

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" )

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

Big Sandy Rural Electric Cooperative Corporation ("Big Sandy"), Fleming-Mason Energy Cooperative, Inc. ("Fleming-Mason"), Grayson Rural Electric Cooperative Corporation ("Grayson"), and Jackson Energy Cooperative ("Jackson") (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 June 4, 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. Throughout the responses to the Initial Data Request of Commission Staff ("Staff's First Request"), Mountain Association for Community Economic Development ("MACED") personnel responded to questions either directed to the Joint Applicants or for which the responses mention the Joint Applicants' responsibilities. Do the Joint Applicants adopt as their own MACED's responses to Staff's First Request, Items 1, 7, 8, 11, 15, 16, 19, 20, 28, 29, 30, and 31?

2. Refer to the response to Staff's First Request, Item 1.b. Do the Joint Applicants or MACED know if East Kentucky Power Cooperative, Inc. ("EKPC") solicited other potential organizations to implement retrofits in EKPC's service territory? If yes, what other potential organizations were solicited?

3. Refer to the response to Staff's First Request, Item 1.b. Since EKPC recommended MACED as a partner for an energy retrofit program, do the Joint

Applicants or MACED know if any EKPC distribution cooperatives, other than the Joint Applicants, are considering similar retrofit programs? If so, please name those EKPC distribution cooperatives.

4. Refer to the response to Staff's First Request, Item 4.

a. Provide a copy of the Stipulation and Agreement mentioned in paragraph 4, page 2, of the Kansas State Corporation Commission Order dated August 16, 2007 in Docket Nos. 07-MDWG-784-TAR and 07-MDWE-788-TAR.

b. Provide a copy of the 1999 Energy Efficiency Institute ("EEI") paper describing the Pay As You Save ("PAYS") energy efficiency products program mentioned on page 1 of the New Hampshire Public Utilities Commission ("NHPUC") Order dated August 7, 2001 in Docket No. DE 01-080.

c. Refer to the NHPUC Order mentioned in Item 4.b. On page 5 of that Order, Public Service New Hampshire ("PSNH") mentions it would be possible to operate the PAYS program "without the ability to disconnect for non-payment of PAYS charges." In the footnote on the same page, the EEI states that the PAYS program couldn't work without disconnection for such nonpayment. Do the Joint Applicants agree with PSNH or the EEI? If neither, why not?

d. Refer to page 4 of the NHPUC Order dated December 30, 2004 in Docket No. DE 04-052. The New Hampshire Public Interest Research Group ("NHPIRG") "recommended . . . a system for de-listing vendors with a poor performance record be set up . . . ." Assuming the Commission approves the On-Bill Financing Pilot Program ("the Pilot Program"), would the Joint Applicants and MACED agree to establish such a listing? If not, explain.

e. Refer to page 25 of the NHPUC Order dated December 30, 2004 in Docket No. DE 04-052. The New Hampshire Applicants proposed to implement any

energy measure whose cost does not “exceed two thirds of the measure’s estimated annual savings over three quarters of its estimated useful life . . . .” The NHPIRG recommended implementing any energy measure whose cost does not “exceed three quarters of the measure’s estimated annual savings over three quarters of its estimated useful life . . . .” Would the Joint Applicants and/or MACED agree to any such alterations in the Joint Applicants’ Pilot Program? If not, why?

f. Refer to page 2 of the Hawaii Public Utilities Commission (“HPUC”) Order No. 22974, dated October 24, 2006, in Docket No. 2006-0425. That Order states that the HPUC was authorized to implement a PAYS program for solar water heating by an act of the Hawaii State Legislature. Are the Joint Applicants and/or MACED aware of any similar Kentucky General Assembly legislation which would authorize the Pilot Program?

g. Refer to the HPUC Order No. 23531, dated June 29, 2007, in Docket No. 2006-0425.

(1) Provide a copy of the Stipulation mentioned in paragraph 1, page 6, of Section I.E.

(2) Pages 21 and 22 of Section II.D mention a Hawaii Consumer Advocate recommendation that “utilities keep clear and complete records verifying the calculated life cycle savings for each individual system for at least the duration of the pilot period . . . .” Assuming the Commission approved the Pilot Program, would the Joint Applicants and MACED agree to a similar recordkeeping requirement? If not, why?

h. Refer to the Michigan Public Service Commission (“MPSC”) Order dated September 26, 2006 in Case No. U-13808. Provide copies of the Detroit Edison

reports dated March 15, 2005, May 20, 2005, and December 5, 2005, respectively, mentioned on pages 2, 3, and 4 of that Order.

i. Refer to page 7 of the MPSC Order dated September 26, 2006, in Case No. U-13808. The MPSC mentions that the American Council for Energy Efficiency Economy believes any energy efficiency plan should include “consumer education; outreach and training of contractors, retailers and other ‘trade ally’ participants; and other customer financial incentives such as rebates.” Describe and discuss the extent to which the Joint Applicants’ Pilot Program will include any of these attributes.

5. Refer to Slides 28 and 29 of Matthew H. Brown’s presentation provided in response to Staff’s First Request, Item 4.e (“the Brown Presentation”). Discuss the degree to which the Joint Applicants and MACED believe the proposed Pilot Program reflects the Tariff-based System on Slide 28 versus the Loan-based System on Slide 29.

6. Refer to Slides 30 and 31 of the Brown Presentation. Discuss the degree to which the Joint Applicants and MACED believe the proposed Pilot Program reflects Manitoba Hydro’s On-Bill Loan Program.

7. Refer to Slides 32 through 34 of the Brown Presentation. Discuss the degree to which the Joint Applicants and MACED believe the proposed Pilot Program reflects MidWest Energy’s On-Bill Tariff Program.

8. Refer to the Pennyrile Electric Commercial Loan Application provided in the response to Staff’s First Request, Item 5.a. Will the Joint Applicants and MACED require a loan application fee similar to that listed in condition 1 on page 2?

9. Refer to the response to Staff’s First Request, Item 5.b.1. The response states, “TVA staff think that their customers believe they could be disconnected for non-

payment.” Do the Joint Applicants or MACED know if customers could be disconnected for nonpayment under TVA’s secured financing program?

10. Refer to the response to Staff’s First Request, Item 7.c.2.a.

a. Assuming “the customer is making an investment in . . . electric service, not a loan,” would the Joint Applicants and MACED agree that participation in the Pilot Program may create some cash flow concerns with some of the Pilot Program participants?

b. If yes, would the overall financial capacity, including income level, of any Pilot Program participant be considered by the Joint Applicants and MACED?

11. Refer to the response to Staff’s First Request, Items 13 and 14. Assuming the Commission approves the proposed Pilot Program, would the Joint Applicants and MACED agree to provide a copy of a sample conservation plan no later than the end of the “one-month start up period after Commission approval” mentioned in the response to Item 13?

12. Refer to the response to Staff’s First Request, Item 18. MACED mentions it has visited Midwest Energy to view the implementation of Midwest Energy’s on-bill finance program and has learned “adaptations needed for a Kentucky version.”

a. Enumerate what the “adaptations . . . for a Kentucky version” are.

b. Document the reason(s) for each adaptation.

13. Refer to the response to Staff’s First Request, Item 20.a.

a. Provide an update on the status of any funding request and the amount of any such request.

b. Assuming the Commission approves the Pilot Program, will the Joint Applicants and MACED agree to provide updates on any additional funding

requests which the Joint Applicants and/or MACED may request during the Pilot Program?

14. Refer to Staff's First Request, Item 21. Staff understands the general purpose of fixture liens as provided in the response. Typically, a creditor is the entity filing the fixture lien in order to secure its position as a creditor. Under the proposed program, the creditor is MACED. Why, then, would the Joint Applicants be responsible for filing a fixture lien?

15. Refer to the response to Staff's First Request, Item 26.

a. Provide an update on the status of the "Kentucky Energy Retrofit Collaborative" ("KERC").

b. Assuming the Commission approves the Pilot Program, will the Joint Applicants and MACED agree to provide periodic updates on work of the KERK during the Pilot Program?

16. Refer to the response to Staff's First Request, Item 28.a. Provide the tariff references for Big Sandy, Fleming-Mason, and Jackson that were not provided in Joint Applicants' initial response to this request.

17. Refer to the response to Staff's First Request, Item 28.b.

a. Joint Applicants failed to answer Item 28.b.1 in the response to Staff's First Request. Explain fully how each Joint Applicant would handle the scenario posed in Item 28.b.1.

b. Provide the legal basis which would support MACED's and the Joint Applicants' position that the proposed Energy Retrofit Rider is a "utility service at that point of delivery" as defined in 807 KAR 5:006, Section 14(1)(f).

18. Refer to the response to Staff's First Request, Item 31. Explain what MACED means when it states that "the pilot On-Bill model has beneficiaries [sic] cover the direct costs of the program."

19. Throughout the responses to the Initial Data Request of the Attorney General ("AG's First Request"), MACED personnel responded to questions either directed to the Joint Applicants or for which the responses mention the Joint Applicants' responsibilities. Do the Joint Applicants adopt as their own MACED's responses to AG's First Request, Items 6, 8, 10, 11, 12, 13, 14, 15, 18, 19, 26, 30, 33, 35, 36, and 38?

20. Refer to the response to the AG's First Request, Item 6. MACED states, "When the Company auditor determined that failure is due to customer or owner damages, (s)he will initiate repairs at the customers [sic] expense."

a. Is the Company auditor a MACED auditor, an auditor of one of the Joint Applicants, or an auditor of a third party? If a third party, who selects the third party – MACED or one of the Joint Applicants?

b. Will the customer's responsibility to pay for expenses arising from repairs, due to damages attributed to the customer, be explained to the customer prior to the installation of the energy efficiency measure?

21. Refer to the response to the AG's First Request, Item 7.a.

a. Is it the position of the Joint Applicants that the Low Income Home Energy Assistance Program and other "weatherization funding" can be used to pay charges under the Pilot Program?

b. If so, what is the basis for this claim?

22. Refer to the response to the AG's First Request, Item 7.c. MACED states, "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%." Do the Joint Applicants and MACED plan to use software which is calibrated "for the customer's previous usage"?

23. Refer to the response to the AG's First Request, Item 12.

a. The Joint Applicants are proposing a two-year Pilot Program. The program cost breakdown provided in Item 12 only goes through June 2011. Provide any additional program cost breakdown for the remainder of the two-year time period of the Pilot Program.

b. Are there additional costs for the Joint Applicants other than the "Co-op start-up costs" listed in the table? If so, provide that detail for the two-year time period of the Pilot Program.

24. Refer to the responses to the AG's First Request, Item 13, and paragraph 22 of the Application. In paragraph 22 of the Application, the Joint Applicants state (*emphasis added*), "MACED is also seeking specific *on-bill funding* from both state American Recovery and Reinvestment Act funds distributed through the Kentucky Housing Corporation and private foundation funding. *The capital for the investments* will come from an initial \$500,000 that MACED has on hand and an additional up to \$1,500,000 in proposals pending . . . ."

a. Will this capital, once secured, be managed by, and be the responsibility of, MACED or the Joint Applicants?

b. Refer to MACED's response in the AG's First Request, Item 13, where MACED states, "Retrofits are . . . funded by long-term capital, and repaid through utility rates . . . ."

(1) Does this mean that the long-term capital at risk is MACED's long-term capital?

(2) If yes, what obligation does the Commission have to MACED's financial integrity as represented by this long-term capital?

25. Refer to the response to the AG's First Request, Item 17.

a. Do the Joint Applicants and MACED agree that there is an inherent conflict of interest when the company performing the audit is the same company recommending retrofit measures?

b. If yes, explain how this inherent conflict of interest will be addressed in the Pilot Program.

c. If no, explain why.

26. Refer to the response to the AG's First Request, Item 18. MACED mentions "[t]he company's relationship with the contractor . . . ." Does "company" refer to either one of the Joint Applicants, MACED, or both?

27. Refer to the response to the AG's First Request, Item 27. MACED states, "The agreement creates no obligations under the Kentucky law with regard to mortgage lending or consumer credit." Notwithstanding this statement, if the Commission approves the Pilot Program, would the Joint Applicants and MACED agree to comply with any applicable provisions of, or the spirit of, the Fair Credit Reporting Act and other relevant laws and regulations?

DATED: MAY 20 2010

cc: Parties of Record

  
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