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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,) CASE 2010-00089
AND JACKSON ENERGY FOR AN ORDER)
APPROVING AN ON-BILL FINANCING)
PILOT PROGRAM TITLED THE "KY)
ENERGY RETROFIT RIDER")

Mr. Dennis Howard II
Asst. Attorney General of Kentucky
Frankfort, KY 40601-8204

Mr> Howard:

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

Joint Applicants

Case NO. 2010-0089

1st Data Request of the Attorney General

1. Please refer to the application, page 5, paragraph 14. The application states that the Commission staff was of the opinion that the proposed tariff was not in contravention of Kentucky law. Please describe the scope of review sought by the joint applicants and with regard to the opinion of Commission staff, whether the scope of the requested review was limited to the legality of the proposed tariff under KRS 278 and/or KRS 279 and applicable regulations.
 - a. Please provide copies of any and all documents supporting this statement.

Response:

Please see the attached letter requesting a staff opinion and the commission staff's letter in response.

Joint Applicants

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1st Data Request of the Attorney General

2. 2. Please refer to the application, page 5, paragraph 15. Please provide a list of states that have approved and implemented an on-bill tariff.
- a. Please provide copies of any and all documents relating to the above-referenced tariffs.

Response:

Please see PSC 4.

Joint Applicants

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1st Data Request of the Attorney General

3. Please refer to the application, page 5, paragraph 15. Please refer to the statement “[i]n other states the tariffed retrofits have transformed high-bill complaints into the utilities’ most satisfied customers”. Please provide all statements, studies, etc. of which the joint applicants are aware which support this assertion by the joint applicants.

Response:

Please refer to PSC 4(d)

Joint Applicants

Item # 4
Page 1 of 1
Witness: MACED personnel

Case N0. 2010-0089
1st Data Request of the Attorney General

4. Please refer to the application, page 5, paragraph 15. Please refer to the statement "experience has shown there is a low risk of default, as default rates range from zero to less than 1%". Please provide all statements, studies, etc. of which the joint applicants are aware which support this assertion by the joint applicants. Are the joint applicants aware of any program, studies, etc. which experienced higher default rates? If so, please provide information detailing those results.

Response:

Please refer to PSC 4 (e), and PSC 23

Joint Applicants

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1st Data Request of the Attorney General

5. Please refer to the application, page 6, paragraph 18. Please clarify whether there is no initial cost to the ratepayer as is stated in the application or whether there will be a "buy down" provision as stated in the proposed tariff.

Response

For any equipment or improvement which does not meet the payback requirements, a customer may choose to buy down that equipment until it would qualify for investment by the coops. Such action is completely voluntary; if sufficient savings are not identified as cost-effective without customer buy-down, no action will be required to waive the audit fee. If there were a third party source of grant/retrofit funds - for instance a low income person participating in weatherization programs - these other sources could be tapped for buydowns, & further to minimize the amount needed to be repaid on the utility bill.

Joint Applicants

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1st Data Request of the Attorney General

6. Please refer to the application, page 6, paragraph 18. Please refer to the statement “[t]he retrofits will be paid for out of the savings these investments produce on the customer’s electric bill”. Also, refer to Exhibit A, “Sample Ky Energy Retrofit Rider,” page 1, line item 7. Please refer to the statement “[a]lthough the Company and its Agent(s) expect that all participating customers will receive lower monthly utility bills, there is no guarantee of savings”. Please clarify that if ratepayers have no net savings on their monthly bills after the installation of the retrofits, they are still responsible for the entire cost of the retrofits installed. Please explain in detail what recourse ratepayers will have should the savings estimated under the program not be achieved.

Response:

Customers are responsible for their entire bill, including both electrical usage charges and on-bill charges. Because usage will change seasonally, based on weather differences, and based on behavioral differences, estimated average savings will not be achieved each month compared to last month. Some months will likely save more, and some may save less. If on average customer bills are not decreasing as expected under the program, then the Company/its agent will go inspect the Retrofit to assess, initiate and verify repairs and assign cost to the responsible party per Program Agreements. Repayments for retrofits will be suspended while measures are being repaired – to the extent that damages have compromised savings. Here are program provisions around the three most likely causes of failure:

1. When failure is due to improper installation or faulty equipment, the Contractor and/or equipment vendor will be responsible for repairs and replacement per the terms of the Master Contractor agreement with the program and equipment warrantees. Customers are financially responsible for out of warrantee repairs to equipment and such costs may be added to the term of their Retrofit repayment.
2. When the Company auditor determines that failure is due to customer or owner damages, (s)he will initiate repairs at the customers expense – to be either paid out of pocket by the responsible party – or added to the term of the Customer’s Retrofit repayment.
3. If the Retrofit measure appears to be working properly, but savings are less than anticipated, data will be analyzed for behavioral indicators. Company representative will offer educational materials and instruction to enable Customers to realize increased savings from their retrofit.

If measures appear are working properly with no indication of behavioral cause –but there was evidence of gross estimation error on the part of the Company/its agent, payments and term may be adjusted by mutual agreement to conform with program targets.

Joint Applicants

Case NO. 2010-0089

1st Data Request of the Attorney General

a. Do the companies believe that as a matter of fair disclosure, prospective applicants should be made aware that no guarantees of savings are being made? If not, why not? If yes, please identify the manner in which the companies intend to inform prospective applicants that there are no guaranteed savings.

Response:

Yes. The forms state the savings as estimated, and the onsite employee performing the energy assessment will clarify that the savings are estimates, and are not guaranteed. The customer will be required to sign the conservation plan before proceeding.

b. In the event no energy savings materialize, and in the further event a participant defaults on payments, describe which entity would be affected: the utility, MACED or any other entity? If the utility, will the costs be spread among the rate base?

Response:

Refer to the first portion of the answer to this question. With regard to customer defaulting on retrofit charges, default will result in disconnection in accord with the coop procedures outlined in question _____. If a new customer is not connected within 6-18 months, then the payment will revert to a default and the costs will be passed on to the ratebase. In Kansas, there have been no defaults after several years of operation.

Joint Applicants

Case No. 2010-0089

1st Data Request of the Attorney General

7. Please refer to the application, page 6, paragraph 18. Please explain how the 90% retrofit cost cap was derived and on what basis.
- a. As proposed, the program is to benefit high-bill ratepayers. Doesn't the proposed 90% retrofit cost cap "lock" them into those higher bills until the retrofits are paid for?. If not, please explain detail why not.
- Response:**
Because of the 10% savings directed to the customer, a customer's average bill will be reduced from what it would have otherwise been. Not all projects will require using the full 90% savings. Further, high-bill ratepayers typically pay their highest bills in the winter in Eastern Kentucky, and the On-bill charge will be averaged across the year, as a result lowering peak bills substantially, average bills slightly, and below average bills over the course of the year may slightly increase. And any outside assistance, such as LIHEAP or Weatherization funding can be applied to On-Bill charges as well to further reduce costs.
- b. Would a retrofit cost cap that is lower than the proposed 90% provide more savings to ratepayers on a monthly basis? Not necessarily. While a lower cost cap could in some cases provide more savings up front, it would also reduce the total savings allowed by restricting the retrofits which could be installed.
- c. What is the accuracy of the program used to calculate the estimated savings? The software has not yet been selected. Uncalibrated software has been shown to be as accurate as 25% error ratio, and by calibrating those for the customer's previous usage, Midwest Energy was able to reduce the error to less than 10%.

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1st Data Request of the Attorney General

d. Does the program to be used to calculate estimated savings provide purely theoretical savings (i.e. 100% efficiency of the retrofit measure) or does the program base savings on actual (expected or achievable) results?

Response:

The programs being considered base savings on expected results. The estimates are based upon the actual measured square footage, wall insulation, window coverage, window type, attic insulation, heating and cooling system, measured air infiltration through a blower door test, and finally the results are calibrated based on the usage of the existing occupants.

e. If the program provides theoretical savings (100% efficiency of the retrofit measure), will the estimated savings be discounted prior to the recommendation or selection of measures to be installed by the ratepayer?
If not, why not? If so, by how much?

Response:

Not applicable.

Joint Applicants

Case NO. 2010-0089

1st Data Request of the Attorney General

8. Please refer to the application, page 7, paragraph 18. Please refer to the statement “[o]nce the retrofits are paid off in 15 years or less, customers’ bills will drop dramatically”. Please provide all statements, studies, etc. of which the joint applicants are aware which support this assertion by the joint applicants.

Response:

The structure of the Retrofit Purchase Agreement determines that bills will drop by precisely the amount of the retrofit repayment at the time payments cease. Once the customer pays off the investment, then all savings from the retrofits will directly reduce the customer's bill. For example, in a case where the retrofit cost the maximum 90% of savings, the customers savings would increase by a factor of 10 when the investment is fully repaid.

Joint Applicants

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1st Data Request of the Attorney General

9. Please refer to the application, page 7, paragraph 18. Please indicate all retrofit measures that will be considered for installation under the proposed tariff along with the estimated average cost of the measure and the average service life of the measure.

Response:

See PSC 3.

Joint Applicants

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1st Data Request of the Attorney General

10. Please refer to the application, page 7, paragraph 19. Please clarify whether retrofit measures requiring payback of more than 2 years will be installed during the pilot period. If the program is not continued or approved beyond the 2 year pilot period, do the joint applicants intend to collect payments from program participants for up to 15 years?

Response:

The joint applicants intend to install retrofits that require payback of more than two years, and to collect those after the pilot period has ended until they are fully repaid.

Joint Applicants

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1st Data Request of the Attorney General

11. Please refer to the application, page 7, paragraph 20. Please define the term "full disclosure" as used by the joint applicants.

Response:

A detailed explanation of the costs the customer incurs as a result of participating in the program, including the up front program charge and the cost of providing upfront capital.

Joint Applicants

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12. Please refer to the application, page 8, paragraph 22. Please provide a breakdown of the program costs including the budget for administrative costs.

Response:

MACED Program Implementation Budget	April 2010 – June 2010		July 2010 – June 2011		Total through June 2011	
Personnel		29,172	175,344		204,516	
Fringe		8,647	51,974		60,621	
Travel		2,465	11,793		14,258	
Supplies		865	5,214		6,079	
Contractual		3,280	17,247		20,527	
Co-op start-up costs		13,005	52,020		65,025	
Other		8,255	33,342		41,597	
Total expenses		\$65,690	\$346,934		\$412,624	
KHC Contribution		\$65,690	\$234,310		\$300,000	
Funding from other Sources		\$0	\$112,624		\$112,634	
Fund Capitalization		\$0	\$850,000		\$850,000	
Total pilot		\$65,690	\$1,196,934		\$1,263,644	

Joint Applicants

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1st Data Request of the Attorney General

13. Please refer to the application, page 10, paragraph 25A regarding any delinquency in payments under the program. If a ratepayer receives financial assistance for utility bills under either a Federal, utility sponsored or community action agency program, how will such assistance be allocated in regard to their bill? Will a participant be responsible for payment concerning the retrofits prior to being reconnected after a disconnect? Please explain in detail.

Response:

Retrofits are provided as part of utility service, funded by long term capital, and repaid through utility rates, similar to the way utility lines are extended to new customers when they begin service. When ratepayers receive financial assistance, the assistance is applied to their entire utility bill, including all the charges involved in utility service, whether they be kWh's, infrastructure development, school taxes, or energy efficiency investment repayments. When payment of bills is subsidized or covered by a third party, the entire bill is subject to 3rd party payment. Ratepayers are responsible for any/all the arrearages on their utility bills, through the time of disconnection. If a participant were ever disconnected, retrofit repayment charges would not accrue during the time a meter was dark. Once a disconnected participant had satisfied arrearages and been reconnected, charges for full ongoing service would resume.

Joint Applicants

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1st Data Request of the Attorney General

14. Please refer to the application, page 10, paragraph 25B. In the event a meter is disconnected and payments cease, does interest continue to accrue against the loan? If so, doesn't this penalize future tenants or purchasers? Please explain your response.

Response:

The retrofit is an investment by the utility in the energy efficiency of an account. It is not a personal loan to the ratepayer. Interest does not accrue to the ratepayer while the meter is disconnected. However, whether the utility in turn owes interest from the period in which the meter was dark is a function of whether the utility's investment was financed using debt or retained earnings.

Joint Applicants

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1st Data Request of the Attorney General

15. Please refer to the application, page 10, paragraph 25C. Please refer to the statement “[f]or utility customers, initially utility bills should go down unless they change their behavior”. Is a change in behavior the only reason a participants’ utility bill isn’t reduced? Please provide all documentation to support this assertion.

Response:

Please see response to AG question 6.

Joint Applicants

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1st Data Request of the Attorney General

16. Please refer to the application, page 10, paragraph 25C. Please refer to the statement “[f]inally, by reducing peak demand, all customers will see their utility bills decrease...”. Is it the assertion of the joint applicants that a general, across the board, rate reduction will be the result of this program? Please provide all documentation to support this assertion.

Response:

This pilot will not likely result in a rate reduction - because the retrofit volume is too small relative to the entire rate base. However, if the pilot model proves successful and is scaled up, a future iteration of the program would result in rates lower than had the energy retrofits not lowered demand. In general, by reducing the costs of peak power, and reducing the overall costs of power generation by providing utility services at a lower cost than that of purchasing power from conventional power plants, the program should help to reduce costs and maintain current rates for a longer period, or at least reduce the rate of increases.

Joint Applicants

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1st Data Request of the Attorney General

17. Please refer to the application, Exhibit A, Sample Ky Energy Efficiency Rider, page 2. Please provide the basis for the \$200.00 audit fee including all charges that make up the fee, an explanation of what services are provided in the charge and which contractor provides this service. Is the contractor that performs the audit and recommends retrofit measures the same as the one who sells and installs such measures? Please explain in detail.

Response:

Please refer to PSC # 29.

The initial pilot model will have only utility personnel, or if an agent were involved, not the contractor, performing audits and recommending retrofit measures. It is possible that in future program years a contractor version of the model will be developed, to serve municipalities that don't have audit staff. At that point the effectiveness of both approaches can be compared to ascertain if there is a detectable difference in program performance. If not, the contractor model could be considered for coops as well.

Joint Applicants

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1st Data Request of the Attorney General

18. Please refer to the application, Exhibit A, Sample Ky Energy Efficiency Rider, page 3. In numerous instances, the tariff refers the "Company or its Agent" and then on page 3 of the tariff, the statement "[t]he Company will not be liable for any decisions or actions taken by its Agent...". Please clarify the legal relationship between the company and any agents or contractors as referenced in the tariff and envisioned by the joint applicants.

Response:

The Agent will be liable for any errors or accidents caused by the Agent. Contractors will be responsible for their actions, accidents or errors performing the work under the program. The company's relationship with the contractor will be covered by the Master Contractor Agreement, Exhibit C of the application.

Joint Applicants

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1st Data Request of the Attorney General

19. Please refer to the application, Exhibit A, Sample Ky Energy Efficiency Rider, page 4, Item 2. Please explain the basis for the capital provider owning the retrofit measures for tax or carbon credit purposes until retrofits are fully paid off. Does the capital provider intend to sell the carbon credits? Does the capital provider intend to claim the tax credits on its income taxes? Do the joint applicants intend to recover for lost sales under the program? Do the joint applicants intend to recover any incentive under the program? Please explain in detail.

Response:

The capital provider does intend to sell the carbon credits to help make the retrofit program more affordable. The pilot capital provider does not pay income taxes, but if possible will attempt to transfer any income tax credits not usable by customers. If tax and carbon credits are not able to be used by the capital provider, participants will be encouraged to use them if able to do so. The joint applicants do not intend to recover for lost sales. The joint applicants do intend to recover any equipment incentives for which the customer becomes eligible as a result of taking the actions initially paid for by the joint applicants under the program.

Joint Applicants

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1st Data Request of the Attorney General

20. Please refer to the application, Exhibit B, Sample Energy Retrofit Purchase Agreement, page 2, Item 4.4. If the retrofit measure stops working, the Company/Agent may suspend charges to the ratepayer while repairs are being made to the degree that savings are compromised. Will interest charges continue to accrue during this suspension period? If so, why? Please explain in detail.

Response:

Interest charges will be suspended along with the rest of the on-bill charges while repairs are being completed.

Joint Applicants

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1st Data Request of the Attorney General

21. Please refer to the application, Exhibit B, Sample Energy Retrofit Purchase Agreement, page 2, Item 4.4. If repairs are made out of warranty or that are not the result of defects in workmanship, those charges are the responsibility of the ratepayer. Are ratepayers limited to the installing contractor with regard to service or repair of the equipment after the warranty period has expired? If so, why? Please explain in detail.

Response:
No.

Joint Applicants

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1st Data Request of the Attorney General

22. Please refer to the application, Exhibit B, Sample Energy Retrofit Purchase Agreement, page 2, Item 4.4. If the ratepayer is required to pay for repairs to the retrofit measure, the Company/Agent proposes to increase the remaining retrofit payments to cover the costs of the repairs. Is there any point at which repairs will not be covered or allowed due to further repairs being uneconomical? If not, why? Please explain in detail.

Response:

Yes, repairs which would be uneconomical would not be required. After the warranty period, the amount of the investment not repaid will be relatively small. As such in the case of severe damage to the equipment, it may make more sense to replace equipment, this would be allowed under the program.

Joint Applicants

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1st Data Request of the Attorney General

23. Please refer to the application, Exhibit B, Sample Energy Retrofit Purchase Agreement, page 2, Item 4.4. If the ratepayer is required to pay for repairs to the retrofit measure, the Company/Agent proposes to increase the remaining retrofit payments to cover the costs of the repairs, including administration fees. Please provide the reasoning for including administration charges and the estimated cost of those charges. Please explain in detail.

Response:

If the customer's actions are damaging to the equipment, and as a result causes the company or its agent costs in diagnosing, estimating, or repairs, then the company and/or agent's expense may be added to the balance. Costs will be assessed and determined on a case by case basis.

Joint Applicants

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1st Data Request of the Attorney General

24. Please refer to the application, Exhibit B, Sample Energy Retrofit Purchase Agreement, page 2, Item 4.9. Please refer to the statement “[c]ustomer understands that this Agreement does not constitute a loan nor create any obligations under Kentucky Law pertaining to consumer credit or mortgage financing.” Please explain in detail why the joint applicants believe this agreement would be exempt from Kentucky and Federal law concerning consumer credit and/or mortgage financing. Please provide any documentation which supports this assertion.

Response:

Customer agreement is not a loan, it is a utility investment in energy efficiency service beyond the meter.

Joint Applicants

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1st Data Request of the Attorney General

25. Please refer to the application, Exhibit B, Sample Energy Retrofit Purchase Agreement, page 4, Item 8.5. Please reconcile the statement contained in Item 8.5 with the statement contained in Exhibit A, Sample Ky Energy Efficiency Rider, page 3 where it states that “[t]he Company will not be liable for any decisions or actions taken by its Agent...”. Please explain in detail.

Response:

These statements are not in conflict.

Joint Applicants

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1st Data Request of the Attorney General

26. Please refer to the application, Exhibit B, Sample Energy Retrofit Purchase Agreement, page 4, Item 8.8.
a. Please explain whether this statement is intended to limit the rights of program participants to arbitration and whether such arbitration will be voluntary or binding upon the parties.

Response:

Yes, the arbitration is intended to limit the rights of the participants to arbitration, and the arbitration will be binding.

- b. In light of the last sentence, that arbitration costs shall be allocated among the parties, please also explain why the Company is the party that is allowed to choose the arbitrator should such a need arise and why such choosing an arbitrator is not the decision of all parties.

Response:

The intention of the program is to reduce the costs of providing energy efficiency retrofits to participating customers. Allowing the company to choose the arbitrator should help reduce costs.

- c. Please explain what is meant by the term "satisfactory resolution". Does this refer to a resolution that is satisfactory to all the parties, just the Company, or just the ratepayer? Please explain in detail.

Response:

A satisfactory resolution for all parties is strongly desired.

Joint Applicants

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1st Data Request of the Attorney General

27. Please refer to the application, Exhibit B, Sample Energy Retrofit Purchase Agreement, page 5, Item 8.10. As the Agreement in Item 4.9 claims to create no obligations under Kentucky law, please reconcile the statement in 8.10 with that found in 4.9. Which statement shall be controlling? Please explain in detail.

Response:

The agreement creates no obligations under Kentucky law with regard to mortgage lending or consumer credit.

Joint Applicants

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1st Data Request of the Attorney General

28. Please refer to the application, Exhibit C, Sample Participating Contractor Master Agreement, page 1, Item 2.3. Please explain in detail the process used to determine the monthly retrofit project charge, including all costs and charges.

Response:

An initial energy assessment will determine the current energy usage of a house, and create a basic model of the house. Software will analyze potential improvements, and will create an estimate of the best combination of retrofit measures, or possibly a few choices for the customer. An audit and project management cost of 5% will be added to the estimated retrofit cost, and in addition the total (105% of the direct construction cost) will be amortized at the capital provider's interest rate, an estimated 3% in this case. Initially all projects will be amortized for the full 15 year payback period, but different models of earlier payback will be explored with customers.

Joint Applicants

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1st Data Request of the Attorney General

29. Please refer to the application, Exhibit C, Sample Participating Contractor Master Agreement, page 1, Item 2.3. Please refer to the statement “[s]avings must be greater than the monthly Retrofit Project Charge calculated by Company/its Agent”. If the contractor that sells and installs the retrofit measure is different than the contractor that performs the audit and recommends the retrofit measures, who has responsibility to ensure that the savings are greater than the monthly Retrofit Project Charge? Please explain in detail.

Response:

The coop will perform all initial energy assessments, and will be responsible for performing the assessment accurately. The installing contractor will be responsible for his/her work being performed successfully, and proper operation of equipment. The customer will be responsible for equipment care and maintenance, and any behavioral changes which may affect savings. The Company/it's Agent will monitor performance of individual retrofits on subsequent energy bills and the performance of the program in total.

Joint Applicants

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1st Data Request of the Attorney General

30. Please refer to the application, Exhibit C, Sample Participating Contractor Master Agreement, page 2, Item 2.15.
- a. Please explain whether this statement is intended to limit the rights of program participants to arbitration and whether such arbitration will be voluntary or binding upon the parties.
 - b. In light of the last sentence, that arbitration costs shall be allocated among the parties, please also explain why the Company is the party that is allowed to choose the arbitrator should such a need arise and why such choosing an arbitrator is not the decision of all parties.
 - c. Please explain what is meant by the term "satisfactory resolution". Does this refer to a resolution that is satisfactory to all the parties, just the Company, or just the contractor? Please explain in detail.

Response:

Please see the response to AG 26, as arbitration was included for the same reasons.

Joint Applicants

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1st Data Request of the Attorney General

31. Please refer to the application, Exhibit C, Sample Participating Contractor Master Agreement, page 3, Item 6.2. Please refer to the statement “[I]n the event of termination, Contractor will be paid for any work completed to the satisfaction of Customer, less the cost of Company’s estimate of the additional cost that might be incurred in completing work in progress and started under this Agreement.”
- a. Please define who is the “Customer” under this paragraph.

Response:

Customer is the company’s customer who signed up for the retrofit installation.

- b. The statement says that contractor will be paid for work completed less any additional cost to complete the project, does this paragraph mean that a contractor will be liable for the entire cost of project completion should they be terminated? Please explain in detail.

Response:

The Contractor will be responsible for any additional costs incurred because of her failure to complete the project, beyond what the project would have cost originally. If a contractor’s initial work did not create any complications for the next contractor, then no additional costs would be assessed. If a contractor’s work damages or unduly complicates further efforts, then the original contractor would be responsible for that additional cost of repair, not the remaining original cost of the project.

Joint Applicants

Case NO. 2010-0089

1st Data Request of the Attorney General

32. Please refer to the application, Exhibit C, Sample Participating Contractor Master Agreement, page 4, Item 7.1. Please describe in detail the procedure that will be followed should changes in the work be required due to code or safety requirements, hidden conditions, etc., that render the measure uneconomical. In your answer, please state whether the Company will continue to fund the project, whether the customer will be required to pay funds to continue the project, whether the project will be abandoned partially completed or whether the project will no longer qualify for the low cost financing under the program.

Response:

If changes after the initial assessment are discovered or are made in law that in effect render the measure uneconomical, then the project may be abandoned, or the customer may choose to buy-down the initial cost to make the project economical from the Company's standpoint.

Joint Applicants

Case NO. 2010-0089

1st Data Request of the Attorney General

33. Please refer to the application, Exhibit C, Sample Participating Contractor Master Agreement, page 4, Item 7.2.
- a. Please explain whether this statement is intended to limit the rights of program participants to arbitration and whether such arbitration will be voluntary or binding upon the parties.
 - b. In light of the last sentence, that arbitration costs shall be allocated among the parties, please also explain why the Company is the party that is allowed to choose the arbitrator should such a need arise and why such choosing an arbitrator is not the decision of all parties.
 - c. Please explain what is meant by the term "satisfactory resolution". Does this refer to a resolution that is satisfactory to all the parties, just the Company, or just the contractor? Please explain in detail.

Response:

Please see the response to AG 26, as arbitration was included for the same reasons.

Joint Applicants

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34. Please refer to the application, Exhibit C, Sample Participating Contractor Master Agreement, page 4, Item 7.2. Please reconcile the statement contained in Item 8.1 with the statement contained in Exhibit A, Sample Ky Energy Efficiency Rider, page 3 where it states that “[t]he Company will not be liable for any decisions or actions taken by its Agent...”. Please explain in detail.

Response:

The Company will not be liable for decisions or actions taken by its Agent. The Company may submit to arbitration to help determine whether there was error on the part of the Company in the original energy assessment or otherwise.

Joint Applicants

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35. Please refer to the application, Exhibit D, Sample Transfer Customer Retrofit Disclosure Form, Page 1. This form contains the statement “[t]he savings are estimated to be significantly greater than the charges”. As the monthly utility payments under the program are calculated to be approximately 90% of the monthly utility bill prior to the installation of the retrofit measures, please state whether the joint applicants believe that the referenced statement is accurate. Please explain in detail.

Response:

Significant means important. Statistically significant means unlikely to have occurred by chance. Both meanings apply here. It is subjective to some extent whether a person finds a 10% savings, discount or investment return to be significant, however, the programs this pilot is modeled after use this language, and the Joint Applicants likewise believe the savings to be significant to most customers, particularly when considered cumulatively over a years' time. Further, the savings over the life of the equipment should be another factor greater than the charges, particularly considering the period once repayment is complete.

Joint Applicants

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36. Please refer to the application, Exhibit D, Sample Transfer Customer Retrofit Disclosure Form, Page 1. As the tariff states that savings are not guaranteed, it is possible that the savings will not be greater than the utility bill prior to the installation of the retrofit measures. If the savings do not materialize, how will the disclosure for that situation be treated under the tariff? Please explain in detail.

Response:

Savings for a new customer should be compared against whatever the new customer would be charged for their usage in the home as it existed before the retrofit. As long as the equipment is properly functioning and the contractor's work was successfully completed, then behavioral changes of the initial customer would not trigger a disclosure. If the equipment has failed due to initial customer neglect, or contractor work was faulty, that issue would be resolved before the application of charges to the new occupant. In addition, if the original customer's bill has not increased, but instead has stayed the same even while providing more comfort, and using less energy, then the benefits to the customer and the community are still numerous.

Joint Applicants

Case NO. 2010-0089

1st Data Request of the Attorney General

37. Please refer to the application, Exhibit E, Sample Automated Utility Generated New Retrofit Customer Transfer Form, Page 1. This form contains the statement “[t]he savings are estimated to be greater than the charges”. As the monthly utility payments under the program are calculated to be approximately 90% of the monthly utility bill prior to the installation of the retrofit measures, please state whether the joint applicants believe that the referenced statement is accurate. Please explain in detail.

Response:

The payments are calculated to be approximately 90% of the *savings* as compared to the original utility bill, not the entirety of the utility bill. As a result, the statement is accurate.

Joint Applicants

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38. Please refer to the application, Exhibit E, Sample Automated Utility Generated New Retrofit Customer Transfer Form, Page 1. As the tariff states that savings are not guaranteed, it is possible that the savings will not be greater than the utility bill prior to the installation of the retrofit measures. If the savings do not materialize, how will the disclosure for that situation be treated under the tariff? Please explain in detail.

Response:

Please see AG # 36.

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39. Please state whether there is the possibility that a default by a participating customer could cause the Company to incur costs which would then be borne by the rest of the ratepayers.

Response:

Yes, but those costs will be offset by the reduction in the cost of procuring and providing electrical service. Further, the likelihood of defaults will be reduced since the average utility bill in the program will be reduced as soon as work is completed.