

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

SHELBY ENERGY COOPERATIVE, INC.'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: Shelby Energy's poles are a mass property asset, depreciated on a thirty-year schedule. The Cooperative does not assign different service lives to poles of different type and vintage.

Witness: Jack Bragg, Jr., President and CEO

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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: Shelby Energy currently pursues options for underground primary service line where economically feasible. Several recent project owners have specified underground facilities and we have supported these efforts at the project owner's expense. However, conversion from overhead to underground conductor has been minimal, and the Cooperative does not maintain information concerning the number of poles impacted by such efforts.

Witness: Jack Bragg, Jr., President and CEO

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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. Instead, poles are replaced based on a determination of defectiveness of physical condition.

Witness: Jack Bragg, Jr., President and CEO

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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: Shelby Energy's capital budget is developed according to a four-year Construction Work Plan as developed and approved by a professional engineer and RUS official review. The Construction Work Plan is supported through historical data.

Witness: Jack Bragg, Jr., 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: Jack Bragg, Jr., President and CEO

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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.

Shelby Energy's Response to PSC No. 6

Witness: Jack Bragg, Jr.

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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. Shelby Energy's average cost per construction crew is \$322.95 per hour. We estimate one hour per attachment for removal.

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REQUEST NO. 55: For Shelby Energy only: Refer to Shelby Energy's response to Staff's First Request, Item 16, regarding the estimated per pole survey costs. Provide detailed cost support for the estimated per pole survey cost of \$33.12 and provide support for all assumptions made in calculating that amount

RESPONSE: Please see spreadsheet provided at Exhibit 55.

Witness: Jack Bragg, Jr., President and CEO

