

**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)	

**LICKING VALLEY RURAL ELECTRIC COOPERATIVE CORPORATION’S
RESPONSE TO COMMISSION STAFF’S SECOND REQUEST FOR INFORMATION**

Licking Valley Rural Electric Cooperative Corporation (“Licking Valley,” “LVRECC” 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

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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: Licking Valley has not made special efforts to reduce overhead service. LVRECC has, however, priced underground conductor for certain jobs, but due to the cost associated with underground service these jobs moved forward with overhead or didn't move forward at all. LVRECC's terrain and location is not as conducive as other parts of Kentucky to underground service.

Witness: Kerry Howard, General Manager/CEO
Chris Murphy, Superintendent

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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. LVRECC changes defective poles as needed.

Witness: Kerry Howard, General Manager/CEO
Chris Murphy, Superintendent

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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: LVRECC has a 4-year work plan that identifies specific and general jobs. The work plans are derived based upon initial planning input provided by the Cooperative's department heads. Once this information is compiled, the proposed capital expenditures are reviewed by the Superintendent, who will subsequently review the work plan with the General Manager/CEO to formulate a proposed final work plan. That work plan is then presented to the Cooperative's board of directors, and following any input or revision from the board, it is then subsequently filed with RUS and the Commission. LVRECC generally bases the next year's budget off of the prior year's actual expenditures.

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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: Kerry Howard, General Manager/CEO

Chris Murphy, Superintendent

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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.

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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. Generally, the Cooperative prefers to leave attachment removal to the attacher, and if the Cooperative has removed its own facilities from a pole but the attacher has not yet done so, the Cooperative will generally transfer the pole to the attacher. However, in the event an attacher has abandoned facilities on poles the Cooperative is still using, the Cooperative has generally estimated that the cost of the removal would easily meet or exceed the proposed performance bond amount of \$10,000 or \$50/pole, whichever is greater. At the \$10,000 amount, that would equate to 200 attachments ($10,000 / 50 = 200$), which is a reasonable assumption of a minimum number of attachments that any broadband or telecommunications attacher is likely to have on the Cooperative's system.

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REQUEST NO. 42: For Licking Valley RECC only: Refer to Licking Valley RECC's response to Staff's First Request, Item 9. State whether Licking Valley RECC maintains record of when any poles are placed in service (e.g. has it started to do as recently as poles have been replaced). If so, provide any information Cumberland Valley [*sic*] has regarding when poles have been placed in service.

RESPONSE: LVRECC maintains records of when poles are put into service. LVRECC currently has 43,962 poles. Determining the "in-service" year for all of those 43,962 poles would be unnecessarily cumbersome and impractical, as the data is not maintained in a way that is sortable simply by birth year. However, in the event an attacher has questions about the birth year of a particular pole or set of poles included within an application, LVRECC can generally look-up either the "born on" or "in service" date of the specific pole(s), assuming that the pole number stamp on the pole is still legible.

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REQUEST NO. 43: For Licking Valley RECC only: Refer to Licking Valley RECC'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 an inspection, including specifically when and under what circumstances you would replace a pole you own due to a defect.
- b. Describe in detail the findings of an inspection that would result in the pole being replaced.
- c. Provide the typical timeline for replacing a pole when a defect requiring replacement is identified.
- d. Provide the typical timeline for replacing a pole once a work order is issued.
- e. 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. When a defect with an LVRECC pole is identified, it is red tagged. LVRECC will work the red tagged poles from worst pole condition to most favorable condition as feasible, subject to work conditions, location, safety and similar factors.
- b. Rotten poles, split poles, broken poles, fire damaged poles, animal damaged poles, a pole that does not pass the sound test, and poles subject to erosion concerns would be scheduled for replacement, as described above.
- c. Pole replacement is completed based on severity, safety concerns, reliability concerns and practicality. If a pole is identified as a "danger pole," it would be replaced as soon as

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possible, often within a day or two. For poles that are less severely impaired, replacement is prioritized based on severity, with all such replacements generally occurring within 12 months of identification. Please also see the response to Request No. 43(a), above.

d. Please see the responses to Requests No. 43(a) and (c), above.

e. LVRECC either has "good" or "bad" listed on a pole inspection report. If it is "bad"

LVRECC will change out the pole.

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Chris Murphy, Superintendent

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REQUEST NO. 44: For Licking Valley RECC only: Refer to Licking Valley'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 \$33.25.
- b. Provide detailed support for the overhead rate of 40 percent.
- c. Provide support for the assertion that for the application review, only one pole is reviewed per hour.
- d. Provide support for the assertion that for the pre-construction and post-construction surveys, only one pole is reviewed per hour.
- e. Provide support for the assertion that travel time takes one hour per pole.
- f. Provide support for the assertion that the number of poles in a typical application is one.

RESPONSE:

a. Please see provided Exhibit 44(a).

b. Please see provided Exhibit 44(b), which reflects an overhead of 73.17%. This calculation was made in March of 2022. However, the Cooperative's tariff was required to be filed at the end of February 2022, before this recalculation was made. Because the estimated survey costs are subject to true-up under the regulation, the Cooperative has not sought to modify the estimated survey cost rate based upon the prior 40% overhead calculation.

c. Based on the low number of third-party attachment permit requests received by the Cooperative, there is not enough data to determine the likely number of permits to be received in the future or the likely number of poles to be included in the typical permit request, nor has the

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Cooperative received any information from third-party attachers about the size, scope or location of upcoming permit requests. Based on this lack of information, the Cooperative must estimate conservatively in the financial interest of its member-owners. Depending on the complexity of the request, it is possible that an application could be reviewed at a rate of one pole per hour. The Cooperative would be able to estimate this information more precisely with the benefit of communication of estimates from its potential attachers.

d. Based on the low number of third-party attachment permit requests received by the Cooperative, there is not enough data to determine the likely number of permits to be received in the future or the likely number of poles to be included in the typical permit request, nor has the Cooperative received any information from third-party attachers about the size, scope or location of upcoming permit requests. Based on this lack of information, the Cooperative must estimate conservatively in the financial interest of its member-owners. Depending on the complexity of the existing pole and the attachment request, it is possible that a pole could be reviewed at a rate of one pole per hour. The Cooperative would be able to estimate this information more precisely with the benefit of communication of estimates from its potential attachers.

e. Based on the low number of third-party attachment permit requests received by the Cooperative, there is not enough data to determine the likely number of permits to be received in the future or the likely number of poles to be included in the typical permit request, nor has the Cooperative received any information from third-party attachers about the size, scope or location of upcoming permit requests. Based on this lack of information, the Cooperative must estimate conservatively in the financial interest of its member-owners. Depending on the location of the

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attachment request, it is possible that the travel time to visit a pole could be greater than 1 hour (as the Cooperative has poles that are as far as an hour and a half hours from the office), particularly if there is only one pole included in the request. The Cooperative would be able to estimate this information more precisely with the benefit of communication of estimates from its potential attachers.

f. Based on the low number of third-party attachment permit requests received by the Cooperative, there is not enough data to determine the likely number of permits to be received in the future or the likely number of poles to be included in the typical permit request, nor has the Cooperative received any information from third-party attachers about the size, scope or location of upcoming permit requests. Based on this lack of information, the Cooperative must estimate conservatively in the financial interest of its member-owners. Based on the historical lack of requests submitted by attachers, it is possible that the number of poles per application could very well be one. The Cooperative would be able to estimate this information more precisely with the benefit of communication of estimates from its potential attachers.

Witness: Kerry Howard, General Manager/CEO

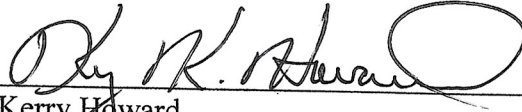
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VERIFICATION

I, Kerry Howard, verify, state, and affirm that the information request responses filed with this verification for which I am listed as a witness are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.



Kerry Howard
General Manager/CEO
Licking Valley Rural Electric Cooperative
Corporation


COMMONWEALTH OF KENTUCKY)

) ss:

COUNTY OF Morgan)

SUBSCRIBED AND SWORN TO before me by Kerry Howard on this the 2nd day of June, 2022.

My commission expires: 06-21-2025




Tracy Spaul KYNP32016
Notary Public

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VERIFICATION

I, Chris Murphy, verify, state, and affirm that the information request responses filed with this verification for which I am listed as a witness are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.




Chris Murphy
Superintendent
Licking Valley Rural Electric Cooperative
Corporation

COMMONWEALTH OF KENTUCKY)
) ss:
COUNTY OF *Morgan*)

SUBSCRIBED AND SWORN TO before me by Chris Murphy on this the 2nd day of
June, 2022.

My commission expires: 06-21-2025

 KYNP32016
Notary Public