

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

JACKSON ENERGY 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: The average service life of all poles on Jackson Energy's system is 37 years, as provided in response to Commission Staff's First Request for Information, Item 8. The Cooperative does not assign different service lives to poles of different type and vintage. For reference, the useful life of a pole according to RUS is 35 years.

Witness: Ryan Henderson, Vice President of Engineering & 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: Jackson Energy has not made a concentrated effort to reduce the number of above-ground transmission and distribution lines on its system in recent years. This practice is cost-prohibitive when Jackson Energy has above ground distribution lines and poles that are in good condition.

Witness: Ryan Henderson, Vice President of Engineering & 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: Jackson Energy 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. A pole has not reached the end of its useful life until it has been determined to be defective based on its physical condition.

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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: Budgeting for future capital expenditures is determined largely by Jackson Energy's Construction Work Plan. This is a four-year plan that is developed in collaboration with RUS. Factors considered include load forecasting, historical activity, projected system peaks, and projected debt. Jackson Energy also will have several internal meetings to determine future projects and will prioritize the work to be done. Once these processes have been completed all of the information is combined together to create the Construction Work Plan. The completed Construction Work Plan is then forwarded to RUS for approval. Once RUS has approved the Construction Work Plan it is forwarded onto the PSC for review and issuance of a Certificate of Public Convenience and Necessity, as necessary.

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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.

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REQUEST NO. 6: 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.

Jackson Energy's Response to PSC No. 6

Witness: Ryan Henderson

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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. Jackson Energy has had experience with cable companies in the past that have dissolved with attachments still on our poles. Several years ago, Fields Cablevision was shuttered and left all attachments. The owners were unresponsive to our requests to detach from our poles. Jackson Energy contracted with a company to remove all attachments and sued Fields Cablevision for the cost. To date, Fields Cablevision has been totally unresponsive, and Jackson Energy has obtained a default judgement in the owner's county of residence. No other action has happened at this time.

More recently, Ranson Cable shuttered its business, leaving all attachments. In summer 2021, Jackson Energy started receiving reports from Members of cables laying in yards or hanging very low near the road. These cables belong to Ranson Cable, and all efforts to contact the owners have received no response. To date, Jackson Energy has removed approximately 100 attachments at a cost of approximately \$20,000.00. Jackson Energy has only removed attachments and cable that posed a threat to public safety. We estimate that there are well over 1,000 more attachments

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attached to Jackson Energy poles that will have to be dealt with in the future. Jackson Energy has not taken legal action at this time.

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REQUEST NO. 34: For Jackson Energy only: Refer to Jackson Energy's response to Staff's First Request, Item 9. State whether Jackson Energy maintains record of when any poles are placed in service (e.g., has it started to do as recently as poles have been replaced). If so, provide any information Jackson Energy has regarding when poles have been placed in service.

RESPONSE: Jackson Energy does not have a specific tracking system for when poles are placed in service.

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REQUEST NO. 35: For Jackson Energy only: Refer to Jackson Energy's response to Staff's First Request, Item 11.

- a. Provide the typical timeline for replacing a pole when it is "given priority for replacement."
- b. Provide the typical timeline for replacing a pole when it is flagged to be "replaced in the due course of maintenance work."
- c. Explain how you keep track of when poles are inspected and how you track the condition of the pole at the time of inspection.

RESPONSE:

- a. When a pole has been given priority for replacement, it is typically replaced within 2-3 business days, weather permitting. Priority pole replacements take priority over other work.
- b. When a pole is flagged to be replaced in the due course of maintenance work, it is replaced in the due course of work, which could be several months.
- c. Jackson Energy's line inspectors work based on substation and feeder. The entire system is inspected every two years. Jackson Energy tracks when each line inspector starts and completes each feeder and tracks overall progress on a monthly basis. Line inspectors will create work orders when poles are needed for replacement. The Public Service Commission completes an Operations and Maintenance Audit every two years and specifically reviews Jackson Energy's line inspection records.

Witness: Ryan Henderson, Vice President of Engineering & Operations

Jackson Energy's Response to PSC No. 35

Witness: Ryan Henderson

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REQUEST NO. 36: For Jackson Energy only: Refer to Jackson Energy's response to Staff's First Request, Item 15, regarding the administrative review fee. Provide detailed cost support for the \$150 application review fee and provide support for all assumptions made in calculating that amount.

RESPONSE: Upon further review, Jackson Energy has decided to remove this fee from its tariff.

Witness: Ryan Henderson, Vice President of Engineering & Operations

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REQUEST NO. 37: For Jackson Energy only: Refer to Jackson Energy'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 \$29.47 and provide support for all assumptions made in calculating that amount

RESPONSE: Please see attached Exhibit 37.

Witness: Ryan Henderson, Vice President of Engineering & Operations

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VERIFICATION

I, Ryan Henderson, verify, state, and affirm that the information request responses filed with this verification for which I am listed as a witness are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.



Ryan Henderson
Vice President of Engineering & Operations
Jackson Energy Cooperative Corporation

COMMONWEALTH OF KENTUCKY)
) ss:
COUNTY OF *Jackson*)

SUBSCRIBED AND SWORN TO before me on this the *24th* day of May, 2022.

My commission expires: *1/19/24*



Notary Public

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