

**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 )**

**RECCS' JOINT RESPONSE TO COMMISSION STAFF'S**  
**THIRD REQUEST FOR INFORMATION**

Big Rivers Electric Corporation; Big Sandy R.E.C.C.; Blue Grass Energy Cooperative Corp.; Clark Energy Cooperative, Inc.; Cumberland Valley Electric, Inc.; Farmers R.E.C.C.; Fleming-Mason Energy Cooperative, Inc.; Grayson R.E.C.C.; Inter-County Energy Cooperative Corporation; Jackson Energy Cooperative Corporation; Jackson Purchase Energy Corporation; Kenergy Corp.; Licking Valley R.E.C.C.; Meade County R.E.C.C.; Nolin R.E.C.C.; Owen Electric Cooperative, Inc.; Salt River Electric Cooperative Corp.; Shelby Energy Cooperative, Inc.; South Kentucky R.E.C.C., and Taylor County R.E.C.C. (each a "RECC" and collectively, the "RECCs"), by counsel, file their Joint Response to the Commission Staff's Third Request for Information, issued in the above-captioned case on June 23, 2022.

**FILED: July 7, 2022**

ELECTRONIC INVESTIGATION OF THE PROPOSED POLE ATTACHMENT TARIFFS OF  
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**REQUEST NO. 1:** For all cooperatives that require prepayment of survey fees, explain whether the cooperative would refund the difference if the actual cost of the survey were less than the Attachment Customer's prepayment. If so, identify the section of the tariff stating that. If not, explain why not.

**RESPONSE:** Yes, only actual survey costs incurred will be the responsibility of the attacher, with any prepaid estimates true-up in the event actual costs differ from prepaid estimates. The tariff language (Art. IV, Section B, Subsection 5(i)) is consistent with the regulation (807 KAR 5:015 Section 4(6)(a)), which is understood to require a true-up of actual costs versus estimated costs in connection with final invoicing.

**Witnesses: Jeff Prater, Vice President of Operations  
Big Sandy Rural Electric Cooperative Corporation**

**Kyle Lancaster, Manager, Engineering  
Blue Grass Energy Cooperative Corporation**

**Todd Peyton, Vice President, Engineering  
Clark Energy Cooperative, Inc.**

**Rich Prewitt, Director of Marketing, Economic Development  
Cumberland Valley Electric, Inc.**

**Chuck Bishop, Vice President, Engineering  
Farmers Rural Electric Cooperative Corporation**

**Brandon Hunt, Manager of Engineering & Operations  
Fleming-Mason Energy Cooperative, Inc.**

**Bradley Cherry, President & CEO  
Grayson Rural Electric Cooperative Corporation**

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**David Phelps, Vice President of Engineering and Operations  
Inter-County Energy Cooperative Corporation**

**Ryan Henderson, Vice President of Engineering & Operations  
Jackson Energy Cooperative Corporation**

**Travis Spiceland, Manager of Engineering  
Jackson Purchase Energy Corporation**

**Steve Thompson, Director of Accounting  
Kenergy Corp.**

**Kerry K. Howard, General Manager/CEO  
Licking Valley Rural Electric Cooperative Corporation**

**David R. Poe, V.P. Operations and Engineering  
Meade County Rural Electric Cooperative Corporation**

**Devon C. Woosley, Manager – Engineering  
Nolin Rural Electric Cooperative Corporation**

**Teresa Hamilton, Vice President of Accounting  
Owen Electric Cooperative, Inc.**

**Timothy J. Sharp, President & CEO  
Salt River Electric Cooperative Corporation**

**Jack Bragg, Jr., President & CEO  
Shelby Energy Cooperative, Inc**

**Kevin Newton, Chief Operating Officer  
South Kentucky Rural Electric Cooperative Corporation**

**Mike Skaggs, E&O Manager  
Taylor County Rural Electric Cooperative Corporation**

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**REQUEST NO. 2:** For Big Sandy RECC only: Refer to Big Sandy RECC's response to Commission Staff's Second Request for Information (Staff's Second Request), Item 10, Exhibit 2-10. Provide a detailed narrative description for how the 156 percent overhead rate was calculated.

**RESPONSE:** In the excel spreadsheet previously provided as Exhibit 2-10, the overhead rate of 156% represents the calculator's function of % rather than its decimal form of 1.56. The overhead rate is actually 56%, calculated by dividing the hours worked by a typical lineman in connection with construction/pole attachment activities (recorded in 107.20 G/L Acct.) by the lineman's total hours worked during the same annual period. The overhead rate is intended to capture indirect payroll expenses, taxes, health insurance, worker's compensation, employee benefits, retirement, and FASB 106.

**Witness: Jeff Prater, Vice President of Operations  
Big Sandy RECC**

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**REQUEST NO. 3:** For Blue Grass Energy only: Refer to Blue Grass Energy's response to Staff's Second Request, Item 13. Explain how the \$71.50 per hour billing rate was determined, including any supporting calculations and a breakdown of overhead expense.

**RESPONSE:** The \$71.50 bill rate is from a third party contractor. The contractor has two classes of employees that work evenly on permitting projects. One class's hourly rate is \$64, the other is \$79. \$71.50 is an average of both rates that will be invoiced by the contractor and forwarded to respective attachers working on permitting projects for BGE. It includes all overheads.

**Witness:**     **Kyle Lancaster, Manager Engineering**  
                  **Blue Grass Energy Cooperative Corporation**

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**REQUEST NO. 4:** For Clark Energy only: Refer to Clark Energy's response to Staff's Second Request, Item 17. Confirm that the administrative review fee is not also recovered through the estimated per pole survey costs. If not confirmed, explain.

**RESPONSE:** Confirmed.

**Witness:** **Todd Peyton, Vice President, Engineering  
Clark Energy Cooperative, Inc.**

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**REQUEST NO. 5:** For Farmers RECC only: Refer to Farmers RECC's response to Commission Staff's First Request for Information (Staff's First Request), Item 16, Exhibit 16. Explain why the travel time amount of \$39.22 was not divided by 10 to calculate the travel time cost per pole to account for the 10 poles included in a typical application.

**RESPONSE:** The travel time should have been divided by the 10 poles in the sample application. A corrected version of the spreadsheet is provided as Exhibit 3-5.

**Witness:      Chuck Bishop, Vice President, Engineering  
Farmers Rural Electric Cooperative Corporation**

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**REQUEST NO. 6:** For Farmers RECC only: Refer to Farmers RECC's response to Staff's  
Second Request, Item 23.

- a. Provide the underlying calculation supporting the \$10.26 vehicle cost.

**RESPONSE:** The Accounting department tracks vehicle cost by class. The software system assigns an average hourly rate for each vehicle class, based upon expenses and vehicle hours driven for the month. Expenses include fuel, maintenance, depreciation, licensing, insurance, etc. Hours driven is determined by the vehicle driver and logged via the payroll database. The software system takes total expenses and divides by the total hours driven to determine the average hourly rate for each vehicles class. Farmers RECC has a vehicle class for pick-up trucks. As of December 31, 2021, twenty-five (25) vehicles were included in that class with an average hourly rate of \$10.26.

**Witness:       Chuck Bishop, Vice President, Engineering  
Farmers Rural Electric Cooperative Corporation**

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**REQUEST NO. 7:** For Grayson RECC only: Refer to Grayson RECC's response to Staff's  
Second Request, Item 30(b), Exhibit 30(b).

- a. Explain the distinction between construction labor and payroll.
- b. Explain what is included in Accounts Payable.
- c. Provide the list of benefits included in Journal Entries.

**RESPONSE:**

- a. Construction Labor is charged to account 107.20 and reflects hours worked charged directly to work orders. Payroll Labor is charged to account 107.21 and reflects indirect labor which is spread through overheads.
- b. Misc. Materials & Supplies  
Software & Data Support  
Utilities
- c. Vacation & Sick Leave  
General Liability Insurance  
401K  
Worker's Comp  
RS & I  
Major Medical & GLI  
HSA  
SFAS 158  
Misc. Emp. Benefits  
Taxes (Federal, FICA, Medicare, Unemployment)

**Witnesses: Sherry Buckler, Manager of Accounting & Human Resources  
Grayson Rural Electric Cooperative Corporation**

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**REQUEST NO. 8:** For Inter-County Energy only: Refer to Inter-County Energy's response to Staff's First Request, Item 16, Exhibit 16. Explain why the \$19.87 vehicle cost was not divided by the number of poles in application or number of poles inspected per hour, whichever is applicable.

**RESPONSE:** The original calculation was in error, and a corrected version of the spreadsheet is provided as Exhibit 3-8. Vehicle cost per pole is now calculated as the sum of the travel time to (1/2 hour) and from (1/2 hour) for each application plus the vehicle cost while at the pre and post surveys. Thus, the calculation is:

$$\begin{aligned} & (\text{Hourly vehicle rate divided by the average number of poles per application } (\$19.87/20)) + \\ & (\text{Hourly vehicle rate divided by the Pre-Construction surveyed poles per hour } (\$19.87/10)) + \\ & (\text{Hourly vehicle rate divided by the Post-Construction surveyed poles per hour } (\$19.87/10)) = \\ & \text{Vehicle cost per pole } (\$4.97) \end{aligned}$$

Based on this update, the new Total per Pole Survey Cost is \$25.78.

**Witness: David Phelps, V.P. of Engineering and Operations  
Inter-County Energy Cooperative Corporation**

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**REQUEST NO. 9:** For Jackson Energy only: Refer to Jackson Energy's response to Staff's Second Request, Item 37, Exhibit 37. Provide detailed support for the overhead rate of 197 percent.

**RESPONSE:** Please see attached Exhibit 3-9.

**Witness: Ryan Henderson, Vice President of Engineering & Operations  
Jackson Energy Cooperative Corporation**

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**REQUEST NO. 10:** For Licking Valley RECC only: Refer to Licking Valley RECC's response to Staff's Second Request, Item 44 (c) through (e). Explain whether Licking Valley has had discussions with other distribution cooperatives to help it estimate the number of poles in a typical application and poles reviewed/surveyed per hour.

**RESPONSE:** Licking Valley RECC did not have conversations with other distribution cooperatives to estimate the number of poles in a typical application and poles reviewed/surveyed per hour. Due to Licking Valley's unique territory and experiences with attachers, it elected to pursue a conservative calculation recognizing that amounts will be true-up consistent with the relevant regulation. Licking Valley RECC combined internal information along with 38 years of service territory work and familiarity from our Superintendent as well as our General Manager/CEO to respond to Staff's Second Request, Item 44 (c) through (e).

**Witness: Kerry K. Howard, General Manager/CEO  
Licking Valley Rural Electric Cooperative Corporation**

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**REQUEST NO. 11:** For Meade County RECC only: Refer to Meade County RECC's response to Staff's Second Request, Item 46(a). Provide a breakdown of the labor and overhead head cost for each staking technician, including support for the overhead cost.

**RESPONSE:**

| <u>Staker</u> | <u>Labor</u> | <u>Overhead</u> | <u>Total</u> |
|---------------|--------------|-----------------|--------------|
| A             | \$50.30      | \$72.86         | \$123.16     |
| B             | \$30.87      | \$44.68         | \$75.55      |
| C             | \$28.64      | \$41.45         | \$70.09      |

The overhead rate is 145%, calculated by dividing our overhead account by our construction/retirement labor amounts. The overhead account contains costs such as staking payroll, payroll benefits and miscellaneous items related to and spread among all work orders.

**Witness: David R. Poe, P.E., V.P. Operations and Engineering  
Meade County Rural Electric Cooperative Corporation**

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**REQUEST NO. 12:** For Nolin RECC only: Refer to Nolin RECC's response to Staff's Second Request, Item 48. Provide a breakdown of the \$128.59 by hourly rate, overhead, and transportation costs and include how the overhead and transportation costs were calculated.

**RESPONSE:** The \$128.59 per hour includes the cost of a qualified full time employee and a part time assistant at a combined hourly rate of \$58.07. Transportation costs were calculated at \$24.79 per hour, which includes the FEMA rate for full-time use of a truck as well as a UTV and trailer which are estimated to be used 15% of the time. Payroll overheads were calculated at 78.75% which includes benefits and taxes.

**Witness:**        **Devon C. Woosley, Manager – Engineering**  
                         **Nolin Rural Electric Cooperative Corporation**

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**REQUEST NO. 13:** For Owen Electric only: Refer to Owen Electric's response to Staff's Second Request, Item 51, Exhibit 51(a). Provide a breakdown of the \$67.28 by hourly rate and overheads and include how the overhead was calculated.

**RESPONSE:** The rate was determined by taking the total regular wages for engineering and service planners and dividing by number of hours worked in 2021 to get the average rate of \$39.57. The overhead relates to payroll taxes, workers comp, disability insurance, health insurance, life insurance, retirement plans, sick/vacation. The overhead rate on average for the last several years has been 70%.

**Witness:**       **Teresa Hamilton, C.P.A, VP of Accounting**  
                          **Owen Electric Cooperative, Inc.**

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**REQUEST NO. 14:** For Salt River Electric only: Refer to Salt River's response to Staff's  
Second Request, Item 54.

- a. Provide the cost support in Excel spreadsheet format with all formulas, columns,  
and rows unprotected and fully accessible.
- b. Provide support for the 167 percent overhead rate.

**RESPONSE:**

- a. Please see attached Exhibit 3-14(a).
- b. Please see attached Exhibit 3-14(b).

**Witness: Timothy J. Sharp, President & CEO  
Salt River Electric Cooperative Corporation**

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**REQUEST NO. 15:** For South Kentucky RECC only: Refer to South Kentucky RECC's response to Staff's Second Request, Item 57(b), Exhibit 57(b). Provide detailed descriptions of what is included in the "Indirect labor, related fringe benefits and related transportation costs" and "Miscellaneous expenses and supplies used in construction of work orders" line items.

**RESPONSE:** Indirect labor, related fringe benefits and related transportation costs are composed of: labor costs of supporting personnel other than the employee charging direct labor, workers comp, employer share of medical and dental insurance, long term disability, life insurance, 401-K match, FICA, Medicare, Federal and State unemployment insurance, and sick leave.

Miscellaneous expenses and supplies used in construction of work orders is composed of: operating supplies, property taxes, testing and maintenance of work equipment consulting engineer, non-inventory electric material, data processing costs, office supplies, small tools, first aid supplies, sleeves, connectors, and telephone expense.

**Witness: Kevin Newton, Chief Operating Officer  
South Kentucky Rural Electric Cooperative Corporation**

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