

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

FLEMING-MASON ENERGY COOPERATIVE, INC.'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: As per the depreciation study submitted in PSC Case No. 2007-00022, all distribution poles are grouped together with an average service life of 33 years. The Cooperative does not assign different service lives to poles of different type and vintage.

Witness: Brandon Hunt, Manager of Engineering & Operations

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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: The Cooperative does not maintain the data requested, but a very limited number of overhead lines have been retired to reduce the above ground distribution grid in recent years. The Cooperative does evaluate underground placement of line in connection with new installs or line extensions as circumstances warrant.

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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.

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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: Fleming-Mason develops a three to four year Work Plan that specifies anticipated new construction, service line changes, pole changes, security lights, and larger conversion jobs. Work Plans are developed based on current loading data and anticipated growth within the distribution system. Annual budgets are then determined based on the Work Plan, and estimates are budgeted for the number of new services to be built, poles to change, etc. Pole changes are based off of the combination of historical figures and future projections. The state of the local economy, Fleming-Mason's financial health, extreme weather events, new developments, all have an effect on capital spending budgets.

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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: Brandon Hunt, Manager of Engineering & Operations

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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.

Fleming-Mason's Response to PSC No. 6

Witness: Brandon Hunt

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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. This task would likely take two (2) men and a bucket truck. Additional cost could come from road side flaggers, and disposal of the material would also come as a cost to the cooperative. As a conservative approach, the assumption of two (2) men and a bucket working 0.5 hours to complete an attachment retirement would result in an estimated hourly work cost of \$178.99 for attachment removal, exclusive of flagging and junk disposal.

(2) Line Technicians	\$81.40/hr
Labor Overhead (75.46%)	\$61.42
(1) Bucket Truck	<u>\$36.17/hr</u>
Total Hourly work	\$178.99/hr

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REQUEST NO. 24: For Fleming-Mason Energy only: Refer to Fleming-Mason Energy's response to Staff's First Request, Item 7. Provide the balance of account 108.61 at the end of each of the last five fiscal years.

RESPONSE: Please see the Cooperative's Response to Commission Staff's First Request for Information, Exhibit 7(d).

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REQUEST NO. 25: For Fleming-Mason Energy only: Refer to Fleming-Mason Energy'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:

Data is only available from 1999-2021. Please note corrected numbers for 2020 and 2021:

YEAR	POLES ADDED	POLES RETIRED
1999	818	416
2000	1732	875
2001	1505	869
2002	1448	811
2003	1223	584
2004	2084	1194
2005	1700	886
2006	1850	1111
2007	1447	817
2008	967	506
2009	946	606
2010	1139	631
2011	769	441
2012	987	657
2013	716	473
2014	471	292
2015	488	313
2016	663	605
2017	633	454
2018	494	317
2019	627	460
2020	936	597
2021	983	803

Witness: Brandon Hunt, Manager of Engineering & Operations

Fleming-Mason's Response to PSC No. 25

Witness: Brandon Hunt

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REQUEST NO. 26: For Fleming-Mason Energy only: Refer to Fleming-Mason Energy'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 timeline would reflect the condition of the pole and the severity rate at which it would need to be replaced. Workload, weather conditions, and terrain would also be applicable factors in this timeline. Upon a pole inspection, a priority pole or "danger" pole would be changed out within 30 days of notification. Poles not considered priority or "danger" poles could be up to a year timeline before they are changed out.

b. Poles are inspected pursuant to 807 KAR 5:006 during the system line inspection. This inspection is chiefly visual and contains a binary approach to the condition of the pole (pass or fail). An inspection performed by a contractor every 10 years on a pole has a more detailed approach and may include boring and other efforts to evaluate internal decay. They report to Fleming-Mason the pole failure by a severity replacement rate. The condition of all inspected poles are reported to a central database. Failed poles are pulled from this database and sent through the work order process.

Witness: Brandon Hunt, Manager of Engineering & Operations

Fleming-Mason's Response to PSC No. 26

Witness: Brandon Hunt

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REQUEST NO. 27: For Fleming-Mason Energy only: Refer to Fleming-Mason Energy's response to Staff's First Request, Item 16, regarding the estimated per pole survey costs.

- a. Provide detailed support for the man hour cost of \$33.00 and the overhead cost of 75.46 percent.
- b. Provide support for the assertion that travel time per pole takes 1.5 hours.

RESPONSE:

a. \$33.00 is the mid-range hourly rate for a Staking Engineer position. The overhead cost is derived from the table on the following page.

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		1ST CLASS LINEMAN	2ND CLASS LINEMAN	CREW LEADER
		Average Monthly Base Wages 7,014.29	Average Monthly Base Wages 5,068.04	Average Monthly Base Wages 7,446.79
SOC SEC	7.65%	536.59	387.70	569.68
RETIREMENT	31.44%	1,648.31	1,190.95	1,749.95
POST RET INS	3.36%	176.18	127.30	187.04
GROUP INS	33.55%	1,634.55	1,626.55	1,636.55
GEN LIABILITY	1.77%	124.49	89.95	132.17
Workers’s Comp.	1.69%	118.65	85.73	125.97
US UNEMPL	0.07%	5.83	5.83	5.83
STATE UNEMPL	0.08%	7.50	7.50	7.50
HOLIDAY (5.33 hrs/month)	4.12%	216.10	156.14	229.43
VACATION (8 hrs/month)	6.19%	324.36	234.36	344.36
SICK LEAVE (8 hrs/month)	6.19%	324.36	234.36	344.36
		5,116.93	4,146.38	5,332.84
% Fringe to Salary		72.95%	81.81%	71.61%
Composite Rate		75.46%		

b. FME’s service territory incorporates all or portions of eight counties in northeastern Kentucky. FME has one office within that territory and over 3,600 miles of energized lines. Much

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of the line is not accessible from a road and would require walking in and out of some challenging terrain. Portions of the Cooperative's territory is over one hour drive time one-way from the Cooperative's headquarters. The Cooperative determined that an average of 1.5 hours is reasonable.

Witness: Brandon Hunt, Manager of Engineering & Operations

