RE

MAY 07 2010

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE JOINT APPLICATION OF BIG SANDY RURAL ELECTRIC, FLEMING-MASON ENERGY, GRAYSON RURAL ELECTRIC, AND JACKSON ENERGY FOR AN ORDER APPROVING AN ON-BILL FINANCING PILOT PROGRAM TITLED THE "KY ENERGY RETROFIT RIDER"	)	CASE 2010-00089

RECEIVED

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PUBLIC SERVICE
COMMISSION

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

Mr. Derouen:

Please find attached responses to the First Data Request in the above referenced case.

If there are any questions, please feel free to inquire at (606) 474-5136.

Sincerely,

Don M. Combs
Grayson Rural Electric

For:
Big Sandy Rural Electric
Fleming-Mason Energy
Grayson Rural Electric
Jackson Energy

The undersigned, Don M. Combs, as Manager of Finance and Accounting of Grayson Rural Electric, being first duly sworn, states that the responses herein are true to the best of my knowledge and belief formed after reasonable inquiry.

Dated: May 6, 2010

Grayson Rural Electric

By: ______________________

Don M. Combs
Manager of Finance and Acct.

Subscribed, sworn to, and acknowledged before me by Don M. Combs, as Manager of Finance and Acct. for Grayson Rural Electric on behalf of said Corporation this 6th day of May, 2010.

Marsha A. Thacker
Notary State at Large - Ky.
Notary Expires 1-9-2011

PSC & AG data request # 1.

Attachment list

PSC Questions:

4. (a)

Kansas orders:

4.a.1 - Consolidated order dated August 16, 2007.

4.a.2 - Consolidate order dated Dec. 20, 2007

N.H. orders:

4.a.3 - 23,574

4.a.4 - 23,578

4.a.5 - 23,851

4.a.6 – 24,417

Hawaii orders:

4.a.7 - 22,974

4.a.8 - 23,531

Michigan order:

4.a.9 - U-13808

4(b)

Kansas bill:

4.b.1 - Midwest Energy

New Hampshire bills:

4.b.2 - New Hampshire Electric Cooperative

4.b.3 - New Hampshire Public Service

Georgia bill:

4.b.4 - Habersham Electric Membership Corporation

Hawaii bills:

4.b.5 - Hawaiian Electric Co.

Hawaii Electric Light Co., Inc.

Maui Electric Co., Ltd. (all in single file)

4(d)

4.d.1 - Midwest Energy Customer Satisfaction survey results

4.d.2 - TVA Energy Right Customer Satisfaction survey results

4(e)

4.e.1 - Matt Brown presentation on On-Bill Financing at ACEEE conference on Market Transformation

5(a)

5.a.1 – Repayment agreement

5.a.2 – Application

5.a.3 – Security Agreement

5.a.4 – Privacy Act Notice

5.a.5 – Notice of Right to Cancel

5.a.6 – Loan Agreement

14

14.1 – Midwest Energy Conservation Plan – redacted.

20(c)

20.c.1 – MACED CDFI documentation (capital)

20.c.2 – MACED Ford PRI documentation (capital)

20.c.3 – MACED Ford documentation (general support)

20.c.4 – MACED Wallace Global Fund documentation (general support)

20.c.5 – MACED New World Foundation documentation (general support)

20.c.6 – MACED Marguerite Casey documentation (general support)

20(d)

20.d.1 – MACED audit

AG questions

1.

1.1 PSC opinion request letter

1.2 PSC staff opinion letter

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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")?

Response: No.

1) If so, how were potential partners solicited? n/a
2) If so, what other potential partners were evaluated? n/a

b. Explain why MACED was selected.

Response: EKPC was intersted in pursuing federal stimulus funds for retrofits in its service area. MACED was the only nonprofit of which EKPC was aware who had a strong interest in energy efficiency and renewable energy retrofits, and whose service area largely overlapped with EKPC.

Witness: MACED personnel

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2. Provide the names, titles, and responsibilities for all MACED staff who will be involved with the Joint Applicants' Pilot Program.

Response:

Name	Title	Responsibilities
Eli Hopson	On-Bill Project Manager	Temporary hire to lead development and initial startup until permanent staff are hired
Nina McCormack	Strategic Initiatives Director	Lead on program development and design through January 2010, and supervisor of all pilot programs, including On-Bill.
position announced	On-Bill Data Manager	Lead program development and implementation, coordinate with coops and other partners.
position announced	On-Bill Program Manager	Design and develop database and interfaces for coop billing and accounting systems.

Witness: MACED personnel

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3. Refer to paragraphs 12 and 13 of the Application. List, identify, and describe all "energy efficiency measures" envisioned by the Pilot Program.

Response:
The three major classifications of energy efficiency measures for residential customers expected to be included in the pilot are insulation improvements; air sealing; and heating, cooling and ventilation equipment improvements at current electricity prices. For commercial accounts the above-mentioned retrofits are possibilities, but lighting upgrades will most often be the primary retrofit given the shorter payback and minimal business interruption. As prices increase and technology improves, more retrofit categories may qualify and will be added to the list when they are determined to be cost-effective. Although not currently cost-effective in all situations, hot-water heaters, either solar or air-source heat pump may be added to the program as well.

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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 [4]a.
c. A copy of a sample bill from each utility listed in the response to [4]b.
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 %."

Response:

State	utility	case or docket
Kansas	Midwest Energy	The Kansas Corporations Commission first ruled on 8/16/07 in Dockets No. 07-MDWG-784-TAR and 07-MDWE-788-TAR its approval of MidWest Energy's filing of a PAYS tariff How$Smart Aproval.pdf On December 20, 2007, the KCC reconsidered its 8/16/07 order and reapproved its decision to authorize Midwest Energy to offer a PAYS Tariff with Disconnection for Non Payment
New Hampshire	NH Public Service, and NH Electric Cooperative	Order 23,574 page 18 Section G discussion of Pay As You Save and why it should be considered Order 23,578 was the order in which the NHPUC ruled it had the power to have charges run with the meter and disconnect for non-payment Order 23,851 was the NHPUC's approval of the Pilots prepared by EEI and filed by two utilities, New Hampshire Public Service and New Hampshire Electric Cooperative. Order 24,417 required both utilities to continue offering PAYS over their and other NH utilities' objections.
Georgia	Habersham EMC	n/a - Habersham is not regulated by the Georgia PSC.
Hawaii	Hawaiian Electric Co.	October 24, 2006 order 22974
	Hawaiian Electric Light C	June 29, 2007 Order No. 23531
	Maui Electric Co.	Program was only for solar hot water heaters.
Michigan	Detroit Edison (neither ever implemented the tariff)	September 26, 2006 in Docket U-13808

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

Response:

Staff conversations with Georgia and Kansas staff indicated that a majority (in Georgia) or at least a large percentage (in Kansas) of the customers came to the utility as high bill complaints. The Georgia staff indicated there had never been a complaint with the service.
Please refer to the attached customer satisfaction data from Midwest Energy. Customers of Midwest's How$mart program generally rated their satisfaction with the utility as 97 % highly satisfied, compared with the average customer's rating of 85%. Further, How$mart customer's perceived value of utility service jumped from an average of 68% to 96%.

The customer satisfaction for TVA's energy right programs was not nearly as high, but as the surveys and methodologies were different, comparisons may not be of much value. According to TVA, "Six in ten rate [Energy Right] as excellent or above average for saving energy in their home."

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

Please see slide 10 of the attached presentation from Matthew Brown, a nationally recognized retrofit financing expert. Please note that of the programs listed, only Midwest Energy is a tariffed program, as the others are on-bill loans, although some of them allow disconnection for non-payment. Personal communications with Kansas, Georgia, and the New Hampshire cooperatives all indicated zero or very low default rates.

In addition, the applicants have been informed of non-tariffed on-bill loan programs in Cleveland and Texas in the '90's that experienced very high default rates when customers learned that there power could not be disconnected if they did not pay the loan portion of their bill. The applicants do not have documentation of those programs, however the anecdotal default rates were both in excess of 35 %.

TVA's secured program, which is not tariffed, has experienced approximately a 2.5% default rate, according to communications between TVA staff and MACED staff. TVA staff felt while their program was non-tariffed, their customers fear that they could be disconnected led the default rate to be lower.

Witness: MACED personnel

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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."
Response:
Pennyrile RECC's program is a loan program for its commercial customers financed on the customer's energy bill. The payback period is up to five years, with the customer agreeing to maintain service by Pennyrile during that time or repay the balance of the loan. The program's documentation is attached.

b. A description and any documentation of the Tennessee Valley Authority's:
1) Secured financing program; and
2) Unsecured financing program.
Response:

1) The TVA secured (non-tariffed) financing program is by far the more popular version of TVA's on-bill loans. It is available wherever the distribution coop has decided to participate. Regions Bank is the capital provider, and TVA buys the loans down from about 8 percent to 6 percent. The program operated for several years solely for heat pump financing, but recently expanded into home insulation and air sealing. TVA maintains a contractor network, and there is extensive documentation available on the websites for program customers and for potential partners. According to TVA staff, their default rate is approximately 2.5 percent, although TVA staff think that their customers believe they could be disconnected for non-payment.
http://www.energyrightpartners.net/success.htm

2) TVA's unsecured financing program is infrequently used, according to TVA staff. The lender is EFS, a corporate lender based in Wisconsin, and the rates are sgnificantly higher. Details about the EFS program are available on the EFS website.
http://www.energyfinancesolutions.com/main/homeownerstennessee/title/Tennessee

Witness: MACED personnel

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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?

Response:

Yes. Comprehensive analysis and evaluation will be performed on the data from all participants to ensure that the expected savings are being produced, and that any discrepancies are identified. If significant differences arise for a particular customer, the utility will investigate the cause of the deviation. MACED, as an agent of the coops, will be compiling data based on the customer's usage. Aside from program level evaluation, if a customer feels expected savings are not being realized, the coop will investigate to determine cause and remedy the situation, if merited, at the expense of the responsible party.

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7. Refer to paragraph I8 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.

Response:
The paybacks will vary based on the economics, but no payback period will be longer than 15 years. Further, the paybacks will vary based on the full package of retrofits included. For example, a better-insulated and sealed house would require a smaller heating and cooling unit, which changes the payback calculation for that piece of equipment. As a result, paybacks will only be validly estimated for the package as a whole. However, for the retrofits currently anticipated, maximum paybacks are:

insulation improvements	15 years
air sealing	15 years
heating, cooling and ventilation equipment	15 years
commercial lighting	7 years

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?
Response:
Criteria and metrics include: Total energy saved, number of homes that have completed a retrofit, total dollar savings of customers, customer satisfaction, newly created and preserved jobs, and the accuracy of savings estimates.

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?

Response: No.

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 this response, assume that the participant's bill will not immediately decrease in the same amount as the loan payment.

Response:
No, Firstly the customer is making an investment in the electric service, not a loan.
Because the investment is tied to the meter, past payment history is all that is necessary.
It might be disclosed that much of savings could be seasonal and recommend customer utilize a levelizing payment plan to more easily demonstrate the annualized savings.

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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.

Response:

Criteria:	Targets:
Total energy saved	1 million kWh annually
Total dollar savings of customers	$2 million over 15 years.
Number of homes that have completed a retrofit	more than 150
customer satisfaction	more than 65 %
newly created and preserved jobs	30 or above
and the accuracy of savings estimates	above 90%

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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.

Response: Yes.

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

Response: Yes, the installed costs cannot exceed $857, since the cost of the retrofit, including the 5% administrative fee, cannot exceed $900, unless the customer wishes to buy-down the costs of any equipment which will not meet the payback requirements.

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?

Not applicable

Witness: COOP personnel

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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?

Response:

Not necessarily. The division would depend upon the demand in each customer base, and the capacity of each coop's auditors to evaluate more homes and businesses.

Witness: MACED personnel

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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.

Response:

EKPC will provide advice and technical assistance as needed. EKPC staff may assist with program design, regulatory and legal concerns, and energy assessment. UK Extension Service will assist with the energy assessment design and software selection, as well as coordinating with other statewide retrofit efforts.

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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.

Response:

All measures would be available to small business customers, although the Joint Applicants expect that business customers will be most interested in lighting upgrades, as they interfere less with the operation of business, and have shorter payback times. Lighting upgrades will not be available to residential customers with the currently existing technology.

Witness: COOP personnel

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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"?

Response:

Given the time of the review process, the Joint Applicants believe that the two year pilot will commence after a shortened, one-month start up period after Commission approval. The start up times for individual coops may vary somewhat, depending on training schedules for their auditors.

Witness: MACED personnel

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

Response:

The Joint Applicant's Conservation Plan is under development. It will be similar to the Conservation Plan used by Midwest Energy, in Kansas, which is provided in the attachments. The Joint Applicant's plan will likely be shorter, simpler, and contain fewer options than the Midwest Energy plan.

Witness: MACED personnel

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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?

Response:

Yes if he or she chose to. Otherwise the seller could raise the sale price by the amount of the outstanding balance to payoff the retrofit at closing.

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

Response:

The purchaser could choose to roll the balance into the mortgage loan if she wished to do so, and if the appraised value accommodated the incremental financing, or the purchaser could continue to pay the costs on her utility bill.

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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?

Response:

Yes.

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

Response:

While the total utility bill is less than what it was prior to the retrofit, the beneficiary and the one paying for the retrofit is the tenant. Landlords should not raise rents for retrofit value they did not create, nor should they charge tenants for the efficiency improvements that the tenant is paying for directly. This is why they are required to notify tenants of the charges in the lease. If the landlord wished to pay the full balance, and charge the renters accordingly on a monthly basis, she could do so.

Witness: MACED personnel

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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.

Response:

MACED will provide and track the capital funds for the pilot. MACED will assist with the development of the energy assessment, conservation plan, software tools, database for tracking usage and financial data, and any other areas which become apparent through the course of the pilot. MACED will also provide analysis and evaluation of program data throughout and after the life of the pilot, continually offering improvements and suggestions for next steps. MACED will provide troubleshooting assistance as needed through the life of the pilot. MACED will also work with the Joint Applicants to ensure that a signficant base of skilled contractors is developed in the region to support the program. No other roles are anticipated at this time.

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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.

Response:

MACED has no experience with on-bill investment programs. MACED has extensive experience with financing business and commercial development within Eastern Kentucky. MACED has researched on-bill finance and visited Midwest Energy's program in Kansas to see the implementation first hand and learn of adaptations needed for a Kentucky version.

Witness: MACED personnel

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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.

Response:
Yes, but the costs of administration and of capital for an on-bill tariff were lower and the value to the consumer superior.

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?

Response:

Leasing might be viable for the installation of HVAC equipment, however, the credit requirements and expense would probably eliminate a large portion of the customer base.

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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.

Response:
[will have final numbers shortly]

Ford Foundation

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 fundingnecessary for the Pilot Program?

Response:
No.

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

Response:
Other possible funding sources include the U.S. Department of Energy through the State Energy Offices, or the U.S. Deparment of Agriculture rural development funds.

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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.

Response:
The purpose of the fixture lien is to ensure notification of those purchasing property that there is a tariff on the meter at the property. This is to prevent a seller from raising the price of a property above the value paid for by the seller, when the purchaser may be paying off the retrofit balance. Fixture liens are uniform in Kentucky and reported routinely as part of title searches of property in the state.

Witness: MACED personnel

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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?

Response:
The repayment term will be extend for the period of time for which payments were suspended.
MACED has no relationship with the customers and would have no grounds for pursuing. Only the utility is making retrofit assessments and efficiency investment decisions. MACED is able to invest in the utility's ability to provide this direct service to their customers.

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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.

Response:
For On-bill tariffed programs, the joint applicants are only have access to the default rates for Midwest Energy, which has had 0 defaults.
The On Bill loan program with utility shut-off for non-payment of which the Joint Applicants are aware is Sempra (commercial) with < 1 % default.
Other non-tariffed On-Bill loan programs with low default rates: Keystone HELP - 1.5%, Manitoba Hydro, <1%, United Illuminating (commercial) <1%.
To clarify, some repayment default risk (that of delayed payments) is shifted to the financer, but not all risk to the Joint Applicants can be removed while retaining the essential character of the pilot, specifically energy retrofits as part of utility service. However, the remaining default risk programs in other similar programs has been remarkably low. Please see also PSC 4 (e).
The applicants were informed of two non-tariffed on-bill programs in Cleveland, Ohio and in Texas under Encor that had very high default rates once recipients heard that they couldn't be made to pay the retrofit repayment portion of their power bills. However, no supporting documentation of these programs' existence or default rates has been found to date, perhaps because these programs were in place in the mid-1990's.

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

Response:
The Joint Applicants will bear some of the risks associated with the pilot, although they will be low. In this model, the Applicants provide energy efficency services to customers, and others (initially MACED - but other sources will be considered and pursued) provide utilities with the financing. MACED is not entering into a direct relationship with the customer's of the Joint Applicants, cannot gauge their homes or businesses for the potential to save energy consistently over time, and as a result is not in a position to take the risk of the investment. To be replicable and scalable the pilot needs to model the incentive structures that will be operable over time and with diverse sources of capital. Given experience with other programs, it appears that the risk taken on by the Joint Applicants would be well within acceptable levels.

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"?

Response:
The specific time after which MACED would ask the coops for reimbursement has not yet been determined. It will be at least as long as the shortest write-off period of the Joint Applicants, and likely significantly longer. The period will likely fall somewhere in the 6 monts to 1.5 years range.

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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?

Response:
As they would be indistinguishable from other utility service, they would not be handled any differently

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

Response:
If a disconnection takes place, balances (electric and retrofit charges) would be separated. Electric charges would follow their normal course to be eventually written off. Retrofit program balances would be held until resumed by the customer or a new customer assumes the payment schedule or is required to be paid to the financing agent.

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

Response:
If the investment is requested to be returned to the financing agent, an appropriate utility account would be charged.

Witness: MACED personnel

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25. Refer to paragraph 25.A. of the Application. How are partial payments and bad debts handled in the on-bill financing in the other jurisdictionsmentioned in the responses to QuestionNo. 4 above?

Response:
According to communications with staff, programs in both New Hampshire and Kansas have had practically no defaults, and as a result have not had to handle bad debts. The New Hampshire programs serve commercial and municipal customers, and have much smaller numbers of customers than Kansas. Georgia has been operating for one year and 5 months, and has served over 220 customers and has also not had to disconnect in that time, but has had partial payments and delinquencies. The Georgia coop's policy is to apply partial payments to the ancillary charges for retrofits first, and then to electric usage.

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26. Refer to paragraph 26 of the Application.
a. What is the current status of the "Kentucky Energy Retrofit Collaborative"?

Response:
MACED filed a DBA to reserve the name, "Kentucky Energy Retrofit Collaborative."
The KERC is envisioned as a statewide partnership working on quality control, assessment, and best practices for retrofitting homes and businesses in Kentucky. The organization and membership of the Collaborative are not yet developed. Membership from a broad range of businesses, nonprofits, and governments is envisioned. However with several statewide initiatives underway, it is possible that another umbrella initiative/name will emerge in this role/function.

b. Who are the current collaborative members?

Response:
MACED, although as soon as the organization is fully formed, the Joint Applicants expect to join.

Witness: MACED personnel

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

Response:

The Kentucky Housing Corporation, working with the Department of Energy Development and Independence will be the primary advisors and funders. The Applicants also expect to work with the Finance Cabinet's Clean Energy Corps.

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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 disconnectionin 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 Appplicant's tariff that sets forth such disconnection ppolicy.

Response:
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b. 807 KAR 5006, 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."

Response:
We are contending that the retrofit investment is a utility service that has a direct offsetting effect on the service at the point of delivery and that this long term investment by the customer in the form ofmonthly contributions.
This investment provides a long term value (as long as the service is in place, potentially 30 years or more) to the service financially, financilly, much as a ontribution by the customer to place their service underground provides sa long term value aesthetically.

Witness: MACED personnel

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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.

Response:
Participating Cooperative would retain the $200 fee.

$200 would cover the cost of the audit process:

Labor (4 hours @ 22.70)	$90
Benefits (78%)	$67
Travel (100 miles @ $1.03)	$103
Total	$260

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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.

Response:
Yes. If any funding is deemed not to be collectible and returned to the funding agency and never resumed by a subsequent occupant, those dollars would be included as an expense of the Cooperative, along with other marketing expenses.

We feel that the likelihood of bad debt would be even than the utility average of less that .5% due to the payment history of the applicants and the eventual expenseof the Coooperative would be less than the existing weatherization rebate programs.

As this program is designed to reduce the customer's overall bill, that in itself would reduce write offs as a whole.

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

Response:

Yes - in the sense that energy efficiency investments conserve demand. However, unlike past demand-side management programs, the pilot On-Bill model has benificiaries cover the direct costs of the program.