

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)	

SALT RIVER ELECTRIC COOPERATIVE CORPORATION'S
RESPONSE TO COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

Salt River Electric Cooperative Corporation (“Salt River” 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

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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 average service life of a distribution pole, which is 17 years, was established during the last depreciation study. The system consisted of various types and vintages which were utilized to arrive at the recommended service life. It should be understood that the useful life of a pole can far exceed 17 years due to a number of reasons, some of which would be light pole loading, oversized pole class, favorable soil conditions, or a lack of animal damage.

Witness: Mechonda O'Brien, Financial Optimization Manager

Chase Mills, Chief Operations Officer

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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: Salt River does not have an active program to reduce the number of above-ground facilities. Conversion from overhead to underground conductor has been minimal in years past, and the Cooperative does not maintain information concerning the number of poles impacted by such efforts.

Witness: Chase Mills, Chief Operations Officer

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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: No, Salt River does not have a time-based pole replacement program.

Witness: Chase Mills, Chief Operations Officer

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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: Salt River completes and submits a work plan every 4 years in order to secure RUS funding. This work plan includes capital expenditures such as new business, pole replacements, and major capital projects. Dollar amounts budgeted for pole replacement are based on historical replacement expenditure for Salt River.

Witness: Chase Mills, Chief Operations Officer

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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: Chase Mills, Chief Operations Officer

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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.

Salt River's Response to PSC No. 6

Witness: Tim Sharp

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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. Salt River Electric has experience with a cable TV entity that was on our poles in the Washington County area. We did not require them to have a performance bond at the time. They eventually went out of business and abandoned their facilities on our poles. We are periodically contacted by property owners concerning downed or low lines that belonged to this company. We have no choice but to remove the facilities and make the area safe at our expense. Ultimately, this results in additional cost to our customers. Salt River Electric has not historically tracked these costs because there is no way to recover, hence, they are expensed at the time they are incurred.

Witness: Tim Sharp, President & CEO

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REQUEST NO. 52: For Salt River Electric only: Refer to Salt River Electric's response to Staff's First Request, Item 11.

- a. Describe in detail how Salt River Electric conducts the 10-year pole inspections, including what the inspector does specifically as part of each such inspection, what the inspector does when they identify a defect with a pole, and each step thereafter.
- b. Describe in detail the findings of an inspection that would result in the pole being replaced.
- c. Provide the typical timeline for replacing a pole when a defect requiring replacement is identified.
- d. Explain whether there is a follow-up process if a defect not requiring replacement is identified.
- e. Explain in detail how you keep track of when poles are inspected and how you track the condition of the pole at the time of inspection.
- f. 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. Salt River's contracted pole inspector visits every pole in Salt River's distribution system on a 10-year cycle. When the inspector arrives onsite, the inspector will visually inspect the pole. Following this visual inspection, a sound test is performed on the pole starting at the base of the pole moving upwards to a height of around 6'. If this test results in suspicion of a pole

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issue, the base of the pole will be excavated and drilled or prodded to further determine the overall condition of the pole.

b. A broken pole, animal damage, or a rotten pole would all result in the pole being submitted for replacement.

c. When a pole is discovered to be defective, it will be assigned a priority level. Immediate replacement priority poles will be reviewed by Salt River management and resolved within 3 months. Lower priority poles will be re-evaluated by Salt River and scheduled for replacement within 2 years or deferred to be re-evaluated during the next KPSC inspection cycle depending on the severity of the defect.

d. Yes, all defects are tracked in Salt River's pole inspection software, and follow-up is conducted as required.

e. All inspections and any defects found are tracked in Salt River's pole inspection software.

f. Salt River conducts a visual inspection of all facilities, including poles, as required by the Commission, as specified in 807 KAR 5:006 Section 26, as well as in the course of its day-to-day business.

Witness: Chase Mills, Chief Operations Officer

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REQUEST NO. 53: For Salt River Electric only: Refer to Salt River Electric'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 in detail 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. Please refer to Salt River's response to Request No. 52(c).
- b. Please refer to Salt River's response to Request No. 52(e).

Witness: Chase Mills, Chief Operations Officer

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REQUEST NO. 54: For Salt River Electric only: Refer to Salt River Electric’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 \$20.23 and provide support for all assumptions made in calculating that amount.

RESPONSE: Cost support of \$20.23 are as follows:

	<u>Rate</u>	<u>Cost/ Pole</u>	
Man Hour Cost	\$36.06		
Overhead Rate	167%		
Total Man Hour Rate with Overhead	\$60.22		
# of Poles in Typical Application	10		
Application Review (Office Only) Poles Reviewed Per Hour	50	\$1.20	
Pre-Construction Survey Poles Surveyed Per Hour	10	\$6.02	
Post-Construction Survey Poles Surveyed Per Hour	20	\$3.01	
Travel Time (hours)	1	\$6.02	
Transportation cost per hour	\$19.87	\$3.97	*FEMA Rate
Total per Pole		\$20.23	

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Assumptions:

- Pole attachment request is 10 poles.
- Engineer can review 50 poles per hour on an application.
- Engineer can review 10 poles per hour on pre-construction survey.
- Engineer can review 20 poles per hour on a post-construction survey.

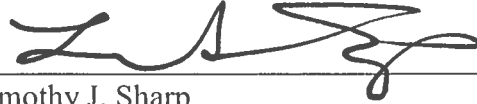
Witness: Chase Mills, Chief Operations Officer

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VERIFICATION

I, Timothy J. Sharp, 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.




Timothy J. Sharp
President & CEO
Salt River Electric Cooperative Corporation

COMMONWEALTH OF KENTUCKY)
) ss:
COUNTY OF NELSON)

SUBSCRIBED AND SWORN TO before me on this the 15th day of June, 2022.

My commission expires: July 5, 2023



Notary Public

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VERIFICATION

I, Chase Mills, 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.

Chase Mills

Chase Mills
Chief Operations Officer
Salt River Electric Cooperative Corporation

COMMONWEALTH OF KENTUCKY)

) ss:

COUNTY OF NELSON)

SUBSCRIBED AND SWORN TO before me on this the 15th day of June, 2022.

My commission expires: July 5, 2023

Quiana R. Edwards


Notary Public

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VERIFICATION

I, Mechonda O'Brien, 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.



Mechonda O'Brien
Financial Optimization Manager
Salt River Electric Cooperative Corporation

COMMONWEALTH OF KENTUCKY)
)
) ss:
COUNTY OF NELSON)

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