

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)**

OWEN ELECTRIC COOPERATIVE, INC.’S RESPONSE TO COMMISSION STAFF’S
SECOND REQUEST FOR INFORMATION

Owen Electric Cooperative, Inc. (“Owen” 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
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CASE NO. 2022-00106

OWEN ELECTRIC COOPERATIVE, INC.'S RESPONSES 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: Based on recent data, and utilizing the Iowa Survivor curve method, the average service life of Owen's wood poles is 46 years. This method considers historical information from years 1940 to 2019. The Iowa Survivor curve is a statistical analysis commonly used by utilities to determine the life expectancy of distribution plant assets. An outside consultant was used to conduct this study.

Witness: Teresa Hamilton, C.P.A, VP of Accounting

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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: It is not the practice of Owen Electric to actively pursue converting overhead power lines to underground. Therefore, poles have not often been eliminated from our system as a result of conversion of above-ground conductor to below-ground conductor.

Witness: Jennifer Taylor P.E., VP of Engineering

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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: Owen Electric does not have a practice of systematically changing out poles due to a pole reaching a defined age. Many of our poles extend beyond the average life expectancy. As long as the pole is structurally sound and sufficient for its installation, it will continue to remain in service. Poles are replaced for a number of reasons, with rejection as a consequence of pole inspection being just one of those reasons. Other reasons for pole change-out may be damage from an outside cause whether it be public accident, weather, or improper attachments. The capital budget for pole replacements is established from projections developed within the two-year Construction Work Plan and based on historical annual pole replacement averages.

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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: Owen Electric develops a Construction Work Plan (“CWP”) that is the basis for the capital spending budget. Typically Owen will develop a new CWP every two years. Included in the CWP are projections based on the previous 2 year historical averages for number of new consumers, miles of line and associated equipment that will be added to the system, along with the number of anticipated pole replacements. Additionally the CWP will outline any large capital projects for infrastructure improvements needed to address capacity or voltage concerns, highway projects, or reliability concerns. Each newly developed CWP is approved by Owen’s Board of Directors and reviewed by the Commission. The 2-year CWP will project estimated annual capital expenses for the following two years. For example, the 2022-2023 CWP was reviewed by the Commission in December of 2021 and will serve as the basis for the Owen capital budget for years 2022 and 2023.

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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: Jennifer Taylor P.E., VP of Engineering

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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.

Owen's Response to PSC No. 6

Witness: Jennifer Taylor

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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 for an Owen construction crew to remove a single attachment is \$81.26 per attachment (labor only). This number was derived from actual recent work to remove an attacher's system that was abandoned on our poles. This work included removing the spans of wire on the distribution poles and the secondary drop to the homes. After six years of several unpaid invoices amounting in over \$20,000 of uncollected attachment rental, plus legal fees, the company went out of business and walked away, leaving these assets abandoned in place. The total cost that Owen had to bear in removing the communication wire was \$64,000 in addition to that lost revenue from rental. Actual costs including overheads and transportation costs would have resulted in a higher per pole estimate. For the performance bond, Owen decided, at a minimum, to cover the labor portion of its expense.

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REQUEST NO. 49: For Owen Electric only: Refer to Owen Electric's response to Staff's First Request, Item 9. Explain whether it is possible to tell that poles of unknown age were installed prior to a specific date i.e. when Owen Electric started keeping records of the date poles were placed in service.

RESPONSE: Owen Electric began recording pole birth year with its first electronic mapping system in 2004. Prior to that, pole birth year data was not stored. In 2017, Owen began a full system GPS mapping and inventory project by an outside contractor. During that GPS project, pole birth year was captured for any pole that had a legible birth stamp still on the pole. The conclusion would be that any pole that does not have a birth year in our inventory record pre-dates 2004 and has an undetectable birth year stamp.

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REQUEST NO. 50: For Owen Electric only: Refer to Owen Electric's response to Staff's First Request, Item 11. Provide the typical timeline for replacing a pole once a defect is identified.

RESPONSE: A pole that is red-tagged is determined to not last for more than 10 years. Once a pole has been identified, Owen personnel will assess the severity of the deterioration. If a pole is deemed a high priority, then the typical time to change-out is less than 30 days (sooner if need be). Otherwise, the pole is placed into the pole change-out queue and worked in an efficient, cost-effective manner.

Witness: Jennifer Taylor, P.E., VP of Engineering

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REQUEST NO. 51: For Owen Electric only: Refer to Owen Electric's response to Staff's First Request, Item 16, regarding the estimated per pole survey costs.

- a. Provide detailed cost support for the estimated per pole survey cost of \$30 and provide support for all assumptions made in calculating that amount.
- b. Explain why Owen Electric has proposed to establish a minimum survey charge of \$200.

RESPONSE:

a. Owen developed the survey fee based on an estimate of typical timeframes for a 40-pole request. There are many variables that contribute to a per pole average: accuracy/completeness of application data, travel time to site, complexity of request and poles being attached to, and terrain. Developing a single average is challenging. Owen erred conservatively, knowing that the regulation allows for a true up for any instances that deviate from the "average." The spreadsheet provided herewith as Exhibit 51(a) illustrates the specific components that we included in our per-pole survey costs, and our estimated times for each component.

b. The minimum survey charge of \$200 is based on an estimate of the minimum amount of time it would take to process any pole attachment request. Even a single pole request would require processing and correspondence time, field survey (with associated drive times), and a post-construction inspection to confirm proper attachment, which we would expect to total three hours minimum. Three hours of labor equates to \$201.84, so a minimum charge of \$200 was established for any request.

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VERIFICATION

I, Jennifer Taylor, 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.



Jennifer Taylor, P.E.
VP of Engineering
Owen Electric Cooperative, Inc.

COMMONWEALTH OF KENTUCKY)
) ss:
COUNTY OF)

SUBSCRIBED AND SWORN TO before me on this the 24 day of ^{May}~~June~~ ^(CB), 2022.

My commission expires: April 23, 2023

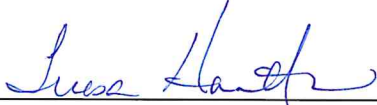
Christal A. Buffin #621904
Notary Public

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VERIFICATION

I, Teresa Hamilton, C.P.A., 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.



Teresa Hamilton, C.P.A.
VP of Accounting
Owen Electric Cooperative, Inc.

COMMONWEALTH OF KENTUCKY)
) ss:
COUNTY OF)

SUBSCRIBED AND SWORN TO before me on this the 24th day of ^{May}~~June~~, 2022. ^{CB}

My commission expires: April 23, 2023

Christal A. Boyd #621904
Notary Public