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NEWS RELEASE

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PSC Picks Consultant for Grayson RECC Management Audit *Vantage Energy Consulting will review utility's governance and management*

FRANKFORT, Ky. (Aug. 22, 2019) – The Kentucky Public Service Commission (PSC) has selected a consulting firm to review the management of Grayson Rural Electric Cooperative Corp. (Grayson RECC) and evaluate whether the electric distribution cooperative should be merged with another utility.

Vantage Energy Consulting, LLC (vantageenergyconsulting.com), based in Florida, will conduct the review. The PSC ordered the management audit after a rate case proceeding uncovered a number of problems with Grayson RECC's operations and finances.

In a March 28 order opening the audit, the PSC said Grayson RECC's top leadership had effectively ignored a 2013 directive, issued in its prior rate case, to improve its finances and operations.

That inaction by Grayson RECC, and other issues which emerged during the current rate case, are "evidence of gross mismanagement" that has placed a financial burden on the utility's ratepayers, the PSC said.

Citing a lengthy list of questionable management practices, the PSC said it is unclear whether Grayson RECC's leadership was unaware of the practices or doesn't have sufficient understanding of proper management practices to be able to recognize the problems and take corrective action.

An audit is needed to examine all aspects of Grayson RECC's management, including long-term planning, the role of the board of directors, financial management and personnel functions, the PSC said in its March order. The audit also will examine "the necessity and feasibility of Grayson RECC merging with another electric utility."

Grayson RECC serves about 14,150 customers in Carter, Elliott, Greenup, Lawrence, Lewis and Rowan counties in eastern Kentucky. It is one of 16 electric distribution cooperatives that purchase power from and jointly own the East Kentucky Power Cooperative.

Under the audit process set forth in state law, the PSC selected the independent consultant. Grayson RECC will pay for the audit, which will cost no more than \$124,060.

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Vantage Energy will begin work this month gathering information from Grayson RECC and others. The review, formally known as a focused management audit, is scheduled for completion in early 2020, when Vantage Energy will issue a report of its findings and recommendations.

The report will serve as the basis for a corrective action plan that will be agreed upon by the PSC and Grayson RECC. Grayson RECC will be expected to implement the action plan under monitoring by the PSC.

The PSC order initiating the audit and other records in the case are available on the PSC website, psc.ky.gov. The case number is 2019-00101.

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,100 gas, water, sewer, electric and telecommunication utilities operating in Kentucky.

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