

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

BLUE GRASS ENERGY COOPERATIVE CORPORATION'S RESPONSE 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: The average service life of a distribution pole on the Blue Grass Energy system is approximately 39 years. The Cooperative does not assign different service lives to poles of different type and vintage.

Witness: Kyle Lancaster, Manager, Engineering

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

BLUE GRASS ENERGY COOPERATIVE CORPORATION'S RESPONSE TO THE
COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION

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: Blue Grass Energy is making an effort to build more new lines underground in the more densely populated areas in its system, subject to cost, topographic, and other considerations. However, conversion from overhead to underground conductor has been minimal, and the Cooperative does not maintain information concerning the number of poles impacted by such efforts.

Witness: Kyle Lancaster, Manager, Engineering

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

BLUE GRASS ENERGY COOPERATIVE CORPORATION'S RESPONSE TO THE
COMMISSION STAFF'S SECOND REQUESTS 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: 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. That said, cooperatives are required to have both a working Construction Work Plan (which addresses expected necessary improvements and investment during a four-year period) and a Long Range Plan (which is a less precise planning document than a Construction Work Plan, but attempts to forecast system load requirements and costs over a 10- to 20-year period). These system plans address several factors, including condition and reliability, and target areas that may have aging infrastructure. These plans are reflected in the Cooperative's budget.

Witness: Kyle Lancaster, Manager, Engineering

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

BLUE GRASS ENERGY COOPERATIVE CORPORATION'S RESPONSE TO THE
COMMISSION STAFF'S SECOND REQUESTS 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: The capital budget process is driven by the Work Plan, which is in turn driven by safety and reliability. It is designed to account for expected necessary investments during the plan timeframe. Dollars are allocated according to the Work Plan and budgeted as an overall spend in distribution plant. We do not budget specific elements of the Work Plan, only distribution plant as a whole. The annual amount to be expended under the Work Plan has not been a target of adjustment in the budgeting process because of its ongoing importance to the safe and reliable delivery of electricity.

Witness: Charles G. Williamson III, VP-Finance & CFO

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

BLUE GRASS ENERGY COOPERATIVE CORPORATION'S RESPONSE TO THE
COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION

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: Kyle Lancaster, Manager, Engineering

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

BLUE GRASS ENERGY COOPERATIVE CORPORATION'S RESPONSE TO THE
COMMISSION STAFF'S SECOND REQUESTS 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.

Blue Grass's Response to PSC No. 6

Witness: Kyle Lancaster

Page 1 of 2

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

BLUE GRASS ENERGY COOPERATIVE CORPORATION'S RESPONSE TO THE
COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION

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	\$ 125.00	/hr
# poles / hr	3	
# poles / day	24	
per attachment removal rate	\$ 41.67	
disposal fee	\$ 5.00	
travel time to site 1 hour/day/poles in a day	\$ 5.21	
	\$ 51.88	

Witness: Kyle Lancaster, Manager, Engineering

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

BLUE GRASS ENERGY COOPERATIVE CORPORATION'S RESPONSE TO THE
COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION

REQUEST NO. 11: For Blue Grass Energy only: Refer to Blue Grass Energy's response to Commission Staff's First Request, Item 9. Explain what is meant by the birth year of a pole.

RESPONSE: A pole's "birth year" is its year of manufacture. Each pole is stamped with its year of manufacture.

Witness: Kyle Lancaster, Manager, Engineering

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

BLUE GRASS ENERGY COOPERATIVE CORPORATION'S RESPONSE TO THE
COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION

REQUEST NO. 12: For Blue Grass Energy only: Refer to Blue Grass Energy's response to Commission Staff's First Request, Item 11.

- a. Explain the timeline for replacing a pole that is identified as a "danger structure."
- b. Explain the timeline for replacing a pole when it is scheduled for replacement in routine work scheduling when it is identified as unsatisfactory but not a "danger structure."
- c. Explain how you keep track of when poles are inspected a 10-year inspection and how you track the condition of the pole at the time of inspection.
- d. 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. Any pole marked as a "danger structure" requires immediate replacement and will be changed as soon as possible, no matter the circumstance.
- b. Poles identified as unsatisfactory are replaced as soon as practicable following identification, with the timeline chiefly dependent on the workload of the Cooperative.
- c. As poles are inspected, they are logged into a spreadsheet. Poles that pass are marked clear. Poles that fail but are not "danger structures" are red tagged. Poles that are "danger structures" are immediately addressed.
- d. The Cooperative is also required to do a system inspection every two years as stated in KAR 5:006 Section 26(4)(e), this inspection is tracked by spreadsheet. The Cooperative also visually inspects poles daily during the regular course of business while working on the system.

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

BLUE GRASS ENERGY COOPERATIVE CORPORATION'S RESPONSE TO THE
COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION

During these inspections any "danger structure" or failing pole found will be treated as described
in item (c), above.

Witness: Kyle Lancaster, Manager, Engineering

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

BLUE GRASS ENERGY COOPERATIVE CORPORATION'S RESPONSE TO THE
COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION

REQUEST NO. 13: For Blue Grass Energy only: Refer to Blue Grass Energy'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 \$30.00 and provide support for all assumptions made in calculating that amount

RESPONSE: The \$30 per pole survey cost is based on a sample 16-pole permit request and estimates provided by the Cooperative's contractor. 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/hour, and the contractor's in-office review and administration of 1.5 hours. This estimate accounts for two trips to the poles requested, a first to initially identify and examine the poles subject to the request and a follow-up 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, the total sum is \$29.94 per pole. This fee does not factor any Cooperative employee time spent reviewing/approving a request.

Blue Grass examined a sample of permits from the first four months of 2022 and costs incurred have averaged \$31.84 per pole. This excludes RDOF requests, which would be considered very large requests, the timeline and costs of which are communicated in good faith with the attachers and are billed directly at cost to the requesting attacher. We expect these costs to smooth over the year towards \$30 as attachers submit more requests and we improve efficiencies related to processing permit requests.

Witness: Kyle Lancaster, Manager, Engineering

