

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)	

TAYLOR COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION'S
RESPONSE TO COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION

Taylor County Rural Electric Cooperative Corporation (“Taylor County” or the “Cooperative”), by counsel, files its Response to the Commission Staff’s Second Requests 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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TAYLOR COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION'S RESPONSE
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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: All of the Cooperative's poles depreciate over a useful life of 43 years, and the Cooperative does not assign different service lives to poles of different type and vintage. The Cooperative does not have continuing property records to further break down the life of specific poles. Each individual pole is branded with the year of production, but this brand will often wear down over time in the field.

Witness: Mike Skaggs, E&O Manager

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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: Underground facilities are encouraged and handled as per the tariff. Requested data on number of poles eliminated due to conversion from overhead and underground conductor is not available. Taylor has approximately 7% of the value of its distribution plant assets underground.

Witness: Mike Skaggs, E&O Manager

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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. Defective poles are identified via pole inspections or in the day-to-day business of the Cooperative. That said, for planning and budgeting purposes, the Cooperative utilizes a Construction Work Plan that recognizes distribution plant (including pole infrastructure) requires ongoing maintenance and replacement.

Witness: Mike Skaggs, E&O Manager

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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: Capital expenditures are budgeted in our Construction Work Plan, generally every 3 years. Amounts are typically dictated by historical costs, while inflation and any known special circumstances are considered. Specificity and processes are defined as per RUS requirements.

Witness: Mike Skaggs, E&O Manager

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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: Mike Skaggs, E&O Manager

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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.

Taylor County's Response to PSC No. 6

Witness: Mike Skaggs

Page 1 of 2

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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.

2 Person Crew with OH	\$ 95.34 /hour
# poles/hour	3
# poles/day	21
Per attachment removal rate	\$ 31.78
Unpaid Attachment Fee	\$ 0.23
Disposal	\$ 10.00
Travel Time to site 2 hour a day (\$95.34/21)	\$ 6.81
	<u>\$ 48.82</u>

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REQUEST NO. 58: For Taylor County RECC only: Refer to Taylor County 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 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: If identified as a danger pole, then that pole is immediately scheduled for replacement. Attempts are generally made to address the non-danger poles within a year. Tracking is addressed via a mapping system and spreadsheet mechanisms. Pertinent notes on pole condition are detailed on the work order.

Witness: Mike Skaggs, E&O Manager

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REQUEST NO. 59: For Taylor County RECC only: Refer to Taylor County RECC's response to Staff's First Request, Item 16, regarding the estimated per pole survey costs. Provide detailed support for the \$30 per pole estimate provided by the third party contractor and provide all assumptions made in calculating that amount.

RESPONSE: The \$30 per pole survey cost given by the Cooperative's contractor is based on a sample 16-pole permit request. We assumed average project set up time of .5 hours, travel time to and from the site of .75 hours, field work at 10 poles an hour, and then the contractor's in-office review and administration of 1.5 hours. This estimate also accounts for two trips to the poles requested, one to review the poles for the request and the follow-up visit after the attachments are made. The final total is 6.7 hours for the request. At an average billing rate of \$71.50 per hour this comes to \$29.94 a pole, which was rounded up for simplicity. The Cooperative acknowledges that on any individual permit this fee may under-recover expenses incurred to review, but it anticipates that expenses will regress to this average over time. This fee does not factor-in any time spent reviewing/approving a request by Cooperative employees.

Witness: Mike Skaggs, E&O Manager

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VERIFICATION

I, Mike Skaggs, 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.

Mike Skaggs

Mike Skaggs
E&O Manager
Taylor County Rural Electric Cooperative
Corporation

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

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

My commission expires: 5/20/23

Peoby R. Walters

Notary Public