

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

KENERGY CORP.'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: The 34 year service life of Kenergy's poles is contained in Kenergy's most recent depreciation study, provided in Case No. 2021-00066. The vintage year of each pole has been provided in excel format in response to the Commission Staff's First Request for information "Exhibit 9 – Kenergy Responses to PSC". The Cooperative does not assign different service lives to poles of different type and vintage.

Witness: Steve Thompson, Vice-President of Finance

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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: Due to the cost differential of underground versus overhead conductor and the existence of adequate facilities in place, Kenergy has made no recent efforts to reduce the number of poles by converting overhead lines to underground. Consequently, conversion from overhead to underground conductor has been minimal in recent years, and the Cooperative does not maintain information concerning the number of poles impacted by such efforts.

Witness: Robert Stumph, 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: 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. Instead, poles are replaced based on a determination of defectiveness of physical condition. Poles that are identified for replacement include poles struck by lightning, involved in a fire, struck by farm implements or vehicles, etc. These poles are identified and replaced soon after. They are included in the capital spending budget in the sense that historical figures are used for the budgeting process.

Witness: Robert Stumph, Vice-President of Engineering & 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: There are two processes that affect the dollars used for budgeting for pole replacements. The first is the Construction Work Plan (“CWP”). This plan is created every 2 - 4 years. Historical figures for pole replacements and costs are used to budget for the CWP period, including estimates for cost increases. The second process is the Distribution Plant Budget. This budget is prepared in the third calendar quarter of each year. Historical figures for pole replacements and costs are used to budget for the upcoming year.

Witness: Robert Stumph, Vice-President of Engineering & Operations

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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: Robert Stumph, Vice-President of Engineering & 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.

Kenergy's Response to PSC No. 6

Witness: Robert Stumph

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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. Kenergy does not have recent experience with this activity. Kenergy contacted a contractor who performs this work. The estimate was \$100 per pole or greater, depending on terrain, location, and other variables.

Witness: Robert Stumph, Vice-President of Engineering & Operations

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REQUEST NO. 40: For Kenergy Corp. only: Refer to Kenergy Corp.'s response to Staff's First Request, Item 11.

- a. Provide the typical timeline for replacing a pole once a defect is identified.
- b. Describe in detail the findings of an inspection that would result in the pole being replaced.
- c. Explain how the third party contractor communicates the results of any inspection to Kenergy Corp.
- d. Explain how you keep track of when poles are inspected as part of a 10-year inspection and how you track the condition of the pole at the time of inspection.
- e. Other than the 10-year inspection described, state whether you conduct any other pole inspections, visual or otherwise, and if so, describe those inspections in detail, including how they are documented.

RESPONSE:

a. The timeline is different depending upon the severity of the issue, the location of the pole, weather, and other factors. For issues discovered on a cracked or broken pole that is still standing, the replacement would be immediate. Otherwise, the typical timeline would be 1 to 2 months after identification.

b. The formal pole inspection program, conducted on 10% of the pole population each year, identifies a pole for replacement if, in the professional judgement of the inspector, a pole has less than 10 years of life remaining. Specifically, the findings could be any of the following: below

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groundline decay, voids found in the pole by drilling into the pole, damage to the pole caused by farm equipment, damage at the pole top from lightning, damage from woodpeckers, etc.

c. Kenergy receives a report each week detailing the findings from the previous week. If the pole is in imminent danger of falling, the information is relayed to Kenergy immediately, along with photographs of the pole.

d. Kenergy maintains and reviews historical data such that future years of inspections are planned out in advance. The condition of the pole at time of inspection necessarily falls into one of two categories: Pass or Fail. If the pole passes inspection, it has been determined that the pole has more than ten years of useful life remaining and will be inspected 10 years hence. If the pole fails, it is visually tagged, reported to Kenergy, and scheduled for replacement.

e. Kenergy performs line inspection whereby the entire system is covered every 2 years. Poles are visually inspected for defects and reported if problems are found. This report leads to a work order generated to replace or repair the pole. Other inspections of poles are performed by field personnel while performing their duties. If poles are found to be defective, again work orders are generated to replace the pole.

Witness: Robert Stumph, Vice-President of Engineering & Operations

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REQUEST NO. 41: For Kenergy Corp. only: Refer to Kenergy Corp.'s proposed tariff PSC No. 2, Fifth Revised Sheet No. 76 (page 45), regarding the estimated per-pole survey cost. Explain what is included in the other cost based on regular labor worked amount of \$21.59.

RESPONSE: The Direct Labor Charge of \$38.71 is multiplied by the labor overhead percentage of 55.78% to arrive at other labor costs of \$21.59. The labor overhead percentage can be found in Kenergy's Special Charges tariff Schedule 32 (Exh. A) and is made up of the following: Health, Life, Disability Insurance 20.47%, Pension 24.96%, Payroll Taxes 8.25%, and Workers Comp. 2.10%.

Witness: Steve Thompson, Vice-President of Finance

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VERIFICATION

I, Robert Stumph, 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.



Robert Stumph
Vice-President of Engineering & Operations
Kenergy Corp.

COMMONWEALTH OF KENTUCKY)
) ss:
COUNTY OF)

SUBSCRIBED AND SWORN TO before me by Robert Stumph on this the 11 day of
June, 2022.

My commission expires: 9-24-22





Notary Public 609381

ELECTRONIC INVESTIGATION OF THE PROPOSED POLE ATTACHMENT
TARIFF'S OF RURAL ELECTRIC COOPERATIVE CORPORATIONS

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VERIFICATION

I verify, state and affirm that the responses to the Commission Staff's 2nd Request for Information filed with this verification and for which I am listed as a witness are true and correct to the best of my knowledge, information and belief formed after a reasonable inquiry.



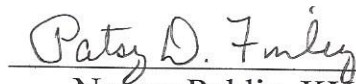
Steve Thompson Vice President Finance

STATE OF KENTUCKY

COUNTY OF: DAVIESS

The foregoing was signed, acknowledged and sworn to before me on this 24th day of May, 2022, by Steve Thompson

My commission expires 7-14-25



Notary Public, KY. State at Large

(seal)

