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March 12, 2021

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

RE: Case No. 2020-00018
Electronic Investigation into the Operational Capacity and Infrastructure of Grayson
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Dear Dr. Rogness:

Please allow this correspondence to serve as the comments of Grayson Rural Electric Cooperative Corporation on the final report of the focused management and operations audit conducted by Liberty Consulting Group.

Subsequent to the hearing in this matter, on January 11, 2021, the Commission entered an order directing Grayson to file comments regarding the final audit report including (a) specific responses to each of the recommendations in the report; (b) the actions Grayson has taken to date in regard to the recommendations; and (c) whether Grayson concurs with the deadlines established in the report. The order required that the comments be filed along with Grayson's action plan. The following are Grayson's comments with respect to the final audit report with respect to each individual recommendation:

1. Conduct trial retention of an arborist to assist with the vegetation management program

In response to this recommendation, Grayson proposes the use of a fellow cooperative's vegetation manager to review Grayson's practices and procedures and to suggest improvements to Grayson's program. Grayson believes this course of action will allow it to obtain the benefits as

outlined in the audit report without incurring significant costs. Grayson has reached an agreement with another cooperative for the use of its arborist. A review of the program was originally scheduled to begin in February, but due to the significant damage from the recent ice storm, it has been delayed until late March or early April. Grayson believes the timeline stated in the audit report is feasible.

2. Increase vegetation management activities to meet the requirements of the eight-year cycle and implement an off-ROW hazard tree removal program

Grayson first notes that it has not purposefully reduced its spending on right of way maintenance, however, its spending was reduced from the budgeted amount in 2020 due to the COVID-19 pandemic and further due to staffing issues with right of way crews. Grayson is committed to the goal of improving system reliability, but it is always concerned with the costs that must be incurred by the cooperative, and accordingly, its members. One of Grayson's larger expenses is right of way management, which is largely due to the nature of the terrain in area which it serves.

Grayson believes the first step with respect to this recommendation relates back to the prior recommendation with respect to having a qualified expert in the field review the existing vegetation management program and expenses and present recommendations for improvement. Grayson accepts the recommendation as proposed and believes the timeline is attainable. As noted above, Grayson has already entered into an agreement for the use of another cooperative's arborist/vegetation manager.

3. Increase the use of hot-line work by internal line workers to reduce outages taken to perform maintenance activities

Grayson accepts and agrees with this recommendation. Grayson has started developing a training program with guidelines on completing hot-line work. Grayson is consulting with other cooperatives and with the Kentucky Electric Cooperatives' safety instructors to develop the program. Due to the danger of the work and the amount of training that will be required, Grayson believes that it can begin its training program in May 2021 and it can begin hot-line work shortly thereafter. However, training all its line workers will take several months to accomplish, and accordingly Grayson would expect some additional outages until the training program can be developed and completed.

4. Provide a structured program for conducting and documenting work activities addressing the previous year's worst performing circuit work, including follow up inspections and corrective maintenance conducted, and estimated or actual reliability improvements.

Grayson agrees with the recommendation as stated. Grayson has, in the past, reviewed circuits for reliability issues, but those reviews have not been documented. While implementing this recommendation is not cumbersome, Grayson has been hampered in its efforts to date in 2021 due to the large number of prolonged outages caused by the recent ice storm catastrophe. In order to develop a report of its circuits to utilize in its analysis, Grayson will have to first document

reliability data over a period of time. While this gathering of data will begin immediately, the analysis cannot be performed until the data has been gathered and analyzed. Grayson believes that the gathering of data, documentation and analysis can begin in March 2021.

5. Conduct a structured annual training program for properly identifying outages and require reporting intended to reduce “unknown” as the cause of outages

Realizing that properly identifying outages is the first step toward remedying future outages and approving reliability, Grayson accepts this recommendation. Grayson has already begun efforts with respect to this recommendation by conducting training sessions as part of its safety program. As a direct result, outages classified as unknown have already significantly decreased from 162 in 2019 to 23 in 2020.

Grayson plans to continue to train its workforce with respect to proper identification of outages. Grayson has also worked with the Kentucky Electric Cooperatives to conduct an annual safety program to include reporting of outages and causes. Grayson believes the timeline of April 2021 is achievable.

6. Evaluate and take actions to optimize line worker overtime levels, considering the need to support maintenance of reliability performance

Grayson notes that its overtime levels have been decreasing steadily over the past few years as follows: 2018 - \$6,215; 2019 - \$5,391; and 2020 - \$4,183. Grayson agrees that a study should be conducted to evaluate the cooperative’s use of overtime to determine if those costs can be reduced even further without a negative effect on reliability. Grayson intends to develop a framework to properly document and analyze all overtime hours to determine how this expense can be reduced, such as by delaying overtime maintenance work. Grayson has been delayed in developing this analysis and taking action based on the analysis due to the recent ice storm. However, Grayson believes that having the analysis completed by the end of March 2021 is reasonable.

7. Engage, initially on a trial basis, a professional ground-line pole testing and treating contractor

Grayson accepts this recommendation and has begun its search for a contractor to administer the pole testing program. Again, Grayson’s efforts have been hampered to some degree due to the ice storm restoration efforts, but Grayson still believes it will be able to solicit bids for the testing program during March 2021. Grayson expects to begin administration of the pole testing program in May or June 2021. Thereafter, Grayson plans to review the effectiveness of the program in December 2021. If the program is found to be effective with respect to a cost-benefit analysis, Grayson would plan to continue the program indefinitely.

8. Investigate the ages of poles with unknown ages

As stated during hearing testimony and in its responses to the action plans, in 2015, Grayson undertook to have its system digitally mapped for the first time. This resulted in many

poles being identified as of indeterminate age. As poles are set or replaced in the future, their age will be properly identified in the system. With respect to existing poles of indeterminate age, Grayson agrees with the recommendation that an effort be made to ascertain the ages of those poles. Grayson believes the simplest and most effective means of doing this is to work with the contractor retained to conduct the pole testing program. Grayson has previously, as part of its system mapping program, attempted to ascertain the age of the poles without success. Accordingly, Grayson believes a reasonable timeline for this recommendation would be the same as the prior recommendation.

Finally, Grayson would like to note that it has enjoyed working with Liberty and the Commission through this audit process, and it believes that the cooperative and its members will benefit from the implementation of the audit's recommendations.

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

Sincerely,

Clayton O. Oswald

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