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July 12, 2019

Dr. John A. Rogness
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, KY 40602-0615

Re: Case No. 2019-00101

Dear Dr. Rogness:

On behalf of my client, Grayson Rural Electric Cooperative Corporation, I would like to thank you for the opportunity to comment upon the five proposals that have been submitted to the Commission to conduct a focused management and operations audit of Grayson. As you know, the Commission developed a request for proposals which included certain selection criteria that the Commission would use in selecting the firm that ultimately will conduct the audit. While Grayson feels that all firms that have submitted proposals are owned and staffed by very accomplished and capable individuals, Grayson offers the following comments and observations:

1. Vantage Energy Consulting, LLC

Grayson believes that Vantage would be well qualified to conduct the audit. Based on its proposal, Vantage has experience working with electric distribution cooperatives and with the Kentucky Public Service Commission. More specifically, Vantage has conducted a management audit of a fellow distribution cooperative in Kentucky. The qualifications of Vantage's employees and consultants appear well-suited to this endeavor. In addition, the budget of \$124,060 stated by Vantage is less than three of the other proposals.

2. Schumaker & Company

Grayson believes that Schumaker would also be well qualified to conduct the management audit. Schumaker has submitted a very extensive and detailed audit proposal in this matter. In addition, Schumaker has experience in Kentucky with respect to a reliability assessment of American Electric Power's distribution system in Hazard, Kentucky at the request of the Commission. Finally, Schumaker's proposed budget of \$90,730 is the lowest of any of the proposals.

3. Overland Consulting

While Overland appears to have experience in Kentucky and with electric cooperatives in particular – including a management audit of the fuel procurement procedures of Big Rivers Electric Cooperative and a management audit of Harrison County RECC, this experience is quite remote in time, having occurred in 1994 and 1997 respectively. In addition, the budget of \$131,900 makes it the third most expensive proposal for the audit.

4. Sage Management Consultants, LLC

Based on its proposal, it appears that SAGE's area of expertise is primarily with public utilities, rather than with distribution cooperatives. In fact, the proposal lists no experience with cooperatives. Since the cooperative model is unique, Grayson believes that a firm with experience with cooperatives would be preferred. While SAGE has submitted a thorough proposal, it is not particularly tailored to the unique facts of this case. Furthermore, SAGE has requested certain physical space that would be difficult for Grayson to accommodate at its headquarters. Finally, the submitted budget of \$155,800 makes this the most expensive proposal.

5. Silverpoint Consulting LLC

It appears, based on its proposal, that Silverpoint's experience with electric distribution cooperatives is limited to minor experience with storm restoration efforts. Furthermore, the proposal demonstrates a misunderstanding of the cooperative model by suggesting that Grayson could purchase power from a neighboring investor owned utility. The proposal seems to have a strong emphasis on mergers and less of an emphasis on an examination of the utility's operations to make recommendations for improvement. Finally, Silverpoint's budget of \$155,000 is the second most expensive.

Again, thank you for the opportunity to submit comments in this matter. Grayson looks forward to working with any firm that may ultimately be selected by the Commission to perform the audit.

Please let me know if you have any questions or concerns.

Sincerely,



Clayton O. Oswald