

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

INTER-COUNTY 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: Based on Inter-County Energy's most recent depreciation study, the average service life for all poles is 30 years. The Cooperative does not assign different service lives to poles of different type and vintage.

Witness: David Phelps, Vice President, Engineering and 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: There have been no efforts to reduce the number of existing above-ground lines in ICE's system. ICE is unable to identify the number of above-ground poles eliminated for the purpose of placing the conductor underground in the last ten years. Any existing above ground lines that may have been placed underground in recent years would have been at the request and cost of the party requesting the change.

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CASE NO. 2022-00106

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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: ICE 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. However, any pole that is defective and has reached the end of its useful life will be replaced.

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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: ICE uses the previous year's pole replacement expenditures and escalates that cost by an anticipated inflation multiplier for the upcoming year. This cost may be adjusted based upon the number of Priority 2 poles found in the previous year's inspection (i.e., based on higher or lower failure rates observed during the last pole inspection).

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RURAL ELECTRIC COOPERATIVE CORPORATIONS
CASE NO. 2022-00106

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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.

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RURAL ELECTRIC COOPERATIVE CORPORATIONS
CASE NO. 2022-00106

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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.

Inter-County's Response to PSC No. 6

Witness: David Phelps

Page 1 of 2

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

INTER-COUNTY 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. ICE estimates that the removal of stranded attachments would typically involve a crew of three people (standard crew makeup) with a bucket truck and a foreman's truck. Each attachment removal requires travel between poles, positioning the trucks, removing and lowering the attachment, disposing of the removed attachment and other efforts, which efforts are fairly presumed to take a minimum of 30 minutes per attachment. Based on the cost calculation provided at Exhibit 6(c), the average cost per attachment for the cooperatives' crews to remove stranded attachments is reasonably estimated at \$126.18 per attachment, which is far greater than the \$50 per attachment proposed in the new tariff.

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RURAL ELECTRIC COOPERATIVE CORPORATIONS
CASE NO. 2022-00106

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COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION

REQUEST NO. 31: For Inter-County Energy only: Refer to Inter-County Energy'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 Inter-County Energy started keeping records of the date poles were placed in service.

RESPONSE: Pole data has been stored in ICE's GIS system since 2009. All poles installed prior to 2009 that remain in the field and that were not part of the recorded data received through pole inspections can only be certain that they are pre-2009. ICE is currently approximately 20% into a system field inventory, for its sole purpose, and is obtaining pole size and age (if obtainable), along with construction composition, attachments, equipment, connectivity, as well as pictures and GPS points.

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RURAL ELECTRIC COOPERATIVE CORPORATIONS
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COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION

REQUEST NO. 32: For Inter-County Energy only: Refer to Inter-County Energy's response to Staff's First Request, Item 11.

- a. Explain in detail what you do when you identify a defect with a pole as part of a 10-year inspection, including specifically when and under what circumstances you would replace a pole you own due to a defect.
- b. Provide the typical timeline for replacing a pole once a defect is identified.
- c. Explain how the third party contractor communicates the results of any inspection to Inter-County Energy
- d. Explain how you keep track of when poles are inspected as part of a 10-year inspection and how you track the condition of the pole at the time of inspection.
- e. 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. ICE typically engages a third-party to conduct its 10-year inspections, and the pole inspection company has an ICE inspector assigned to review its work. All priority poles are revisited by the company inspector who will verify the finding(s) and make a judgement on the urgency of the relevant defect. At that point, the inspector will either produce a work order to forward to construction which will make the necessary corrections, or the inspector will generate a service order requesting an engineer or other company representative to review the defect and determine the corrective actions needed to bring the pole and or structure back into compliance.

Inter-County's Response to PSC No. 32

Witness: David Phelps

Page 1 of 3

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

INTER-COUNTY COOPERATIVE CORPORATION'S RESPONSE TO THE COMMISSION
STAFF'S SECOND REQUESTS FOR INFORMATION

b. Ultimately the ICE inspector will determine the urgency/timeline for replacing the pole. However, the typical timeline is within 1 year for priority 1 pole failures and 2 years for a priority 2 issue.

c. The third-party contractor provides a weekly excel file with each pole's information and findings as well as a GIS file when used with the app "Golden Retriever" will graphically show the poles inspected as well and the information gathered. Any pole which the contractor finds to present an imminent danger or public hazard is immediately reported via phone to a company representative.

d. ICE will add to its GIS system the shape file containing the information provided by the third-party inspecting company and will store on its server the excel file containing the reported information for the year provided.

e. ICE performs inspections of its system in compliance with 807 KAR 5:006 Section 26. ICE documents these inspections in an excel file which details which map grid blocks were inspected along with date and time of completed inspection. Historically, the inspections have been performed by ICE's service staff who have a minimum of five (5) years line construction and/or maintenance experience. (Beginning in 2022, ICE has begun to use a third-party company to provide this service.) The service staff visually patrols the lines within the predetermined grid blocks and either make the necessary corrections or generate a service order to correct any violation found. The service orders are then directed either to construction crews for repair or the engineering department which will review the issues and produce the necessary work orders for construction to bring the finding(s) into compliance.

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CASE NO. 2022-00106

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STAFF'S SECOND REQUESTS FOR INFORMATION

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RURAL ELECTRIC COOPERATIVE CORPORATIONS
CASE NO. 2022-00106

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COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION

REQUEST NO. 33: For Inter-County Energy only: Refer to Inter-County 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 \$40.21.
- b. Provide detailed support for the overhead rate of 92 percent.
- c. Provide support for the assertion that travel time per pole takes one hour.
- d. Provide detailed support for the vehicle cost of \$19.87 per hour.

RESPONSE:

a. ICE currently has four staking engineers whose duties include surveying for joint use attachment requests. The man-hour cost is derived from the average of the four engineers hourly pay as of Dec 31, 2021.

Engineer 1	\$34.36/hr
Engineer 2	\$42.16/hr
Engineer 3	\$42.16/hr
Engineer 4	\$42.16/hr
AVERAGE	\$40.21/hr

b. Please see provided Exhibit 33(b).

c. Travel time of 1 hour was based upon our Headquarters being located centrally in our system which is roughly 50-miles tall and 100 miles long. Travel distances will range from 1 mile up to 50-miles. The assumption is based upon a 25-mile travel distance to and from which would result in approximately one hour of travel.

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CASE NO. 2022-00106

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STAFF'S SECOND REQUESTS FOR INFORMATION

d. Please see provided Exhibit 33(d), FEMA 2021 Schedule of Equipment Rates.

See rate for 3/4 Ton Pickup 4X4

Witness: David Phelps, Vice President, Engineering and Operations

