instead of Debtor and Secured Party, check the appropriate box in item 5. If this is an agricultural lien (as defined in applicable Commercial Code) filing or is otherwise not a UCC security interest filing (e.g., a tax lien, judgment lien, etc.), check the appropriate box in item 5, complete items 1-7 as applicable and attach any other items required under other law.
6. If this Financing Statement is filed as a fixture filing or if the collateral consists of timber to be cut or as-extracted collateral, complete items 1-5, check the box in item 6, and complete the required information (items 13, 14 and/or 15) on Addendum (Form UCC1Ad).
7. This item is optional. Check appropriate box in item 7 to request Search Report(s) on all or some of the Debtors named in this Financing Statement. The Report will list all Financing Statements on file against the designated Debtor on the date of the Report, including this Financing Statement. There is an additional fee for each Report. If you have checked a box in item 7, file Search Report Copy together with Filing Officer Copy (and Acknowledgment Copy). Note: Not all states do searches and not all states will honor a search request made via this form; some states require a separate request form.
8. This item is optional and is for filer's use only. For filer's convenience of reference, filer may enter in item 8 any identifying information (e.g., Secured Party's loan number, law firm file number, Debtor's name or other identification, state in which form is being filed, etc.) that filer may find useful.

Note: If Debtor is a trust or a trustee acting with respect to property held in trust, enter Debtor's name in item 1 and attach Addendum (Form UCC1Ad) and check appropriate box in item 17. If Debtor is a decedent's estate, enter name of deceased individual in item 1b and attach Addendum (Form UCC1Ad) and check appropriate box in item 17. If Debtor is a transmitting utility or this Financing Statement is filed in connection with a Manufactured-Home Transaction or a Public-Finance Transaction as defined in applicable Commercial Code, attach Addendum (Form UCC1Ad) and check appropriate box in item 18.

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Kentucky Energy Retrofit Program

Risk Mitigation Fund Operational Procedures

1. RISK MITIGATION FUND (RMF) COMMITTEE

- 1.1 The fund will be overseen by a committee consisting of the CFO (or CFO's designee) from each participating utility and the president of MACED (or president's designee).

2. ELIGIBLE COSTS

- 2.1 **The following costs may be eligible for recapture from the Risk Mitigation Fund, subject to the further conditions outlined below:**

- A. Interest paid on a location when it is inactive
- B. Outstanding interest and principal balance on the retrofit if it is deemed to be uncollectable.
- C. Payments made by a utility as invoiced by MACED if the utility is unable to subsequently collect the corresponding utility bills due on the location.

3. RECAPTURE OF LOSS

- 3.1 **A participating utility may submit losses for eligible costs to the Risk Mitigation Fund committee.** The committee will allocate funds from the Risk Mitigation Fund to pay the outstanding balance and interest costs paid by the utility during the inactive period if the committee determines that:

- A. a cost is eligible; and that
- B. the retrofit was carried out in accordance with the HowSmartKY™ guidelines that were in effect at the time of the retrofit; and that
- C. the utility has exhausted all other appropriate avenues for collecting the loss..

- 3.2 If the committee determines that the conditions above have not been met, the committee will

Attachment 3

decide whether to approve recapture, approve partial recapture, or deny recapture.

- 3.3 For any uncollectable balance that is not approved for recapture by the committee, the utility remains liable to MACED for full repayment of the outstanding principal and interest per the terms of the Loan Agreement.

4. DECISION MAKING

- 4.1 Committee decisions will be made by simple majority of the members. Members may participate in meetings or be polled by phone, email or other means if not present. In any action of the committee involving one of the utility partners, that partner will abstain from voting. In the event of a tie, the president of MACED (or president's designee) will cast the deciding vote.

5. RISK MITIGATION FUND BALANCE

- 5.1 If the committee determines that the balance of the Risk Mitigation Fund is too low, the committee may increase the percentage allotment from each new retrofit. If the committee determines that non-compliance with program guidelines on the part of one or more utilities is materially responsible for a significant share of the losses, the committee may adjust the percentage paid by one or more utilities separately.
- 5.2 Initially, payment into the Risk Mitigation Fund will be 4% of each retrofit amount financed. This payment will be drawn from the 5% fee that the utilities are allowed to add to the cost of the retrofit by the KER Rider.
- 5.3 If the Risk Mitigation Fund balance exceeds \$100,000 and also exceeds 5% of the total outstanding retrofit balances, the committee may reduce the percentage paid in for each retrofit.
- 5.4 If the fund is determined by unanimous vote of the committee to no longer be needed and after all obligation of funds from the Risk Mitigation Fund have been met, any balance of grant funds used to initiate the Risk Mitigation Fund will be distributed according to the grant agreements through which those funds were secured. Remaining funds will be distributed for a purpose

Attachment 3

consistent with the goals of the HowSmartKY™ program (below) in a manner to be determined by the committee.

6. APPEAL AND ARBITRATION

- 6.1 A utility may appeal any decision of the committee for reconsideration. Such reconsideration will include all the committee members and the president of MACED (or president's designee). The purpose of such reconsideration will be to reach a mutually agreeable solution. If an agreement cannot be reached upon reconsideration, all parties agree to the same arbitration measures outlined in the HowSmartKY™ Memorandum of Agreement (MOA) that governs the relationship between the utilities and MACED.

The goals of the HowSmartKY™ Program are to:

- *Help utility customers save energy and money through implementing retrofits to increase the energy efficiency of their homes;*
- *Provide a financing model that reduces or eliminates the barrier of up-front costs for these retrofits;*
- *Develop information, expertise and technical assistance resources for customers, contractors and utilities;*
- *Extend the reach and capacity of utilities to promote and facilitate energy savings by their customers.*

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Attachment 4

Energy Efficiency Retrofit Project Charge
Notification and Transfer of Obligation

Energy retrofit measures were installed at this location to save on utility costs. A Retrofit Project Charge will appear on your monthly utility bill. The cost savings from the retrofit measures are estimated to be greater than the charges.

Read below to understand what this means.

Property Address: _____ Unit #: _____

Location ID: _____

Cost saving energy Retrofit measures have been installed at these premises through an on-bill financing program. These measures were installed to lower the utility bills. Your utility bills will include a monthly charge to pay for these energy Retrofit measures. The cost savings from reduced electricity consumption are estimated to be greater than the monthly charges.

Whoever pays the utility bills at this location will be required to make monthly payments to [Insert Utility Name Here] to pay for the cost-saving energy Retrofit measures installed here. Monthly charges will continue until the remaining balance has been paid. A UCC Financing Statement has been filed at the County Clerk's office to ensure a prospective purchaser is aware of this obligation. Either the buyer or seller may eliminate this obligation by paying off the remaining balance.

Utility usage data at this location may be shared with subsequent owners of the property to demonstrate the effectiveness of the Retrofit measures.

If you want more information, you can call [Insert Utility Name Here] ([Insert Utility Phone Number Here]) to learn about the:

- Specific Retrofit measures installed
- Monthly payment amount (Retrofit Project Charge)
- Number of payments remaining and outstanding balance
- Estimated cost savings

When you request utility service, a signed copy of this form must be submitted to [Insert Utility Name Here]. [Insert Utility Name Here] will provide a copy of the Purchase Agreement which outlines customer responsibilities, including:

- Making monthly payments
- If you rent, promptly reporting to your landlord if a Retrofit measure stops working
- If you own the property, maintaining the Retrofit measures in good working condition as long as payments are due

My signature below indicates that I have read or have had this form read to me. I understand my obligation to make monthly payments for the Retrofit measures installed at this location.

(Purchaser/Renter) Signature _____ Date _____

(Purchaser/Renter) Name (print) _____

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Kentucky Energy Retrofit Program

Location Status and Payments

1. ACTIVE AND INACTIVE STATUS

- 1.1 A location will be considered “active” unless service has been disconnected. When service is disconnected, the utility will notify MACED.

2. INVOICING

- 2.1 Payments due on all locations will be detailed on each monthly invoice from MACED to the utility. For active locations, interest and principal will be invoiced. For inactive locations, only interest will be invoiced.

3. INTEREST

- 3.1 Interest on an inactive location will be paid by the utility to MACED until it becomes active again or it has been determined that the remaining balance is unrecoverable.
- 3.2 Interest paid by the utility for an inactive location may be reimbursed from the Risk Mitigation Fund (RMF) subject to the Risk Mitigation Fund Operational Procedures document.

4. UNRECOVERABLE INVESTMENT

- 4.1 If a location remains inactive for twenty-four months, it will be determined to be unrecoverable.
- 4.2 The remaining principal and interest due on an unrecoverable investment are paid by the utility. The utility may then seek to be reimbursed from the RMF subject to the RMF operational procedures.

5. UNPAID UTILILTY BILLS

- 5.1 If a location is active but the utility bill is late or unpaid, it will be still be considered active until service is disconnected. Payment due will be sought by the utility from the customer at that location. The utility will pay the full amount invoiced by MACED (principal and interest) for all

Attachment 5

active locations.

- 5.2 If a location becomes inactive after the invoice is sent but before it is due, MACED will adjust the invoice amount upon notification of the change to inactive status.
- 5.3 If a utility makes payment of the invoiced amount from MACED for a location from which the corresponding bill remains uncollected from the customer, the utility may seek reimbursement from the RMF subject to the RMF operational procedures.

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Location ID:	63992
Name	William Blair
OwnerName	
Phone	(606) 256-2902
Assessor	Roger Medlock
Date	7/18/2011

EXAMPLE H\$ 2.0

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\$martKY™ Charge

Financing

\$12,067.00 **Cost of Improvements (est):**

\$2,000.00 **Kentucky Home Performance**

\$10,067.00 **Utility Contribution**

\$15,462 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 Retrofit
 3. Energy Specialist returns to inspect completed work
 4. Savings begin and Retrofit Project 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
Project Fee(s)	5.00% \$503	Cost of Capital	3%
Data Management Contract Fee	\$250		
Total Interest over life of payback	<u>\$2,880</u>		
Total Cost over life of payback	\$13,450		

Account Holder: _____
 print name
 Date: _____

Owner: _____
 print name
 Date: _____



GENERAL

Location Number 63992
 Date of Assessment 7/18/2011
 Utility Jackson Energy

Account #

Owner Information

CUSTOMER INFORMATION

William Blair
 862 Lambert Rd
 Berea
 (606) 256-2902

15	Financing Term (Years)
6624	Projected Savings (kWh)
\$74.72	Calculated Monthly Payment
\$12,067.00	Value of Measures
\$2,000.00	Kentucky Home Performance

1. RETROFIT MEASURES

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

\$10,067.00	Amount paid by Utility
\$503.35	Project Fee
\$250.00	Data Management Contract Fee
\$10,820.35	Total Cost of Retrofit

2. INFORMATION ACCURACY

Customer and owner have made every effort to provide the Utility or it's Agent with accurate information about the structure and its use to enable the Utility 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. .

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 Upon request Customer will provide access to premises to the Utility or it's Agent, Contractor and their respective employees or subcontractors to install, inspect and/or repair Retrofit measures.
- 4.2 Customer shall make consecutive monthly Retrofit Project Charge payments specified above to the Utility as part of the utility bill until all payments have been made or Customer no longer has an account with the Utility. For any Retrofit measures removed from the premises, all remaining payments will be due with the final bill.
- 4.3 Customer will 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 the Utility or it's Agent. Customers will be responsible for all required maintenance and out of warranty repairs.
- 4.4 Customer shall notify the Utility if any of the above Retrofit measures stop working. The Utility or it's Agent will verify Retrofit failure, assess repair need/cause and authorize the repair. The Utility or it's Agent may suspend Customer's Retrofit Project Charges while repairs are being made, to the degree that energy savings are compromised. Contractors and warranty will cover costs of repairs due to defects in workmanship or equipment per contract and warranty. Customers will cover costs for customer damage, out of warrantee repairs and any remaining repair costs. The Utility or it's 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 warranty.

The Utility or 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 Utility or its Agent may likewise be reimbursed for maintenance costs required to keep systems operating as described above.

4.5 The Utility will own the installed Retrofit measures during the duration of payments by occupant.

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 the Utility upon obtaining prior agreement in writing and transferring all outstanding balances for the relocated Retrofit measures to their new location.

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.

4.8 The Customer understands that an Independent Contractor-Customer relationship has been created by virtue of the Contractor Master Agreement between the Utility or its Agent and Contractor. Contractor is not an employee or agent of the Utility or its Agent. The Utility or its Agent will not be liable for personal injury, property damage or illegal activity caused by Contractor or Contractor's agents or employees. The Utility 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 THE UTILITY OR 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 Utility or its Agent and the Contractor.

6. OWNER RESPONSIBILITIES AND UNDERSTANDING:

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.

6.2 Owner shall make all remaining Retrofit payments upon closing their utility account or upon sale of the property unless the owner shall disclose the Retrofit Project Charge obligation to the next customer and secure the next customer's agreement to take on the payment obligation. Said agreement shall be signified by the next customer's signature on the Energy Efficiency Retrofit Project Charge Notification and Transfer of Obligation form and submission of that form to the utility. Owners renting out the above premises shall disclose monthly Retrofit Project Charge 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 Energy Efficiency Retrofit Project Charge Notification and Transfer of Obligation form will constitute proof of disclosure and agreement to assume the obligation.

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 costs associated with owner or tenant 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 the Utility or 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 THE UTILITY OR IT'S AGENT TO:

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

7.2 Assign the Kentucky Energy 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.

7.3 Arrange for a qualified Contractor to install Retrofit measures. Owner may indicate a preferred Contractor among those qualified by the Utility or its Agent 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 the Utility or 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, the Utility or 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 the Utility 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 the Utility 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 a 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.

8.2 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.

8.3 If the Customer breaches any of the terms of this Agreement, Customer shall reimburse the Utility 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, the Utility may recover these costs through payments to the Utility from customers at this location.

8.4 At Customer's request, at any time the Utility will terminate this Agreement. Customer must pay all costs the Utility or its Agent incurred for these Retrofit measure(s).

8.5 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. Notice from one party to the other under this Agreement shall be deemed to have been properly delivered if forwarded by First Class Mail to Customer or Utility addresses noted on this page. Company maintains a right of inspection and access for repair, upon reasonable notice and during normal business hours, of the Retrofit measure(s) installed pursuant to this Agreement for the duration of this Agreement. Any such inspection shall not be deemed as endorsement by the Utility or its Agent of work performed.

8.8 In the event of any dispute arising over the Retrofit program between Customers, Owners, and/or Contractors the Utility or its Agent will work with the disputing parties to obtain a mutually satisfactory resolution. In the event a satisfactory resolution cannot be reached, the dispute will be submitted to an arbiter of the Utility or its Agent's choice. Responsibility for all costs of arbitration shall be allocated between the disputing parties as determined by the arbiter.

Kentucky Retrofit Rider Purchase Agreement Page 4 of 4

8.9 Company's Retrofit program is subject to Kentucky Public Service Commission (PSC) jurisdiction and approved as Kentucky Energy Retrofit Rider.

8.10 The provisions of this Agreement shall benefit and bind the successors and assigns of Customer and the Utility. 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 State law.

Name: _____ Date: _____ (Owner)

Name: _____ Date: _____ (Account holder - if different)

Name: _____ Date: _____ (Utility Representative)

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**GRAYSON RURAL ELECTRIC'S RESPONSE TO
COMMISSION STAFF'S FOURTH REQUEST FOR INFORMATION
2012-00484**

3. Explain who pays the contractor for work performed at a members' home as part of the KERR Program: the Cooperative or MACED? Include in the explanation whether any funds are transferred directly from MACED to the contractor, or whether funds are transferred from MACED to the cooperative for payment to the contractor.

Response: The Cooperative pays individual contractors after completion and inspection of the work they perform. No funds are transferred directly from MACED to the contractors. MACED transfers funds directly to the Cooperative to cover the total cost of the job (net of rebates earned).

**GRAYSON RURAL ELECTRIC'S RESPONSE TO
COMMISSION STAFF'S FOURTH REQUEST FOR INFORMATION
2012-00484**

4. Explain how and by whom potential program participants for your particular cooperative are identified.

Response: Participants are identified from inquiries by customers who are experiencing higher than normal usage and those that respond to ads in Kentucky Living magazine and various information booths set up at member events.

**GRAYSON RURAL ELECTRIC'S RESPONSE TO
COMMISSION STAFF'S FOURTH REQUEST FOR INFORMATION
2012-00484**

5. Explain how and by whom initial contact is made with the member to explain the retrofit project.

Response: See response to Question # 4. Members are then directed to Energy Usage Advisors where details of the program are discussed.

**GRAYSON RURAL ELECTRIC'S RESPONSE TO
COMMISSION STAFF'S FOURTH REQUEST FOR INFORMATION
2012-00484**

6. Each cooperative has a tariff on file for the pilot on-bill financing program that contains a copy of a UCC Financing Statement. Identify the entity that is listed as the secured party on the UCC Financing Statements that have been filed when one of your members participates in the on-bill financing program.

Response: **Grayson Rural Electric.**

**GRAYSON RURAL ELECTRIC'S RESPONSE TO
COMMISSION STAFF'S FOURTH REQUEST FOR INFORMATION
2012-00484**

7. As part of the initial contact to explain the retrofit project, is the member informed that a UCC Financing Statement will be filed at the appropriate courthouse as a result of their participation in the retrofit project?
- a. If yes, is a copy of the UCC Financing Statement that is part of your particular cooperative's tariff given to the member to keep for review?
 - b. If no, explain why a member is not informed that a UCC Financing Statement will be filed at the appropriate courthouse as a result of their participation in the retrofit project.

Response: Yes. The participant is informed that a UCC Financing Statement will be filed at the courthouse in the county where the residence stands. The participant is not given a copy of the Financing Statement as a matter of procedure, but may request a copy after filing.

**GRAYSON RURAL ELECTRIC'S RESPONSE TO
COMMISSION STAFF'S FOURTH REQUEST FOR INFORMATION
2012-00484**

8. To date, has each member who has participated in the pilot retrofit program for your particular cooperative received a copy of the UCC Financing Statement that has been filed at the respective courthouse as a result of their participation in the pilot project
- a. If yes, how soon after the filing of the UCC Financing Statement was a copy of the financing statement sent to the member?
 - b. If no, explain why the member did not receive a copy of the UCC Financing Statement that was filed at the respective courthouse.

Response: **See response to Question # 7**

**GRAYSON RURAL ELECTRIC'S RESPONSE TO
COMMISSION STAFF'S FOURTH REQUEST FOR INFORMATION
2012-00484**

9. At the telephonic Informal Conference on May 14, 2013, Commission Staff indicated that on the MACED website, information concerning this program indicates that the program is not a loan. Each of the cooperatives indicated that their membership is aware that the on-bill financing pilot program is a loan program.

- a. Explain how your particular cooperative informs its membership that the retrofit program is a loan program.

Response: Grayson's Energy Advisor and the MACED Energy Auditor review every aspect of this program up-front before any work is performed. Each prospective participant is given an analysis of the costs, potential savings and the monthly payment required for the length of the financing project. The intent of the program was that the energy savings would offset the monthly Retrofit Project Charge so the overall out-of-pocket expense would net out to be zero or better. The participants are made aware that this is an on-bill financing program that is effectively a loan. This is different from a traditional loan in that this program does not affect their consumer credit ratings, is tied to the location, and the obligation can be transferred to a future customer at that location. The Purchase Agreement clearly identifies the obligations of each party. The UCC Financing Statement is in place to communicate to potential buyers that this obligation is in place and that it may be transferred to the next owner under the same terms or paid in full.

- b. For your particular cooperative, are you aware of any confusion among program participants concerning the repayment obligation for this program? If yes, identify how any confusion concerning the repayment obligation has been resolved.

Response: No.

**GRAYSON RURAL ELECTRIC'S RESPONSE TO
COMMISSION STAFF'S FOURTH REQUEST FOR INFORMATION
2012-00484**

10. If a property on which a retrofit project has been completed is in inactive status and remains in inactive status for a period of time, is it possible that your particular cooperative could be required to pay MACED or any other entity for the balance of funds owed at the particular property for the retrofit project? If yes, explain at what point in time this occurs.

Response: If the account remains inactive for 24 month, Grayson would be required to repay the outstanding balance of the investment to MACED or any other funding entity. This amount may then be eligible for re-imburement from the Risk Mitigation Fund.

**GRAYSON RURAL ELECTRIC'S RESPONSE TO
COMMISSION STAFF'S FOURTH REQUEST FOR INFORMATION
2012-00484**

11. If the proposed retrofit rider is not approved as a permanent program but on an additional pilot basis, will that impact any of the funding sources for your particular cooperative?

Response: Currently Grayson's sole funding is from MACED. MACED has funding secured for another two (2) years regardless of the status of the program, but funding past the two year period could be jeopardized by the program remaining in the pilot status. By granting permanent status to this program, MACED hopes to secure additional funds and grow the program to other Cooperatives across the state. MACED believes that approval of permanent status is crucial to expanding the program and securing additional funds as well as fulfilling commitments related to current funding. At this time, Grayson does not anticipate seeking funding from other sources.

**GRAYSON RURAL ELECTRIC'S RESPONSE TO
COMMISSION STAFF'S FOURTH REQUEST FOR INFORMATION
2012-00484**

12. In Case No. 2010-00089, in Item 21, Commission Staff's Initial Request for Information issued April 22, 2010, the following was asked:

"Refer to paragraph 24.A. of the Application. Explain why Joint Applicants will be responsible for filing Uniform Commercial Code fixture liens in light of the fact that financing for any energy efficient measures will be provided by MACED."

Joint Applicants response, filed May 7, 2010 stated as follows:

"The purpose of the fixture lien is to ensure notification of those purchasing property that there is a tariff on the meter at the property. This is to prevent a seller from raising the price of the property above the value paid for by the seller, when the purchaser may be paying off the retrofit balance. Fixture liens are uniform in Kentucky and reported routinely as part of the title searches of property in the state."

Identify what authority, if any, your particular cooperative has to determine the sales price of real estate owned by a member:

- a. Who has participated in the retrofit pilot program; or
- b. Who has not participated in the retrofit pilot program

Response: Grayson has no ability to determine the sales price of the participant's real estate. The purpose of the UCC fixture lien is to ensure full disclosure of the obligation, not to determine the sales price. Disclosure allows the buyer and seller to negotiate a sales price based on all the relevant information related to the KERR obligation.

**GRAYSON RURAL ELECTRIC'S RESPONSE TO
COMMISSION STAFF'S FOURTH REQUEST FOR INFORMATION
2012-00484**

13. In Case No. 2010-00089, in Item 23, of Commission Staff's Initial Request for Information issued April 22, 2010, the following was asked:

"Refer to paragraphs 25.A. and 25.B. of the Application. The Joint Applicants state, "Repayment default risk is shifted to the financier, but is remarkable low in similar programs." They also claim, 'Given the low default rates of similar programs elsewhere, MACED's financing risk is quite low."

The Witness indicated as MACED personnel responded:

The Joint Applicants will bear some of the risks associated with pilot, although they will be low.

For your particular cooperative, identify any and all potential risks associated with the retrofit program.

Response: **Risks to the Grayson include:**

- **Fire or Natural Disaster**
- **Bankruptcy**
- **Foreclosure**

In an effort to mitigate the potential risks identified, Grayson requires property insurance, requires the UCC Financing Statement, and screens applicants as thoroughly as possible to reduce the risk of default. Grayson has extensively assessed the risks associated with this program, and still maintains that the benefits to our members outweigh the risks. The Risk Mitigation Fund serves to further reduce the risk of loss under these circumstances.