

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

JOINT APPLICATION OF BIG SANDY )  
RURAL ELECTRIC COOPERATIVE )  
CORPORATION, FLEMING-MASON )  
ENERGY COOPERATIVE, INC., GRAYSON )  
RURAL ELECTRIC COOPERATIVE ) CASE NO. 2010-00089  
CORPORATION, AND JACKSON ENERGY )  
COOPERATIVE FOR AN ORDER )  
APPROVING AN ON-BILL FINANCING )  
PILOT PROGRAM TITLED THE "KY )  
ENERGY RETROFIT RIDER" )

INITIAL DATA REQUEST OF COMMISSION STAFF  
TO BIG SANDY RURAL ELECTRIC COOPERATIVE COPORATION,  
FLEMING-MASON COOPERATIVE, INC., GRAYSON RURAL ELECTRIC  
COOPERATIVE CORPORATION, AND JACKSON ENERGY COOPERATIVE

Big Sandy Rural Electric Cooperative Corporation, Fleming-Mason Energy Cooperative, Inc., Grayson Rural Electric Cooperative Corporation, and Jackson Energy Cooperative, (collectively "Joint Applicants"), pursuant to 807 KAR 5:001, are to file with the Commission the original and five copies of the following information, with a copy to all parties of record. The information requested herein is due no later than May 7, 2010. Responses 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 the 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.

The Joint Applicants shall make timely amendment to any response if they obtain 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 the Joint Applicants fail or refuse to furnish all or part of the requested information, they shall provide a written explanation of the specific grounds for their failure to completely and precisely respond.

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

1. Refer to the introductory paragraph of the Application.
  - a. Were partners other than the Mountain Association for Community Economic Development ("MACED") considered for this On-Bill Financing Pilot Program ("Pilot Program")?
    - 1) If so, how were potential partners solicited?
    - 2) If so, what other potential partners were evaluated?
  - b. Explain why MACED was selected.
2. Provide the names, titles, and responsibilities for all MACED staff who will be involved with the Joint Applicants' Pilot Program.
3. Refer to paragraphs 12 and 13 of the Application. List, identify, and describe all "energy efficiency measures" envisioned by the Pilot Program.
4. Refer to paragraph 15 of the Application. Provide the following:

a. A case or docket citation, along with the final order in each case or docket, for the states listed.

b. A list of the utilities implementing the on-bill financing programs in the response to 6a.

c. A copy of a sample bill from each utility listed in the response to 6b.

d. Any documentation supporting the claim that “the tariffed retrofits have transformed high-bill complaints into the utilities’ most satisfied customers.”

e. Any documentation supporting the claim that “there is a low risk of default, as default rates range from zero to less than 1%.”

5. Refer to paragraph 16 of the Application. Provide the following:

a. A description and any documentation of Pennyrile Rural Electric Cooperative Corporation’s “on-bill loan program to commercial customers.”

b. A description and any documentation of the Tennessee Valley Authority’s:

1) Secured financing program; and

2) Unsecured financing program.

6. Refer to paragraph 18 of the Application. If retrofit costs are to be “capped at 90% of estimated savings,” will there be any post-implementation evaluation to determine the degree to which estimated savings approximate actual savings? If so, how will that be done? If not, why not?

7. Refer to paragraph 18 of the Application.

a. The Joint Applicants mention that “retrofits are paid off in 15 years or less.” For each efficiency measure listed in the response to Question No. 3 above, provide the maximum expected payback period.

b. The Joint Applicants are proposing that the Pilot Program be for a period of two years. What criteria or metrics do the Joint Applicants propose to use to evaluate the Pilot Program?

c. The availability requirements for participation in the Pilot Program are provided. Does the participant have to qualify in any other way, such as income?

1) If yes, provide all qualification requirements.

2) If no, explain why certain qualifications should not be met in order to ensure the ability of the participant to repay the loan. For purposes of the response, assume that the participant's bill will not immediately decrease in the same amount as the loan payment.

8. For each criteria or metric listed in the response to Question No. 7.b. above, indicate the level at which the Joint Applicants would consider the Pilot Program a success. In the response, the Joint Applicants should define what they consider a successful Pilot Program.

9. Refer to paragraph 18 of the Application, which provides that the retrofit costs are capped at 90 per cent of the estimated savings associated with the installed energy efficient measure. Assume that an installed measure has an estimated savings of \$1,000.

a. In this scenario, confirm that the customer would repay \$900 to the Joint Applicants.

b. Does this also mean that the installed cost of the measure cannot exceed \$900?

c. If not, under this scenario, if the installed costs exceeded \$900, who would be responsible for the costs in excess of the amount to be recovered from the customer?

10. Refer to paragraph 19 of the Application. "The Joint Applicants propose . . . a target participation of at least 200 . . . customers," with each Joint Applicant working with 50 customers. Depending on demand and funding, the number of customers could expand to 300 participants. Would these incremental participants also be equally divided among the Joint Applicants?

11. Refer to paragraph 19 of the Application. The Joint Applicants mention "standardized" program activities and mention East Kentucky Power Cooperative, Inc. ("EKPC") and the University of Kentucky Extension Service ("UK"). Describe what roles the Joint Applicants envision that EKPC and UK might fulfill in the Pilot Program.

12. Refer to paragraph 19 of the Application and the response to Question No. 3 above. Indicate which of the energy efficiency measures would be available to residential customers and which of them would be available to small business customers.

13. Refer to paragraphs 19 and 23 of the Application. Is it the position of the Joint Applicants and MACED that the two-year time period of the Pilot Program would commence on the date of a Commission Order approving the Pilot Program or following the "three to four month period of program set-up . . . between Commission approval . . . and the first retrofits"?

14. Refer to paragraph 20 of the Application. Provide a copy of a sample "Conservation Plan."

15. Refer to paragraphs 21, 24A, and 25C of the Application.

a. Is it the Joint Applicant's position that the purchaser of a property with a meter having the KER Rider, and having an outstanding balance under the on-bill Pilot Program, would continue making payments on the outstanding balance?

b. If yes, shouldn't the outstanding balance be rolled into the purchaser's loan for the property?

16. Refer to paragraphs 21, 24A, and 25C of the Application.

a. Is it the Joint Applicant's position that the renter of a property with a meter having the KER Rider, and having an outstanding balance under the on-bill Pilot Program, would continue making payments on the outstanding balance?

b. If yes, shouldn't the outstanding balance be factored into the renter's monthly rent payment?

17. Refer to paragraph 22 of the Application. Other than the program administrative duties stated in the paragraph, describe any and all additional duties and responsibilities which MACED will assume under the Joint Applicants' Pilot Program.

18. Refer to paragraph 22 of the Application and the response to Question No. 17 above. Describe MACED's experience with other on-bill financing, or similar, programs.

19. Refer to paragraph 22 of the Application.

a. Did the Joint Applicants and MACED consider leasing as a finance option? If not, why not.

b. In the opinion of the Joint Applicants and MACED, for which of the efficiency measures listed in the response to Question No. 3 would a leasing option be viable?

20. Refer to paragraph 22 of the Application.

a. Provide the names of the private foundations to which the Joint Applicants and/or MACED have made funding requests, and the amount of funding requested from each.

b. Has there been any change in the commitment of the private foundations or U. S. Department of Treasury Community Development Finance Institution (“CDFI”) Fund to provide the funding necessary for the Pilot Program?

c. Provide copies of documentation and correspondence with the private foundations and CDFI pertaining to the proposals to provide funding to MACED for the Pilot Program.

d. In the event of Commission approval of the Pilot Program, what alternative sources of funding have been identified should the sources of capital listed above become unavailable?

21. Refer to paragraph 24.A. of the Application. Explain why Joint Applicants will be responsible for filing Uniform Commercial Code fixture liens in light of the fact that financing for any energy efficient measures will be provided by MACED.

22. Refer to paragraph 24.B. of the Application. If MACED does not pursue the customer or Joint Applicants if a meter is disconnected, what is the impact on the retrofit repayment term once payments are resumed?

23. Refer to paragraphs 25.A. and 25.B. of the Application. The Joint Applicants state, “Repayment default risk is shifted to the financier, but is remarkably low in similar programs.” They also claim, “Given the low default rates of similar programs elsewhere, MACED’s financing risk is quite low.”

a. Provide any documentation supporting these claims, including identifying the “similar programs elsewhere” and their respective default rates.

b. Confirm that the risk associated with defaults will be borne solely by MACED and not the Joint Applicants.

c. MACED states that its “capital is patient in the event that a meter is disconnected for a period of time.” Explain and quantify what is meant by the phrase “for a period of time”?

24. Refer to paragraph 25.A. of the Application. Payment delinquencies are to be “handled like any other non-payment for utility service.”

a. How do the Joint Applicants propose to handle partial payments for bills with the KER Rider?

b. Fully explain the process or procedures that Joint Applicants would utilize to address non-payment situations.

c. How would bad debts be handled under the Pilot Program?

25. Refer to paragraph 25.A. of the Application. How are partial payments and bad debts handled in the on-bill financing programs effective in the other jurisdictions mentioned in the responses to Question No. 4 above?

26. Refer to paragraph 26 of the Application.

a. What is the current status of the “Kentucky Energy Retrofit Collaborative”?

b. Who are the current collaborative members?

27. Refer to paragraph 26 of the Application. What departments within the Commonwealth of Kentucky are expected to be funders and/or advisors?

28. Refer to Exhibit A, page 1 of the Application. Paragraph 4 provides that the “Retrofit Project Charge shall be part of the Company’s charges for basic utility service. Failure to make payment may result in disconnection in accordance with the Company’s approved Terms and Conditions.”



a. For each Joint Applicant, provide the current disconnection policy for non-payment of bills. Include in this explanation, a reference to each Joint Applicant's tariff that sets forth such disconnection policy.

b. 807 KAR 5:006, Section 14(1)(f), provides that "[a] utility may terminate service at a point of delivery for nonpayment of charges incurred for utility service at that point of delivery."

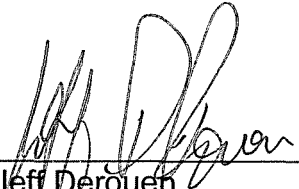
1) If a customer who has a \$100 electric bill, consisting of \$85 for electric service and a \$15 Retrofit Project Charge, and remits payment of only \$85, explain how each Joint Applicant would apply the proceeds towards the payment of the bill.

2) In the above scenario, would that customer be subject to disconnection? If yes, reconcile how the customer could be subject to disconnection in light of 807 KAR 5:006, Section 14(1)(f), which allows for termination of service only for non-payment of charges incurred for utility service at a point of delivery.

29. Refer to Exhibit A, page 2, of the Application. Explain whether MACED or the participating cooperative retains the \$200 audit fee when it is received. Include in the explanation what services are provided for the charge and how \$200 was determined to be the appropriate fee. Include all necessary calculations.

30. Explain whether there are any circumstances under which any participating utility, or its members/customers who are not participants in the Pilot Program, could become responsible for any bad debt incurred by the non-payment of debt by a participant in the Pilot Program.

31. In the opinion of the Joint Applicants, could the Pilot Program be considered a demand-side management program?



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DATED APR 22 2010

cc: Parties of Record

Case No. 2010-00089

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