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David L. Armstrong
Chairman

James W. Gardner
Vice Chairman

Charles R. Borders
Commissioner

April 26, 2010

PARTIES OF RECORD:

Re: Case No. 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"

The attached memorandum had been filed in the record of the above-referenced case. Any comments regarding this memorandum's contents should be submitted to the Commission within five (5) days of the receipt of this letter. Any questions regarding this memorandum should be directed to Roger Hickman, at (502) 564-3940, Extension 236.

Sincerely,

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

Jeff Derouen
Executive Director

Attachment

INTRA-AGENCY MEMORANDUM

KENTUCKY PUBLIC SERVICE COMMISSION

TO: Case File

FROM: Roger D. Hickman, Utility Financial Analyst

DATE: April 7, 2010

RE: 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"

Pursuant to the Commission's March 24, 2010 Order, an informal conference was held at the Commission's offices on Thursday, April 1, 2010. A list of the attendees is attached hereto.

The purpose of the conference was to discuss any issues related to the aforementioned application including, among other things, how the Kentucky Energy Retrofit ("KER") Pilot Program would operate and how the case is to be processed procedurally.

The Joint Applicants explained that, while their customers understand the concepts underlying energy efficiency and the benefits of energy efficiency, their customers usually are unable to underwrite the cost of implementing the most basic energy efficiency measures. Potential pilot program enrollees would receive a list of 'energy efficiency' recommendations after one of the Joint Applicants conducts an energy audit. The Mountain Association for Community Economic Development ("MACED") would provide the funding for any measure selected by the customer. A third party would be selected to install the selected energy efficiency measure(s). Billing to repay the cost of the installation would only occur after a post-installation inspection by one of the Joint Applicants. Joint Applicants and MACED mentioned that available energy efficiency measures would be a set 'basket' of options versus an open-ended selection. Any participating customer finding any defects with installed equipment would have recourse with the equipment manufacturer, and Joint Applicants would work with such customer for remedy of such problems.

MACED representatives mentioned that they had visited Midwest Energy in Kansas to discuss the operation of a similar on-line bill payment program. This program was the only specific program mentioned, among the states listed in the Joint Application (Kansas, Georgia, Hawaii, and New Hampshire), during the conference. Joint Applicants and MACED mentioned the proposed KER Pilot Program would be

most similar to the program at Midwest Energy in Kansas. The Joint Applicants and MACED provided no information about a similar on-bill financing program at Pennyrite Rural Electric Cooperative in Southwest Kentucky.

The Joint Applicants, MACED, and Commission Staff discussed how partial payments would be credited to a participating customer's account, the possible disconnection of a participating customer for non-payment, and the treatment of bad debt expenses arising from the accounts of participating customers. Joint Applicants emphasized that this on-bill financing program was a two-year pilot which would be reviewed with reports to the Commission.

Joint Applicants and MACED noted that the maximum payback period for any installed energy efficiency measure would be fifteen (15) years or seventy-five per cent (75%) of the life of the underlying 'energy efficiency' asset. For example, assuming such an asset has a useful life of ten (10) years, the payback period for such an asset would be capped at seven and one-half (7-1/2) years (10 years x 75%).

Commission Staff and representatives of the Office of the Attorney General agreed that at least one round of discovery was necessary. The meeting concluded with the Commission Staff informing that a procedural schedule would be issued in the near future setting forth the timeline for the processing of this matter.

There being no further discussions, the informal conference was adjourned.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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"

SIGN IN

April 1, 2010

PERSON	REPRESENTING
<u>Quang D. Ngyuen</u>	<u>PSC - Legal</u>
<u>Ron Nandzick</u>	<u>PSC - F/A</u>
<u>Larry Cook</u>	<u>OAG</u>
<u>Don Combs</u>	<u>GRAYSON</u>
<u>El. Hopson</u>	<u>MACED</u>
<u>May Beth Hance</u>	<u>Fleming-Mason Energy</u>
<u>Don Schaefer</u>	<u>Jackson Energy</u>
<u>David Estep</u>	<u>Big Sandy RECC</u>
<u>Albert A. Burchett</u>	<u>Big Sandy RECO</u>
<u>Darryl Newby</u>	<u>PSC F/A</u>
<u>ROGER HICKMAN</u>	<u>PSC F/A</u>

Case No. 2010-00089
April 1, 2010

PERSON

ELIE Russell
RODNEY CHRISMAN
MARK R. KEENE

REPRESENTING

PSC
JACKSON ENERGY
JACKSON ENERGY