

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION'S
RESPONSE TO COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

Nolin Rural Electric Cooperative Corporation (“Nolin” or the “Cooperative”), by counsel, files its Response to the Commission Staff’s Second Request for Information, issued in the above-captioned case on May 19, 2022.

FILED: June 2, 2022

ELECTRONIC INVESTIGATION OF THE PROPOSED POLE ATTACHMENT TARIFFS OF
RURAL ELECTRIC COOPERATIVE CORPORATIONS
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NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION'S RESPONSE TO THE
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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 results of our last depreciation study, completed in 2018, calculated a 34.7 year average service life for poles in plant account 364. The Cooperative does not assign different service lives to poles of different type and vintage.

Witness: Devon C. Woosley, Manager, Engineering

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RURAL ELECTRIC COOPERATIVE CORPORATIONS
CASE NO. 2022-00106

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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: Existing lines are placed underground on an as-needed basis, and we have therefore not made a targeted effort to reduce the number of above ground lines. We cannot quantify the number of poles that have been eliminated due to overhead to underground conversions in the last ten years.

Witness: Devon C. Woosley, Manager, Engineering

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RURAL ELECTRIC COOPERATIVE CORPORATIONS
CASE NO. 2022-00106

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COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

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: We do not have a policy or practice of replacing poles on a periodic basis or as they reach the end of their useful lives. Instead, poles are replaced as-needed due to condition, new construction needs, system improvement projects, etc.

Witness: Devon C. Woosley, Manager, Engineering

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RURAL ELECTRIC COOPERATIVE CORPORATIONS
CASE NO. 2022-00106

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COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

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: On a three to four year interval, we prepare a Construction Work Plan ("CWP") that defines the system improvement projects, new construction, etc., that we reasonably anticipate in the upcoming three to four years. The CWP includes projects needed due to system growth, condition, etc., as well as projections on new services. The CWP is used as the basis for all capital expenditures related to distribution plant and is founded on engineering studies of current system conditions, load forecasting, analysis of future system needs, and historical data. After the projects are identified in the planning stages, we utilize historical accounting information to project future costs for these planned needs. At the conclusion of CWP development, we have a projected capital expenditure amount related to distribution plant that we anticipate applying over the three to four year period. The CWP is reviewed by the Public Service Commission, approved by our management team and board of directors, and the total projected expenditure is divided across the budget years covered by the CWP to create a distribution plant related capital budget for a particular year.

Witness: Devon C. Woosley, Manager, Engineering

Nolin's Response to PSC No. 4
Witness: Devon C. Woosley
Page 1 of 1

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

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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: Devon C. Woosley, Manager, Engineering

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CASE NO. 2022-00106

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COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

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 performance bond is intended to cover the cost of any unpaid pole attachment fees as well as the cost to remove stranded attachments. In our proposed tariff, we included "A performance bond in the amount of \$10,000 or \$75 per Attachment, whichever is greater...". Taking the average hourly rate for a two-person crew (including overhead and transportation costs) of \$231.63, multiplied by an estimate of three attachments removed per hour, we calculated \$77.21 as the cost of removal of each stranded attachment. Including estimates for unpaid attachment fees, disposal of telecommunications cable, and travel time, we calculated \$99.54 per pole as a performance bond requirement, though we ultimately chose \$75 as a standard value in an effort to be reasonable in the requirement.

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REQUEST NO. 47: For Nolin RECC only: Refer to Nolin RECC's response to Staff's First Request, Item 11.

a. Provide the typical timeline for replacing a pole when a defect requiring replacement is identified.

b. 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. The timeframe for pole replacement is based on the severity of the reported defect. Poles with severe defects, such as breaks, severe decay, etc., are considered high priority and are either changed immediately or as soon as possible depending on the degree of the concern. Poles with minor defects, such as shell decay, small woodpecker holes, or any other issue not affecting the structural integrity of the pole are recorded and may continue to be monitored for further degradation over a period of years.

b. Our inspectors utilize an iPad application which records the date/time of pole inspection. This iPad application allows us to capture photos of the poles, and our inspectors also use this application's fillable fields to report on the condition of the pole at the time of inspection.

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COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

REQUEST NO. 48: For Nolin RECC only: Refer to Nolin 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 \$33.94 and provide support for all assumptions made in calculating that amount.

RESPONSE: Taking the average hourly rate for the personnel responsible for field surveys (including overhead and transportation costs) of \$128.59, multiplied by an estimate that such personnel could review approximately nine contiguous poles per man-hour, we calculated \$28.58 per pole for the pre-construction and post-construction surveys. We assumed that an attachment application containing fifty poles would take approximately one man-hour to review prior to the actual field survey and included \$2.57 per pole in the calculation to recover that cost. We also included one man-hour for travel time for an attachment application containing fifty poles, resulting in a travel cost of \$2.57 per pole. Lastly, we included a small adder for software/administration cost in processing the application and arrived at a survey cost estimate of \$33.94 per pole.

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VERIFICATION

I, Devon C. Woosley, 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.

Devon C. Woosley

Devon C. Woosley
Manager - Engineering
Nolin Rural Electric Cooperative Corporation

COMMONWEALTH OF KENTUCKY)
) ss:
COUNTY OF Hardin)

SUBSCRIBED AND SWORN TO before me on this the 1st day of June, 2022.

My commission expires: 8/29/2024

Allison J. Coffey # KY NP 11557
Notary Public

