

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,)	CASE NO.
INC., AND GRAYSON RURAL ELECTRIC)	2012-00484
COOPERATIVE CORPORATION FOR AN)	
ORDER APPROVING KY ENERGY RETROFIT)	
RIDER PERMANENT TARIFF)	

COMMISSION STAFF'S FOURTH REQUEST FOR INFORMATION
TO BIG SANDY RURAL ELECTRIC COOPERATIVE CORPORATION, FLEMING-
MASON ENERGY COOPERATIVE, INC., AND GRAYSON RURAL ELECTRIC
COOPERATIVE CORPORATION

Big Sandy Rural Electric Cooperative Corporation ("Big Sandy"), Fleming-Mason Energy Cooperative, Inc. ("Fleming-Mason"), and Grayson Rural Electric Cooperative Corporation ("Grayson") (also referred to as "Joint Applicants"), pursuant to 807 KAR 5:001, are each to file with the Commission the original and six copies of the following information, with a copy to all parties of record. The information requested herein is due no later than ten days from the date of issuance of this request. Responses to requests for information 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 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.

Each of the Joint Applicants shall make timely amendment to any prior response if it obtains 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 any of 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 should be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

1. Refer to Joint Applicants' response to Item 4.a. of Commission Staff's Third Request for Information. Joint Applicants describe the establishment of a Risk Mitigation Fund, initially funded with \$50,000.00 from a DEDI/TVA (Department for Energy Development and Independence/Tennessee Valley Authority) settlement grant to MACED (Mountain Association for Community Economic Development) and 4 percent of the 5 percent Administrative Fee for each project.

a. Provide the current balance of the Risk Mitigation Fund. Include with the balance any additions or subtractions made to the initial \$50,000.00 funding, with an explanation for each change.

b. If the Kentucky Energy Retrofit Rider ("KERR") Program is terminated at some point, explain what would happen to the balance of the money in the

Risk Mitigation Fund.

c. If the Risk Mitigation Fund is seldom utilized, and the balance in the fund continues to grow, explain whether Joint Applicants foresee capping the fund balance, and if so, explain whether Joint Applicants believe Commission approval would be required to do so.

d. If due to economic, or other unforeseen problems, the Risk Mitigation Fund is fully depleted, explain whether the cooperatives' residential customers would then ultimately be responsible for unpaid liabilities resulting from defaults by participants, assuming the subject location remains vacant, or is destroyed. If responsible, explain whether each particular cooperative will be responsible for the defaults of its own participants.

e. Since Jackson Energy Cooperative has chosen not to participate in the permanent KERR Program, explain what happens to the liability resulting if one or more of its member participants default and the subject location remains vacant, or is destroyed.

2. Provide a copy of any and all contracts, memoranda of understanding, and any other documentation that identifies the agreement that your cooperative has with MACED and any of its partners or affiliates.

3. Explain who pays the contractor for work performed at a member's home as part of the KERR Program: the cooperative or MACED? Include in the explanation whether any funds are transferred directly from MACED to the contractor, or whether funds are transferred from MACED to the cooperative for payment to the contractor.

4. Explain how and by whom potential program participants for your particular cooperative are identified.

5. Explain how and by whom initial contact is made with the member to explain the retrofit project.

6. Each cooperative has a tariff on file for the pilot on-bill financing program that contains a copy of a UCC Financing Statement. Identify the entity that is listed as the secured party on the UCC Financing Statements that have been filed when one of your members participates in the on-bill financing program.

7. As part of that initial contact to explain the retrofit project, is the member informed that a UCC Financing Statement will be filed at the appropriate courthouse as a result of their participation in the retrofit project?

a. If yes, is a copy of the UCC Financing Statement that is part of your particular cooperative's tariff given to the member to keep for review?

b. If no, explain why a member is not informed that a UCC Financing Statement will be filed at the appropriate courthouse as a result of their participation in the retrofit project

8. To date, has each member who has participated in the pilot retrofit program for your particular cooperative received a copy of the UCC Financing Statement that has been filed at the respective courthouse as a result of their participation in the pilot project?

a. If yes, how soon after the filing of the UCC Financing Statement was a copy of the financing statement sent to the member?

b. If no, explain why the member did not receive a copy of the UCC Financing Statement that was filed at the respective courthouse.

9. At the telephonic Informal Conference on May 14, 2013, Commission Staff indicated that on the MACED website, information concerning this program indicates that the program is not a loan. Each of the cooperatives indicated that their membership is aware that the on-bill financing pilot program is a loan program.

a. Explain how your particular cooperative informs its membership that the retrofit program is a loan program.

b. For your particular cooperative, are you aware of any confusion among program participants concerning the repayment obligation for this program? If yes, identify how any confusion concerning the repayment obligation has been resolved.

10. If a property on which a retrofit project has been completed is in inactive status and remains in inactive status for a period of time, is it possible that your particular cooperative could be required to pay MACED or any other entity for the balance of funds owed at the particular property for the retrofit project? If yes, explain at what point in time this occurs.

11. If the proposed retrofit rider is not approved as a permanent program but on an additional pilot basis, will that impact any of the funding sources for your particular cooperative?

12. In Case No. 2010-00089, in Item 21, of Commission Staff's Initial Request for Information issued April 22, 2010, the following was asked:

"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.”

Joint Applicants response, filed May 7, 2010 stated as follows:

“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.”

Identify what authority, if any, your particular cooperative has to determine the sales price of real estate owned by a member:

- a. Who has participated in the retrofit pilot program; or
- b. Who has not participated in the retrofit pilot program.

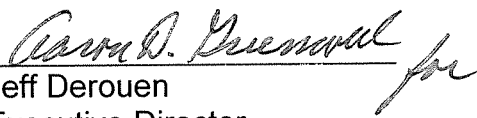
13. In Case No. 2010-00089, in Item 23, of Commission Staff’s Initial Request for Information issued April 22, 2010, the following was asked:

“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.’”

The Witness indicated as MACED personnel responded:

The Joint Applicants will bear some of the risks associated with pilot, although they will be low.

For your particular cooperative, identify any and all potential risks associated with the retrofit program.


Jeff Derouen
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

DATED MAY 22 2013

cc: Parties of Record

Case No. 2012-00484

Honorable Albert A Burchett
Attorney at Law
P. O. Box 0346
Prestonsburg, KENTUCKY 41653

Don M Combs
Manager Finance & Administration
Grayson R.E.C.C.
109 Bagby Park
Grayson, KY 41143

David Estepp
President & General Manager
Big Sandy R.E.C.C.
504 11th Street
Paintsville, KY 41240-1422

Christopher S Perry
President & CEO
Fleming-Mason Energy Cooperative, Inc.
1449 Elizaville Road
P. O. Box 328
Flemingsburg, KY 41041

Honorable W. Jeffrey Scott
Attorney At Law
P.O. Box 608
311 West Main Street
Grayson, KENTUCKY 41143

Honorable Marvin W Suit
Attorney At Law
Suit, McCartney & Price, PLLC
207 Court Square
Flemingsburg, KENTUCKY 41041