

RICHARDSON GARDNER & ALEXANDER

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

Case No. 2014-00281

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

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

August 4, 2014

RECEIVED

AUG 07 2014

PUBLIC SERVICE
COMMISSION

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

Re: Application of Farmers Rural Electric Cooperative Corporation for
Approval of a Kentucky Energy Retrofit Rider Permanent Tariff

Dear Mr. Derouen:

We enclose for filing the original and 10 copies of the application pertaining to the above. Please notify the undersigned of the case number when it has been assigned.

Thank you for your assistance in this mater.

Very truly yours,



Woodford L. Gardner, Jr.
Attorney for Applicant

Enclosures

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the matter of:

**APPLICATION OF FARMERS RURALELECTRIC COOPERATIVE)
CORPORATION FOR AN ORDER APPROVING KENTUCKY ENERGY)
RETROFIT RIDER PERMANENT TARIFF)**

APPLICATION

Farmers Rural Electric Cooperative Corporation ("Farmers") hereby petitions the Commission by application to issue an Order approving a permanent on-bill financing program based upon the tariff sheets and other supporting documentation attached to this application. This program will be titled "Kentucky Energy Retrofit Rider" ("KER Rider"), and Farmers will partner with the Mountain Association for Community Economic Development ("MACED") to operate the program.

Farmers requests that Case Nos. 2010-00089, 2012-00484, and 2013-00398, as well as the periodic reports on those cases that have been submitted semi-annually, be incorporated into the record of this case by reference.

In support of this application, Farmers states:

1. Farmers is a nonprofit electric cooperative organized under KRS Chapter 278.010(3)(a) and is engaged in the business of distributing retail electric power to members in the Kentucky counties of Barren, Metcalfe, Hart, Green, Adair, Grayson, Larue, and Edmonson. As of June 30, 2014, Farmers serves 24,850 active services for members and has miles of 3,618.69 distribution lines in its eight county service territory. East Kentucky Power Cooperative, Inc. ("EKPC") is the wholesale power provider for FARMERS.¹
2. Farmers' post office address is 504 South Broadway, P.O. Box 1298, Glasgow, Kentucky 42142-1298.
3. The Articles of Incorporation and all amendments thereto for Farmers are filed in Case No. 2008-00030.

¹ EKPC assisted in the KERR Pilot by facilitating discussions and coordinating the circulation of draft documents in conjunction with the proposed program. However, as no changes are required to its tariffs as a result of the proposed program, EKPC is not an applicant in this proceeding.

4. There are no applicable statutes, regulation, or Commission Orders that require Farmers to publish or file notice of this application prior to, or contemporaneously with, the filing hereof. In particular, the provisions of 807 KAR 5:011 do not require publication of filing of notice.
5. MACED was founded in 1976 as a private, non-profit corporation organized to provide comprehensive community development to support Appalachian communities by enhancing employment and living conditions in the area. MACED's major programs consist of business development, sustainable forestry, energy efficiency, and public policy research and education. MACED is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code as a non-profit organization other than a private foundation. MACED serves Kentucky and Central Appalachia, with a focus on the 54 Appalachian counties of Kentucky as designated by the Appalachian Regional Commission.²

PROPOSED PROGRAM

6. The KER Rider will be a voluntary program available to qualifying residential members of Farmers. Members pay for energy-efficiency retrofits from the savings produced by the retrofits on the member's electric bill. Retrofit costs will be capped at 90 percent of the estimated savings so that members' bills will be smaller, on average, than they were before making the efficiency improvements. The retrofit program charge will appear as a separate line item on the bills of members participating in the program.
7. Farmers and/or its agent will (1) market and administer the program; (2) prequalify eligible locations; (3) perform energy audits to produce conservation plans; (4) certify and maintain a list of contractors, and arrange for a certified contractor to install retrofit measures; (5) act as the member's representative in verifying suitability of proposed retrofits, estimated savings, satisfactory installation of retrofit measures, and evaluating ongoing performance or need for repair of measures; (6) file Uniform Commercial Code ("UCC") disclosures with the country clerk for each location and provide copies to the member; and (7) disclose pre-

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

existing retrofit investment benefits and costs to new members. The Proposed Tariff is attached as Exhibit A.

8. The proposed KER Rider requires the development of a "Conservation Plan" for each retrofit option proposed for a member. The Conservation Plan is a detailed analysis of the expected savings and costs for each proposed option, with a full disclosure of the financing of the option. Copies of Conservation Plans developed during the Pilot Program (as described below) were submitted with each semi-annual report as required by the Commission.
9. Participating residential members will be able to select from among general groups of measures, including but not limited to: (1) insulation improvements; (2) air sealing; and (3) improvements in HVAC equipment.
10. The funding for the program administration, including data infrastructure, administration and implementation, will come from a combination of program revenues, existing funds, and proposals pending with private foundations and public funding sources. Farmers and MACED will review existing funding sources, including philanthropic grants, regularly and make adjustments to the revenue structure of the program as appropriate to ensure the long-term financial sustainability of the program. MACED has developed a schedule of services provided under the program to ensure the long term sustainability of the program. The fee for these services is negotiated with each cooperative depending on the level of service needed. That agreement is documented in a Kentucky Energy Retrofit Program Memorandum of Agreement, which is attached as Exhibit C.
11. The capital for the investments will continue to come from funding MACED has on hand from private foundations and the U.S. Department of Treasury Community Development Finance Institution ("CDFI") Fund, other federal sources, and MACED's net assets. MACED is a certified CDFI.
12. MACED will continue to support a common data infrastructure to pool program data and measurements of key variables to streamline program evaluation and highlight opportunities for design improvement. Key evaluation questions include (a) are energy retrofits cost effective for utility members; (b) are energy savings realized; and (c) how accurate are cost and energy savings estimates? Working with Farmers, MACED will continue to collect and analyze the data to answer these questions on an ongoing basis during the operation of the program. Based upon the

experience of cooperatives in the Pilot Program, it is estimated that Farmers' administrative costs will be negligible.

13. The KER Rider has been designed to reduce financial risks at all stages of development. Farmers will join the existing pooled Risk Mitigation Fund established for participating EKPC cooperatives whereby a portion of the project fee-- currently assessed as five percent of the capitalized cost of projects -- will be allocated to a shared fund in case of a total loss. FARMERS will notify the Commission if the balance of the fund falls below the amount designated in existing tariffs.

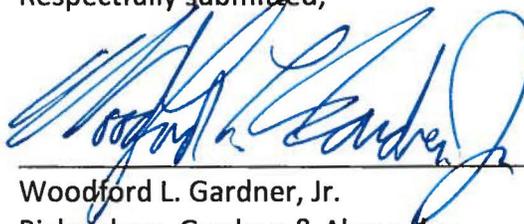
PILOT AND PERMANENT PROGRAMS BY OTHER KENTUCKY UTILITIES

14. Big Sandy Rural Electric Cooperative Corporation ("Big Sandy"), Fleming-Mason Energy Cooperative, Inc. ("Fleming-Mason"), Grayson Rural Electric Cooperative Corporation ("Grayson"), and Jackson Energy Cooperative Corporation ("Jackson") received permission from the Commission by order dated December 16, 2010 in Case No. 2010-00089 to establish a Pilot Program for the KER Rider ("Pilot Program"). Big Sandy, Fleming-Mason, and Grayson received permission from the Commission by order dated August 26, 2013 in Case No. 2012-00484 to implement a permanent KER Rider. Jackson subsequently filed an application for permission for a permanent KER Rider in Case No. 2013-00398. The Commission granted Jackson permission to enact the program under the proposed tariff by order dated April 7, 2014.
15. During the Pilot Project, MACED along with Big Sandy, Fleming-Mason, Grayson and Jackson completed 107 projects, and 192 Energy Assessments were completed. Only three locations became inactive, with two resulting from foreclosure and one temporarily inactive due to a natural disaster. A total of \$773,763.00 was invested in retrofits, with \$557,773.00 in capital deployed. The average monthly charge to members was \$38, with an average projected monthly savings of \$50 and an average annual savings of \$600. MACED has estimated that the projected annual kWh savings from projects completed during the Pilot Project is 530999 kWh, with a carbon dioxide offset of 366.39 metric tons. The projects created or saved 6 jobs. The average payback period for the completed projects was calculated to be 14.5 years. Big Sandy, Fleming-Mason, Grayson and Jackson have received no complaints from members, and required no additional staff and incurred no substantive administrative costs.

ATTACHMENTS

16. Attached to this application are the following documents associated with the KER Rider and the on-bill financing program:
- a. Exhibit A – Proposed KER Rider
 - b. Exhibit B – Prepared Testimony from Farmers and MACED
 - c. Exhibit C–Kentucky Energy Retrofit Program Memorandum of Agreement

Respectfully submitted,



Woodford L. Gardner, Jr.
Richardson, Gardner & Alexander
Attorney for Applicant
117 East Washington Street
Glasgow, Kentucky 42141
Phone: (270) 651-8884
Fax: (270) 651-3662
E-Mail: wlg@rgba-law.com

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the matter of:

APPLICATION OF FARMERS RURAL ELECTRIC COOPERATIVE)
CORPORATION FOR AN ORDER APPROVING KENTUCKY ENERGY)
RETROFIT RIDER PERMANENT TARIFF)

VERIFICATION

The undersigned, Bill Blair, being first duly sworn states that he is the How\$martKY Program Coordinator; and that he has personal knowledge of the matters set forth in the foregoing application; and that the statements contained therein are true and correct to the best of his knowledge, information, and belief.



Bill Blair
How\$martKY Program Coordinator

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF BARREN)

4th Subscribed and sworn to before me by Bill Blair, How\$martKY Program Coordinator, this day of AUG, 2014.



Notary Public
ID: 466934

My Commission Expires: 6/18/16

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the matter of:

APPLICATION OF FARMERS RURAL ELECTRIC COOPERATIVE)
CORPORATION FOR AN ORDER APPROVING KENTUCKY ENERGY)
RETROFIT RIDER PERMANENT TARIFF)

VERIFICATION

The undersigned, Jerry Carter, being first duly sworn states that he is the Vice President, Member & Corporate Services of Farmers Rural Electric Cooperative Corporation; and that he has personal knowledge of the matters set forth in the foregoing application; and that the statements contained therein are true and correct to the best of his knowledge, information, and belief.



Jerry Carter
Vice President, Member & Corporate Services
Farmers Rural Electric Cooperative Corporation

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF BARREN)

Subscribed and sworn to before me by Jerry Carter, Vice President, Member & Corporate Services of Farmers Rural Electric Cooperative Corporation this 4th day of August, 2014.



Notary Public
ID: 466934
My Commission Expires: 6/18/14

FOR ALL TERRITORY SERVED
Community, Town or City

P.S.C. KY. NO. 10

Original SHEET NO. 111.001

CANCELLING P.S.C. KY. NO.

 SHEET NO.

**FARMERS RURAL ELECTRIC
COOPERATIVE CORPORATION**

KENTUCKY ENERGY RETROFIT RIDER

APPLICABLE: In all territory served by the Cooperative.

AVAILABILITY:

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

Definitions:

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

Cooperative – The utility implementing the tariff.

Contractor – The individual or company installing a Retrofit.

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

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

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

Retrofit Project Charge- The monthly payment from the Member to the Cooperative covering the Retrofit service/amortization.

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

DATE OF ISSUE: 09-01-2014

DATE EFFECTIVE: 10-01-2014

ISSUED BY William J. Patton

TITLE: President & Chief Executive Officer

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

FOR ALL TERRITORY SERVED
Community, Town or City

P.S.C. KY. NO. 10

Original SHEET NO. 111.002

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

_____ SHEET NO. _____

**FARMERS RURAL ELECTRIC
COOPERATIVE CORPORATION**

RETROFIT INVESTMENT AND REPAYMENT TERMS:

1. No up-front investment is required by Members. The initial cost of approved efficiency measures will be paid by the Cooperative or its Agent.
2. The Retrofit repayment obligation shall be assigned to the premises and will survive changes in ownership and/or tenancy.
3. Retrofit program costs shall be recovered through a monthly line item Retrofit Project Charge on the utility bill.
4. The Retrofit Project Charge shall be part of the Cooperative's charges for basis utility service. Failure to make payment may result in disconnection in accordance with the Cooperative's approved Terms and Conditions.
5. The Retrofit Project Charge must be less than ninety (90) percent of the estimated average savings associated with the investment.
6. Cooperative or its Agent will be responsible for estimating resource savings and developing a Conservation Plan upon which the Retrofit Project Charge will be based.
7. Although the Cooperative and its Agent(s) expect that all Members will receive lower monthly utility bills, there is no guarantee of savings.
8. If a Retrofit measure is reported to be faulty, the Cooperative or its Agent will assess (verify the failure), suspend Retrofit Project Charges to the degree that savings are compromised, initiate and verify repairs, assign cost to responsible party and reinstitute Retrofit Project Charges.
9. When an account is closed, the outstanding balance of the Retrofit obligation remains with the meter/facility until the account is reopened, combined with another account/service or it meter/facility is transferred to a new Member, at which time Retrofit repayments will resume as part of service to that meter/facility until paid in full.

CONSERVATION PLAN:

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

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DATE EFFECTIVE: 10-01-2014

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

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FOR ALL TERRITORY SERVED
Community, Town or City

P.S.C. KY. NO. 10

Original SHEET NO. 111.003

CANCELLING P.S.C. KY. NO.

 SHEET NO.

**FARMERS RURAL ELECTRIC
COOPERATIVE CORPORATION**

- Plan Scope – The Conservation Plan will include a detailed description of each retrofit option proposed. The estimated and maximum amounts of financing the Cooperative/its Agent would pay/invest towards each retrofit would be identified. If energy savings are not completely justified on a cost basis, the Conservation Plan will include the amount the Member would pay or invest to ‘buy down’ the remaining project balance to what can be amortized by energy savings/on-bill repayment. There will also be a financial summary of the cumulative projected on-bill repayments including: amount of cumulative program fees repaid; amount of cumulative interest repaid; amount of cumulative principle repaid; and total amount to be repaid over the life of the investment.
- Estimated Resource Savings – The modeled change(s) in cost of resources consumed at the premises attributable to the efficiency measure(s) recommended. The Cooperative or its Agent will be solely responsible for savings estimates and will use generally accepted modeling software and techniques.
- Retrofit Project Charge – The charge to be included on the Member’s utility bill based on the cost of the proposed measure(s) and the resulting savings. The Cooperative will be solely responsible for calculating the Retrofit Project Charge utilizing its standard economic model of discounted cash flows. To the extent available, the Cooperative will incorporate grants and low-interest funds into calculation of Retrofit Project Charge for the benefit of Members who meet qualifying guidelines of such funding sources. In proposed projects as bid by contractors or vendors to offset Retrofit program costs. The annual interest rate used to calculate the Retrofit Project Charge shall be no more than the cost of the capital used by the capital provider to finance the project.
- Audit Fee – A Member or Landlord may be charged a \$200.00 Audit Fee for complete Conservation Plans. The Charge will be waived for program participants or when the Conservation Plan yields less than \$1,000.00 in improvements that can be paid for by the Cooperative through the program. The charge will be assessed no sooner than (90) days after the Conservation Plan has been provided to the Member.

DATE OF ISSUE: 09-01-2014

DATE EFFECTIVE: 10-01-2014

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

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FOR ALL TERRITORY SERVED
Community, Town or City

P.S.C. KY. NO. 10

Original SHEET NO. 111.004

CANCELLING P.S.C. KY. NO.

 SHEET NO.

**FARMERS RURAL ELECTRIC
COOPERATIVE CORPORATION**

- Number of payments – The number of periods for which Retrofit Project Charge will apply at the premises. In no case shall the duration of the Retrofit Project Charge exceed seventy-five (75) percent of the estimated life of the measure or fifteen (15) years, whichever is less.
- In the event that multiple measures are being completed as part of a Conservation Plan, the Project Charge will not appear on the Member’s bill until all measures have been completed.

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

“BUY DOWN” ALTERNATIVE:

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

NEW STRUCTURES:

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

DATE OF ISSUE: 09-01-2014

DATE EFFECTIVE: 10-01-2014

ISSUED BY William J. Patton

TITLE: President & Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of KY
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FOR ALL TERRITORY SERVED
Community, Town or City

P.S.C. KY. NO. 10

Original SHEET NO. 111.005

CANCELLING P.S.C. KY. NO.

 SHEET NO.

**FARMERS RURAL ELECTRIC
COOPERATIVE CORPORATION**

RESPONSIBILITIES:

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

The Cooperative/its Agent(s) will:

1. Market and administer the program;
2. Prequalify eligible locations;
3. Perform energy audits to produce Conservation Plans;
4. Certify and maintain a list of Contractors, and arrange for a certified Contractor to install retrofit measures.
5. Act as Member's representative in verifying suitability of proposed retrofits, estimated savings, satisfactory installation of retrofit measures, and evaluating ongoing performance or need for repair of measures.
6. File UCC disclosures with County Clerk for each location;
7. Disclose pre-existing retrofit investment benefits and costs to new Members.

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

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

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

DATE OF ISSUE: 09-01-2014

DATE EFFECTIVE: 10-01-2014

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

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

FOR ALL TERRITORY SERVED
Community, Town or City

P.S.C. KY. NO. 10

Original SHEET NO. 111.006

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

_____ SHEET NO. _____

**FARMERS RURAL ELECTRIC
COOPERATIVE CORPORATION**

The written agreements include:

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

TRANSITION IN ROLES:

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

DATE OF ISSUE: 09-01-2014

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ISSUED BY William J. Patton

TITLE: President & Chief Executive Officer

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FOR ALL TERRITORY SERVED
Community, Town or City

P.S.C. KY. NO. 10

Original SHEET NO. 111.007

CANCELLING P.S.C. KY. NO.

 SHEET NO.

**FARMERS RURAL ELECTRIC
COOPERATIVE CORPORATION**

FAILURE TO MAKE REPAYMENT:

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

OTHER:

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

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

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FOR ALL TERRITORY SERVED
Community, Town or City

P.S.C. KY. NO. 10

Original SHEET NO. 111.008

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

_____ SHEET NO. _____

**FARMERS RURAL ELECTRIC
COOPERATIVE CORPORATION**

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6. If a location is dormant for more than one year, or the underlying facility has been destroyed, any outstanding retrofit balance net of insurance reimbursement may be charged as loss in accordance with the Cooperative's approved Terms and Conditions.

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ISSUED BY

William J. Patton
TITLE: President & Chief Executive Officer

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in Case No. _____ Dated: _____

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the matter of:

APPLICATION OF FARMERS RURAL ELECTRIC COOPERATIVE)
CORPORATION FOR AN ORDER APPROVING KENTUCKY ENERGY)
RETROFIT RIDER PERMANENT TARIFF)

PREPARED TESTIMONY OF BILL BLAIR from MACED

Q1: Please state your name and business address.

A1: My name is Bill Blair and my business address is 433 Chestnut Street, Berea, Kentucky 40403.

Q2: What is your occupation?

A2: I am the How\$martKY program coordinator and the Data Manager for MACED.

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

A3: I have been working at MACED since June of 2010.

Q4: What is your education and work experience?

A4: I am a graduate of Eastern Kentucky University with a degree in computer electronics. I have worked in the information technology field for 23 years.

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

A5: As the How\$martKy program coordinator, I oversee MACED's energy assessment team and support each retrofit following the completion of the job to the customer and cooperative's satisfaction. Developed the application which tracks each retrofit and reports the results of the before and after retrofit utility usage. I also help with gathering these reports to share results of these savings on a regular basis to the Public Service Commission and other relevant stakeholders and funders. Responsible for supporting the finance team at MACED to setup and maintain each retrofit that has been completed and monitor the repayment.

Q6: How many energy/assessments and retrofits were completed across the pilot program, the total dollar amount financed, and the average amount financed for each retrofit?

A6: As of December 31, 2012, across all four partner energy cooperatives we completed 192 energy assessments and 108 retrofits were completed. The total amount financed was \$557,773 and our average job cost was \$7737 utilizing rebates from our cooperative partners and Kentucky Home Performance the average financed job cost was \$5577.

PREPARED TESTIMONY OF BILL BLAIR from MACED (continued)

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

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

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

A8: We have worked with each cooperative to design a check list for the cooperative's auditors to use when evaluating a potential house. This discretion is left to the cooperative, but generally speaking we all want to be sure that the home is physically going to be around in 10, fifteen, twenty years such that the energy efficiency improvements will be worthwhile. This is ultimately a decision that is made by each cooperative, however. In accordance with program guidelines the location must be current on the last 12 months of utility bills and that only 90% of the savings is used to determine the maximum amount that can be financed.

Q9: What trends did you see in administering the pilot?

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

Q10: Does this conclude your testimony in this case?

A10: Yes, it does.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the matter of:

APPLICATION OF FARMERS RURAL ELECTRIC COOPERATIVE)
CORPORATION FOR AN ORDER APPROVING KENTUCKY ENERGY)
RETROFIT RIDER PERMANENT TARIFF)

PREPARED TESTIMONY of JERRY CARTER from FARMERS

Q1: Please state your name and business address.

A1: My name is Jerry Carter and my business address is 504 South Broadway, P.O. Box 1298, Glasgow, Kentucky 42142-1298.

Q2: What is your occupation?

A2: I am the Vice President, Member & Corporate Services for Farmers.

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

A3: I have been working at Farmers since March 2001.

Q4: What is your education and work experience?

A4: I hold a Bachelor of Science degree and a Masters in Business Administration. I have been employed in the electric utility industry for thirty two years in various roles.

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

A5: I will be overseeing the implementation, and administration of the How\$martKY program for Farmers RECC.

Q6: What criteria will your Cooperative use to determine what retrofits can be financed?

A6: Generally speaking, we all want to be sure that the home is physically going to be around in ten, fifteen, twenty years such that the energy efficiency improvements will be worthwhile. In accordance with program guidelines and the tariff the location must be current on the last 12 months of utility bills and that only 90% of the savings is used to determine the maximum amount that can be financed. Farmers will also screen retrofits based on payment history and the stability of the structure and member.

PREPARED TESTIMONY of JERRY CARTER from FARMERS (continued)

Q7: How will your Cooperative market this program to its membership?

A7: Farmers RECC will use a multi-faceted marketing approach including advertisements in the KY Living magazine and other print outlets, local radio and television spots, bill stuffers, etc.

Q8: How does your Cooperative plan to explain repayment obligations to individual members, including the filing of UCC Financing Statements?

A8: The program is a financial obligation of the home owner similar to any other loan however it is transferable and does not impact the member's credit.

Q9: How does your Cooperative plan to determine which administrative and capital costs will be borne by the Cooperative and which costs will be borne by MACED?

A9: Both administrative and capital costs will be allocated based on the Kentucky Energy Retrofit Program Memorandum of Agreement attached to the Application.

Q10: Does this conclude your testimony in this case?

A10: Yes, it does.

Kentucky Energy Retrofit Program

Memorandum of Agreement

This Memorandum of Agreement (herein the "Agreement") is made this _____ day of _____, 20____ (herein the "Agreement Date"), by and between _____ located at _____ (herein the "Utility"), and **Mountain Association for Community Economic Development, Inc. (MACED)**, located at 433 Chestnut Street, Berea, KY40403 (herein "MACED", the "Data Management Contractor", the "Contractor", the "Capital Provider", and/or the "Agent"); each of the above being a "Party", and collectively the "Parties", to this Agreement.

Whereas the Parties seek to provide the Utility's customers with access to the Kentucky Energy Retrofit (a/k/a How\$martKY™ and herein "KER") Rider 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 the "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 The Data Management Contractor 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 The Data Management Contractor will provide energy assessment protocols, and "best practice" recommendations to the Utility. In addition, the Data Management Contractor will assist the Utility with any data requests from the Kentucky Public Service Commission (herein "KY PSC") or other regulatory body, and will provide technical assistance and troubleshooting where needed.

The Data Management Contractor will work with the Utility to create processes that encourage excellence and accuracy.

- 1.3 The Data Management Contractor will track and coordinate with the Utility to store and make data available to the Utility regarding utility usage, building characteristics, and financial information for each location.
- 1.4 The 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. The Data Management Contractor will identify locations which vary significantly from projected usage, and will track overall success in predicting energy usage. The Data Management Contractor will identify locations for follow-up by the Utility when usage varies greatly from the savings that were predicted.
- 1.5 The Data Management Contractor will track data and pursue analysis to identify consistent variation of technology, contractor, or energy assessor performance from predicted values. The Data Management Contractor will also work with the Utility to develop educational tools to encourage program customers to save more by properly operating their home or building. The 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 the Utility's service.

2. PROGRAM OPERATION RESPONSIBILITIES (UTILITY & MACED)

- 2.1 The Utility or its Agent will be responsible for approving contractors to install energy efficiency measures under this program. The 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. The Utility or its Agent will make this list available to the Utility's 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 the Utility or its Agent for a contractor's performance.
- 2.2 The Utility or its Agent will perform an energy assessment utilizing HowSmartKY™ program guidelines. At time of assessment, the 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 The 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 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, the 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 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, the 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. The 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 The 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 the Utility or its Agent, or state and federal law.

- 2.7 The Utility will be responsible for making monthly payments to the Capital Provider within thirty (30) days of the Utility's receipt of payments from the customer, or within sixty (60) days of receipt of disbursement from the Capital Provider, whichever is sooner.
- 2.8 In the event of any dispute between the Utility's customer and an approved contractor, where the Utility or its Agent is acting as the customer's representative, the Utility or its Agent will work on the customer's behalf to obtain a mutually satisfactory resolution. The Utility or its Agent will participate in any complaint resolution process described in its contracts with other parties, including binding arbitration.
- 2.9 The 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, the 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, the Utility or its Agent may increase the number of payments as required to recover all repair or replacement costs including the 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 the customer or building owner, if different from the customer, the Utility will terminate charges attributable to the failed measure under the tariff. Additionally, the 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 the "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 & ADMINISTRATION RESPONSIBILITIES (UTILITY)

- 3.1 The 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 KY PSC-approved collection procedures including disconnection when necessary.

- 3.2 The Utility will make monthly payments to the 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, the 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 The 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 The 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 The 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 The 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. The 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, the 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 The Utility will provide the 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 The Utility will provide the 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 The Capital Provider will provide funds according to the Note and Loan Agreement with the Utility, and will transfer such funds as requested by the 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 The Capital Provider may limit the number of retrofits or capital available to the Utility to conform to the limitations of funds.
- 4.3 The 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 the Utility informs the Capital Provider of an inactive location, the Capital Provider will adjust the monthly bill to reflect interest-only payments for that location. The 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 the Utility's choice, a second arbiter of MACED's choice, and a third arbiter to be chosen by the first two arbiters. 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 Note and Loan Agreement 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 The 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, the Utility or its Agent or the 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, the Utility remains responsible for repayment of all funds furnished by the Capital Provider, including interest, per the terms of this Agreement and the Note and Loan Agreement with the Capital Provider.

8. MISCELLANEOUS PROVISIONS

8.1 All Parties to this Agreement will provide the KY PSC with any requested records, work products, communications, or other relevant information to enable it to evaluate and ensure the integrity of the program for the 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 Kentucky State law.

8.6 This Agreement is contingent upon successful approval of the Utility by the KY PSC to carry out activities in accordance with the KER Rider.

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 the 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 the Utility and the customer.

10. ACCEPTANCE

Hereby accepted as of the Agreement Date.

FOR THE UTILITY: _____

Name: _____

Title: _____

FOR MACED: _____

Name: _____

Title: _____

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

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."
- 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.
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 SIP'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 SIP'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.

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

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

consistent with the goals of the How\$martKY™ 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 How\$martKY™ Memorandum of Agreement (MOA) that governs the relationship between the utilities and MACED.

The goals of the How\$martKY™ 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.*

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 _____

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

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.