

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

GRAYSON RURAL ELECTRIC 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: Provided at Exhibit 1 is the table from the Cooperative's last depreciation study that includes the average service life used in calculating the depreciation rate and historical life.

Below is a table that reflects the Cooperative's current total number of poles, broken down by age.

GRECC 2022 pole count						
Total number of poles	0-9 years old	10-19 years old	20-29 years old	30-39 years old	40 plus years old	Unknown age
35409	6620	6904	7212	3315	1849	9509

Witness: Robert Brown, GIS Technician

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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: Grayson has not actively reduced the above ground transmission and distribution lines from its current system, and the Cooperative does not maintain information concerning the number of poles impacted by such efforts. Most underground infrastructure is constructed and paid for by member request.

Witness: Robert Brown, GIS Technician

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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. For planning and budgeting purposes, the Cooperative utilizes a Construction Work Plan that recognizes distribution plant (including pole infrastructure) requires ongoing maintenance and replacement, as described in response to Request No. 4, below.

Witness: Robert Brown, GIS Technician

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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: Operation capital expenditures and budgets are based on our work plan that is developed in conjunction with a contracted engineering company. Based on their system analysis, a work plan is developed that takes into account system needs. Included in the work plan are cost estimates that are computed from analysis of the previous two years of capital expenses related to new connects and system maintenance. Each year, based on the scheduled projects, these costs are reviewed and adjusted accordingly before being approved by the Board in the annual budget.

Witness: Bradley Cherry, President and CEO

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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: Sherry Buckler, Manager of Accounting & Human Resources

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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.

Grayson's Response to PSC No. 6

Witness: Bradley Cherry

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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. Although the amount could vary, based on a crew removing a stranded attachment with an average time of one hour, the Cooperative estimates an average cost of \$460.68 per attachment for removal. The average cost was derived from a construction crew of four (4) at \$38.39 per hour.

Witness: Bradley Cherry . President & CEO

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REQUEST NO. 28: For Grayson RECC only: Refer to Grayson RECC's response to Staff's First Request, Item 9. Explain whether it is possible to tell that poles of "unknown age" were installed prior to a specific [date,] i.e. when Grayson RECC started keeping records of the date poles were placed in service.

RESPONSE: Poles of unknown age are classified as such because the pole brand has weathered and deteriorated beyond recognition. This does not make it possible to determine age of those poles.

Witness: Robert Brown, GIS Technician

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REQUEST NO. 29: For Grayson RECC only: Refer to Grayson RECC's response to Staff's First Request, Item 11.

- a. Provide the typical timeline for replacing a pole after it is red tagged as described in this response.
- b. State what percentage of yellow tagged poles are typically red-tagged for replacement upon the first 5-year re-inspection after being yellow-tagged.

RESPONSE:

- a. Grayson attempts to replace red tag poles within a six-month period. Weather, terrain, ease of access, and number of poles can alter the projected timeline.
- b. Grayson has started utilizing a new contractor since 2021. We currently do not have any yellow tagged poles on our system and no data on replacing yellow tagged poles in the first five years.

Witness: Robert Brown, GIS Technician

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REQUEST NO. 30: For Grayson RECC only: Refer to Grayson RECC'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 \$38.39.
- b. Provide detailed support for the overhead rate of 300 percent.
- c. Provide support for the assertion that travel time per pole takes one hour.

RESPONSE:

- a. \$38.39 is the hourly cost for a construction lineman per negotiated agreement.
- b. Please see Exhibit 30(b) provided herewith. Based on average of previous three years and the month of March 2022, average overhead rate of 316.12% was calculated. Grayson utilized 300% in its analysis.
- c. One hour travel time was an estimated assumption based on the terrain and service area of our territory. It is assumed, that on average, we can reach our members or our infrastructure within an hour and charged accordingly to work orders.

Witness: Sherry Buckler, Manager of Accounting & Human Resources

