

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE  
COMMISSION

In the Matter of:

THE JOINT APPLICATION OF BIG SANDY )  
RURAL ELECTRIC COOPERATIVE )  
CORPORATION, FLEMING-MASON )  
ENERGY COOPERATIVE, INC., GRAYSON )  
RURAL ELECTRIC COOPERATIVE )  
CORPORATION, AND JACKSON ENERGY )  
COOPERATIVE FOR AN ORDER )  
APPROVING AN ON-BILL FINANCING )  
PILOT PROGRAM TITLED THE "KY )  
ENERGY RETROFIT RIDER" )

CASE NO. 2010-00089

**INITIAL REQUESTS FOR INFORMATION**  
**OF THE ATTORNEY GENERAL**

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and submits this Request for Information to the Joint Applicants, to be answered by the date specified in the Commission's Order of Procedure, and in accord with the following:

(1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.

(2) Please identify the witness who will be prepared to answer questions concerning each request.

(3) These requests shall be deemed continuing so as to require further and supplemental responses if the Joint Applicants receive or generate additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.

(4) If any request appears confusing, please request clarification directly from the Office of Attorney General.

(5) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(6) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self evident to a person not familiar with the printout.

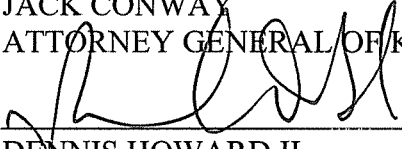
(7) If the Joint Applicants have objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

(8) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(9) In the event any document called for has been destroyed or transferred beyond the control of the Joint Applicants, please state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

Respectfully submitted,

JACK CONWAY  
ATTORNEY GENERAL OF KENTUCKY



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**CERTIFICATE OF SERVICE AND NOTICE OF FILING**

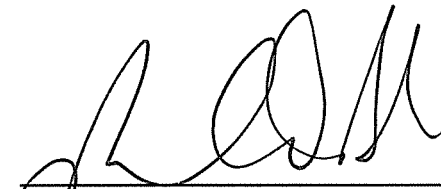
I hereby give notice that this the 23<sup>rd</sup> day of April, 2010, I have filed the original and ten copies of the foregoing with the Kentucky Public Service Commission at 211 Sower Boulevard, Frankfort, Kentucky, 40601 and certify that this same day I have served the parties by mailing a true copy of same, postage prepaid, to those listed below.

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**THE JOINT APPLICATION OF BIG SANDY RURAL ELECTRIC  
COOPERATIVE CORPORATION, FLEMING-MASON ENERGY  
COOPERATIVE, INC., GRAYSON RURAL ELECTRIC COOPERATIVE  
CORPORATION, AND JACKSON ENERGY COOPERATIVE FOR AN ORDER  
APPROVING AN ON-BILL FINANCING PILOT PROGRAM TITLED THE “KY  
ENERGY RETROFIT RIDER”**

**CASE NO. 2010-00089**

**Initial Requests For Information of the Attorney General**

1. Please refer to the application, page 5, paragraph 14. The application states that the Commission staff was of the opinion that the proposed tariff was not in contravention of Kentucky law. Please describe the scope of review sought by the joint applicants and with regard to the opinion of Commission staff, whether the scope of the requested review was limited to the legality of the proposed tariff under KRS 278 and/or KRS 279 and applicable regulations.
  - a. Please provide copies of any and all documents supporting this statement.
2. Please refer to the application, page 5, paragraph 15. Please provide a list of states that have approved and implemented an on-bill tariff.
  - a. Please provide copies of any and all documents relating to the above-referenced tariffs.
3. Please refer to the application, page 5, paragraph 15. Please refer to the statement “[i]n other states the tariffed retrofits have transformed high-bill complaints into the utilities’ most satisfied customers”. Please provide all statements, studies, etc. of which the joint applicants are aware which support this assertion by the joint applicants.
4. Please refer to the application, page 5, paragraph 15. Please refer to the statement “experience has shown there is a low risk of default, as default rates range from zero to less than 1%”. Please provide all statements, studies, etc. of which the joint applicants are aware which support this assertion by the joint applicants. Are the joint applicants aware of any program, studies, etc. which experienced higher default rates? If so, please provide information detailing those results.
5. Please refer to the application, page 6, paragraph 18. Please clarify whether there is no initial cost to the ratepayer as is stated in the application or whether there will be a “buy down” provision as stated in the proposed tariff.
6. Please refer to the application, page 6, paragraph 18. Please refer to the statement “[t]he retrofits will be paid for out of the savings these investments produce on the customer’s electric bill”. Also, refer to Exhibit A, “Sample Ky Energy Retrofit Rider,” page 1, line item 7. Please refer to the statement “[a]lthough the Company and its Agent(s) expect that all participating customers will receive lower monthly utility bills, there is no guarantee of savings”. Please clarify that if ratepayers have no net savings on their monthly bills after the installation of the retrofits, they are still responsible for the entire cost of the retrofits installed. Please explain in detail what recourse ratepayers will have should the savings estimated under the program not be achieved.

**THE JOINT APPLICATION OF BIG SANDY RURAL ELECTRIC  
COOPERATIVE CORPORATION, FLEMING-MASON ENERGY  
COOPERATIVE, INC., GRAYSON RURAL ELECTRIC COOPERATIVE  
CORPORATION, AND JACKSON ENERGY COOPERATIVE FOR AN ORDER  
APPROVING AN ON-BILL FINANCING PILOT PROGRAM TITLED THE “KY  
ENERGY RETROFIT RIDER”**

**CASE NO. 2010-00089**

**Initial Requests For Information of the Attorney General**

- a. Do the companies believe that as a matter of fair disclosure, prospective applicants should be made aware that no guarantees of savings are being made? If not, why not? If yes, please identify the manner in which the companies intend to inform prospective applicants that there are no guaranteed savings.
  - b. In the event no energy savings materialize, and in the further event a participant defaults on payments, describe which entity would be affected: the utility, MACED or any other entity? If the utility, will the costs be spread among the rate base?
7. Please refer to the application, page 6, paragraph 18. Please explain how the 90% retrofit cost cap was derived and on what basis.
  - a. As proposed, the program is to benefit high-bill ratepayers. Doesn't the proposed 90% retrofit cost cap "lock" them into those higher bills until the retrofits are paid for? If not, please explain detail why not.
  - b. Would a retrofit cost cap that is lower than the proposed 90% provide more savings to ratepayers on a monthly basis?
  - c. What is the accuracy of the program used to calculate the estimated savings?
  - d. Does the program to be used to calculate estimated savings provide purely theoretical savings (i.e. 100% efficiency of the retrofit measure) or does the program base savings on actual (expected or achievable) results?
  - e. If the program provides theoretical savings (100% efficiency of the retrofit measure), will the estimated savings be discounted prior to the recommendation or selection of measures to be installed by the ratepayer? If not, why not? If so, by how much?
8. Please refer to the application, page 7, paragraph 18. Please refer to the statement "[o]nce the retrofits are paid off in 15 years or less, customers' bills will drop dramatically". Please provide all statements, studies, etc. of which the joint applicants are aware which support this assertion by the joint applicants.
9. Please refer to the application, page 7, paragraph 18. Please indicate all retrofit measures that will be considered for installation under the proposed tariff along with the estimated average cost of the measure and the average service life of the measure.
10. Please refer to the application, page 7, paragraph 19. Please clarify whether retrofit measures requiring payback of more than 2 years will be installed during

**THE JOINT APPLICATION OF BIG SANDY RURAL ELECTRIC  
COOPERATIVE CORPORATION, FLEMING-MASON ENERGY  
COOPERATIVE, INC., GRAYSON RURAL ELECTRIC COOPERATIVE  
CORPORATION, AND JACKSON ENERGY COOPERATIVE FOR AN ORDER  
APPROVING AN ON-BILL FINANCING PILOT PROGRAM TITLED THE “KY  
ENERGY RETROFIT RIDER”**

**CASE NO. 2010-00089**

**Initial Requests For Information of the Attorney General**

the pilot period. If the program is not continued or approved beyond the 2 year pilot period, do the joint applicants intend to collect payments from program participants for up to 15 years?

11. Please refer to the application, page 7, paragraph 20. Please define the term “full disclosure” as used by the joint applicants.
12. Please refer to the application, page 8, paragraph 22. Please provide a breakdown of the program costs including the budget for administrative costs.
13. Please refer to the application, page 10, paragraph 25A regarding any delinquency in payments under the program. If a ratepayer receives financial assistance for utility bills under either a Federal, utility sponsored or community action agency program, how will such assistance be allocated in regard to their bill? Will a participant be responsible for payment concerning the retrofits prior to being reconnected after a disconnect? Please explain in detail.
14. Please refer to the application, page 10, paragraph 25B. In the event a meter is disconnected and payments cease, does interest continue to accrue against the loan? If so, doesn't this penalize future tenants or purchasers? Please explain your response.
15. Please refer to the application, page 10, paragraph 25C. Please refer to the statement “[f]or utility customers, initially utility bills should go down unless they change their behavior”. Is a change in behavior the only reason a participants' utility bill isn't reduced? Please provide all documentation to support this assertion.
16. Please refer to the application, page 10, paragraph 25C. Please refer to the statement “[f]inally, by reducing peak demand, all customers will see their utility bills decrease...”. Is it the assertion of the joint applicants that a general, across the board, rate reduction will be the result of this program? Please provide all documentation to support this assertion.
17. Please refer to the application, Exhibit A, Sample Ky Energy Efficiency Rider, page 2. Please provide the basis for the \$200.00 audit fee including all charges that make up the fee, an explanation of what services are provided in the charge and which contractor provides this service. Is the contractor that performs the audit and recommends retrofit measures the same as the one who sells and installs such measures? Please explain in detail.

**THE JOINT APPLICATION OF BIG SANDY RURAL ELECTRIC  
COOPERATIVE CORPORATION, FLEMING-MASON ENERGY  
COOPERATIVE, INC., GRAYSON RURAL ELECTRIC COOPERATIVE  
CORPORATION, AND JACKSON ENERGY COOPERATIVE FOR AN ORDER  
APPROVING AN ON-BILL FINANCING PILOT PROGRAM TITLED THE “KY  
ENERGY RETROFIT RIDER”**

**CASE NO. 2010-00089**

**Initial Requests For Information of the Attorney General**

18. Please refer to the application, Exhibit A, Sample Ky Energy Efficiency Rider, page 3. In numerous instances, the tariff refers the “Company or its Agent” and then on page 3 of the tariff, the statement “[t]he Company will not be liable for any decisions or actions taken by its Agent...”. Please clarify the legal relationship between the company and any agents or contractors as referenced in the tariff and envisioned by the joint applicants.
19. Please refer to the application, Exhibit A, Sample Ky Energy Efficiency Rider, page 4, Item 2. Please explain the basis for the capital provider owning the retrofit measures for tax or carbon credit purposes until retrofits are fully paid off. Does the capital provider intend to sell the carbon credits? Does the capital provider intend to claim the tax credits on its income taxes? Do the joint applicants intend to recover for lost sales under the program? Do the joint applicants intend to recover any incentive under the program? Please explain in detail.
20. Please refer to the application, Exhibit B, Sample Energy Retrofit Purchase Agreement, page 2, Item 4.4. If the retrofit measure stops working, the Company/Agent may suspend charges to the ratepayer while repairs are being made to the degree that savings are compromised. Will interest charges continue to accrue during this suspension period? If so, why? Please explain in detail.
21. Please refer to the application, Exhibit B, Sample Energy Retrofit Purchase Agreement, page 2, Item 4.4. If repairs are made out of warranty or that are not the result of defects in workmanship, those charges are the responsibility of the ratepayer. Are ratepayers limited to the installing contractor with regard to service or repair of the equipment after the warranty period has expired? If so, why? Please explain in detail.
22. Please refer to the application, Exhibit B, Sample Energy Retrofit Purchase Agreement, page 2, Item 4.4. If the ratepayer is required to pay for repairs to the retrofit measure, the Company/Agent proposes to increase the remaining retrofit payments to cover the costs of the repairs. Is there any point at which repairs will not be covered or allowed due to further repairs being uneconomical? If not, why? Please explain in detail.
23. Please refer to the application, Exhibit B, Sample Energy Retrofit Purchase Agreement, page 2, Item 4.4. If the ratepayer is required to pay for repairs to the retrofit measure, the Company/Agent proposes to increase the remaining retrofit payments to cover the costs of the repairs, including administration fees. Please

**THE JOINT APPLICATION OF BIG SANDY RURAL ELECTRIC  
COOPERATIVE CORPORATION, FLEMING-MASON ENERGY  
COOPERATIVE, INC., GRAYSON RURAL ELECTRIC COOPERATIVE  
CORPORATION, AND JACKSON ENERGY COOPERATIVE FOR AN ORDER  
APPROVING AN ON-BILL FINANCING PILOT PROGRAM TITLED THE “KY  
ENERGY RETROFIT RIDER”**

**CASE NO. 2010-00089**

**Initial Requests For Information of the Attorney General**

provide the reasoning for including administration charges and the estimated cost of those charges. Please explain in detail.

24. Please refer to the application, Exhibit B, Sample Energy Retrofit Purchase Agreement, page 2, Item 4.9. Please refer to the statement “[c]ustomer understands that this Agreement does not constitute a loan nor create any obligations under Kentucky Law pertaining to consumer credit or mortgage financing.” Please explain in detail why the joint applicants believe this agreement would be exempt from Kentucky and Federal law concerning consumer credit and/or mortgage financing. Please provide any documentation which supports this assertion.
25. Please refer to the application, Exhibit B, Sample Energy Retrofit Purchase Agreement, page 4, Item 8.5. Please reconcile the statement contained in Item 8.5 with the statement contained in Exhibit A, Sample Ky Energy Efficiency Rider, page 3 where it states that “[t]he Company will not be liable for any decisions or actions taken by its Agent...”. Please explain in detail.
26. Please refer to the application, Exhibit B, Sample Energy Retrofit Purchase Agreement, page 4, Item 8.8.
  - a. Please explain whether this statement is intended to limit the rights of program participants to arbitration and whether such arbitration will be voluntary or binding upon the parties.
  - b. In light of the last sentence, that arbitration costs shall be allocated among the parties, please also explain why the Company is the party that is allowed to choose the arbitrator should such a need arise and why such choosing an arbitrator is not the decision of all parties.
  - c. Please explain what is meant by the term “satisfactory resolution”. Does this refer to a resolution that is satisfactory to all the parties, just the Company, or just the ratepayer? Please explain in detail.
27. Please refer to the application, Exhibit B, Sample Energy Retrofit Purchase Agreement, page 5, Item 8.10. As the Agreement in Item 4.9 claims to create no obligations under Kentucky law, please reconcile the statement in 8.10 with that found in 4.9. Which statement shall be controlling? Please explain in detail.
28. Please refer to the application, Exhibit C, Sample Participating Contractor Master Agreement, page 1, Item 2.3. Please explain in detail the process used to determine the monthly retrofit project charge, including all costs and charges.



**THE JOINT APPLICATION OF BIG SANDY RURAL ELECTRIC  
COOPERATIVE CORPORATION, FLEMING-MASON ENERGY  
COOPERATIVE, INC., GRAYSON RURAL ELECTRIC COOPERATIVE  
CORPORATION, AND JACKSON ENERGY COOPERATIVE FOR AN ORDER  
APPROVING AN ON-BILL FINANCING PILOT PROGRAM TITLED THE “KY  
ENERGY RETROFIT RIDER”**

**CASE NO. 2010-00089**

**Initial Requests For Information of the Attorney General**

29. Please refer to the application, Exhibit C, Sample Participating Contractor Master Agreement, page 1, Item 2.3. Please refer to the statement “[s]avings must be greater than the monthly Retrofit Project Charge calculated by Company/its Agent”. If the contractor that sells and installs the retrofit measure is different than the contractor that performs the audit and recommends the retrofit measures, who has responsibility to ensure that the savings are greater than the monthly Retrofit Project Charge? Please explain in detail.
30. Please refer to the application, Exhibit C, Sample Participating Contractor Master Agreement, page 2, Item 2.15.
- a. Please explain whether this statement is intended to limit the rights of program participants to arbitration and whether such arbitration will be voluntary or binding upon the parties.
  - b. In light of the last sentence, that arbitration costs shall be allocated among the parties, please also explain why the Company is the party that is allowed to choose the arbitrator should such a need arise and why such choosing an arbitrator is not the decision of all parties.
  - c. Please explain what is meant by the term “satisfactory resolution”. Does this refer to a resolution that is satisfactory to all the parties, just the Company, or just the contractor? Please explain in detail.
31. Please refer to the application, Exhibit C, Sample Participating Contractor Master Agreement, page 3, Item 6.2. Please refer to the statement “[i]n the event of termination, Contractor will be paid for any work completed to the satisfaction of Customer, less the cost of Company’s estimate of the additional cost that might be incurred in completing work in progress and started under this Agreement.”
- a. Please define who is the “Customer” under this paragraph.
  - b. The statement says that contractor will be paid for work completed less any additional cost to complete the project, does this paragraph mean that a contractor will be liable for the entire cost of project completion should they be terminated? Please explain in detail.
32. Please refer to the application, Exhibit C, Sample Participating Contractor Master Agreement, page 4, Item 7.1. Please describe in detail the procedure that will be followed should changes in the work be required due to code or safety requirements, hidden conditions, etc., that render the measure uneconomical. In your answer, please state whether the Company will continue to fund the project, whether the customer will be required to pay funds to continue the project,

**THE JOINT APPLICATION OF BIG SANDY RURAL ELECTRIC  
COOPERATIVE CORPORATION, FLEMING-MASON ENERGY  
COOPERATIVE, INC., GRAYSON RURAL ELECTRIC COOPERATIVE  
CORPORATION, AND JACKSON ENERGY COOPERATIVE FOR AN ORDER  
APPROVING AN ON-BILL FINANCING PILOT PROGRAM TITLED THE “KY  
ENERGY RETROFIT RIDER”**

**CASE NO. 2010-00089**

**Initial Requests For Information of the Attorney General**

whether the project will be abandoned partially completed or whether the project will no longer qualify for the low cost financing under the program.

33. Please refer to the application, Exhibit C, Sample Participating Contractor Master Agreement, page 4, Item 7.2.
  - a. Please explain whether this statement is intended to limit the rights of program participants to arbitration and whether such arbitration will be voluntary or binding upon the parties.
  - b. In light of the last sentence, that arbitration costs shall be allocated among the parties, please also explain why the Company is the party that is allowed to choose the arbitrator should such a need arise and why such choosing an arbitrator is not the decision of all parties.
  - c. Please explain what is meant by the term “satisfactory resolution”. Does this refer to a resolution that is satisfactory to all the parties, just the Company, or just the contractor? Please explain in detail.
34. Please refer to the application, Exhibit C, Sample Participating Contractor Master Agreement, page 4, Item 7.2. Please reconcile the statement contained in Item 8.1 with the statement contained in Exhibit A, Sample Ky Energy Efficiency Rider, page 3 where it states that “[t]he Company will not be liable for any decisions or actions taken by its Agent...”. Please explain in detail.
35. Please refer to the application, Exhibit D, Sample Transfer Customer Retrofit Disclosure Form, Page 1. This form contains the statement “[t]he savings are estimated to be significantly greater than the charges”. As the monthly utility payments under the program are calculated to be approximately 90% of the monthly utility bill prior to the installation of the retrofit measures, please state whether the joint applicants believe that the referenced statement is accurate. Please explain in detail.
36. Please refer to the application, Exhibit D, Sample Transfer Customer Retrofit Disclosure Form, Page 1. As the tariff states that savings are not guaranteed, it is possible that the savings will not be greater than the utility bill prior to the installation of the retrofit measures. If the savings do not materialize, how will the disclosure for that situation be treated under the tariff? Please explain in detail.
37. Please refer to the application, Exhibit E, Sample Automated Utility Generated New Retrofit Customer Transfer Form, Page 1. This form contains the statement

**THE JOINT APPLICATION OF BIG SANDY RURAL ELECTRIC  
COOPERATIVE CORPORATION, FLEMING-MASON ENERGY  
COOPERATIVE, INC., GRAYSON RURAL ELECTRIC COOPERATIVE  
CORPORATION, AND JACKSON ENERGY COOPERATIVE FOR AN ORDER  
APPROVING AN ON-BILL FINANCING PILOT PROGRAM TITLED THE “KY  
ENERGY RETROFIT RIDER”**

**CASE NO. 2010-00089**

**Initial Requests For Information of the Attorney General**

“[t]he savings are estimated to be greater than the charges”. As the monthly utility payments under the program are calculated to be approximately 90% of the monthly utility bill prior to the installation of the retrofit measures, please state whether the joint applicants believe that the referenced statement is accurate. Please explain in detail.

38. Please refer to the application, Exhibit E, Sample Automated Utility Generated New Retrofit Customer Transfer Form, Page 1. As the tariff states that savings are not guaranteed, it is possible that the savings will not be greater than the utility bill prior to the installation of the retrofit measures. If the savings do not materialize, how will the disclosure for that situation be treated under the tariff? Please explain in detail.
39. Please state whether there is the possibility that a default by a participating customer could cause the Company to incur costs which would then be borne by the rest of the ratepayers.