

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

BIG SANDY RURAL ELECTRIC COOPERATIVE CORPORATION'S RESPONSE TO THE
COMMISSION STAFF'S SECOND REQUESTS 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 Sandy's Service Life Statistics lists Poles at a historical life of 24 years. The Cooperative does not assign different service lives to poles of different type and vintage, but rather groups all pole sizes together into one account.

Witness: Jeff Prater, VP of 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 Sandy has not recently undertaken efforts to reduce overhead lines already existing, and the number of conversions from overhead and underground conductor in recent years has been de minimis. That said, Big Sandy does evaluate underground placement of line in connection with new construction as circumstances warrant.

Witness: Jeff Prater, VP of Operations

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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: The Cooperative does not 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. Poles are replaced based on a determination of defectiveness of physical condition.

Witness: Jeff Prater, VP of Operations

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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: Big Sandy develops a four-year Construction Work Plan which includes a capital budget for pole replacements. The capital budget portion, specifically developed for pole replacements is based on the previous four-year historical replacement cost plus inflationary estimates. Big Sandy's consultant electrical engineer, along with operations staff, review historical records, historical pole changes, and expected future needs. This data is converted into a four-year expected expense. Big Sandy evaluates these costs based on maintaining a safe and reliable network. The work plan is presented to the Board of Directors for approval and then approved by RUS and included in our overall Work Plan. Upon RUS approval, the Construction Work Plan must also be submitted to the KY Public Service Commission for an opinion to verify that the expenses are part of ordinary and customary work.

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

RESPONSE: Current joint use agreements are provided herewith in conjunction with a
request for confidential treatment.

Witness: Jeff Prater, VP of Operations

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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.

Big Sandy's Response to PSC No. 6

Witness: Jeff Prater

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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 cost to retire attachments from Big Sandy's poles is estimated as follows:

A 4-man construction crew with pickup, bucket truck and digger derrick could take down an average of 10 attachments per 10 hour day.

We are assuming that 10 poles will span an average of 300 feet between the structures. This would require 10 poles be climbed or ascended with bucket truck, with the wire or cable to be safely lowered to the ground, all hardware, guying and other items removed from pole and loaded onto the trucks for transport. All cable/wire would be rolled up in coils, loaded on the trucks and returned to the warehouse facility and unloaded into the scrap dumpster.

In addition to the attachment removal work in the field, this include approximately 30 minutes of drive time to the jobsite, as well as 30 minutes of drive time back to the loading dock, plus an additional 30 minutes to unload all the wire, cable, hardware and scrap materials.

In total, we estimate that all of this work will take approximately 10 hours of time, for an average of one hour per attachment, at a cost of \$309.21, as shown below.

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Witness: Jeff Prater
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Hourly Rates

Crew Leader (with overhead)	\$61.59
Lineman, Journeyman (with overhead)	\$57.72
Lineman, Journeyman (with overhead)	\$57.72
Lineman, App. 2 nd Year (with overhead)	\$52.28

Hourly Expense

Pickup Truck	\$10.12
Bucket Truck	\$34.89
Digger Derrick	\$34.89
Total	\$309.21 per attachment retired

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REQUEST NO. 8: For Big Sandy RECC only: Refer to Big Sandy RECC's response to Commission Staff's First Request for Information to Rural Electric Cooperative Corporations (Staff's First Request), Item 8 and Item 9.

- a. State whether the depreciation rate provided in Item 8 is monthly or annual.
- b. State whether the 25 years identified is the average remaining useful life or the average useful life of the poles.

RESPONSE:

- a. The depreciation rate provided in Item 8 is monthly.
- b. The 25 years identified is the average remaining useful life.

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REQUEST NO. 9: For Big Sandy RECC only: Refer to Big Sandy RECC's response to Staff's First Request, Item 11.

- a. Explain in detail what you do when you identify a defect with a pole as part of a biannual or 10-year inspection, including specifically when and under what circumstances you would replace a pole due to a defect.
- b. Explain how you keep track of when poles are inspected as part of a biannual or 10-year inspection and how you track the condition of the pole at the time of inspection.

RESPONSE:

a. During a biannual inspection, the line inspector will visually inspect the pole. If the physical condition of the pole is questionable, the line inspector will submit a report to the Line Superintendent. The Line Superintendent will have a staking engineer visit the site and decide on the necessity of changing the pole or modifying some appurtenance (*e.g.*, crossarm, etc.) based on field conditions.

Lines are inspected every two years by following each distribution circuit, beginning at the substation and following the circuit to the end of the line. These are recorded and each year one-half of the system is inspected.

b. During the 10-year inspection, a pole inspector will visually inspect the pole record date and pole number, report any questionable conditions observed to the Line Superintendent. Based on the manufacturer's date stamp and visual condition, the pole inspector will test the pole by excavation on two quadrants at ground level, examining the circumference of the pole for decay below the groundline. Also, the pole will have a small hole drilled below the ground line to detect

Big Sandy's Response to PSC No. 9

Witness: Jeff Prater

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internal decay. If the pole fails to meet RUS Standards (Bulletin 1730B-121), it is reported as failed and scheduled for replacement. Poles are tested on a substation circuit-by-circuit basis, and a record is maintained so that at the end of 10 years the process starts over again. Again, the testing starts at the substation and goes to the last pole on the end of the circuit.

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REQUEST NO. 10: For Big Sandy RECC only: Refer to Big Sandy RECC's response to Staff's First Request, Item 16, regarding the estimated per pole survey costs. Provide detailed cost support for the estimated per pole survey cost of \$14.26 and provide support for all assumptions made in calculating that amount.

RESPONSE: Please see attached Exhibit 2-10

Witness: Jeff Prater, VP of Operations

