



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

FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION'S RESPONSE TO THE  
COMMISSION STAFF'S SECOND REQUEST 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 the Cooperative's most recent depreciation study, the estimated average service life of poles is approximately 46 years. The Cooperative does not assign different service lives to poles of different type and vintage.

**Witness:** Chuck Bishop, Vice-President of Engineering

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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:** There is not an initiative to replace overhead facilities with underground. Our service territory is largely a karst area, and placing facilities underground can be extremely difficult and very costly.

**Witness:** Chuck Bishop, Vice-President 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:** There is no program to replace poles based on age without identification of deterioration. However, in the design phase of a Construction Work Plan project, poles may also be identified for replacement based on criteria of height, strength, remaining life, etc. The design phase for these projects typically occurs about 6 months in advance.

**Witness:** Chuck Bishop, Vice-President of Engineering

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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:** The Construction Work Plan, or CWP, identifies the capital investment required over a work plan period. The requirement for new facilities and replacement/upgrade of existing facilities are covered within. In our case, the work plan period is four (4) years. Projects such as construction for new services, pole replacement due to deterioration, etc. are estimates based on historical information and future projections. Projects like conductor upgrades, primary voltage conversions, etc. are based on engineering analysis of a proposed future load. For an annual budget, the CWP is referenced to choose which projects will be completed within the upcoming year, what equipment is required, and estimation for new services extension. This is all balanced with revenue projections, availability of material/equipment, etc.

**Witness:** Chuck Bishop, Vice-President of Engineering

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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:** Chuck Bishop, Vice-President 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.<sup>1</sup>, Telcom Insurance Group,<sup>2</sup> and Swiftbonds<sup>3</sup>—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.<sup>4</sup>

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<sup>1</sup> See <https://suretyone.com/pole-attachment-bond>, last accessed May 27, 2022.

<sup>2</sup> See <https://www.telcominsgrp.com/products-and-services/bonds/>, last accessed May 27, 2022.

<sup>3</sup> See <https://swiftbonds.com/performance-bond/kentucky/>, last accessed May 27, 2022.

<sup>4</sup> 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.

Farmers' Response to PSC No. 6

Witness: Chuck Bishop

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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. An average span distance of 350 feet was used in the calculation. Since there is not an actual case to bid, pricing from our existing construction contract was used for removal of similar facilities. The pricing was discounted by 50% as our contractors work in the supply space and must have a higher level of training than those working solely in the communication space. The cost per attachment was estimated at approximately \$100. A case of 100 attachments was used as a minimum or \$10,000.

**Witness:** Chuck Bishop, Vice-President of Engineering



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**REQUEST NO. 21:** For Farmers RECC only: Refer to Farmers RECC's response to Staff's First Request, Item 9. Provide the number of poles installed and retired in each of the last 30 years.

**RESPONSE:** Please see provided Exhibit 21.

**Witness:** Chuck Bishop, Vice-President of Engineering

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**REQUEST NO. 22:** For Farmers RECC only: Refer to Farmers 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 as part of an inspection.
- 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 condition of the pole is considered once deterioration is detected. The most severe cases are replaced immediately, with the less severe cases replaced typically within one year.
- b. The inspection process is tracked through GIS software. A record is created for each pole inspected, whether there are deficiencies or not. If there are deficiencies, they are noted in the record.

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**REQUEST NO. 23:** For Farmers RECC only: Refer to Farmers RECC's response to Staff  
First Request, Item 16, regarding the estimated per pole survey costs.

- a. Provide detailed support for the man hour labor cost of \$44.16.
- b. Provide detailed support for the labor overhead rate of 54.38 percent.
- c. Provide detailed support for the vehicle cost of \$10.26.
- d. Provide support for the assertion that travel time per pole takes 0.5 hours.

**RESPONSE:**

- a. That is the hourly labor rate for the person responsible for the field survey process.
- b. The annual expenditure for each benefit employees receive was divided by the annual regular time payroll information to generate a benefit percentage. These benefit percentages were then summed to denote the percentage for labor overhead. Please see provided Exhibit 23(b).
- c. Accounting tracks each vehicle's cost associated with depreciation, maintenance, licensing, fuel, etc. Vehicles of similar types are grouped by class and the hourly rates are averaged across the class.
- d. Travel time per pole was derived from the fact that travel time from our main office to pole locations can be anywhere from 5 minutes to slightly over 60 minutes. Thirty minutes was used as an average travel time.

**Witness:** Chuck Bishop, Vice-President of Engineering

