



Dedication at every turn.

CASE STUDY

Kenergy: A Customer-Owned, Not-For-Profit Electric Cooperative

Kenergy, a Touchstone Energy Cooperative, is a customer-owned, not-for-profit electric company that purchases electric power at wholesale and distributes it to its customers, which include nearly 55,000 households, commercial enterprises and industries in 14 rural western Kentucky counties.

Kenergy had been maintaining a rolling fleet of approximately 125 vehicles (bucket trucks, tractors, trailers, diggers, backhoes and cars), plus another 85 pieces of equipment including generators and engines at four Kenergy-owned facilities. For a variety of reasons, maintenance issues became more common and the resulting repair costs were increasing beyond acceptable levels.

In October 2005, Kenergy decided to outsource their fleet maintenance to Penske.

Challenges

- Reduce spending on hard-cost items such as parts, tires and fluids
- Control rapidly increasing fleet maintenance costs
- Make maintenance training and education a priority
- Maintain rolling stock and other stationary motors

Solutions

- Penske-leveraged buying power helps control costs on parts and other items
- 27-month savings goal could be realized in as little as 12 months
- Penske's knowledge base improved technical skills through training and continuing education

While many companies pay retail, Penske is able to help Kenergy control costs by leveraging its buying power. Since Penske buys items such as tires, parts, fluids and filters in large quantities, it can buy at substantially discounted rates and pass the savings onto its customers.

Under New Management

New leadership at Kenergy began to look for ways to control costs. Soon after, it became apparent that improvements in fleet

maintenance had the potential to save the co-op a significant amount of money.

In particular, preventive maintenance surfaced as an area that could be improved. A preventive maintenance schedule had been established, but not successfully executed. Missed preventive maintenance turned into greater mechanical problems that Kenergy's technicians were not trained to handle. This led to increased costs.

Another area identified for improvement was field maintenance. In addition to technicians working at Kenergy's two shop facilities, they also responded to emergencies in the field, and maintained the fleet's stationary stock of motors and generators. Unscheduled calls to the field were disruptive to the established preventive maintenance schedule.

"With Penske, I have a clear, objective third party working on my behalf. It's a relationship I don't have to worry about and that makes my job easier."

Doug Hoyt, Director of Fleet Management,
Vegetation Management and Contract Negotiations
—Kenergy, Henderson, Kentucky

Kenergy's new CEO was open to the idea of outsourcing fleet maintenance. The task was to find a company that could effectively maintain a utility fleet and function in the co-op world. By word-of-mouth, Kenergy handpicked a number of companies for the selection process. In the course of the proposal review, Penske and one other company emerged with the potential to improve fleet maintenance. The base costs to implement on-site fleet maintenance were comparable. However, Penske separated itself with its ability to leverage its purchasing power and willingness to accept responsibility for all the equipment in the fleet—not just the rolling stock. Within months of selecting Penske, the maintenance team, including four Penske-trained technicians, assumed fleet maintenance



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duties. Penske made Kenergy feel comfortable right from the beginning. And that comfort level remains, as the same team that worked with Kenergy to put the agreement together continues to nurture the relationship today.

Always On Call

An electric company faces the possibility of power outages due to storms and foul weather. During emergencies, the maintenance facilities must be prepared to support the field—sometimes around-the-clock for several days. One phone call, in such situations, is all it takes and Penske's maintenance teams are ready to work.

Knowledge, Experience and Training

Penske brings to the table knowledge, experience and a variety of other resources. When Penske arrived, Kenergy had several surplus vehicles on-site that had been removed from service. Disposing of these items was challenging, but Penske was able

to help determine their market value and prepare them for sale.

Through training and continuing education, Penske technicians are always up-to-date with the latest maintenance techniques, allowing Kenergy to consistently improve its fleet maintenance performance.

Prior to their contract with Penske, Kenergy required numerous vendors for tires, transmissions, booms or other specialized maintenance needs. Now, with Penske's knowledge and broad network, Kenergy makes one call, and Penske coordinates it all.

A Successful Partnership

Penske's dedication to excellence confirmed Kenergy's decision to outsource its fleet maintenance. Since the partnership began, Penske has enabled Kenergy to experience cost savings not only on maintenance, but also on items like tires, parts and fluids. And, Kenergy has benefited from well-trained service technicians through Penske's focused education efforts.

For more information on Penske's Specialized Equipment Services Group, please visit pensketruckleasing.com