

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE ELECTRONIC APPLICATION OF)
JACKSON PURCHASE ENERGY)
CORPORATION FOR A GENERAL)
ADJUSTMENT OF RATES AND OTHER)
GENERAL RELIEF)

Case No. 2021-00358

**REBUTTAL TESTIMONY OF GREG GRISSOM,
PRESIDENT AND CHIEF EXECUTIVE OFFICER,
ON BEHALF OF JACKSON PURCHASE ENERGY CORPORATION**

Filed: February 17, 2022

1 **Q. PLEASE STATE YOUR NAME, POSITION AND BUSINESS ADDRESS.**

2 A. My name is Greg Grissom and I serve as President and Chief Executive Officer of Jackson
3 Purchase Energy Corporation (“Jackson Purchase” or the “Cooperative”). My business
4 address is 6525 U.S. Highway 60 W., Paducah, Kentucky 42001.

5 **Q. ARE YOU THE SAME INDIVIDUAL THAT SPONSORED DIRECT TESTIMONY**
6 **IN THIS CASE?**

7 A. Yes.

8 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

9 A. The purpose of my rebuttal testimony is to respond to the Direct Testimony of Mr. Lane
10 Kollen (“Kollen Direct”) on behalf of the Office of the Attorney General of the
11 Commonwealth of Kentucky (“AG”). Specifically, I explain why the AG’s claims
12 regarding Jackson Purchase’s vegetation management are completely baseless and should
13 be rejected by the Commission.

14 **Q. IN KOLLEN DIRECT PAGES 19-27, THE AG CLAIMS THAT THE PROPOSED**
15 **ADJUSTMENT FOR RIGHT OF WAY (“ROW”) EXPENSE IS EXCESSIVE AND**
16 **MAKES SEVERAL RECOMMENDATIONS REGARDING THIS ISSUE. HOW**
17 **DO YOU BROADLY RESPOND TO THIS CLAIM?**

18 A. Overall, the claims made by the AG on this issue are incorrect and unsupported. The
19 Commission should not place any weight on the AG assertions when it decides the issue
20 of Jackson Purchase’s proposed pro forma adjustment for vegetation management. I
21 discuss each of the AG’s assertions and recommendations in turn below.

22 **Q. IN KOLLEN DIRECT PAGES 26-27, THE AG MAKES FIVE**
23 **RECOMMENDATIONS ON ROW MANAGEMENT. THE AG FIRST**

1 **RECOMMENDS THAT THE COMMISSION INITIATE A FOCUSED**
2 **MANAGEMENT AUDIT TO ADDRESS THE ROW MANAGEMENT PROCESS**
3 **AT THE COMPANY. IS THIS RECOMMENDATION REASONABLE?**

4 A. No. A focused management audit on this subject would be excessive, unnecessary, and a
5 waste of Commission and Company resources. The recommendation itself is baseless and
6 is arguably intended to dramatize and exaggerate in order to obtain advantage on a fairly
7 routine pro forma adjustment issue. Cooperatives across the state are seeing large increases
8 in vegetation management expense. This is not an isolated issue to Jackson Purchase.¹
9 The vendor that opted out of the Jackson Purchase contract in this volatile labor market is
10 a very trusted and dependable ROW contractor in the industry. The contract price per mile
11 for this four-year contract was unsustainable for the contractor and was well below market.
12 In prior years both utilities and ROW contractors favored multi-year contracts because of
13 the continuity of service and certainty of price which they provided. However, in the past
14 two to three years ROW contractors began rejecting such contracts because of significant
15 problems in worker availability and extraordinary price volatility seen in essential expense
16 items like fuel, equipment and labor largely created by effects of the COVID-19 pandemic
17 on the macro economy. Such contractors now almost universally favor one-year contracts
18 with annual rebidding to account for this price volatility. After soliciting and receiving
19 bids from other ROW contracting companies, including the current contractor, Jackson
20 Purchase confirmed that the ROW contractor was still providing a reasonable value to
21 Jackson Purchase and its members even under the new pricing structure. Following ROW
22 contract re-bidding this contractor has continued to be the lowest bidder and has made good

¹ Examples are provided in the Rebuttal Testimony of John Wolfram.

1 progress in ROW trimming. Because of this, and the fact that there were no other
2 reasonable ROW contractor alternatives, Jackson Purchase did not pursue damages
3 following the contractor's decision to opt out of the prior ROW contract. Collectively,
4 these events and the final result are very similar to what occurs in multi-year service or
5 commodity-based contracts (such as for the purchase of fuel for electricity generation) that
6 contain reopeners or other mechanisms allowing for re-pricing of the respective service or
7 commodity during the term of the contract. For these reasons, the Commission should
8 reject the AG's recommendation to initiate a focused management audit.

9 **Q. SECOND, THE AG RECOMMENDS THAT THE COMMISSION REJECT THE**
10 **PROPOSED ROW EXPENSE ADJUSTMENT ON THE GROUNDS THAT IT IS**
11 **INSUFFICIENTLY SUPPORTED. IS THIS CORRECT?**

12 A. No. Jackson Purchase had an incredibly low rate per mile in the previous right of way
13 contract. This made any subsequent market true-up appear artificially excessive. Jackson
14 Purchase provided the bids it received for 2021 work in Exhibit_JRW-4. Additionally,
15 more recent bids received for several circuits to be cut in 2022 averaged \$10,995 per mile
16 for 366 total miles. Please reference this information in Jackson Purchase's response to
17 PSC 2-20. Jackson Purchase solicits many bids for right-of-way management and due to
18 market uncertainty, most vendors only give time and material bids. All of this support is in
19 the record in this case, and the AG's claims of insufficient support are simply wrong.

20 **Q. THIRD, THE AG RECOMMENDS THAT THE COMMISSION AUTHORIZE AN**
21 **INCREASE IN ROW EXPENSE BASED ON THE COMPANY'S ACTUAL COST**
22 **OF \$5,665 PER CIRCUIT MILE IN 2020 AND ASSUMING THE COMPANY WILL**

1 **TRIM 358 MILES PER YEAR. HOW DO YOU RESPOND TO THIS**
2 **RECOMMENDATION?**

3 A. The Commission should reject this recommendation. Assertion of the \$5,665 per circuit
4 mile price is another example of an arbitrary, unsupported recommendation by the AG. It
5 is universally recognized that costs for vegetation management practices are increasing
6 almost exponentially around the nation and in Kentucky due to inflation and market
7 conditions. The suggestion that Jackson Purchase should only be allowed 2020 rates is
8 arbitrary and does not consider current labor and market conditions. The AG
9 underestimates the importance of proper clearing of right of way. Safely providing reliable
10 power to our 30,000 members is of the utmost importance to Jackson Purchase. Skimping
11 on proper ROW clearing can have drastic impacts to outage durations and service
12 interruptions, raise overtime cost and reduce safety to our employees, contractors and our
13 membership. The membership of Jackson Purchase deserves the same safe, reliable service
14 that Kentuckians expect in Lexington, Louisville and other parts of the state.
15 Unfortunately, in today's post-pandemic business environment of labor shortages, ever-
16 increasing inflation on wages and essential goods, services and commodities, the cost and
17 terms of conducting business have dramatically changed. Jackson Purchase is certainly
18 not immune to these market forces and because ROW management is such a significant
19 cost-driver for electric utilities, especially those that are comparatively small and located
20 in rural areas, the pain of substantial cost increases is more acute.

21 **Q. FOURTH, THE AG RECOMMENDS THAT THE COMMISSION DIRECT THE**
22 **COMPANY TO UTILIZE RESERVE ACCOUNTING FOR THE ALLOWED**

1 **ROW MAINTENANCE EXPENSE. IS THIS A REASONABLE**
2 **RECOMMENDATION?**

3 A. No. The reasons for this are described in the Rebuttal Testimony of John Wolfram.

4 **Q. FIFTH, THE AG RECOMMENDS THAT THE COMMISSION MONITOR THE**
5 **COMPANY’S ONGOING PERFORMANCE ON ROW MANAGEMENT**
6 **THROUGH QUARTERLY REPORTS, NOTIFICATIONS, AND ACTION PLANS.**
7 **IS THIS A REASONABLE RECOMMENDATION?**

8 A. No. As I noted before, the AG claims about this issue are overly dramatized and
9 unfounded. Any monitoring, reporting, notification, or action plan requirements are
10 unwarranted and would be a waste Commission and Company resources. As previously
11 stated, rising inflation and market pressures have increased vegetation management costs
12 across the state and country. Thus, this is a problem for many cooperatives to manage, not
13 an isolated event at Jackson Purchase. The Commission should reject this
14 recommendation.

15 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

16 A. Yes.