

TAYLOR, KELLER & OSWALD

ATTORNEYS AT LAW
A PROFESSIONAL LIMITED LIABILITY COMPANY

1306 W. 5th St., Suite 100
P.O. Box 3440
London, KY 40743-3440
Phone: (606) 878-8844
Fax: (606) 878-8850

Hamburg Place Office Park
1795 Alysheba Way, Suite 2201
Lexington, KY 40509
Phone: (859) 543-1613

J. Warren Keller
Clayton O. Oswald

Boyd F. Taylor
(1924 – 2012)

Ashley P. Hoover

Writer's Email: coswald@tkolegal.com

December 10, 2020

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 Management and Operation of Grayson Rural
Electric Cooperative Corporation

Dear Dr. Rogness:

Please allow this correspondence to serve as the comments of Grayson Rural Electric Cooperative Corporation to the Draft Management Audit Report prepared by The Liberty Consulting Group.

First, Grayson would like to offer its thanks to the Commission and to Liberty for the opportunity to work together in a collaborative fashion for the betterment of the Cooperative, and accordingly, its members. The following comments are hereby offered by Grayson for consideration by Liberty and the Commission:

1. Page 8 under Section D – Conformity with Standards – indicates that Grayson double grounds all poles. However, not all poles are double grounded, but rather, all equipment poles. Grayson would recommend that this correction be made to the report.
2. The report recommends that Grayson conduct an annual training program for properly identifying outages and reducing the number of outages being termed

“unknown.”¹ The report recommends that the training program be operational by January 2021. At this time, the specifics of the training program that would be required by the Commission are unknown, pending the completion of this audit and the final action plans resulting therefrom. Accordingly, while Grayson is committed to reducing outages and better ascertaining their exact causes, the deadline of January 2021 would likely be unrealistic until the parameters of the training program can be set. Grayson would ask that it be given sufficient time to design a program once the specific parameters are known.

3. Many of the recommendations in the report, while requiring some degree of commitment of human capital, will not necessarily result in higher direct costs to the Cooperative. However, there are specific recommendations that would result in higher costs. For example the recommendations concerning the hiring of an arborist and for increasing the budget for right of way clearing would create higher costs to the Cooperative. Naturally, additional right of way clearing will generally result in greater reliability. However, every utility must balance the interests of reliability against the costs to the utility and its resulting rate payors.

At its most recent rate hearing, the Commission noted that Grayson’s distribution costs per mile were quite high in comparison to its peers. Grayson explained during the hearing that one of the primary factors in its distribution costs is the maintenance of rights of way in terrain that is quite challenging. Thus, Grayson is confronted with the unenviable task of balancing its members expectations of reliable electricity against their desire for reasonable costs.

Grayson is committed to working with the Commission to find the proper balance between costs and reliability. However, Grayson requests specific guidance from the Commission as to how it should balance the costs required to implement recommendations contained in Liberty’s report against the requirements of its lenders to meet certain financial thresholds and the general requirement that the Cooperative be financially secure.

4. As a corollary to the above, Grayson would further seek guidance from the Commission as to how it should balance the particular ultimate recommendations arising from the audit and how it should prioritize them given its limited financial resources. Furthermore, Grayson is under continuing obligations to implement and accomplish the action plan from the prior Vantage audit and guidance of how to prioritize the requirements stemming from both audits would be helpful. Again, Grayson is committed to working collaboratively to improve its business, but would benefit from a prioritization of any ultimate recommendations by the Commission.

Please feel free to contact me if you have any questions or concerns regarding this matter or if you require any further information.

¹ Page 32, Recommendation 5.

Sincerely,

Clayton O. Oswald

Clayton O. Oswald