

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF JACKSON ENERGY	)	
COOPERATIVE CORPORATION FOR AN	)	CASE NO.
ORDER APPROVING KY ENERGY RETROFIT	)	2013-00398
RIDER PERMANENT TARIFF	)	

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION  
TO JACKSON ENERGY COOPERATIVE CORPORATION

Jackson Energy Cooperative Corporation ("Jackson Energy"), pursuant to 807 KAR 5:001, is to file with the Commission the original and eight copies of the following information, with a copy to all parties of record. The information requested herein is due no later than January 7, 2014. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Jackson Energy shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Jackson Energy fails or refuses to furnish all or part of the requested information, it shall

provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention should be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

1. Refer to page 1 of the Application (“Application”) which states, “the Applicant requests a continuance of the existing pilot program approved in Case No. 2010-00089 pending the issuance of a final order in this case.”<sup>1</sup> Also, refer to the application in Case No. 2010-00089 paragraph 19, which states, “The Joint Applicants propose the KER Rider as a two-year pilot program, with a target participation of at least 200 residential and small business customers in eastern Kentucky.”

a. Explain why Jackson Energy did not participate in the joint application in Case No. 2012-00484.<sup>2</sup>

b. Explain whether Jackson Energy has continued to operate its on-bill financing program, even though it expired. If yes, identify the number of participants and the costs involved in each retrofit project that was commenced after December 16, 2012.

2. Refer to page 1 of the Application which states, “The program will be titled ‘KY Energy Retrofit Rider’ (‘KER Rider’) and the applicant will partner with the Mountain

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<sup>1</sup> Case No. 2010-00089, 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” (Ky. PSC Dec. 16, 2010).

<sup>2</sup> Case No. 2012-00484, Joint Application of Big Sandy Rural Electric Cooperative Corp., Fleming-Mason Energy Cooperative, Inc., and Grayson Rural Electric Cooperative Corp. for an Order Approving KY Energy Retrofit Rider Permanent Tariff (Ky. PSC Aug. 26, 2013).

Association of Community Development ('MACED') to operate the program.” Provide the total dollar amount, to date, of funds paid by MACED to Jackson Energy, as well as the total amount of funds paid by Jackson Energy to MACED for the retrofit project.

3. Refer to page 3 of the Application, paragraph 7, which states, “Since the December 16, 2010 Order by the Commission approving the Applicant’s KER Rider pilot program, the Applicant with MACED has conducted 86 assessments resulting in 54 completed retrofit projects across the program.”

a. Provide by year and customer class since December 16, 2010, the number of assessments and completed retrofit projects on behalf of Jackson Energy customers. Also, identify any retrofit projects on behalf of Jackson Energy customers that have been done since the two-year pilot program expired.<sup>3</sup>

b. Explain whether Jackson Energy filed a semi-annual report with the Commission in 2013.

4. Refer to page 3 of the Application, paragraph 7, which states, “On average, each job cost \$7,872 to complete with financing covering \$5,556 of the project cost. The total capital financed was \$300,033. The average energy cost savings per home was \$599 annually. The average monthly Retrofit Charge is \$38.”

a. Provide the types and a breakdown of costs involved in completing a project that is representative of the \$7,872 average.

b. Explain why, on average, there is a \$2,316 difference between the \$7,872 cost of a job and the financing which covers \$5,556 of the project cost, and identify who is financially responsible for the difference.

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<sup>3</sup> *Id.*, Case No. 2010-00089, (Ky. PSC Dec. 16, 2010).

c. If the average monthly Retrofit Charge is \$38, provide the average length of financing.

d. Provide the average payback period associated with the \$38 retrofit charge.

e. Provide documentation that supports the annual savings of an actual retrofit project for a Jackson Energy customer compared with the monthly Retrofit Charge for that same retrofit project.

5. Refer to pages 3-4 of the Application, paragraph 8, which states,

In implementing the pilot program, the applicant did not experience additional administrative costs associated with the KER Rider. The applicant has not hired additional staff or incurred substantive additional administrative costs as a result of the program. Some additional accounting costs incurred by the applicant have been, to date, adequately covered by the existing project management fee calculated as part of the Retrofit Project Charge. Initial training costs associated with attaining Building Performance Institute Certification were reimbursed by funding made available through the Kentucky Home Performance Program. Because the program does not have additional expenses associated with implementation, no additional costs are passed on to the customers as a result of KER Rider.

a. Provide the estimated dollar amount of the additional accounting costs incurred by Jackson Energy that have been covered by the existing project management fee.

b. Provide the average amount of the project management fee to Jackson Energy for projects to date.

c. Provide the total amount of funding provided through the Kentucky Home Performance Program to Jackson Energy for reimbursement of the initial training costs associated with attaining Building Performance Institute certification.

d. Explain whether Jackson Energy believes there may be any future additional costs that would be passed on to the customers as a result of "Kentucky Energy Retrofit Rider" ("KER Rider"), and if so, provide a description and estimated amount of those additional costs.

6. Refer to page 4 of the Application, paragraph 11a., which states, "The annual interest rate used to calculate the Retrofit Project Charge would be no more than the cost of the capital pool used to finance the investment, not the cost of the company's long-term debt used for other purposes."

a. Explain the basis of this proposed change.

b. Identify how the KER Rider would be jeopardized if this specific change is not made to the existing program.

c. State whether this change represents an increase in the Retrofit Project Charge.

d. State whether the terms "annual interest rate" and "cost of capital" are synonymous for purposes of the Retrofit Project Charge.

e. State whether payments made on projects are returned to the pool of capital set aside for future energy retrofit projects. If returned, state approximately what percentage of the total payments are returned to the pool.

f. Provide the average cost of capital used to finance the projects.

7. Refer to page 5 of the Application, paragraph 11b., which states, "The investment is tied to the physical location, not an account that is tied to an individual."

Also, refer to page 4 of the Application, paragraph 9, which states,

To date, no participating locations are inactive. In this case, repayment would be suspended in accordance with the

program guidelines. When utility service resumes at the property, the Retrofit Project Charge would resume as part of the normal utility billing. In a few cases, participating locations have significant damage from a fire or natural disaster, but electric service has remained current resulting in no interruption in the repayment of the Retrofit Project Charge.

a. Explain the necessity of tying the investment to the physical location as opposed to the account of an individual customer.

b. Provide the specific number of participating locations in Jackson Energy's service territory that have significant damage from fire or natural disaster, as defined by Jackson Energy.

c. Provide the total number of completed retrofit project locations in Jackson Energy's service territory that have been sold, foreclosed upon, or for which owners have had a change of address since the completion of the retrofit projects.

d. Explain what will occur if a physical location is destroyed, for example by fire or natural disaster, before the retrofit project debt is fully serviced.

e. If foreclosure occurs at a physical location where a retrofit project has been completed, explain who is responsible for any remaining debt incurred as a result of the retrofit project.

f. If a physical location is for sale and there is a prospective buyer, explain when and how a prospective buyer is informed as to any remaining retrofit project debt obligation.

g. State whether Jackson Energy is aware of any real estate sale not being completed due to the prospective buyer's not having been made aware until the

time of closing of any remaining outstanding indebtedness due to a retrofit project. If so, indicate the manner in which the issue was resolved.

h. Explain what risk the members of Jackson Energy have or could reasonably have as a result of any defaulted retrofit project debt.

i. Since the filing of this Application, state whether there are any inactive locations in Jackson Energy's service territory. If so, provide the number of such inactive locations and the amount of the remaining debt.

8. Refer to page 5 of the Application, paragraph 12, which states, "The KER Rider remains a voluntary tariff available to customers for the purpose of improving resource efficiency and reducing energy consumption and net customer bills." Explain how the KER Rider is considered "voluntary," given the program ties the investment to the physical location, rather than to the individual account holder.

9. Refer to page 5 of the Application, paragraph 12, which states, "The proposed KER Rider requires the development of a 'Conservation Plan' for retrofit options proposed to the customer. The Conservation Plan is a detailed analysis of the expected savings and costs for each proposed option with a full disclosure of the financing option."

a. Provide an example of a Conservation Plan developed for a Jackson Energy customer during the pilot program.

b. Refer to 9.a. Provide an analysis of the projected savings associated with the identified Conservation Plan as compared with the actual savings experienced by the customer.

10. Refer to page 5 of the Application, paragraph 13. Provide an itemized breakdown of all funding sources, including name and dollar amount, that are expected to provide funds for the program administration, sources of the funding, and any adjustments to the revenue structure of the program.

11. Refer to the Application, pages 5 and 6, paragraph 14.

a. On pages 5 and 6 of the Application, paragraph 14, there is a discussion about the September 2012 United States Department of Agriculture's Rural Utilities Service ("RUS") Notice of Proposed Rulemaking regarding the Energy Efficiency and Conservation Loan Program ("Program"), which proposes to allow qualified energy-efficiency programs, the standards to which the KER Rider programs appear to comply, to constitute an eligible use of the program funds for active borrowers in good standing with RUS.

(1) Explain what steps have been taken by Jackson Energy to ensure the KER Rider is an eligible use of any Program funds that may be available under the RUS Program identified above.

(2) If known, state when Program funds will be available for energy-efficiency programs.

(3) Identify all procedures and costs necessary to implement the Program.

b. Identify the source and the amount of all funding pledged to or received by MACED supporting the KER Rider program to date.

12. Refer to the Application, page 7, paragraph 16.

a. Explain the risks and additional measures to protect against risks.

b. Explain whether any of the other cooperatives that have implemented a KER permanent program have implemented a Risk Mitigation Fund. If so, what have been the results to date?

c. Explain the percentage (portion) of the project fee that will go to the Risk Mitigation Fund. Explain how was that percentage (portion) was determined.

13. Describe Jackson Energy's demand-side management ("DSM") and energy-efficiency portfolio of programs, and explain how those programs work to encourage energy savings with the on-bill financing program.

14. Explain how Jackson Energy proposes to market the permanent KER Rider program and describe the educational outreach efforts to potential participants.

15. Explain whether there have been any complaints to date from participants in the KER Rider pilot program. If so, provide copies of all correspondence concerning complaints arising from the KER Rider pilot program between participants and Jackson Energy.

16. Refer to Exhibit A of the Application, Tariff Sheet P.S.C. No. 5, 1<sup>st</sup> Revised Sheet No. 34. Under the section identified "OTHER," Item No. 6, the tariff language includes the following: "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 Company's approved Terms and Conditions."

a. Explain whether the inclusion of this language requires Jackson Energy's other members to be responsible for any unrecovered balances under the situations described in Item No. 6 of the tariff.

b. If the answer to part a. is yes, explain why Jackson Energy believes it is appropriate for its other members to bear that financial responsibility. Identify the authority that allows the remainder of a cooperative's membership to be held responsible for unrecovered balances.

17. Refer to Exhibit C of the Application, Testimony from Satisfied Customers ("Satisfied Customer") and Exhibit D of the Application, Prepared Testimony of Bill Blair from MACED ("Blair Testimony"). In the Blair Testimony, the KER Rider program is also referred to as How\$martKY ("How\$martKY Program") program. Explain how the Satisfied Customer identified in Exhibit C became aware of the How\$martKY Program.

18. Refer to Exhibit D of the Application, Prepared Testimony of Larry S. Lakes ("Lakes Testimony"). In the response to question 5, it states, "I manage the personnel and processes involved in performing customer energy audits and evaluations for the potential of such customers' participation in the How\$mart program. I also manage personnel involved in administering the on bill financing charges and oversee that payments are received and processed in a timely manner." Explain whether Jackson Energy personnel or outside contractors perform customer energy audits and evaluations.

19. Refer to the Lakes Testimony. The response to question 7 states, "Jackson Energy has no defaults at this time. Two program participants have already paid in full."

a. By retrofit project, provide the cost of the two projects referenced and the amounts financed.

b. By retrofit project for the two projects referenced, provide the time period that was financed and the actual time period in which the amount financed was paid in full.

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

21. Explain how and by whom potential program participants are identified.

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

23. Jackson Energy has a tariff on file for the pilot on-bill financing program that contains a copy of a UCC Financing Statement. Identify the entity that is listed as the secured party on the UCC Financing Statements that have been filed when a member participates in the pilot on-bill financing program.

24. As part of that initial contact to explain the retrofit project, is the member informed that a UCC Financing Statement will be filed at the appropriate courthouse as a result of participating in the retrofit project?

a. If yes, is a copy of the UCC Financing Statement that is part of the tariff given to the member to keep for review?

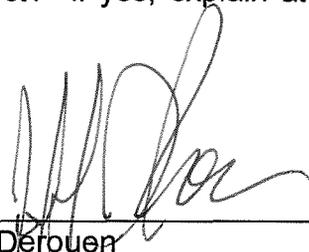
b. If no, explain why a member is not informed that a UCC Financing Statement will be filed at the appropriate courthouse as a result of participating in the retrofit project.

25. To date, has each member who has participated in the pilot retrofit program received a copy of the UCC Financing Statement that has been filed at the respective courthouse as a result of participating in the pilot project?

a. If yes, how soon after the filing of the UCC Financing Statement was a copy of the financing statement sent to the member?

b. If no, explain why the member did not receive a copy of the UCC Financing Statement that was filed at the respective courthouse.

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



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cc: Parties of Record

Case No. 2013-00398

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