

ELECTRONIC INVESTIGATION OF THE PROPOSED POLE ATTACHMENT TARIFFS OF
RURAL ELECTRIC COOPERATIVE CORPORATIONS
CASE NO. 2022-00106

BIG RIVERS ELECTRIC CORPORATION'S RESPONSE TO
THE COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

REQUEST NO. 1: Provide the service lives of distribution poles used to determine the average service life, by type and vintage, to the degree they are broken down.

RESPONSE: Big Rivers does not own any distribution poles.

Witness: Christopher S. Bradley, VP of System Operations

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REQUEST NO. 2: Describe your recent efforts, if any, to reduce the number of above ground transmission and distribution lines, and identify the number of poles that have been eliminated in your system in each of the last ten years because the electric lines previously attached to those poles were placed underground.

RESPONSE: Big Rivers does not own any distribution lines. Big Rivers does not own any underground transmission facilities and has no plans to construct any transmission underground.

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REQUEST NO. 3: Other than identifying specific defective poles through inspections that require replacement, state whether you have a policy or practice of replacing poles in a circuit on a periodic basis or as they reach the end of their useful lives and, if so, describe that policy or practice in detail, including how and when (e.g. how far in advance) such replacements are identified or included in your projected capital spending budget.

RESPONSE: Big Rivers uses a condition-based maintenance program to determine when poles require replacement. Big Rivers does not have a policy or practice of replacing poles on a periodic basis or as they reach the end of their useful life.

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REQUEST NO. 4: Describe in detail the process you use to budget for future capital expenditures, including when you first develop a preliminary capital spending budget for a particular year (e.g. three years in advance, five years in advance, etc.), how you determine the amounts to include in the preliminary capital budget, the level of specificity included in any preliminary budget, and each step that is taken in the process to get from any preliminary budget to a final capital spending budget for a particular year.

RESPONSE: The capital budget development is facilitated by budget department staff in conjunction with a team of individuals from Production, System Operations, Information Services, and other departments (the "Capital Team"). Each area identifies capital requirements for its area based on needs, replacement frequency, and outage schedules. The proposed capital projects are compiled and analyzed by the budget department staff. The budget department facilitates a meeting with the Capital Team to discuss and scrutinize the projects that are proposed in the capital budget. The final output from this meeting becomes the proposed capital budget. The capital budget is presented to senior staff and the Chief Executive Officer for final approval. The budget is then presented and approved by the Board of Directors on an annual basis. Capital expenses are included in the Cooperative's 15-year long-term forecast, updated annually. The budget and financial plan include specific capital projects that are budgeted 4 years in advance.

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REQUEST NO. 5: Provide any current joint use agreements.

RESPONSE: Please see the attached joint use agreements, filed in conjunction with a request for confidential treatment, between Big Rivers and its Member-Owners, Western Kentucky Energy Corp., and Kentucky Utilities Company, respectively.

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REQUEST NO. 6: For all except EKPC:

- a. Explain each basis for your contention, upon information and belief, that a market exists for the performance bonds required by Article XXI and Appendix D of the proposed tariff.
- b. Explain each basis for your contention that remedy through an insurance claim is not typically feasible if an attacher is no longer a going concern.
- c. Provide the average cost per attachment for the cooperatives' crews to remove stranded attachments left on the cooperatives used to determine the amount of the performance bond, and explain how that average cost per attachment was reached.

RESPONSE:

a. Performance bonds are often required in connection with projects involving construction and real property, and they are commonly used in pole attachment agreements across the country to mitigate risk in the event of default or non-performance by an attacher. There are many available sources for these types of bonds nationwide—for example, Surety One, Inc.¹, Telcom Insurance Group,² and Swiftbonds³—due to the ubiquity of bonding requirements in the industry. In Kentucky, specifically, performance bonds have historically served a proper role in the pole attachment framework, having been approved by the Commission as part of many tariffs filed by pole-owning utilities.⁴

¹ See <https://suretyone.com/pole-attachment-bond>, last accessed May 27, 2022.

² See <https://www.telcominsgrp.com/products-and-services/bonds/>, last accessed May 27, 2022.

³ See <https://swiftbonds.com/performance-bond/kentucky/>, last accessed May 27, 2022.

⁴ See, e.g., Louisville Gas and Electric (PSC Electric No. 13, Rig Sheet 40.23), Big Rivers Electric Corporation (PSC Ky No. 27, Sheet No. 38), Clark Energy Cooperative, Inc. (PSC Ky No. 2, Sheet No. 116), and many others.

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b. The intention of the performance bond requirement is chiefly to ensure the Cooperative has recourse in the event an attacher is unwilling or unable to remove its attachments upon discontinuance of business and non-payment of rental fees. In such a case, recovery through insurance is unlikely, both due to the nature of the possible claim and the low probability that the defunct attacher continued to maintain its policy. Performance bonds and insurance are related but distinct risk-mitigation tools often employed together in the context of commercial contracts, and again, have worked alongside each other in Commission-approved pole attachment tariffs for decades.

c. The estimated cost per attachment for Big Rivers' crews to remove stranded attachments left on its poles is \$1,005, based on a crew consisting of a Crew Leader, Lineman, Ground man, bucket truck and service truck taking 4 hours to remove an attachment.

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REQUEST NO. 7: For BREC and EKPC only. Identify the number of transmission poles in your system with electric distribution lines attached, generally describe the types of poles on which distribution lines are attached, generally describe the voltage of the transmission lines on poles to which distribution lines are attached, and identify each electric distribution system operator with lines attached to your transmission poles.

RESPONSE: Big Rivers has approximately 778 transmission poles with electric distribution attached. Generally, these poles are 69kV wood poles. The three distribution system operators with distribution lines attached are Big Rivers' member owners, Jackson Purchase Electric Corporation, Kenergy Corp., and Meade County Rural Electric Cooperative Corporation.

Witness: Christopher S. Bradley, VP of System Operations

