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July 2, 2020

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

Re: Case No. 2020-00018

Dear Dr. Rogness:

On behalf of my client, Grayson Rural Electric Cooperative Corporation, I would like to express my gratitude for the opportunity to comment upon the four proposals that have been submitted to the Commission to conduct a second audit of Grayson. While Grayson feels that all the firms that submitted proposals are well-qualified, Grayson offers the following comments and observations:

1. Schumaker & Company

Grayson believes that Schumaker and Company would be well-qualified to perform the audit. Schumaker's proposal identifies the focus of the audit as consisting of an "in depth review of Grayson RECC's engineering and construction practices (including adherence to NERC standards); inspection, maintenance and repair, retirement processes and practices relating to all Grayson RECC outside plan and equipment; record keeping and reporting; workplace and workforce practices; inventory management (stores and in the field); and safety." This description of the primary purpose of the audit seems to most closely reflect the purposes as set forth in the Commission's Request for Proposals. The proposal also sets out a detailed approach to the audit as stated on page 16 of the document. While it does not appear that Schumaker has audit experience particular to Kentucky electric distribution cooperatives, the company has performed a reliability assessment for American Electric/Kentucky Power in Hazard, Kentucky. Furthermore, since the focus of the audit is on operations rather than governance or member issues, it would seem that experience specific to distribution cooperatives is less important than in a general management audit. Finally, the cost of the audit, \$114,473, is one of the more reasonable quotes.

2. Liberty Consulting Group

Grayson likewise believes that Liberty would be qualified to perform the audit at issue. The description of the topics and areas to be addressed by the audit seem narrowly tailored to the issues set out in the Request for Proposals. It does not appear that Liberty has particular experience with electric distribution cooperatives, however, it does have relevant experience including work with LG&E/KU and more particularly, very detailed audits of East Kentucky Power Cooperative, the wholesale power supplier of Grayson. Finally, the cost of the audit seems to be reasonable.

3. Vantage Energy Consulting, LLC

As the Commission is aware, Vantage has previously performed a management audit of Grayson and has submitted its report. Grayson found Vantage to be a fair consultant and its work to be thorough. However, the proposal submitted by Grayson for the second audit seems to be similar to the original audit rather than the more focused operations audit that the Commission seems to contemplate in this case. Page five of the Vantage proposal states that “[t]he 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 their ability to execute those policies as they apply to all areas of management.” This seems to be a much broader focus than that expressed in the Request for Proposals.

4. River Consulting Group, Inc.

While River Consulting Group seems to be staffed with well-qualified consultants, the company’s experience with projects in Kentucky is limited and there seems to be no experience specific to electric distribution cooperatives. The cost of the River Consulting Group audit of \$149,333 is also the highest of any of the proposals and would be quite a burden on the finances of Grayson and its members.

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

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

Sincerely,



Clayton O. Oswald