



Farmers Rural Electric Cooperative Corporation

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PUBLIC SERVICE
COMMISSION

February 2, 2015

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

Re: Case No. 2014-00281

Dear Mr. Derouen:

As Order in the stated case, enclosed is an executed copy of the Memorandum of Agreement between Farmers RECC and MACED.

Sincerely,

A handwritten signature in black ink that reads 'Jennie G. Phelps'.

Jennie G. Phelps
Vice President, Finance & Accounting

Enclosure

www.farmersrecc.com

A Touchstone Energy* Cooperative The logo for Touchstone Energy, featuring a stylized sun or star symbol.

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PUBLIC SERVICE
COMMISSION

Kentucky Energy Retrofit Program
Memorandum of Agreement

This Memorandum of Agreement (herein the "Agreement") is made this 22nd day of January, 2015 (herein the "Agreement Date"), by and between **Farmers Rural Electric Cooperative Corporation** located at 504 South Broadway, Glasgow, KY 42141 (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 HowSmartKY™ 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 HowSmartKY™ 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 How\$martKY™ 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: William T. Prather
William T. Prather
President

x-x-x-x-x- Above signature must be notarized -x-x-x-x-x

NOTARY. State (or Commonwealth) of Kentucky, County of Barren
The foregoing instrument was acknowledged before me on 01/26/2015,
by William T. Prather, as President + CEO
of and on behalf of Farmers Rural Electric Coop. Corp.

Notary Signature: Linda Foushee
Notary Name: Linda Foushee
Notary Commission Expiration Date: 07/30/2015
Notary Commission Number: 446566

FOR MACED: Justin Maxson
Justin Maxson
President