

Q.DPS.VEC.2-3. In response to Q.DPS.VEC.1-7b, VEC stated that 3,081 poles were inspected in 2024. VEC also stated that it was in the process of sending an RFP to 3 contractors for pole testing work to begin in Q2, 2025, and that RFP responses are due on February 28 with an expected award date of March 10. The Direct Prefiled Testimony of Carolina Mashia, at page 11, indicates that VEC must test 7,477 poles in the rate year:

- a. Please explain VEC's plan and expectation to more than double the 2024 pole testing in the rate year, going from 3,081 to 7,477 poles.

Response:

In accordance with RUS Bulletin 1730B-121, it is VEC's goal to inspect each solely-owned pole on our system every 10-years, perform remedial treatment as needed, and repair any identified defective poles. VEC has approximately 55,000 solely-owned poles. To maintain a 10-year inspection cycle, approximately 5,500 poles would need to be inspected annually. VEC hires a specialized contractor to perform inspection and treatment services along with providing detailed reporting and recommendations of pole conditions.

The prior 10-year pole inspection cycle was completed in 2019. Between 2020-2024, VEC was able to inspect approximately 31% of our poles. To make up for the shortfall of poles inspected over the last five years, VEC will need to increase inspections to approximately 7,500 poles annually for the next five years.

To accomplish the task of more than doubling our 2024 annual pole inspections in the 2025 rate year, VEC prepared an RFP that was sent to three qualified Contractors on February 14, 2025. VEC will analyze bids received, follow up with bidders as needed, and award a contract with services to begin in Q2, 2025.

Please see Attachment DPS.VEC.2-3a - VEC RUS Bulletin 1730B-121.

- b. Please provide any documentation supporting the capability to test 7,477 poles in the rate year, including a copy of the RFP that was sent for Q2, 2025.

Response:

Our RFP was sent to three specialized contractors that are qualified and able to test approximately 7,500 poles annually. The ability to test this quantity of poles will be dependent on factors that impact the average cost of pole. For example, the cost of the pole inspection can vary based on the terrain, location, age of the pole, and the number of poles that require treatment. The price per pole has also increased significantly over the last five years due to a high inflationary environment. As a base per pole cost for the 2025 rate year, VEC used the 2024 average cost per pole and increased it by a 3% inflation factor. We then used this resulting

cost per pole multiplied by 7,477 poles to determine an annual cost for our 2025 budget and rate case. In addition to using qualified contractors, we believe this calculation method will provide adequate funding to test 7,477 poles pole in the 2025 rate year.

Please see Attachment DPS.VEC.2-3b - VEC 2025 Pole Inspection and Treatment RFP.

c. As noted on Page 11 of Ms. Mashia's testimony, VEC has been behind on pole testing and must increase the number of poles tested. VEC's current rate request (24-3432-TF) includes additional costs associated with this increase. Has VEC previously collected funds for the pole inspection program that have not yet been spent?

Response:

In the calendar years 2023 and 2024, VEC collected a total of \$38,172 more in rates for pole inspections than was actually spent on pole inspections. Our budget and corresponding rate case are based on the best estimates at the time of preparation. Actual costs can vary based on several factors. For example, for property taxes in calendar year 2023 and 2024, \$3,878,490 and \$4,005,373 were approved in rates respectively. Actual property taxes for 2023 and 2024 were \$3,910,661 and \$5,040,974 respectively. This created an unplanned budget shortfall of approximately \$1.1 million that was spent but not previously collected in rates. Budget managers are cognizant of financial constraints and make a conscious effort to come within or under their allotted budget.

Response provided by:

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