

Matthew G. Bevin
Governor

Charles G. Snively
Secretary
Energy and Environment Cabinet



Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
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Michael J. Schmitt
Chairman

Robert Cicero
Vice Chairman

Talina R. Mathews
Commissioner

May 1, 2019

PARTIES OF RECORD

RE: Case No. 2019-00101

Attached is a copy of a memorandum which is being filed in the record of the above-referenced case. If you have any questions, please contact Quang Nguyen, Assistant General Counsel, at (502) 782-2586.

Sincerely,

A handwritten signature in blue ink that reads "Gwen R. Pinson".


Gwen R. Pinson
Executive Director

JR

Attachments

INTRA-AGENCY MEMORANDUM
KENTUCKY PUBLIC SERVICE COMMISSION

TO: Case File – Case No. 2019-00101

FROM: John A. Rogness, Staff Project Officer 

DATE: May 1, 2019

RE: Grayson RECC Management Audit Communications

The attached emails document communication between the John Rogness, Staff Project Officer, and Carol Fraley, President and CEO for Grayson RECC. Documents sent to Grayson RECC include the notification letter and draft copies of the Request for Proposal and Timeline as part of the management audit process and in anticipation of an informal conference to be held on April 30, 2019 at the Commission's offices.

Rogness, John (PSC)

From: Rogness, John (PSC)
Sent: Thursday, April 25, 2019 12:26 PM
To: carol.fraley@graysonrecc.com
Cc: Rogness, John (PSC)
Subject: Management Audit Notification Letter
Attachments: Grayson Notification Letter Final 04-25-19.pdf

Ms. Fraley,

Attached please find Grayson RECC's notification letter formally starting the management audit process.

I am mailing a hard copy of the letter today for your records. If you have any questions or concerns, please do not hesitate to give me a call.

Regards,

John A. Rogness III
Public Utility Rate Analyst
Kentucky Public Service Commission
P.O. Box 615
Frankfort, KY 40602-0615
502.782.2652
john.rogness@ky.gov

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April 25, 2019

Ms. Carol Fraley
President and Chief Executive Officer
Grayson Rural Electric Cooperative Corporation
109 Bagby Park
Grayson, KY 41143

Dear Ms. Fraley:

As part of the Kentucky Public Service Commission's (Commission) management audit program, the Commission will perform a management and operations audit of Grayson Rural Electric Cooperative Corporation (Grayson RECC) pursuant to KRS 278.255(2), which provides for such an audit of any utility under Commission jurisdiction. Although the scope of the audit has not been finalized, the major focus of this project will address all the processes and functions of Grayson RECC's Board of Directors and management, including but not limited to strategic planning and plan execution, financial and budgetary processes, human resources (including compensation and benefits), member services and support. In addition, the audit will evaluate the possible benefits to members from merging with another electric distribution cooperative.

It would be beneficial for Grayson RECC to participate in a meeting at the Commission's offices on April 30, 2019 at 1:00 PM to further discuss the current management audit process. The purpose of the meeting will be to discuss the preliminary audit scope and tentative schedule. A Request for Proposal (RFP) will be released to prospective bidders after this meeting. Pursuant 807 KAR 5:013, Section 4(1), Grayson RECC may review and comment on the RFP prior to its release.

The Commission will engage an independent consulting firm to perform the audit. All associated audit costs will be paid by Grayson RECC. Audit costs will be allowed in the cost of service for rate making purposes. As in previous audits, the Commission will allow Grayson RECC to review and comment on submitted proposals prior to selection of a consultant by the Commission. Once the audit begins, the audit process is expected to take about five months to complete for the Final Report to be issued.



Grayson RECC should designate one individual to serve as coordinator for the audit. This individual will serve as the primary contact for the selected consultant as well as for Commission Staff. For your convenience, I am forwarding draft copies of the RFP and audit timeline. These items can be discussed at the meeting mentioned above.

Dr. John A. Rogness III will be the Commission's contact for this audit. He can be reached at (502) 782-2652 or at john.rogness@ky.gov. Dr. Rogness will contact you to discuss a convenient time for the above referenced meeting and to answer any initial questions you might have.

Sincerely,



Gwen R. Pinson
Executive Director

Rogness, John (PSC)

From: Rogness, John (PSC)
Sent: Friday, April 26, 2019 7:54 AM
To: Carol Fraley
Cc: Rogness, John (PSC)
Subject: RE: Management Audit Notification Letter

Ms. Fraley,

Of course, you may bring anyone you wish to the meeting. I would suggest that in addition to yourself, Grayson's CFO and attorney, the Board of Directors' attorney and perhaps a Board member attend the meeting.

I will forward a copies of the draft RFP and timeline as soon as I am able.

If you have any further questions or concerns, please let me know.

Regards,

John A. Rogness III
Public Utility Rate Analyst
Kentucky Public Service Commission
P.O. Box 615
Frankfort, KY 40602-0615
502.782.2652
john.rogness@ky.gov

From: Carol Fraley <carol.fraley@graysonrecc.com>
Sent: Thursday, April 25, 2019 3:01 PM
To: Rogness, John (PSC) <john.rogness@ky.gov>
Subject: RE: Management Audit Notification Letter

Dear Mr. Rogness: I am in receipt of the letter from Gwen R. Pinson that was emailed to us today regarding the Kentucky Public Service Commission's management and operations audit. It appears that a meeting has been scheduled for April 30, 2019 at 1:00 p.m. at the Commission's offices in Frankfort, Kentucky. However, the letter indicates that you will contact Grayson to discuss a convenient time for said meeting. I also did not receive draft copies of the RFP and the audit timeline mentioned in this letter. Please advise as to when we should expect the RFP and the timeline so that we may have this information before said meeting. If you expect us to attend on April 30, we need to know as soon as possible. Also, I would appreciate a list of those people representing Grayson R.E.C.C. who should attend. I look forward to hearing from you at your earliest convenience. Carol Hall Fraley, President and CEO

From: Rogness, John (PSC) [<mailto:john.rogness@ky.gov>]
Sent: Thursday, April 25, 2019 12:26 PM
To: Carol Fraley <carol.fraley@graysonrecc.com>
Cc: Rogness, John (PSC) <john.rogness@ky.gov>
Subject: Management Audit Notification Letter

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Attached please find Grayson RECC's notification letter formally starting the management audit process.

I am mailing a hard copy of the letter today for your records. If you have any questions or concerns, please do not hesitate to give me a call.

Regards,

John A. Rogness III
Public Utility Rate Analyst
Kentucky Public Service Commission
P.O. Box 615
Frankfort, KY 40602-0615
502.782.2652
john.rogness@ky.gov

Rogness, John (PSC)

From: Rogness, John (PSC)
Sent: Monday, April 29, 2019 4:01 PM
To: Carol Fraley
Cc: Nguyen, Quang D (PSC); Purvis, Mary E (PSC)
Subject: RE: Management Audit Notification Letter
Attachments: 2019-00101 Grayson TIME LINE Final Draft.docx; 2019-00101 Grayson AUDIT- RFP-Final Draft 04-29-2019.docx

Ms. Fraley,

Attached please find copies of the draft audit timeline and RFP. We will review these documents at tomorrow's meeting at 1 PM at the Commission's office.

If you have any questions or concerns, please give me a call.
Regards,

John A. Rogness III
Public Utility Rate Analyst
Kentucky Public Service Commission
P.O. Box 615
Frankfort, KY 40602-0615
502.782.2652
john.rogness@ky.gov

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Regards,

John A. Rogness III
Public Utility Rate Analyst
Kentucky Public Service Commission
P.O. Box 615
Frankfort, KY 40602-0615
502.782.2652
john.rogness@ky.gov

DRAFT – Consolidated Comments

PUBLIC SERVICE COMMISSION OF KENTUCKY

REQUEST FOR PROPOSAL (RFP)

1. Invitation to Propose

The Kentucky Public Service Commission (Commission) is seeking proposals for consulting services required to perform a focused management and operations audit of Grayson Rural Electric Cooperative Corporation (Grayson RECC). Grayson RECC's headquarters are located in Grayson, Kentucky.

Each person responding to this RFP is referred to hereinafter as a "Bidder" until such time as they may be selected to undertake the engagement. A "Consultant" is a firm that has been selected to undertake the engagement. The Commission will accept proposals to this RFP under the terms and conditions set forth herein.

Upon selection to perform the focused management and operations audit, a Letter of Agreement ("Agreement") will be signed between the Commission, Grayson RECC and the Consultant. This Agreement, described more fully herein, shall comprise the contract for the engagement.

The standard information package for this project can be found on the Commission's website at www.psc.ky.gov, under the heading Grayson RECC Focused Management Audit, and will include the cover letter, the RFP, links to relevant Orders

from Case Nos. 2012-00426,¹ 2018-00272,² and 2019-00101,³ and Grayson RECC's 2017 annual report.⁴

2. Background Information

Grayson RECC is a member-owned, not-for-profit rural electric distribution cooperative organized pursuant to KRS Chapter 279. It is one of 16 member distribution cooperatives that jointly own East Kentucky Power Cooperative, Inc., (EKPC) a generation and transmission cooperative that supplies power to the 16 member owners. As of December 31, 2018, Grayson RECC served approximately 15,381 customer accounts located in six eastern Kentucky counties. For the year ended December 31, 2018, Grayson RECC had total electric operating revenues of \$31,593,287 with net income of \$1,041,183.⁵

On December 28, 2012, Grayson RECC filed an application requesting an increase in its retail rates by approximately \$2 million, which reflected a 7.9 percent increase over its normalized revenues. During the course of the proceeding, docketed as Case No. 2012-00426, it became clear that Grayson RECC's actual test year rate of

¹ Case No. 2012-00426, *Application of Grayson Rural Electric Cooperative Corporation for an Adjustment of Rates* (Ky. PSC July 31, 2013).

² Case No. 2018-00272, *Application of Grayson Rural Electric Cooperative Corporation for an Adjustment of Rates* (Ky. PSC March 28, 2019).

³ Case No. 2019-00101, *Electronic Investigation into the Management and Operation of Grayson Rural Electric Cooperative Corporation* (Initiating Order issued on March 28, 2019).

⁴ Documents for which confidential protection has been granted will be made available to the Consultant selected to perform the audit pursuant to a formal confidentiality agreement.

⁵ Annual Report of Grayson Rural Electric Cooperative Corporation to the Public Service Commission of the Commonwealth of Kentucky for the Calendar year ended December 31, 2018, (filed March 28, 2019), at 33, 34, and 45.

return on net investment rate base was 0.52 percent. Its test-year Times Interest Earned Ratio (TIER), excluding G&T Capital Credits, was 0.11 and its equity ratio was 20 percent. The Rural Utilities Service (RUS) had previously notified Grayson RECC that it had failed to meet its operating TIER requirement of 1.10 for calendar years 2011 and 2012. Technically, Grayson RECC was in default with the RUS as it was experiencing declining financial health due to a shrinking customer base, decreasing energy sales, and increasing costs.⁶ Grayson RECC had attempted to rectify its declining financial position by implementing cost cutting measures and by filing its rate application.

In its final Order dated July 31, 2013, in Case No. 2012-00426, the Commission discussed several concerns regarding Grayson RECC's actions and strongly recommended that Grayson RECC management and its Board of Directors exercise sound judgement in making financial decisions and pursue all cost cutting measures.

On September 20, 2018, Grayson RECC filed an application for an adjustment to its current rates. In Case No. 2018-00272, Grayson RECC indicated that its request to increase its revenues by \$1.57 million was necessary due to increases in the cost of materials, equipment, labor and other expenditures.⁷ In addition, Grayson RECC indicated that it had failed to meet its 1.25 TIER requirement in 2017 and 2018.⁸ During the course of the proceeding, it became clear that Grayson RECC had not addressed the

⁶ Case No 2012-00426, *Application of Grayson Rural Electric Cooperative Corporation for an Adjustment of Electric Rates* (Ky. PSC July 31, 2013) Final Order at 7.

⁷ Grayson RECC's application also indicated that an increase in the cost of power was a factor driving its request for an increase in rates. However, Grayson RECC's cost of power from EKPC, its wholesale supplier, did not increase in the intervening period between its previous rate case, Case No 2012-00426, and the filing of Case No. 2018-00272.

⁸ Case No. 2018-00272, Final Order at 3.

Commission's concerns and recommendations expressed in the 2012 rate case. As a result of ongoing concerns regarding Grayson RECC and the failure to adequately act upon the Commission's prior Order, in an Order dated March 28, 2019, issued in Case No. 2018-00272, the Commission ordered the present management audit of Grayson RECC.

3. Objective and Scope of the Audit

Objective

In general, the intended objective of this project is to perform a detailed, focused review of Grayson RECC's efforts to manage its business generally, contain costs through effective financial management, budgeting and accounting processes, and strategically plan, formulate policies and execute those policies for the future. The role, responsibility and effectiveness of Grayson RECC's Board of Directors plays an integral part of this review.

Scope

The primary scope of this audit is to fully review and evaluate the effectiveness of Grayson RECC management's efforts to undertake strategies, policies, and procedures to contain its costs and maintain its financial integrity, especially as the Commission initially encouraged it to do in its July 31, 2013 Order in Case No. 2012-00426. The main focus of this project should be on the effectiveness of Grayson RECC's management, and that of its Board of Directors, to strategically plan for the future, formulate policies to carry out the plan, and the ability to execute those policies as they apply to all areas of

management. The Commission and Grayson RECC seek concrete ways in which both the Board of Directors' role and management's effectiveness can be improved in the short run and then maintained in the long run.

A Consultant will be selected to review all aspects of strategic planning, financial, management and decision-making of Grayson RECC's management and Board of Directors relating to the ongoing financial health of the cooperative and continued provision of safe and reliable electric service at fair, just and reasonable rates. The scope of this review will encompass, but not be limited to, the following Task Areas:

1. Evaluate Grayson RECC's organizational structure, including the role and the effectiveness of the Board of Directors in carrying out its fiduciary responsibility in providing direction and oversight to Grayson RECC's management.
2. Evaluate Grayson RECC's strategic plan and planning process, including the roles and responsibilities of the Board of Directors and management, and the effectiveness in strategic plan execution as it relates to all other areas of Grayson RECC's business, especially in managing cost containment and the overall financial health of Grayson RECC's business.
3. Evaluate all aspects of Grayson RECC's financial management, budgeting, and accounting processes. Specific areas of focus should include but not be limited to review of internal controls, management oversight of these financial process functions, and prioritizing for competing goals and making any mid-course corrections to ensure Grayson RECC's ongoing financial integrity.

4. Evaluate Grayson RECC's policies and procedures and the effectiveness of the member services, human resources and support functions. Specific areas of focus should include but not be limited to a review of the competitiveness of compensation and benefits packages of Grayson RECC personnel, including the Board of Directors, as compared to other electric utilities and electric cooperatives and in the national, state, and local market.
5. Evaluate the efficacy of a possible merger between Grayson RECC and another electric distribution cooperative by examining the outcomes, including customer impact, of other distribution cooperative mergers in Kentucky.

The proposal should reflect the Consultant's understanding of these issues and provide discussion of how they would likely evaluate and assess each of these issues in conducting the management audit of Grayson RECC.

The Consultant will be expected to make on-site visits to the utility's offices in Grayson, Kentucky.

The Consultant will conduct interviews with Grayson RECC's senior management and Board members as well as with other relevant individuals, stakeholder groups and industry representatives.

The consultant will be required to make appropriate recommendations to the Commission. Both the Commission and Grayson RECC expect the final audit report to be fully footnoted and for the consultant's recommendations to be fully supported by findings and conclusions. An equally important facet of the project is the management audit action plans, which will provide the Commission and Grayson RECC with the background and steps necessary to implement the audit recommendation. The

Commission and Grayson RECC believe that it is imperative that the selected Consultant possess an in-depth understanding of the issues confronting the electric industry, especially as applied to the management of rural electric distribution cooperatives.

4. Acceptance of Proposals

There will be **no Bidders' conference** in conjunction with this RFP. As previously stated, the purpose of this RFP is to receive proposals for all consulting services required to perform a focused management audit of Grayson RECC.

All properly submitted and completed proposals will be accepted for consideration and reviewed by the Commission. However, the Commission reserves the right to request necessary amendments to any proposal, reject all proposals, reject any proposal that does not meet the mandatory requirements of this RFP, or cancel this RFP.

The Commission also reserves the right to waive minor irregularities in proposals, providing such action is in the best interest of the Commonwealth of Kentucky, the Commission and Grayson RECC. Waiver of minor irregularities shall in no way modify this RFP's requirements or excuse the Consultant from full compliance with the RFP's specifications and other requirements set forth in any Agreement arising from this RFP.

If your firm is interested in performing this work, you should submit 12 bound copies and two Microsoft Word electronic versions of your proposal **no later than 5:00 PM EDT on June 24, 2019**. The Commission will not consider any proposal received after this deadline. **An electronic copy alone will not be sufficient to satisfy the receipt deadline requirement.** Any questions regarding this RFP should be directed to John A. Rogness in writing via mail or email (john.rognesss@ky.gov). All proposals become the

property of the Public Service Commission of Kentucky. Upon selection of a Consultant to perform this engagement, all proposals will, upon request, be made available for public inspection.

Your response should be addressed to:

Kentucky Public Service Commission
P.O. Box 615
211 Sower Blvd.
Frankfort, Kentucky 40602

ATTN: John A. Rogness

Note that the P.O. Box number should be used for all regular mail and the street address is only necessary for overnight deliveries, i.e. Fed Ex, UPS, etc.

After receipt of proposals, the Commission may request certain firms bidding on the project to appear before the Commission and the staff to provide an oral presentation briefing and to respond to questions. If an oral briefing is required, it will take place on or about August 5, 2019. It is anticipated that the evaluation phase of the project will take about five (5) months to complete and culminate in the publication of a final report and a Management Audit Action Plan (MAAP) report.⁹ The project will begin on or about August 26, 2019. If additional time is needed to complete the project, the Bidder should clearly set forth in the proposal a detailed justification along with an estimate of the amount of additional time required to complete the project.

5. Contents of Proposal

Bidders' proposals should include the following:

⁹ To comply with this requirement, the Consultant must complete Sections I. – V. of the Management Audit Action Plan Template, included on pages 33 and 37 of this RFP.

A. STATEMENT OF THE PROJECT

State in succinct terms your understanding of the project presented in this RFP.

B. MANAGEMENT SUMMARY

Include a narrative description of the proposed effort, a discussion of project management techniques, tools and practices, and a list of the written summary products that will be provided to the Commission throughout the project and at the conclusion of the project.

C. WORK PLAN

Task descriptions are to be the guide in describing your technical plan for accomplishing the work plan. The task descriptions should be in sufficient depth to afford the Commission and its staff a thorough understanding of your work plan. The description should include an estimate of the number of hours each primary member of the review team will devote to each task, functional area, and special interest area. A proposal may be rejected if the work plan does not specifically detail how each of the task descriptions is to be accomplished.

D. PRIOR EXPERIENCE

Submit a statement of similar projects conducted in the previous five years. Provide a copy of the Bidder's most recently completed relevant review report. This requirement would also apply to a subcontractor, if appropriate. Indicate specifically any projects of utilities and provide copies of such audit reports. Experience cited should be that performed by your firm and specifically by individual team members. **Projects referred to should be identified and the name of the client shown, including the name, address and phone number of the responsible official of the client utility or agency who may be contacted.**

E. PERSONNEL

Include the names of all personnel - executive, professional, management analysts, systems analysts, auditors, staff consultants, etc. -- who will be engaged in the review. Their education and experience in auditing and management/process evaluations must be included. If an Agreement is awarded, the personnel assigned to conduct the review may not be changed without the written approval of the Commission or its designated representative. The Commission will notify Grayson RECC of any such

requested personnel change and allow Grayson RECC input before written approval for the change is granted.

F. STATEMENT ON POTENTIAL CONFLICTS OF INTERESTS

The Bidder shall identify any relationships between itself and any of its affiliated companies or proposed subcontractors (including prior relationships of individual personnel engaged in performing the review) and Grayson RECC (or any affiliate). This would include any services provided during the last five years to Grayson RECC, any subsidiaries, parent corporation, subsidiaries of the parent corporation, or any other related organizations associated with the electric utility industry. Any engagements, including but not limited to consulting or preparing studies or testimony, for another utility, a regulatory agency, consumer advocate group, attorney general, or similar entity (an "Interested Party") shall also be disclosed. If there have been no such relationships, a statement to that effect is to be included in the proposal.

The requirement to inform the Commission of any possible conflict of interest is a continuing obligation until the project is completed. **If, during the audit, it is determined that an undisclosed conflict exists or has existed between the Consultant and Grayson RECC or other Interested Party, the Commission reserves the right to terminate the Agreement and shall not be obligated or liable for any payment otherwise owed to the Consultant for service rendered or anticipated to be rendered, for costs incurred or expenses.**

G. BUDGET ESTIMATES

For each task described in Section 5.C. above, a cost estimate shall be provided. The cost estimate for each task shall include labor costs, costs of supplies and materials, subcontractor costs, transportation costs and total cost. The labor costs should be broken down to identify the personnel or category of personnel, possible estimated hours, rate per hour and total cost. **A firm, total not-to-exceed cost for the audit shall be provided.**

H. TIME

For each task described in Section 5.C. above, an estimate of the time required for completion shall be provided in schedule form. Show all audit tasks, the estimated hours to complete each task, and the total estimated hours to complete the audit. An estimate of the percentage of time spent on-site shall also be provided.

I. INITIAL REQUEST FOR DOCUMENTS

The Bidder shall submit an initial information request for pertinent documents as a part of the proposal. Upon final selection of the Consultant by the Commission, Grayson RECC shall initiate responses to the initial information request, thus enabling the Consultant to have access to the requested information during the early stages of the audit. **The initial information request should be clearly prioritized and should not be overly burdensome.**

J. WORK SPACE

Requirements for working space at Grayson RECC's headquarters should be specified in the proposal.

K. PERIOD OF OFFER

A statement that the Bidder's proposal shall remain valid for three months from the final date for submitting proposals (set forth in Section 4 of this RFP) should be included in the proposal.

J. WILLINGNESS TO WORK

The Bidder's willingness to work with the Staff Project Officer in the manner described in this RFP should be stated in the proposal.

K. SIGNATURES

All proposals must be signed by an authorized official of the Bidder.

6. Selection Criteria

All proposals received will be evaluated by authorized Commission personnel. There are several factors that will be considered in selecting the proposals that satisfy the requirements of this RFP. These factors include:

- the Bidder's understanding of the Commission's objectives in ordering this audit and a proposed approach that satisfies these objectives;
- the Bidder's willingness to work with Grayson RECC and its staff;

- the experience and ability of the Bidder's staff assigned to the project and their capability to perform the proposed work;
- the Bidder's description of tasks in the work plan, which should reflect that the Bidder possesses the knowledge and understanding of the technical functions to be examined in the study;
- the Bidder's total not-to-exceed project cost, which shall include all labor costs, cost of supplies and materials, reasonable and customary cost of transportation and per diem expenses, and any reasonable and appropriate subcontract costs;
- the Bidder's willingness to include the Commission staff in the various stages of the review;
- the Bidder's demonstrated ability to meet stated deadlines; and
- the Bidder's project management techniques and practices.

In evaluating each Bidder's proposal, the cost portion of the proposal will be awarded a maximum of 400 points and the technical portion of the proposal will be awarded a maximum of 600 points for a total possible point award of 1000 points. In addition, the Commission will also consider any comments from Grayson RECC regarding the proposal.

7. Role of Commission Staff

John A. Rogness will be the Staff Project Officer designated by the Commission to ensure satisfactory and timely performance of the proposed work in accordance with any Agreement arising from this RFP. Upon the effective date of an Agreement, Dr. Rogness will be the sole contact for the Consultant in any discussions with the Commission.

The Consultant will be responsible for including the members of the Commission staff in the planning and organizational meetings and in all stages of the project as directed by the Staff Project Officer.

The Commission will rely upon the Staff Project Officer to answer questions from time to time about the progress and status of the project. It will be necessary, therefore, that the Staff Project Officer and the Commission staff be involved in the work of the Consultant. This involvement may include attending selected interviews, reviewing analytical procedures, and monitoring the project's progress as to scope, budget, work plans, time, etc. It is expected that the Consultant will frequently discuss the Consultant's progress informally and directly with the Staff Project Officer and that periodic written reports will be necessary in addition to the informal contact between the Consultant's staff and the Staff Project Officer. These reports are described below:

Weekly Informal Reports: By the first of each week, the Consultant will provide written notice of the interviews and site visits scheduled for the following week to the Staff Project Officer for review and approval. It will be important for the Consultant to closely coordinate the schedule for interviews and site visits with the utility's coordinator and the Staff Project Officer in order to minimize disruption of daily management activities.

Monthly Written Status Reports: Based on the task plan submitted with the proposal, the monthly reports should consist of two parts:

- A. General narrative briefly describing progress to date and outlining reasons for any deviations from the task plan schedule. This narrative should also contain a statement indicating the status of the project in relation to time -- ahead, behind, or on schedule.
- B. Status sheet indicating actual hours logged by category (i.e., project manager, senior analyst or auditor, junior analyst or auditor, etc.), by consultant, material and supplies cost, and other costs, showing percentage of each in relation to proposal costs.

Monthly reports should be submitted to the Staff Project Officer and Grayson RECC's Coordinator by the tenth working day following the month's end and shall be submitted for any month worked.

Interview Summaries: By the fifth working day after each interview, formal summaries of each interview, including participants' conclusions and observations, data requests generated, issues identified, and follow-up required, shall be forwarded to the Staff Project Officer.

8. Draft/Final Report

A final report must evolve from a draft report prepared at least thirty (30) days prior to the submission of the final report. The draft report should contain functional area task reports; a management summary, which includes findings regarding operating effectiveness and efficiency; and recommendations. All reports provided to the Staff Project Officer (draft report and final report) must be fully footnoted. The Commission staff, Grayson RECC and the Consultant will review the findings of functional area task reports at a three-party roundtable meeting prior to the issuance of the draft report to the Staff Project Officer. The roundtable meeting should be held at least thirty (30) days prior to the deadline for submission of the draft report to allow for additional in-depth analysis, if necessary, and subsequent revisions. Following the roundtable meeting and completion of any action items arising therefrom, the Consultant will provide the draft report to the Staff Project Officer.

Grayson RECC will be afforded an opportunity to review and provide comment on the draft report. Grayson RECC's written comments shall be submitted to the Consultant and the Staff Project Officer within twenty (20) working days after Grayson RECC's receipt of the draft report so that the Consultant can consider whether any revisions should be made as a result of Grayson RECC's comments before completion of the draft

report. After review of the draft report has been completed, the Consultant will be required to prepare a final report for review by the Commission Staff. Grayson RECC will be afforded an opportunity to review and provide comment on the final report. Grayson RECC's written comments shall be submitted to the Consultant and the Staff Project Officer within ten (10) working days after Grayson RECC's receipt of the final report.

The Commission requires the final report to be in a narrative form and include terminology that will be meaningful to Grayson RECC's management and others generally familiar with the subject areas. The final report should include the following sections:

- A. General Statement and Summary;
- B. Findings and Conclusions with Respect to the Primary Objectives of the Review;
- C. Recommendations, if any, relating specifically to the Task Areas.

Findings, conclusions and recommendations must be justified and accompanied by adequate supporting information. **The final report should consist of an Executive Summary that describes the project and ties all the issues together as well as chapters for each Task Area.**

The Commission expects an objective and balanced report to be prepared.

The Consultant shall provide the Commission with **12 bound copies and one electronic copy of the final report. In addition, Grayson RECC shall be provided with a total of 10 copies and one electronic copy of the final report.**

9. Testimony

The Consultant may be required to testify at a public hearing before the Commission. The selected consulting firm must be willing to stand behind its findings, conclusions and recommendations by testifying, upon request of the Commission, in a hearing before the Commission. In addition, the selected firm can expect to be asked its opinion regarding any testimony submitted by Grayson RECC or any interveners in the proceedings.

All properly identified and related costs incurred by the Consultants for purposes identified under this Section will be paid by Grayson RECC at the Consultant's agreed upon compensation rates as identified in the Agreement to the extent that: (a) the Consultant is providing testimony directly related to the content of the final report and action plans; (b) such testimony is within two years of the final report completion; and (c) the Consultant is providing testimony at the request of the Commission.

10. Action Plans

It is the Commission's intent to secure a commitment from Grayson RECC to implement the Consultant's appropriate recommendations as expeditiously as possible, and to develop a dialogue between Grayson RECC and the Consultant regarding the proper action steps necessary to successfully implement each recommendation. The Consultant shall be responsible for the development of action plans to implement each recommendation and will be required to review the appropriateness of the detailed action steps developed by Grayson RECC. An example of the action plan format desired by the Commission is included with this RFP. The process of developing action plans will proceed as follows:

- A. The Consultant will be responsible for developing draft action plans which include the background, the priority, the improvement baseline intended, and the estimated one-time and annual costs and benefits for each recommendation. This step will require the Consultant's completion of Section I through Section V of the action plan template and shall be submitted with the final report.
- B. Grayson RECC will then be responsible for reviewing the Consultant's draft action plans and for preparing responses to all the action plans. Any recommendations may be considered in a future Commission proceeding involving Grayson RECC. Grayson RECC's response shall include a statement addressing each recommendation, which either adopts the recommendation, adopts it with exception, or rejects the recommendation. The response shall detail steps (as well as the start date and completion date for each step) necessary to implement each recommendation adopted or adopted with exception by Grayson RECC. This step will require Grayson RECC to complete Section VI through Section VIII of the action plan template which shall be submitted to the Consultant and the Commission within 30 days of the release of the final report, unless otherwise mutually agreed upon by the Staff Project Officer and Grayson RECC. For any recommendations rejected, a detailed basis for rejection shall be provided.
- C. The Consultant will then be responsible for reviewing Grayson RECC's comments and action steps and formally commenting (in the finalized action plans) on the appropriateness of the proposed implementation activities, as well as clarifying the intent of the recommendations, if necessary. This step will require the Consultant's completion of Section IX of the action plan template.
- D. **The Consultant shall be responsible for printing the finalized action plans and shall provide both the Commission and Grayson RECC with 4 bound copies and one electronic copy of their finalized action plans.** These finalized action plans shall be submitted to the Commission and to Grayson RECC within 60 days of the release of the final report. For the purposes of this project, finalized action plans shall require the completion of Section I through Section IX of the action plan template as described in Section 10.A through Section 10.C of this RFP.

11. Work Papers

All work papers utilized by the Consultant during the course of the review shall be available to the Commission and Grayson RECC as appropriate during the review and shall be turned over to the Commission concurrent with the submission of the final report.

At a minimum, the work papers should include interview summaries, data request responses, and any special analyses prepared by the Consultant.

12. Contractual Arrangement

The Agreement for this engagement will be among the Commission, Grayson RECC and the Consultant. KRS 278.255(3) provides for the Consultant to work for and under the direction of the Commission with the cost to be borne by Grayson RECC. Payments to the Consultant on an Agreement entered into as a result of this RFP will be based upon hours actually expended and actual expenses incurred on this engagement at rates stated in the Agreement. **Total payments under the Agreement shall not exceed the firm not-to-exceed cost in the proposal.** The firm not-to-exceed cost should include all labor costs, cost of supplies and materials, reasonable and customary cost of transportation and per diem expenses, and any reasonable and appropriate subcontract costs. Neither the Commission nor Grayson RECC will be liable for any costs incurred prior to the making of any Agreement.

The review must be completed in a timely manner. The audit project shall be completed no later than five (5) months from its commencement date, unless the Commission and the Consultant agree to the extension. If the MAAP report has not been issued five (5) months from the commencement date, absent a modification of the Agreement, the Consultant may be required to forfeit up to twenty percent (20%) of the total cost of the project. The project will be considered complete upon the Staff Project Officer's receipt of the finalized action plans as described in Item 10 of this RFP.

The Consultant's invoices, with supporting documentation, shall be presented to the Staff Project Officer by the 10th of each month for services provided and expenses

incurred in the previous month. The Staff Project Officer shall review and approve all invoices, and forward them to Grayson RECC. Grayson RECC shall make payment to the Consultant within 20 working days of receipt of the approved invoices.

13. Conflicts of Interest

It is the intent of the Commission to assure that any Consultant, any employees of a Consultant, any approved subcontractor of a Consultant and any employees of such sub-contractor, who are in a position to affect the outcome of the reports or services rendered under an Agreement arising from this RFP, shall, during the course of the Agreement, strictly comply with the following provisions concerning conflicts of interest:

A. Solicitation or Acceptance of Gifts or Favors or Offers of Gratuities

No consulting firm or persons shall solicit or accept anything of value to the recipient, including a gift, loan, reward, meal, promise of future employment, favor, or service (except Grayson RECC's services that are provided under existing tariffs) from employees or representatives of Grayson RECC (or any affiliate) in connection with an Agreement entered into as a result of this RFP.

By submission of a bid, the bidder certifies that no member or delegate of Congress, nor any elected or appointed official or employee of the Commonwealth of Kentucky has or will benefit financially or materially from this procurement. Any Agreement arising from this procurement may be terminated by the Commission if it is determined that gratuities of any kind were either offered to or received by any of the aforementioned officials or employees from the Consultant, his agent or employee.

B. Conflicting Employment or Contractual Relationship

No consulting firm or persons shall have or accept any employment or enter into a contractual relationship with Grayson RECC (or any affiliate) in connection with an Agreement entered into as a result of this RFP for a period of two years following the completion of the review. It is further required that any such relationship held or acquired during the course of any Agreement arising from this RFP with any other utility, which is subject to the regulation of this Commission, shall be discussed with this Commission as to the timing and subject of such relationships. The consulting firm selected shall certify that it will not perform subsequent work for Grayson RECC (or any affiliate)

in Kentucky in connection with any Agreement entered into as a result of this RFP for a period of two years following the completion of the review unless authorized in writing by the Commission.

C. Disclosure or Use of Certain Information

No consulting firm or persons shall disclose to any other person or entity any confidential or proprietary information ("Confidential Information") concerning Grayson RECC (or any affiliate or member) in connection with any Agreement entered into as a result of this RFP, which has been gained in the course of performing services under an Agreement, nor shall such firm or persons use such information for any purpose other than the subject audit, without the prior written approval of the Commission and Grayson RECC which is the subject of the Agreement. The Consultant shall take all reasonable steps to safeguard such Confidential Information to prevent unauthorized disclosure or use. Access to the Confidential Information shall be limited to employees, representatives and agents of the firm who have a need to use the Confidential Information for the purposes of the review and who have executed a Nondisclosure Certificate, as provided by the Commission (the "Authorized Recipients"). Such Authorized Recipients agree not to disclose Confidential Information to any other persons or entities or to retain or use Confidential Information obtained hereunder for any purpose other than the review. In the event that disclosure of any Confidential Information is compelled by a lawful order of a court or administrative agency with jurisdiction over the subject matter, the Consultant shall promptly give the Commission and Grayson RECC advance notice so that they can seek to protect any interests in keeping the information confidential.

Grayson RECC has the obligation to clearly identify and mark any materials in yellow that it deems Confidential Information so as to alert the Consultant that such materials are governed by this provision and are to be maintained as confidential. The obligations of Consultants and Authorized Recipients hereunder shall survive the termination of any Agreement.

In the event of any unauthorized disclosure(s) of any Confidential Information by the Consultant, the Consultant shall immediately take any and all steps reasonably available to mitigate the harm from said disclosure(s) and shall immediately notify the Commission and Grayson RECC of the unauthorized disclosure(s).

The forgoing shall not be construed to limit access to, or use of, any information gained by the Authorized Recipients during the course of the review by the Commission or its duly authorized staff.

D. Disclosure of Specified Interests

If any firm or person holds any interest (other than as described in Section 13.B.) or owns or acquires a material financial position in the net worth of Grayson RECC (or any affiliate) that is the subject of a proposed agreement between the Commission and the Consultant, a statement shall be filed disclosing such interests prior to signing of any Agreement with the Commission, or immediately upon the establishment of such an interest, if it occurs during the course of the contractual obligation to this Commission. The holding of such an interest or material financial position shall constitute a basis for terminating the Agreement as set forth below.

E. Corporate Conflict of Interest Policy

All consulting firms desiring to do business with this Commission must submit, as part of their proposal or potential contract, a copy of their Corporate Conflict of Interest Policy, particularly in regard to stock ownership or financial relationships with clients. In the case of non-incorporated Consultants or where no corporate policy exists, a statement of intention to comply with the preceding provisions must be submitted.

F. Certification

The Contractor certifies that he/she is legally entitled to enter into this contract with the Commonwealth of Kentucky, and by holding and performing this contract, he/she will not be violating any conflict-of-interest statute (KRS 45A.330-45A.340, 45A.990, 164.390), nor KRS 11A.040 of the executive branch code of ethics relating to the employment of former public servants.

14. Conditions

The following are additional conditions to performance of any Agreement arising from this RFP. Bidders must state in the proposal that they will comply with these conditions.

- A. General - The terms of the contract among the Commission, Grayson RECC, and the Consultant shall be stated in the Agreement between the Commission, Grayson RECC, and the Consultant, which shall expressly incorporate by reference: (1) this RFP and any amendments thereto; (2) the Consultant's proposal submitted in response to the RFP; and (3) any written amendments to the Consultant's proposal which are expressly approved by the Commission. In the event of a conflict or ambiguity in language among

these documents, the provisions and requirements set forth in the Agreement, then the RFP, shall govern.

No modification or change of any provision in the Agreement shall be made unless agreed to in writing by the Consultant, Grayson RECC, and the Commission.

The Agreement shall be construed according to the laws of the Commonwealth of Kentucky. Any legal proceedings against the Commission or Grayson RECC regarding this RFP or any resultant Agreement shall be brought in Commonwealth of Kentucky administrative or judicial forums to the extent permitted by law. Venue will be in Franklin County, Commonwealth of Kentucky.

- B. Fees and Expenses - The Contractor shall maintain supporting documents to substantiate invoices and shall furnish same if required by state government. The invoice must conform to the method described in this contract.

Pursuant to KRS 45A.695, no payment shall be made on any personal service contract unless the individual, firm, partnership, or corporation awarded the personal service contract submits its invoice for payment on a form established by the committee.

The Contractor shall be paid for no travel expenses, unless and except as specifically authorized by the specifications of this contract, or authorized in advance and in writing by the Commonwealth. Either original or certified copies of receipts must be submitted for airline tickets, hotel bills, restaurant charges, rental car charges, and any other miscellaneous expenses.

The Contractor shall be reimbursed for no other expenses of any kind, unless and except as specifically authorized within the specifications of this contract, or authorized in advance and in writing by the Commonwealth.

If the reimbursement of such expenses is authorized, the reimbursement shall be only on an out-of-pocket basis. Request for payment of same shall be processed upon receipt from the Contractor of valid, itemized statements submitted periodically for payment at the time any fees are due. The Contractor shall maintain supporting documents that substantiate every claim for expenses and shall furnish copies of same in support of requests for payment submitted to the Commonwealth.

The Contractor certifies that he/she will not attempt in any manner to influence any specifications to be restrictive in any way or respect nor will he/she attempt in any way to influence any purchasing of services, commodities or equipment by the Commonwealth of Kentucky. For the purpose of this paragraph and the following paragraph that pertains to conflict-of-interest laws and principles, "he/she" is construed to mean "they" if more than one person is involved. If a firm, partnership, corporation, or other organization is involved, then "he/she" is construed to mean any person with an interest therein.

- C. Deviations from the RFP - Any deviations from the strict requirements of the RFP must be specifically defined in the Bidder's proposal which, if acceptable to the Commission, shall be expressly stated in the Agreement, but such deviations must not be in conflict with the basic nature of this offer.
- D. Entire Agreement - The Agreement supersedes all prior negotiations, representations or agreements, either written or oral, among the parties relating to its subject matter and shall be independent of and have no effect upon any other contracts.
- E. Advertising Award - The Bidder agrees not to refer to award of an Agreement pursuant to this RFP in commercial advertising in such a manner as to state or imply that the firm or its services are endorsed or preferred by the Commission, Grayson RECC, or the Commonwealth of Kentucky.
- F. Notices - Upon the effective date of an Agreement pursuant to this RFP, all notices shall be deemed duly given when: (1) delivered by hand; or (2) sent by registered mail, return receipt requested. All notices to the Commission are to be delivered to the Staff Project Officer. All notices to Grayson RECC are to be delivered to Grayson RECC's coordinator.
- G. Titles - Titles of paragraphs are used to facilitate ease of reference only and shall not be construed to express or infer a contractual construction of language.
- H. Agreement Effective Date - Any Agreement established from this RFP shall begin on the effective date stated in the Letter of Agreement.
- I. Termination of Contract - Any Agreement resulting from this RFP shall be subject to the following termination provisions. An Agreement may be terminated by the Commission for:
 - a. Default - Any Consultant who is determined by the Commission to be in breach of any of the terms or conditions of an Agreement with the

Commission may, in the discretion of the Commission, be declared in writing to be in default and such Agreement may be terminated as a result of such default. A default in performance by a Consultant for which an Agreement may be terminated shall include, but shall not necessarily be limited to, failure to perform the contract according to its terms, conditions and specifications; or failure to make delivery within the time specified or according to a delivery schedule fixed by the Agreement.

- b. Consultant Bankruptcy - In the event of the filing of a petition in bankruptcy by or against the Consultant, the Commission shall have the right to terminate an Agreement upon the same terms and conditions as a termination for default.
- c. Unavailability of Funds - In the event that the Commission determines that funds for an Agreement become unavailable, the Commission shall have the right to terminate an Agreement without penalty and upon the same terms and conditions as a termination for convenience. Availability of funds will be determined at the sole discretion of the Commission.
- d. Convenience - The Commission shall be authorized to terminate an Agreement for its own convenience when the Commission has determined that such termination will be in the public interest. When it has been determined that an Agreement should be terminated for the convenience of the Commission, the Commission shall be authorized to negotiate a settlement with the Consultant according to terms deemed just and equitable by the Commission.

The Consultant shall be paid all monies due for services rendered and expenses incurred up to the termination date, as well as all monies due for commitments which cannot be terminated at such termination date or be otherwise mitigated, except as provided in Section 5(F).

Whenever an Agreement is terminated for the convenience of the Commission, the Consultant shall have the burden of establishing the amount of the compensation due, by submission of complete and accurate cost data as presented in his proposal and evidence of expenses paid or incurred and services performed in connection with an Agreement from the effective date through the date of termination. Payment of the sum agreed to in settlement of an Agreement terminated for convenience of the Commission shall be made from the same source of funds or account as the original contract.

- J. Procedure on Termination - Upon delivery by certified mail to the Consultant of a Notice of Termination specifying the nature of the termination, the extent to which performance of work under an Agreement is terminated and the date upon which such termination becomes effective, the Consultant shall:
- a. Stop work under the Agreement on the date and to the extent specified in the Notice of Termination.
 - b. Place no further orders for services except as may be necessary for completion of such portion of the work under the Agreement as is not terminated.
 - c. Terminate all orders to the extent that they relate to the performance of work terminated by the Notice of Termination.
 - d. Upon request, assign to the Commonwealth in the manner and to the extent directed by the Commission all of the rights, titles, and interests of the Consultant under the orders so terminated. The Commonwealth shall have the right, at its discretion, to settle or cause payment of any or all claims arising out of the termination of such orders with the approval or ratification of the Commission and settle all outstanding liabilities arising out of such termination of orders, the cost of which would be reimbursable in whole or in part, in accordance with the provisions of the Agreement.
 - e. Complete performance of that part of the work not terminated by the Notice of Termination.
 - f. Take such action as may be necessary, or as the Commission may direct, for the protection and preservation of the property related to the Agreement which is in the possession of the Consultant and in which the Commission has or may acquire an interest.

The Consultant shall proceed immediately with the performance of the above obligations notwithstanding any delay in determining or adjusting the amount of any item of reimbursable price under this clause.

- K. Termination Claims - After receipt of a Notice of Termination, the Consultant shall submit to the Commission any termination claim in the form prescribed by the Commission no later than two (2) months from the effective date of termination.

If the Consultant fails to submit the termination claim within the time allowed, the Commission may, subject to any review required by the Commonwealth procedures in effect as of the effective date of the Agreement, determine, on

the basis of information available to it, the amount, if any, due to the Consultant by reason of the termination and shall direct that payment of that amount be made.

In the event the Consultant and the Commission fail to agree in whole or in part on the costs to be paid to the Consultant in connection with the total or partial termination of work, the Commission shall determine on the basis of information available the amount, if any, due to the Consultant and shall direct that payment of that amount be made.

The Consultant shall have the right of appeal, as stated under Disputes, from any such determination made by the Commission.

- L. Consultant Personnel - Personnel commitments identified in the Consultant's proposal shall be considered mandatory to the work to be performed under this RFP. Personnel assignments in the proposal shall not be changed without prior written consent of the Staff Project Officer. Replacement of such personnel, if approved, shall be with personnel of equal or superior ability and qualifications. The Commission may, at any time, require the Consultant to reassign or otherwise remove any employee found not qualified or otherwise unacceptable to the Commission.

Any contract or agreement entered into by the Consultant and a subcontractor shall expressly incorporate by reference the terms of the Agreement between the Commission and the Consultant.

- M. Changes in Scope - The Commission may, at any time and in writing, change the general scope of an Agreement upon prior notice to and input from Grayson RECC. If any approved change affects the cost of, or the time required for, the performance of any part of the work, an adjustment shall be made in the Agreement which shall be modified in writing accordingly.
- N. Force Majeure - Consultant shall not be liable for any damages for any inability to perform, or for any delays or interruptions beyond Consultant's reasonable control in performing any of Consultant's obligations under any Agreement, including but not limited to, those arising from acts of God, fires, floods, riots, insurrection, war, terrorism, sabotage, quarantines, strikes by Consultant's employees or embargoes. Consultant shall advise the Commission and Grayson RECC immediately of any failure, delay, or interruption upon occurrence thereof. Any such inability, delay or interruption, even though existing on the effective date of the Agreement or on the date of the start of the work, shall require Consultant to submit a recovery plan detailing the manner in which the delay shall be remedied, the revised schedule and any added expenses. Consultant shall use reasonable diligence to proceed with the work notwithstanding the

occurrence thereof. Force Majeure shall apply only to the part of the work directly affected by the particular failure, delay or interruption, and shall not apply to the work as a whole or any other unaffected part thereof.

- O. Disputes - Prior to the initiation of any action in a court by any party to an Agreement awarded as a result of this RFP concerning any contract, claim, or controversy, the Commission may, subject to any limitations or conditions imposed by regulations, settle, compromise, direct payment to be made or otherwise adjust the claim by or against, or controversy with, the Consultant relating to the Agreement, including, but not limited to, a claim or controversy based on breach of contract, mistake, misrepresentation, or other cause for contract modification or rescission. The Consultant also shall agree to participate in good faith in at least one mediation of any such dispute before any case is filed in a judicial or administrative venue.
- P. Disclosure of Proposal Contents - The contents of any proposal in response to this RFP shall be confidential and shall not be disclosed to anyone other than the Commission and its staff, and Grayson RECC and their agents until an Agreement is entered into between the Commission, the Consultant and Grayson RECC. Once an Agreement has been made, the proposal of the Consultant selected to perform the review and the proposals of all unsuccessful Consultants may be made available for public inspection.
- Q. Confidentiality of Contract Terms - The Consultant, Grayson RECC, and the Commission agree that all information including the proposal communicated among them before the effective date of the Agreement shall be received in strict confidence and shall not be disclosed by the receiving party, its agents, or employees without prior written consent of the other parties. Such material will be kept confidential to the extent allowed by law until the effective date of the Agreement, at which time the Agreement may be made available for public disclosure. Nothing in this provision may modify the provisions relating to Confidential Information set forth above.
- R. Consultant Responsibility - Any Agreement that may result from the RFP shall specify that the Consultant is solely responsible for fulfillment of the Agreement with the Commission. Any subcontractors shall be identified in the proposal.
- S. Consultant Affiliation - If any affiliate or subcontractor of the Consultant takes any action which, if done by the Consultant, would constitute a breach of the Agreement, the same shall be deemed a breach by the Consultant. For purposes of this section, "affiliate" shall mean a parent, subsidiary or other person controlling, controlled by or under common control with the Consultant.

- T. Assignment - The Consultant shall not assign its inclusion on the pre-qualified list or any Agreement entered into as a result of this RFP in whole or in part or any payment arising therefrom without the prior written consent of the Commission. Any assignment without the written consent of the Commission shall be void.
- U. Authorized to do Business in Kentucky - Businesses can register with the Secretary of State at <http://www.sos.ky.gov/Pages/default.aspx>.

The Contractor affirms that it is properly authorized under the laws of the Commonwealth of Kentucky to conduct business in this state and will remain in good standing to do business in the Commonwealth of Kentucky for the duration of any contract awarded.

If a foreign entity, the Contractor shall maintain a certification of authority to conduct business in the Commonwealth of Kentucky during the term of this contract. Such registration is obtained from the Secretary of State pursuant to the process outlined below.

Pursuant to KRS 45A.480(1)(b), an agency, department, office, or political subdivision of the Commonwealth of Kentucky shall not award a state contract to a person that is a foreign entity required by KRS 14A.9-010 to obtain a certificate of authority to transact business in the Commonwealth ("certificate") from the Secretary of State under KRS 14A.9-030 unless the person produces the certificate within fourteen (14) days of the bid or proposal opening. Therefore, foreign entities should submit a copy of their certificate with their solicitation response. If the foreign entity is not required to obtain a certificate as provided in KRS 14A.9-010, the foreign entity should identify the applicable exception in its solicitation response. Foreign entity is defined within KRS 14A.1-070.

- V. Hold Harmless - The Consultant agrees to indemnify, defend, and hold harmless the Commonwealth, the Commission and Grayson RECC, their officers, agents, and employees from:
- a. Any claims or causes of action by or any losses to any person or firm alleging injury or damage resulting from the intentional or negligent acts of the Consultant, its officers or employees in the performance of any Agreement arising from this RFP.
 - b. Any failure of the Consultant, its officers or employees to observe the laws or regulations of the Commonwealth of Kentucky or the United States of America, including but not limited to, labor and minimum wage laws.

- W. Permits, Licenses, Taxes and Registration - The Consultant shall procure all necessary permits and licenses and abide by all applicable laws, regulations and ordinances of all federal, state and local governments in which work under any Agreement is performed.

The Consultant shall pay any sales, use or personal property taxes arising out of any Agreement and the transaction contemplated hereby. Any other taxes levied upon the transaction, equipment or services delivered pursuant hereto shall be borne by the Consultant.

- X. Employment Practices - The Consultant shall not discriminate against any employee or applicant for employment because of race, color, religion, sex, national origin, age, marital status, political affiliations, or handicap; except as otherwise provided by law. The Consultant must take affirmative action to ensure that employees, as well as applicants for employment, are treated without discrimination because of their race, color, religion, sex, national origin, age (except as provided by law), marital status, political affiliations, or handicap. Such action shall include, but is not limited to, the following: employment, promotion, demotion, or transfer, recruitment or recruitment advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship. Consultant agrees to post in conspicuous places, available to employees and applicants for employment, notices setting forth the provisions of this clause.

The Consultant shall, in all solicitations or advertisements for employees placed by or on behalf of the Consultant, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, national origin, age (except as provided by law), marital status, political affiliation, or handicap, except where it relates to a bona fide occupational qualification.

The Consultant shall comply with the nondiscrimination clause contained in Federal Executive Order 11246, as amended by Federal Executive Order 11375, relative to Equal Employment Opportunity for all persons without regard to race, color, religion, sex, or national origin, and the implementing rules and regulations prescribed by the Secretary of Labor and with 41 CFR Chapter 60. The Consultant shall comply with related laws and regulations of the Commonwealth of Kentucky.

The Consultant shall comply with regulations issued by the Secretary of Labor of the United States in 20 CFR Part 741, pursuant to the provisions of Executive Order 11758 and the Federal Rehabilitation Act of 1973.

The Consultant shall comply with the Civil Rights Act of 1964, and any amendments thereto, and the rules and regulations thereunder, and Section 504 of Title V of the Vocational Rehabilitation Act of 1973 as amended, and the Kentucky Civil Rights Act.

- Y. Rights and Remedies - The rights and remedies of the Commission provided herein shall not be exclusive and are in addition to any other rights and remedies provided by law or under any Agreement arising from this RFP.
- Z. Contract Severability - If any provision of an Agreement (including items incorporated by reference) is declared or found to be illegal, unenforceable, or void, then the Commission, the Consultant, and Grayson RECC shall be relieved of all obligations arising under such provision. If the remainder of the Agreement is capable of performance, it shall not be affected by such declaration or finding and shall be fully performed.
- AA. Waiver - No covenant, condition, duty, obligation, or undertaking contained in or made a part of any Agreement arising from this RFP will be waived except by written agreement of the parties, and forbearance or indulgence in any other form or manner by any party in any regard whatsoever shall not constitute a waiver of the covenant, condition, duty, obligation, or undertaking to be kept, performed or discharged by the party to which the same may apply; and until complete performance or satisfaction of all such covenants, conditions, duties, obligations, and undertakings, any other party shall have the right to invoke any remedy available under law or equity, notwithstanding any such forbearance or indulgence.

Any consent by any party to or waiver of a failure by the other, whether express or implied, shall not constitute consent of, waiver of, or excuse for any other different or subsequent failure.

- BB. Insurance - The Consultant will provide public liability, property damage and worker's compensation insurance, insuring as they may appear, the interests of all parties to any Agreement arising from this RFP against any and all claims which may arise out of the Consultant's actions or the actions of its subcontractors or agents under the terms of an Agreement. In the event any carrier of such insurance exercises cancellation, notice will be made immediately to the Commission of such cancellation.
- CC. Accounting Requirements - The Consultant shall establish and maintain an accounting system in accordance with Generally Accepted Accounting Principles (GAAP). The accounting system shall maintain records pertaining to the tasks defined herein and any other costs and expenditures made under an Agreement.

DD. Audit Requirements - The Consultant shall maintain books, documents, and other evidence pertaining to the administrative costs and expenses of any Agreement arising from this RFP to the extent necessary and in such detail as shall properly reflect all costs, direct and apportioned, and other costs and expenses of whatever nature for which reimbursement is claimed under the provisions of such an Agreement. Accounting records related to the provision of service under any Agreement arising from this RFP shall be open to the Commission at any time from the commencement date through 12 months subsequent to the review's conclusion.

EE. Contract Records Retention - The Consultant shall preserve and make available to the Commission and Grayson RECC all books, documents, papers, and records related to any Agreement arising from this RFP for a period of one year from the date of expiration or termination of the Agreement.

Records involving matters in litigation shall be kept for one year following the final termination of litigation and associated appeals, if any.

Authorized representatives of the Commission may examine and copy the items listed above during the Agreement period and during the periods described above. Grayson RECC may also examine and copy the items listed above during the Agreement period and during the periods described above after the Consultant's review has been completed.

FF. Legal Fees - In the event that the Commission or Grayson RECC prevail in a legal action to enforce any provision of an Agreement arising from this RFP, the Consultant agrees to pay all expenses of such action, including reasonable attorney's fees and costs at all stages of litigation as set by the court or hearing officer.

GG. Independent Price Determination - By submission of a proposal the Consultant certifies the following:

- a. Prices in the proposal have been arrived at independently without consultation, communication, or agreement for the purpose of restricting competition, as to any matter relating to such prices with any other Consultant or with any competitor.
- b. Unless otherwise required by law, the prices that have been quoted in the proposal have not been knowingly and will not knowingly be disclosed by the Consultant prior to award directly or indirectly to any other Consultant or to any competitor.

- c. No attempt has been or will be made by the Consultant to induce any other person or firm to submit or not to submit a proposal for the purpose of restricting competition.

MANAGEMENT AUDIT ACTION PLAN TEMPLATE

Recommendation No.

I. Report Reference (Filled Out By Consultant)

- A. Chapter
- B. Section
- C. Recommendation No.
- D. Priority:

II. Recommendation Statement (Filled Out By Consultant)

III. Background (Filled Out By Consultant)

This Section should discuss key findings and conclusions, noting deficiencies which are addressed by the Recommendation.

IV. Expected Improvement/Implementation Timeline (Filled Out By Consultant)

This Section should include a discussion of the specific improvement that will exist after the Recommendation is implemented.

V. Cost/Benefit Analysis and Support (Filled Out By Consultant)

A. Cost Analysis

This Section should address the cost associated with implementing the Recommendation, along with the specific support for the estimate.

B. Benefit Analysis

This Section should address the benefits associated with implementing the Recommendation, along with the specific support for the estimate.

C. Cost/Benefit Summary

Category	One Time	Annual Recurring
Cost:		
Benefit:		

D. Other Costs or Benefit

Other costs or benefits that cannot be quantified should be described in this Section

VI. Utility Responsibility (Filled Out By Company)

A. Name:

B. Title:

C. Recommendation Action:

Approved; Approved With Exception; Rejected

D. Explanation of Exception or Rejection:

VII. Utility Response (Filled Out By Company)

A. Discussion of Recommendation

This Section should address the Company's interpretation of the recommendation.

B. Improvement Proposed by Cooperative

This Section should include the Company's perspective on what improvement will be realized.

C. Discussion of Cost/Benefit Analysis

This Section should address the Company's Estimate of the costs and benefits associated with the Recommendation.

VIII. Implementation Steps (Filled Out By Company)

Recommendation No.	Implementation Steps	Start Date	Completion Date
	The Company should list the specific action to be taken to realize the intended improvement, as well as a start and completion date for each step		

IX. Comments/Clarification of Intent (Filled Out By Consultant)

A. Consultant Name:

B. Discussion:

The Consultant should respond to the Company's discussion, improvement, steps, and cost/benefits. Included should be the Consultant's perspective, particularly on areas of disagreement.

**Grayson RECC
Management Audit
FINAL DRAFT Timeline**

Meeting with Grayson to discuss audit process and submit draft RFP and timeline for comment	April 30, 2019
Grayson submits comments on RFP and timeline (15 working days from receipt)	May 21, 2019
Commission releases RFP to potential bidders (4 days after receipt of Grayson comments)	May 27, 2019
Proposals due (copies to Grayson) (3 / 4 weeks after release of RFP)	June 24, 2019
Grayson to submit comments on proposals (15 working days from receipt)	July 15, 2019
Commission selects finalists for Oral Presentations (4 Weeks after proposals received)	July 22, 2019
Oral Presentations to Commission (6 Weeks after proposals received)	August 5, 2019
Commission selects auditor Auditors and finalists notified of Selection	August 12, 2019
Auditor to begin project (2 weeks After selection)	August 26, 2019
Target completion date For field work (12 weeks from start)	November 18, 2019
Draft Report to Grayson (4 weeks from end field work)	December 16, 2019
Grayson comments on preliminary draft report (20 working days from receipt)	January 16, 2020

Completion date for Final Report
And MAAPs Report (8-9 weeks from
Field work completion)

January 24, 2020

Grayson comments on Final Report
(10 working days from receipt)

February 12, 2020

Grayson completion of MAAP Parts VI-VIII
(30 days from Final Report Issuance)

February 24, 2020

Penalty Date – Completion of
MAAP Part IX (60 days from Final Report
Issuance)

March 25, 2020

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