



Steven L. Beshear
Governor

Leonard K. Peters
Secretary
Energy and Environment Cabinet

Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

David L. Armstrong
Chairman

James W. Gardner
Vice Chairman

Charles R. Borders
Commissioner

June 3, 2011

PARTIES OF RECORD

RE: Nolin Rural Electric Cooperative Corporation
Case No. 2011-00141 Informal Conference

Attached is a copy of the memorandum which is being filed in the record of the above-referenced case. If you have any comments you would like to make regarding the contents of the informal conference memorandum, please do so within five days of receipt of this letter. If you have any questions, please contact Rick Bertelson, Staff Attorney, at 502-564-3940, Extension 260.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Derouen".

Jeff Derouen
Executive Director

RB/kar
Attachments
cc: Parties of Record

INTRA-AGENCY MEMORANDUM

KENTUCKY PUBLIC SERVICE COMMISSION

TO: File: Case No. 2011-00141

FROM: Rick Bertelson, Staff Attorney

DATE: June 3, 2011

RE: Application of Nolin Rural Electric Cooperative Corporation for Approval of a Prepay Metering Pilot Program Tariff.

Pursuant to the May 31, 2011 Commission Staff notice in this matter, a telephonic informal conference ("IC") was held with Nolin Rural Electric Cooperative Corporation ("Nolin") on May 31, 2011. A list of the attendees is attached hereto as Appendix A. The purpose of the IC was to discuss Nolin's application for approval of a prepay metering pilot program ("prepay pilot program").

Due to the pending deadline (requested by Nolin) of June 15, 2011 for a final order in this matter, Staff sent Nolin's attorney a list of additional questions prior to the IC, on Thursday, May 26, 2011, in order to facilitate the discussions. The following are the four questions and the discussion between Staff and Nolin at the IC.

Question 1:

Refer to the response to Item 4 of Commission Staff's Initial Information Request ("Staff's First Request"), Exhibit D, page 49 of 50, which contains a table depicting a budget, broken down between Federal Grant/DEDI and Recipient Cost Share of Nolin's Smart Grid. This table was prepared by DEDI. Provide an updated table showing the program costs with the same break down between Federal Grant/DEDI and Recipient Cost Share using the most recent information available. For example, in-home displays are not proposed to be used in Nolin's program but they are included in the budget in Exhibit D, page 49 of 50. Include with the response a detailed explanation of how the program costs were derived, including an explanation of personnel and fringe benefits.

Discussion:

Nolin's representative, Greg Harrington, stated that he had spoken to Lona Brewer at the Department for Energy Development and Independence (DEDI). Nolin said that Ms. Brewer had agreed to provide a corrected budget table. DEDI also sent Nolin its "PMC123" spreadsheet form, which shows the costs that DEDI will allow to be

charged to the grant. During the IC, Mr. Harrington forwarded the PMC123 spreadsheet to Commission Staff. A copy of the spreadsheet is attached hereto as Appendix B.

Regarding the updated estimated costs of the prepay pilot program, Nolin stated that it does not yet know what the total costs of the program are going to be at this point. Although, Nolin stated, as the grant is a matching grant, it will be reimbursed for the costs it incurs up to the total of the DEDI grant amount, which Nolin stated is \$100,000, as opposed to the \$85,000 amount reflected in the budget table. Nolin indicated that if DEDI's July 1st deadline is met and the funds are provided that it will have to file a revised budget to DEDI. At that time Nolin would update the costs of the program, but they did not have the time to do it per the Commission's request.

As part of the discussion regarding costs, Mr. Harrington did state that the software provider, NISC, will charge a monthly call capture fee and other fees in the amount of \$607 per meter and that supports at least a \$.07 per day charge.

With regard to the in-home displays which were originally contemplated for use with the prepay pilot program, Nolin stated that the in-home displays that would go with its Landis+Gyr system would cost \$140, as opposed to the \$40 that was originally calculated by the consultant. Mr. Harrington indicated that the revised \$140 cost, along with the inadequacy of the information it could display to the user, contributed to Nolin's decision not to use the in-home displays

Following the IC, Mr. Harrington emailed Ms. Brewer and asked her to provide a copy of the updated budget table, with a copy to Commission Staff. On June 2, 2011, Ms. Brewer emailed Mr. Harrington the updated budget table. In her email, Ms. Brewer states that, "[t]he \$85,000 federal grant amount and \$110,840 from Nolin remain the same – as does the \$195,840 total project cost." A copy of the email and the budget table are attached hereto as Appendix C.

Question 2:

Nolin has stated that it is to receive a \$100,000 grant from DEDI.

a. Identify the specific costs that will be covered by the grant monies.

b. If any of the costs specified in response to 2.a. above were used in the calculation of the daily charge of \$.17, provide an updated calculation of the daily charge excluding those costs.

Discussion:

Nolin stated that it did not know which costs of the prepay pilot program would be paid by grant money and which would be borne by Nolin. It also stated that it used Jackson Energy Cooperative's prepay program monthly fee of \$5 and the calculation of

the support for the charge as a guideline for the beginning point for its 17 cents per day charge for its prepay pilot program.

Question 3:

Refer to the response to Item 6 of Staff's First Request, Exhibit G, page 2, section 13, which is a copy of Nolin's Participant Agreement for its proposed prepay metering program. Explain the meaning of the phrase, "[h]owever the prepay account will not be disconnected for the amount covered by the voucher."

Discussion:

Nolin agreed that the sentence could be re-worded to state: "However, the prepay account will not be disconnected if the amount of the voucher is sufficient to pay for the entire amount of any arrearage owed by the customer."

Question 4:

Refer to Exhibit F, page 1 of Nolin's response to the May 16, 2011 Informal Conference. Provide an explanation of why Nolin must pay a one-time software fee of \$12,500 for 33,840 active accounts when the prepaid program will be limited to 300 participants.

Discussion:

Nolin stated that Randy Schroeder, who is the manager of prepaid accounts for NISC, said that NISC has to do the same amount of labor for any amount of accounts. So, Mr. Schroeder said that, NISC made a policy change, to require the entire \$12,500 instead of a charge based on the number of accounts.

There being no further questions, the telephonic informal conference was adjourned.

Attachments

cc: Parties of Record

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2011-00141 DATED **JUN 03 2011**

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF NOLIN RURAL ELECTRIC)
COOPERATIVE CORPORATION FOR) CASE NO.
APPROVAL OF A PREPAY METERING PILOT) 2011-00141
PROGRAM TARIFF)

May 31, 2011

Please sign in:

NAME

REPRESENTING

<u>Rick Bertelson</u>	<u>PSC - Legal</u>
<u>Vicky Townes</u>	<u>PSC - FA</u>
<u>Chris Whelan</u>	<u>PSC - FA</u>
<u>Fereydoon Gowjan</u>	<u>PSC - Engineering</u>
<u>Ginny Smith</u>	<u>PSC - Consumer Services</u>
<u>Greg Harrington</u>	<u>Nolin - by telephone</u>
<u>Mickey Miller</u>	<u>Nolin - by telephone</u> <u>(270) 765-6153</u>
<u> </u>	<u> </u>

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2011-00141 DATED **JUN 03 2011**

Instructions and Summary

Agency Name: Nolin RECC

Form submitted by/phone #: Greg Harrington, 270-765-6153

Program Activity Name: Smart Grid Initiative

Date of Submission: 5/27/2010

Please read the instructions on each page before starting.
If you have any questions, please ask Amanda Cook (amanda.cook@ky.gov). It will save you time!

On this form, provide detailed support for the estimated project costs.

- The total budget presented on this form must include both Federal (DOE), and Non-Federal (cost share) portions, thereby reflecting TOTAL PROJECT COSTS proposed.
- For costs in each Object Class Category below, complete the corresponding worksheet on this form (tab at the bottom of the page).
- All costs incurred by the preparer's sub-recipients, vendors, contractors and consultants, should be entered only in section f. Contractual. All other sections are for the costs of the preparer only.

SUMMARY OF BUDGET CATEGORY COSTS PROPOSED

(Note: The values in this summary table are from entries made in each budget category sheet.)

CATEGORY	Budget Period 1 Costs	Budget Period 2 Costs	Budget Period 3 Costs	Total Costs	Project Costs %	Comments (Add comments as needed)
a. Personnel	\$0	\$0	\$0	\$0	0.0%	
b. Fringe Benefits	\$0	\$0	\$0	\$0	0.0%	
c. Travel	\$0	\$0	\$0	\$0	0.0%	
d. Equipment	\$0	\$10,000	\$0	\$10,000	5.1%	
e. Supplies	\$0	\$0	\$0	\$0	0.0%	
f. Contractual						
Sub-recipient	\$0	\$0	\$0	\$0	0.0%	
Vendor	\$0	\$11,500	\$11,500	\$23,000	11.7%	
Total Contractual	\$0	\$11,500	\$11,500	\$23,000	11.7%	
g. Construction	\$0	\$0	\$0	\$0	0.0%	
h. Other Direct Costs	\$0	\$26,000	\$26,000	\$52,000	26.6%	
i. Indirect Charges	\$0	\$0	\$0	\$0	0.0%	
Federal Project Costs	\$0	\$47,500	\$37,500	\$85,000	43.4%	
j. Cost Share	\$0	\$55,420	\$55,420	\$110,840	56.6%	
Total Project Costs	\$0	\$102,920	\$92,920	\$195,840	43.4%	

Additional Explanations/Comments (as necessary)

This project will provide funding for the purchase and installation of commercially available energy efficiency or renewable energy equipment and materials, including reasonable design costs, for the retrofit of a state government building to deliver a state-of-the-art Advance Battery Strategic Planning (ABSP) facility. The ABSP facility will demonstrate energy efficiency and renewable energy techniques and technologies that will drive the facility energy usage toward net zero by incorporating, but not limited to, advanced applications of solar, geothermal heating and cooling, building envelope design and window construction. The ABSP facility will serve as a commercial building model with respect to energy efficiency and renewable energy for Kentucky, as well as, the nation. The retrofit of the building will be in partnership with the Kentucky Finance and Administration Cabinet (FAC). FAC will produce a case study highlighting the measures used and the benefits that they yield.

a. Personnel

PLEASE READ!!!

List costs solely for employees of the entity completing this form (award recipient or sub-recipient). All other personnel costs (of subrecipients or other contractual efforts of the entity preparing this) must be included under f., Contractual. This includes all consultants.

Identify positions to be supported. Key personnel should be identified by title. All other personnel should be identified either by title or a group category. State the amounts of time (e.g., hours or % of time) to be expended, the composite base pay rate, total direct personnel compensation and identify the rate basis (e.g., actual salary, labor distribution report, technical estimate, state civil service rates, etc.).

Add rows as needed. Formulas/calculations will need to be entered by the preparer of this form. Please enter formulas as shown in the example.

Position Title	Budget Period 1			Budget Period 2			Budget Period 3			Project Total Dollars	Rate Basis
	% of Time	Salary (\$/Yr)	Total Budget Period 1	% of Time	Salary (\$/Yr)	Total Budget Period 2	% of Time	Salary (\$/Yr)	Total Budget Period 3		
EXAMPLE ONLY!!! Sr. Engineer	55%	\$76,500	\$42,100	40%	\$76,500	\$30,600	60%	\$76,500	\$45,900	\$118,600	Actual Salary
EXAMPLE ONLY!!! Electrical engineers	35%	\$55,500	\$19,400	40%	\$55,500	\$22,200	30%	\$55,500	\$16,700	\$58,300	Actual Salary
EXAMPLE ONLY!!! Technician	40%	\$35,600	\$14,200	25%	\$35,600	\$8,900	40%	\$35,600	\$14,200	\$37,300	Actual Salary
			\$0			\$0			\$0	\$0	
			\$0			\$0			\$0	\$0	
			\$0			\$0			\$0	\$0	
			\$0			\$0			\$0	\$0	
			\$0			\$0			\$0	\$0	
			\$0			\$0			\$0	\$0	
			\$0			\$0			\$0	\$0	
			\$0			\$0			\$0	\$0	
			\$0			\$0			\$0	\$0	
			\$0			\$0			\$0	\$0	
			\$0			\$0			\$0	\$0	
			\$0			\$0			\$0	\$0	
			\$0			\$0			\$0	\$0	
Total Personnel Costs			\$0			\$0			\$0	\$0	

Additional Explanations/Comments (as necessary)

b. Fringe Benefits

	Budget Period 1	Budget Period 2	Budget Period 3	Total
Rate applied:				
Total fringe requested:				\$0

A federally approved fringe benefit rate agreement, or a proposed rate supported and agreed upon by the Ky Department for Energy Development and Independence for estimating purposes is required if reimbursement for fringe benefits is requested. Please check (X) one of the options below and provide the requested information.

A fringe benefit rate has been negotiated with, or approved by, a federal government agency.

There is not a current, federally approved rate agreement negotiated and available.
(When this option is checked, the entity preparing this form shall submit a rate proposal in the additional explanation/comments section below.)

Additional explanation/comments (as necessary)

d. Equipment

PLEASE READ!!!

Equipment is defined as an item with an acquisition cost greater than \$1,000 and a useful life expectancy of more than one year.

List all proposed equipment below, providing a basis of cost such as vendor quotes, catalog prices, prior invoices, etc., and briefly justifying its need as it applies to the project.

Add rows as needed. If rows are added, formulas/calculations may need to be adjusted by the preparer.

Equipment Item	Qty	Unit Cost	Total Cost	Basis of Cost	Justification of need
Budget Period 1					
EXAMPLE ONLY!!! Thermal shock chamber	2	\$20,000	\$40,000	Vendor Quote	Reliability testing of PV modules- Task 4.3
			\$0		
			\$0		
			\$0		
			\$0		
			\$0		
Budget Period 1 Total			\$0		
Budget Period 2					
NISC/Pre-pay Software	1	\$10,000	\$10,000	Vendor Quote	communicating and capturing meter data from pre-pay meters
			\$0		
			\$0		
			\$0		
			\$0		
Budget Period 2 Total			\$10,000		
Budget Period 3					
			\$0		
			\$0		
			\$0		
			\$0		
			\$0		
			\$0		
			\$0		
Budget Period 3 Total			\$0		
PROJECT TOTAL			\$10,000		

Additional Explanations/Comments (as necessary)

Sub-Recipient Name/Organization	Purpose/Tasks	Budget Period 1 Costs	Budget Period 2 Costs	Budget Period 3 Costs	Project Total
Vendor Name/Organization	Product or Service, Purpose/Need and Basis of Cost (Provide additional support at bottom of page as needed)	Budget Period 1 Costs	Budget Period 2 Costs	Budget Period 3 Costs	Project Total
EXAMPLE ONLY!!! ABC Corp.	Contract with consultant for delivery of 5 one-day workshops for Energy Efficiency annually.	\$7,500	\$7,500	\$7,500	\$22,500
Roger Wilson/Wilson Consulting	Consultant for filing monthly, quarterly and/or annual requirements.		\$7,500	\$7,500	\$15,000
Patterson and Dewar Engineers, Inc.	Consultant for initial proposal		\$4,000	\$4,000	\$8,000
					\$0
		\$0	\$11,500	\$11,500	\$23,000

Total Contractual		\$0	\$11,500	\$11,500	\$23,000
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Additional Explanations/Comments (as necessary)

g. Construction

PLEASE READ!!!

Construction, for the purpose of budgeting, is defined as all types of work done on a particular building, including erecting, altering, or remodeling. Construction conducted by the award recipient is entered on this page. Any construction work that is performed by a vendor or subrecipient to the award recipient should be entered under f. Contractual.

List all proposed construction below, providing a basis of cost such as engineering estimates, prior construction, etc., and briefly justify its need as it applies to the Statement of Project Objectives.

Add rows as needed. If rows are added, formulas/calculations may need to be adjusted by the preparer.

Overall description of construction activities:

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General Description	Cost	Basis of Cost	Justification of need
Budget Period 1			
Three days of excavation for platform site EXAMPLE ONLY!!!	\$28,000	Engineering estimate	Site must be prepared for construction of platform.
Budget Period 1 Total	\$0		
Budget Period 2			

General Description	Cost	Basis of Cost	Justification of need
Budget Period 2 Total	\$0		
Budget Period 3			
Budget Period 3 Total	\$0		
PROJECT TOTAL	\$0		

Additional Explanations/Comments (as necessary)

h. Other Direct Costs

PLEASE READ!!!

Other direct costs are direct cost items required for the project which do not fit clearly into other categories, and are not included in the indirect pool for which the indirect rate is being applied to this project. Examples are meeting costs, postage, couriers or express mail, telephone/fax costs, printing costs, etc.

Basis of cost are items such as vendor quotes, prior purchases of similar or like items, published price list, etc.

Add rows as needed. If rows are added, formulas/calculations may need to be adjusted by the preparer.

General description	Cost	Basis of Cost	Justification of need
Budget Period 1			
EXAMPLE ONLY!!! Grad student tuition	\$16,000	Established UCD costs	Support of graduate students working on project
Budget Period 1 Total	\$0		
Budget Period 2			
Pre-Pay Meter (74 @ \$300)	\$22,200	Vendor quote for meter	Meters for readings
In-Home Display (95 @ \$40)	\$3,800	Vendor quote for meter	Displays for the Member to check readings
Budget Period 2 Total	\$26,000		
Budget Period 3			
Pre-Pay Meter (74 @ \$300)	\$22,200	Vendor quote for meter	Meters for readings
In-Home Display (95 @ \$40)	\$3,800	Vendor quote for meter	Displays for the Member to check readings
Budget Period 3 Total	\$26,000		
PROJECT TOTAL	\$52,000		

Additional Explanations/Comments (as necessary)

i. Indirect Costs

	Budget Period 1	Budget Period 2	Budget Period 3	Total
Rate applied:	0.0%	0.0%	0.0%	
Total indirect costs requested:				\$0

A federally approved indirect rate agreement, or rate proposed supported and agreed upon by the Ky Department for Energy Development and Independence for estimating purposes is required if reimbursement of indirect costs is requested. Please check (X) one of the options below and provide the requested information if it has not already been provided as requested, or has changed. The Ky Department for Energy Development and Independence may require the use of a rate lower than a federally approved rate.

There is a federally approved indirect rate agreement. A copy will be retained in the award recipient's files and will be provided electronically to the Ky Department for Energy Development and Independence upon request.
(When this option is selected, a presentation of the budget that demonstrates the application of the approved rate, to arrive at the proposed indirect charges proposed should also be provided.)

There is no current, federally-approved indirect rate agreement.
(When this option is checked, an indirect cost rate agreement may be negotiated with the Ky Department for Energy Development and Independence.)

Additional Explanations/Comments (as necessary)

j. Cost Share

PLEASE READ!!!

A detailed presentation of the cash or cash value of all cost share proposed for the project must be provided in the table below. Identify the source & amount of each item of cost share proposed by the award recipient and each sub-recipient or vendor. Letters of commitment must be submitted for all third party cost share (other than award recipient).

Note that "cost-share" is not limited to cash investment. Other items that may be assigned value in a budget as incurred as part of the project budget and necessary to performance of the project, may be considered as cost share, such as: contribution of services or property; donated, purchased or existing equipment; buildings or land; donated, purchased or existing supplies; and/or unrecovered personnel, fringe benefits and indirect costs, etc. For each cost share contribution identified as other than cash, identify the item and describe how the value of the cost share contribution was calculated.

Funds from other Federal sources MAY NOT be counted as cost share. Non-Federal sources include private, state or local Government, or any source not originally derived from Federal funds. Documentation of cost sharing commitments must be provided, if not already provided with the original application and they have not changed since its submission.

Fee or profit will not be paid to the award recipients or subrecipients of financial assistance awards. Additionally, foregone fee or profit by the applicant shall not be considered cost sharing under any resulting award. Reimbursement of actual costs will only include those costs that are allowable and allocable to the project as determined in accordance with the applicable cost principles prescribed in 10 CFR 600.127, 10 CFR 600.222 or 10 CFR 600.317. Also see 10 CFR 600.318 relative to profit or fee.

Add rows as needed. If rows are added, formulas/calculations may need to be adjusted by the preparer.

Organization/Source	Type (cash or other)	Cost Share Item	Budget Period 1 Cost Share	Budget Period 2 Cost Share	Budget Period 3 Cost Share	Total Project Cost Share
ABC Company EXAMPLE ONLY!!!	Cash	Project partner ABC Company will provide 40 PV modules for product development at 50% off the of the retail price of \$680	\$13,600			\$13,600
Nolin RECC/Personnel	Cash	Wages for Nolin RECC Personnel		\$19,500	\$19,500	\$39,000
Nolin RECC/Fringe Benefits	Cash	Fringe Benefits for Nolin RECC Personnel		\$10,920	\$10,920	\$21,840

APPENDIX C

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2011-00141 DATED **JUN 03 2011**

Bertelson, Rick (PSC)

From: Brewer, Lona (EEC)
Sent: Thursday, June 02, 2011 4:09 PM
To: 'Greg Harrington'
Cc: Bertelson, Rick (PSC); Mickey Miller; John Scott; Guess, Gregory (EEC); Mitchell, Ken (EEC); Duff, Robert (EEC)
Subject: RE: Appendix B from the Personal Service Contract No. 1000001895
Attachments: Recovery Grant MOA Appendix B Update 6-2-11.doc

Attached is an updated Appendix B document which reflects the correct totals "across" categories. The \$85,000.00 federal grant amount and \$110,840 from Nolin remain the same – as does the \$195,840 total project cost. Changes to correctly identify category amounts carried *across* are highlighted in red. These amounts are also reflective of the Budget Justification Document mentioned in the May 31 email.

Please let me know if there are any further questions.

From: Greg Harrington [mailto:GregH@nolinrecc.com]
Sent: Tuesday, May 31, 2011 2:22 PM
To: Brewer, Lona (EEC)
Cc: Bertelson, Rick (PSC); Mickey Miller; John Scott
Subject: Appendix B from the Personal Service Contract No. 1000001895
Importance: High

Lona –

Thanks for your help today and the quick response with the spreadsheet. Nolin had its Informal Telephone Conference call today and PSC staff and staff attorney, Rick Bertelson. Rick asked if I knew when the updated copy of Appendix B would be available, I explained that the numbers used in creation of Appendix B came from the spreadsheet that you shared with me. PSC staff and Rick understand that the numbers in Appendix B will not be updated, but rather Appendix B will be updated to reflect what is contained in the spreadsheet. Once you have the updated copy of Appendix B will you please reply to all and share. Thanks so much for your time, if I can be of any assistance please let me know.

Regards,

Greg

6/3/2011

APPENDIX B

Smart Grid – Nolin RECC

BUDGET*

Categories	Federal Grant / DEDI	Recipient Cost Share	Total
Personnel	0.00	\$39,000.00	\$39,000.00
Fringe Benefits	0.00	\$21,840.00	\$21,840.00
Travel	0.00	0.00	0.00
Equipment	\$10,000.00	0.00	\$10,000.00
Supplies	0.00	0.00	0.00
Contractual	\$23,000.00	0.00	\$23,000.00
Construction	0.00	0.00	0.00
Other	\$52,000.00	\$50,000.00	\$102,000.00
Total Direct Charges	\$85,000.00	\$110,840.00	\$195,840.00
Indirect Charges	0.00	0.00	0.00
TOTAL	\$85,000.00	\$110,840.00	\$195,840.00
Program Income	0.00	0.00	0.00

*A detailed budget template provided by DEDI must be completed and submitted to the DEDI Program Manager prior to the start of the project and updated before the start of each fiscal year.

** 6/2/11 This document is updated to reflect the correct totals of contract #PON2 127 1000001895 1. The overall DEDI grant of \$85,000 and Recipient Cost Share of \$110,840 remain the same – as does the total amount of the agreement \$195,840. The totals have been correctly carried across and changes highlighted in red.

Michael L. Miller
President & CEO
Nolin R.E.C.C.
411 Ring Road
Elizabethtown, KY 42701-6767

John J. Scott
108 East Poplar Street
PO Box 389
Elizabethtown, KENTUCKY 42702-0389