

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

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

**JACKSON PURCHASE ENERGY CORPORATION'S
RESPONSE TO COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION**

Jackson Purchase Energy Corporation (“Jackson Purchase” or the “Cooperative”), by counsel, files its Response to the Commission Staff’s Second Request for Information, issued in the above-captioned case on May 19, 2022.

FILED: June 2, 2022

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

JACKSON PURCHASE ENERGY 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: Service life of Jackson Purchase Energy's distribution poles is approximately 23.2 years. The Cooperative does not assign different service lives to poles of different type and vintage.

Witness: Travis Spiceland, Manager of Engineering

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

JACKSON PURCHASE ENERGY CORPORATION'S RESPONSE TO THE COMMISSION
STAFF'S SECOND REQUEST 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: There have been no recent efforts to reduce the number of above ground distribution lines on Jackson Purchase Energy's system. Consequently, conversion from overhead to underground conductor has been minimal in recent years, and the Cooperative does not maintain information concerning the number of poles impacted by such efforts.

Witness: Travis Spiceland, Manager of Engineering

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

JACKSON PURCHASE ENERGY CORPORATION'S RESPONSE TO THE COMMISSION
STAFF'S SECOND REQUEST 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: Jackson Purchase Energy does not have a policy pertaining to pole replacements. The practice, outside of the 2-year inspection cycle, is to visually inspect and hammer-test any pole prior to performing work for the purpose of ensuring the pole is not defective. Poles on Jackson Purchase Energy's system are not replaced on a useful life cycle. Each pole is unique with multiple factors contributing to the overall integrity of the pole. These factors include treatment type, chemical absorption during treatment, geographical environment where installed, etc. Pole replacement is based on the physical condition of the pole.

Witness: Travis Spiceland, Manager of Engineering

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

JACKSON PURCHASE ENERGY CORPORATION'S RESPONSE TO THE COMMISSION
STAFF'S SECOND REQUEST 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 annual budget is developed from the 4-year Construction Work Plan ("CWP"). The engineering department determines the projects included in the 4-year CWP using historical data to predict the number of future services, pole replacements, and conductor replacements. Projects are also included based on the remaining electrical capacity of assets and projected growth. Since the 4-year CWP is approved by senior management and the board, typically the CWP portion of the capital budget is approved without revision by the Board of Directors. The CWP is also submitted and approved by the Rural Utility Service (RUS) prior to implementation.

Witness: Travis Spiceland, Manager of Engineering

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

JACKSON PURCHASE ENERGY CORPORATION'S RESPONSE TO THE COMMISSION
STAFF'S SECOND REQUEST 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: Travis Spiceland, Manager of Engineering

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

JACKSON PURCHASE ENERGY CORPORATION'S RESPONSE TO THE COMMISSION
STAFF'S SECOND REQUEST 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.

Jackson Purchase's Response to PSC No. 6

Witness: Travis Spiceland

Page 1 of 3

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

JACKSON PURCHASE ENERGY CORPORATION’S RESPONSE TO THE COMMISSION
STAFF’S SECOND REQUEST 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. The average cost for Jackson Purchase Energy to remove stranded attachments left on cooperative poles, retire all associated cabling and hardware, and dispose of all materials is \$51.58/attachment. The following estimate is based on a 20-pole attachment removal. The estimated time for a 2-man crew to complete this removal is 5 hours or 15 minutes per pole.

Cost Estimate

DATE: 05/24/2022

Associated work order

Labor Charges:

Contractor	\$ -
JPEC Labor	\$ 404.35
Multiplier to Convert to Productive Time (See note)	1.22122
Adjusted direct labor	\$ 493.80
Benefit Percentage	45.9%
Benefits Calculated	\$ 226.47
Sub-Total Labor & Benefit Charges	\$ 720.27

Equipment Charge (Based on FEMA Published Rates):

Hours	Rate	Extended
-------	------	----------

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

JACKSON PURCHASE ENERGY CORPORATION'S RESPONSE TO THE COMMISSION
STAFF'S SECOND REQUEST FOR INFORMATION

Bucket Truck Time - Total	5.00	\$	43.25	\$	216.25
Pick up Truck	5.00	\$	19.00	\$	95.00
Materials Charge:					
See Detailed Listing of Materials Attached				\$	-
Warehouse & Purchasing Overhead Cost Above Material Cost					23.86%
Warehouse & Purchasing Overhead Allocated				\$	-
Sub-Total Material Charges				<u>\$</u>	<u>-</u>
GRAND TOTAL				<u>\$</u>	<u>1,031.52</u>

Witness: Travis Spiceland, Manager of Engineering

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

JACKSON PURCHASE ENERGY CORPORATION'S RESPONSE TO THE COMMISSION
STAFF'S SECOND REQUEST FOR INFORMATION

REQUEST NO. 38: For Jackson Purchase Energy only: Refer to Jackson Purchase Energy's response to Staff's First Request, Item 11.

- a. Provide the typical timeline for replacing a pole when it is determined to be "bad."
- b. Describe the circumstances under which a contractor would deem a pole to be bad.
- c. State whether Jackson Purchase Energy replaces all poles its contractor identifies as being bad, and if not, describe how often and under what circumstances it would not replace poles deemed bad by a contractor.
- d. Explain how you keep track of when poles are inspected and how you track the condition of the poles at the time of inspection.

RESPONSE:

- a. The typical timeframe to replace a pole once it is determined to be defective is approximately 1-6 months.
- b. A contractor inspecting the integrity of a pole will deem it defective if deterioration exists to the extent the pole strength appears to fall below the NESC strength requirement, confirmed through visual inspections and hammer or boring tests to indicate internal decay.
- c. Jackson Purchase Energy replaces all the poles its line inspection contractor identifies as defective.
- d. Throughout the 2-year inspection cycle, poles are inspected in a predetermined sequence by substation circuit. Once inspected, the record is stored in our NISC database. An excel spreadsheet is used to track the inspection timeframe of each circuit. This predetermined schedule

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

JACKSON PURCHASE ENERGY CORPORATION'S RESPONSE TO THE COMMISSION
STAFF'S SECOND REQUEST FOR INFORMATION

allows poles corresponding with each circuit to be inspected approximately two years from the previous inspection.

Witness: Travis Spiceland, Manager of Engineering

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

JACKSON PURCHASE ENERGY CORPORATION'S RESPONSE TO THE COMMISSION
STAFF'S SECOND REQUEST FOR INFORMATION

REQUEST NO. 39: For Jackson Purchase Energy only: Refer to Jackson Purchase Energy's response to Staff's First Request, Item 16, regarding the estimated per pole survey costs.

- a. Provide detailed support for the overhead rate of 205 percent
- b. Provide support for the assertion that travel time takes one hour per pole.

RESPONSE:

a. The overhead rate is calculated using the productive and nonproductive time from the prior year as well as all benefits and stores. The overhead rate for 2022 is 192 percent. The previous rate of 205 percent was based off 2020 figures. Please see provided Exhibit 39(a).

b. The travel time estimate of 1 hour is for a 20-pole application, not 1 pole. The travel time estimate for a 20-pole application is 3 mins per pole.

Witness: Travis Spiceland, Manager of Engineering

