

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE COMPLAINT OF MR.                    )  
JAMES E. CRAIG AGAINST                )  
CLARK RURAL ELECTRIC                 )  
COOPERATIVE CORPORATION            )     CASE NO. 8846

O R D E R

On September 9, 1982, the Commission received a letter and supporting documents from Mr. James E. Craig, owner of Treehaven, Inc., ("Treehaven") a mobile home park in Clark County, in which he asserted that the charges by Clark Rural Electric Cooperative Corporation ("Clark") for converting existing overhead electric service to underground service were excessive and requested a hearing before the Commission to resolve the issue. The complaint was sent to Clark for its review, and the Commission received its letter of response on September 28, 1982. Clark stated that the underground extension regulations, as filed with the Commission, were used as the basis for determining the amount Treehaven would pay, and in order to proceed with the underground construction an agreement was signed by Treehaven and Clark stipulating, among other things, that there was not an agreement as to the cost to Treehaven (Appendix A). This agreement required Treehaven to pay the calculated cost difference between providing underground and overhead electric service and to pay the sum of

\$21,166 prior to the start of construction and the final amount of the cost difference would be resolved later. This amount was paid to Clark by Treehaven and the construction was completed. However, Clark, by letter dated November 22, 1982, to the Commission (Appendix B), stated that the actual cost of converting the service from overhead to underground service exceeded the estimated \$21,166 amount by \$11,921, for which payment would not be requested by Clark.

Several attempts by the Commission staff to mediate this complaint were not successful and the Commission received letters on March 28 and May 12, 1983, from Mr. Craig in which he again requested a hearing on this matter.

A hearing was held on June 17, 1983, in the Commission's offices and all parties of interest were heard. Mr. Craig, who was not represented by counsel, offered testimony and also cross-examined Clark's witness.

The Commission, having considered the evidence of record and being advised is of the opinion and finds that:

1. The record includes two calculations of the conversion costs provided by Clark, namely:

- (A) The letter dated November 22, 1982, from Clark (Appendix B), in which the \$21,166 which Treehaven paid was based on the book value of the existing overhead system less estimated salvage plus the estimated retirement labor.

(B) A letter dated July 23, 1982, to Mr. Craig from Clark (Appendix C), that based a cost of \$33,087 on the labor and overhead cost of removing the existing facilities less salvage plus the construction cost, including labor, overhead and materials, of the new underground facilities.

2. The calculation of costs in the November 22, 1982, letter is not applicable because it does not address cost differences.

3. The calculation of costs in the July 23, 1982, letter does address cost differences but includes allocated costs such as overhead that Clark would have incurred whether or not the Treehaven conversion was done. The calculation of a proper cost differential should only include avoidable costs such as labor and materials expense that would not have been experienced without the conversion project.

IT IS THEREFORE ORDERED that Clark shall revise the calculations, shown in the letter of July 23, 1982, to exclude allocated overhead and any other expenses that would have been incurred, regardless of the Treehaven project, and submit the revised calculation of costs along with the supporting workpapers to the Commission within 30 days of the date of this Order.

IT IS FURTHER ORDERED that the proper amount that Clark may charge Treehaven for the conversion to underground from

overhead electric service shall be the amount of \$33,087 as calculated in the letter of July 23, 1982, less the amount for overhead and other non-project related expenses which are included in the calculations.

IT IS FURTHER ORDERED that Clark may decline to bill Treehaven for any additional amount over the original payment of \$21,166 which Clark has received from Treehaven.

Done at Frankfort, Kentucky, this 23rd day of September, 1983.

PUBLIC SERVICE COMMISSION

  
Chairman

Vice Chairman Dozier Not  
Vice Chairman Participating

  
Commissioner

ATTEST:

\_\_\_\_\_  
Secretary

Winchester, Kentucky 40391

P. O. BOX 748

PHONE 744-4381

September 24, 1982

RECEIVED

SEP 28 1982

Claude G. Rhorer, Jr.  
Public Service Commission  
730 Schenkel Lane  
P.O. Box 615  
Frankfort, Ky. 40602

DIVISION OF UTILITY  
ENGINEERING & SERVICES

Dear Mr. Rhorer:

I am writing in reply to your letter dated September 10, 1982 concerning a letter received by the Public Service Commission from Mr. James Craig, Treehaven, Inc., 537 New Circle Road, Lexington, Kentucky in which a complaint against Clark RECC was made pertaining to the cost of changing the electrical overhead distribution system of a mobile home court to an underground electrical distribution system.

As stated in the information submitted to the Commission by Mr. Craig, Clark RECC over a period of years, by joint planning and agreement with the previous owner of the mobile home court, developed and installed an overhead electrical distribution system facility to serve the needs of the park. The mobile home park later was acquired by Mr. James Craig who requested Clark RECC to change the overhead distribution system to an underground distribution system. Clark RECC's policy for the installation of underground electrical service is for the developer to pay the cost difference between the overhead system and the underground system.

The mobile home court that Mr. Craig requested underground service to required moving the existing overhead system and the installation of underground service. It was necessary during the conversion to maintain service in the park. During the discussion and planning stages for the conversion a number of design plans were discussed with Mr. Craig's representative. Clark RECC's electric underground extension regulations as filed with the Commission were used as the basis for determining the proper amount that the developer should pay for the requested underground service rather than the existing overhead service. The developer did not agree with the cost amount as determined by Clark RECC. In order that construction could proceed, an agreement was signed between Clark RECC and Mr. Craig. The agreement provided that there was not an agreement as to the cost to the developer.



Owned By These

Claude G. [redacted] er, Jr.  
September 24, 1982  
Page Two

Due to the nature of the project in changing the existing system while maintaining service to residences in the mobile home park and the construction schedule of the developer, the work has progressed over a long period of time. At this time, most of the existing overhead facilities have been removed although it has not been possible to remove it all as some of it is still being utilized.

The Cooperative has maintained detailed cost associated with the project which can be made available. A statement was sent to Mr. Craig July 23, 1982 in a summary form to show the cost pertaining to the project. The actual cost exceeded the estimated cost by \$11,921.00. We have not requested payment.

Clark RECC's retail rates are not designed to recover the additional capital cost of underground facilities as requested for the Treehaven Mobile Park by Mr. Craig. Clark RECC feels that those members who do not have underground service should not be required to bear the additional cost of those who do. The electric underground extension regulation was developed and filed with the Public Service Commission, and we believe a proper interpretation of the regulation has been made in arriving at the cost to the developer of the underground service request.

Enclosed is a copy of Clark RECC's rules and regulations pertaining to electric underground extensions.

Should you desire additional information regarding the matter, I would be pleased to hear from you.

Very truly yours,

  
Elmer D. Johnson  
President & General Manager

EDJ:cb

Enclosure

CLARK RURAL ELECTRIC COOPERATIVE CORP.  
Winchester, Kentucky

P.S.C. Ky. No. 2

Original Sheet No. 10

Cancelling P.S.C. Ky. No. 1

Original Sheet No. 20

RULES AND REGULATIONS

27. ELECTRIC UNDERGROUND EXTENSIONS

A. Purpose of Policy

The purpose of this policy is to formulate Clark R.E.C.C. requirements for underground electrical service, the application of which will insure adequate service and safety to all persons engaged in the construction, maintenance, operation or use of underground facilities and to the public in general.

B. Applicability

This policy shall apply to all underground electrical supply facilities used in connection with electric service distribution in new residential subdivisions after the effective date of this policy.

C. Definitions

The following words and terms, when used in this policy shall have the meaning indicated:

Applicant - the developer, builder or other person, partnership, association, corporation or governmental agency applying for the installation of an underground electric distribution system.

Building - a structure enclosed within exterior walls or fire walls, built, erected and framed of component structural parts and designed for less than five (5) family occupancy.

Multiple-Occupancy Building - a structure enclosed within exterior walls or fire walls, built, erected and framed of component structural parts and designed to contain five (5) or more individual dwelling units.

Distribution System - electric service facilities consisting of primary and secondary conductors, transformers, and necessary accessories and appurtenances for the furnishing of electric power at utilization voltage.

DATE OF ISSUE 5 22 73 DATE EFFECTIVE 4 15 77  
Month Day Year Month Day Year

ISSUED BY Elmer D. Johnson Manager P.O. Box 748, Winchester, Ky.  
Name of Officer Title Address

CLARK RURAL ELECTRIC COOPERATIVE CORP.  
Winchester, Kentucky

P.S.C. Ky. No. 2

Original Sheet No. 11

Cancelling P.S.C. Ky. No. 1

Original Sheet No. 21

RULES AND REGULATIONS

Subdivision - the tract of land which is divided into ten (10) or more lots for the construction of new residential buildings, or the land on which is constructed two (2) or more new multiple-occupancy buildings.

Trenching and Backfilling - opening and preparing the ditch for the installation of conductors including placing of raceways under roadways, driveways, or paved areas; providing a sand bedding below and above conductors when required; and backfill of trench to ground level.

D. Rights of Way and Easements

1. The Cooperative shall construct, own, operate, and maintain distribution lines only along easements, public streets, roads, and highways which are by legal right accessible to the utility's equipment and which the utility has the legal right to occupy, and on the public lands and private property across which rights of way and easements satisfactory to the Cooperative are provided without cost or condemnation by the Cooperative.
2. Rights of way and easements suitable to the Cooperative for the underground distribution facilities must be furnished by the Applicant in reasonable time to meet service requirements. The Applicant shall make the area in which the underground distribution facilities are to be located accessible to the Cooperative's equipment, remove all obstructions from such area, stake to show property lines and final grade, perform rough grading to a reasonable approximation of final grade, and maintain clearing and grading during construction by the Cooperative. Suitable land rights shall be granted to the Cooperative obligating the Applicant and subsequent property owners to provide continuing access to the utility for operation, maintenance or replacement of its facilities, and to prevent any encroachment in the utility's easement or substantial changes in grade or elevation thereof.

E. Installation of Underground Distribution System Within New Subdivisions

1. Where appropriate contractual arrangements have been made, the Cooperative shall install within the subdivision an

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ISSUED BY Elmer D. Johnson Manager P.O. Box 748, Winchester, Ky.  
Name of Officer Title Address



CLARK RURAL ELECTRIC COOPERATIVE CORP.  
Winchester, Kentucky

P.S.C. Ky. No. 2

Original Set No. 12

Cancelling P.S.C. Ky. No. 1

Original Sheet No. 22

### RULES AND REGULATIONS

- underground electric distribution system of sufficient capacity and suitable materials which, in its judgment, will assure that the property owners will receive safe and adequate electric service for the foreseeable future.
2. All single-phase conductors installed by the utility shall be underground. Appurtenances such as transformers, pedestal-mounted terminals, switching equipment and meter cabinets may be placed above ground.
  3. Multi-phase primary mains or feeders required within a subdivision to supply local distribution or to serve individual multi-phase loads may be overhead unless underground is required by governmental authority or chosen by the Applicant, in either of which case the differential cost of underground shall be borne by the Applicant.
  4. If the Applicant has complied with the requirements herein and has given the Cooperative not less than 120 days' written notice prior to the anticipated date of completion (i.e., ready for occupancy) of the first building in the subdivision, the Cooperative shall complete the installation 30 days prior to the estimated completion date. (Subject to weather and ground conditions and availability of materials and barring extraordinary or emergency circumstances beyond the reasonable control of the Cooperative.) However, nothing in this policy shall be interpreted to require the Cooperative to extend service to portions of the subdivisions not under active development.
  5. A non-refundable payment shall be made by the Applicant equal to the difference between the cost of providing underground facilities and that of providing overhead facilities. The payment to be made by Applicant shall be determined from the total footage of single-phase primary, secondary, and service conductor to be installed at an average per foot cost differential in accordance with the Average Cost Differential filed herewith as Exhibit A., which Average Cost Differential shall be updated annually as required by order dated February 2, 1973 of the Public Service Commission of Kentucky in Administrative Case No. 146. (Three (3) wire secondary and service conductor runs shall be considered as one conductor, i.e. triplex.) The average cost differential per foot, as stated, is representative of construction is soil free of rock, shale, or other impairments

DATE OF ISSUE 5 22 73  
Month Day Year

DATE EFFECTIVE 4 15 77  
Month Day Year

ISSUED BY Elmer D. Johnson Manager  
Name of Officer Title

P.O. Box 748, Winchester, Ky.  
Address

**CLARK RURAL ELECTRIC COOPERATIVE CORP.**  
**Winchester, Kentucky**

P.S.C. Ky. No. 2

Original Set No. 13

Cancelling P.S.C. Ky. No. 1

Original Sheet No. 23

**RULES AND REGULATIONS**

which increase cost of construction. Where rock, shale, or other impairments are anticipated or encountered in construction the actual increased cost of trenching and backfilling shall be borne by the Applicant.

6. The Applicant may be required to deposit the entire estimated cost of the extension. If this is done, the amount deposited in excess of the normal charge for the underground extensions, as provided in paragraph 5, above, shall be refunded to the Applicant over a ten (10) year period as provided in Public Service Commission Rule Elec-1-X-3.
7. ( The Applicant may be required to perform all necessary trenching and backfilling in accordance with the Cooperative's specifications. The Cooperative shall then credit the Applicant's cost in an amount equal to the Cooperative's normal cost for trenching and backfilling.
8. The Cooperative shall furnish, install, and maintain the service lateral to the Applicant's meter base, which normally will be at the corner of the building nearest the point to be served.
9. Plans for the location of all facilities to be installed be approved by the Cooperative and the Applicant prior to construction. Alterations in plans by the Applicant which require additional cost of installation or consideration shall be at the sole expense of the Applicant.
10. The Cooperative shall not be obligated to install any facility within a subdivision until satisfactory arrangements for the payment of charges have been completed by the Applicant.
11. The charges specified in these rules are based on the premise that each Applicant will cooperate with the utility in an effort to keep the cost of construction and installation of the underground electric distribution system as low as possible and make satisfactory arrangements for the payment of the above charges prior to the installation of the facilities. 1977
12. All electrical facilities shall be installed and constructed to comply with the rules and regulations of the Public Service Commission, National Electric Safety Code, Clark R.E.C.C. Specifications, or other rules and regulations which may be applicable.

DATE OF ISSUE 5 22 73 DATE EFFECTIVE 4 15 77  
Month Day Year Month Day Year

ISSUED BY Elmer D. Johnson Manager P.O. Box 748, Winchester, Ky.  
Name of Officer Title Address

For the Territory Served  
Community, Town or City  
 P.S.C. NO. 2  
Original SHEET NO. 14  
 CANCELLING P.S.C. NO. 1  
Original SHEET NO. 23

Clark Rural Electric Coop. Corp.  
Winchester, Kentucky  
 Name of Issuing Corporation

**RULES AND REGULATIONS**

- 13. Service pedestals and method of installation shall be approved by Clark R.E.C.C. prior to installation.
- 14. In unusual circumstances, when the application of these rules appears impracticable or unjust to either party, or discriminatory to other customers, the Cooperative or Applicant shall refer the matter to the Commission for a special ruling or for the approval of special conditions which may be mutually agreed upon, prior to commencing construction.

REVISED EXHIBIT A

January 1, 1982

AVERAGE UNDERGROUND COST DIFFERENTIAL

(Filed in compliance with Appendix to the Order of the Public Service Commission in Administrative Case No. 146, dated February 2, 1973.)

Average cost of Underground per foot . . . . .	\$11.55
Average cost of Overhead per foot . . . . .	3.70
Average cost Differential per foot . . . . .	7.85

This does not include cost difference of transformers.

ROCK CLAUSE

An additional \$12.00 per linear trench foot shall be charged where extremely rocky conditions are encountered, such conditions being defined as limestone or other hard stratified material in a continuous volume of at least one cubic yard or more which cannot be removed using ordinary excavation equipment.

**CHECKED**  
 Public Service Commission  
 JUN 02 1982  
 by [Signature]  
 RATES AND TARIFFS

DATE OF ISSUE January 1 1982 DATE EFFECTIVE January 1 1982  
Month Day Year Month Day Year  
 ISSUED BY [Signature] President & General Manager P.O. Box 74 Winchester, Kentucky 4039  
Name of Officer Title Address

Winchester, Kentucky 40391

P. O. BOX 748

PHONE 744-4381

November 22, 1982

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DIVISION OF UTILITIES  
ENGINEERING & SERVICES

Claude G. Rhorer, Jr.  
Public Service Commission  
P.O. Box 615  
Frankfort, Ky. 40602

Dear Mr. Rhorer:

I am writing to provide follow-up information in regard to an in-house meeting at Clark RECC on November 17, 1982 concerning Clark RECC's electrical underground facilities installed at the Tree Haven Mobile Home Park and those questions raised by Mr. James Craig concerning the cost to the owner for the installation.

The following Clark RECC personnel met at Clark RECC's office and reviewed its records pertaining to the electrical distribution system:

Elmer D. Johnson, Manager  
Ivan Whitaker, Resident Engineer  
Eugene Hatton, Staking Engineer

Mr. Jack Fisher from the Kentucky Public Service Commission was also present for the meeting.

Listed below is Clark RECC's detailed estimate that was used to establish the cost to Mr. Craig for his contribution for the requested change from an overhead distribution system to an underground system:

NAME OF RECORD UNITS	PRICE PER RECORD UNIT	NUMBER OF RECORD UNITS	TOTAL COST OF RECORD UNITS
1. Poles - 35' & Under	\$179.88	75	\$13,491.00
2. Poles - 40' & 45'	248.99	6	1,493.94
3. Grounds	36.45	70	2,551.50
4. String of Insulators	67.60	19	1,284.40
5. Anchor & Guy	106.78	21	2,242.38
6. Wire - 4ACSR	353.53 Per M	6,570'	2,322.69



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Claude G. Rhorer, Jr.  
November 20, 1982  
Page Two

<u>NAME OF RECORD UNITS</u>	<u>PRICE PER RECORD UNIT</u>	<u>NUMBER OF RECORD UNITS</u>	<u>TOTAL COST OF RECORD UNITS</u>	
7. Wire - 1/0 TPX	\$718.60 Per M	1,884'	1,353.84	
8. Wire - 2 TPX	558.60 Per M	1,154'	644.62	
9. Wire - 6 DPX	291.00 Per M	1,305'	379.76	
10. Farm Light	96.30	12	1,155.60	
11. Cutout	81.50	5	407.50	
12. Lightning Arrestor	116.13	4	464.52	
			<u>\$27,791.75</u>	
			Less Depreciation Units	<u>6,670.02</u>
			Total	<u>\$21,121.73</u>
			Less Estimated Salvage Material	<u>\$ 5,568.83</u>
				<u>\$15,552.90</u>
			Plus Estimated Retirement Labor	<u>5,613.00</u>
			Total Cost	<u>\$21,165.90</u>

The project is near completion with the actual cost exceeding our estimate by approximately \$11,921.00. We do not plan to bill for the over-run amount.

Should you have any questions or desire additional information, I would be pleased to hear from you.

Very truly yours,



Elmer D. Johnson  
President & General Manager

EDJ:cb



Winchester, Kentucky 40391

President & General Manager

P. O. BOX 748

PHONE 744-4251

July 23, 1982

Mr. James E. Craig  
Treehaven Mobile Home Park  
Rt. 7  
Winchester, Ky. 40391

Dear Mr. Craig:

I am writing in regard to your earlier request for a statement showing the utilization of the \$21,166.00 previously paid Clark RECC for the conversion of the existing overhead electric distribution system in the Treehaven Mobile Home Subdivision near Winchester, Kentucky to an underground distribution electric system. The cost for providing the underground service is as follows:

I.	Labor and overhead cost of removing existing overhead facilities	\$4,672.00	
	Credit for salvaged material	<u>1,194.00</u>	
	Net cost for removing existing facilities =		\$3,478.00
II.	Construction cost of new underground facilities:		
	A. Labor and overhead	13,540.00	
	B. Material cost	13,015.00	
	C. Cost for underground vs overhead transformers	<u>3,054.00</u>	
	Cost for providing underground distribution system		<u><u>\$33,087.00</u></u>

Clark RECC Estimate for changing to underground service (payment by developer) =	\$21,166.00
Cost exceeding amount of estimate =	\$11,921.00



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James E. Craig  
July 23, 1982  
Page Two

The actual cost of providing underground service exceeded the original estimate by \$11,921.00. The time span involved from the start of the construction which spread the work over many months of time was a major factor in the actual cost exceeding the original estimate.

Should you have any further questions or desire additional information, I would be pleased to hear from you.

Very truly yours



Elmer D. Johnson  
President & General Manager

EDJ:cb