

**BEFORE THE  
LOUISIANA PUBLIC SERVICE COMMISSION**

**GENERAL ORDER  
(CORRECTED)**

LOUISIANA PUBLIC SERVICE COMMISSION  
EX PARTE

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*Docket No. U-24209 - In re: Investigation into and Rulemaking regarding construction costs for underground electric distribution and service lines and possible amendment to General Order dated 10/20/67.*

(Decided at the Commission's April 18, 2001 Business and Executive Session)  
(General Order issued on May 14, 2001)

**Background**

In an effort to assess the current applicability and viability of the General Order dated October 20, 1967 concerning construction costs for underground electric distribution and service lines, the Louisiana Public Service Commission Staff ("Staff" or "Commission Staff") conducted a technical conference on August 27, 1998 with all regulated utilities in attendance. Following the technical conference, Staff issued a request for submission of data from all utilities on the methodology used by each utility in calculating the cost differential between construction of overhead and underground lines. Staff then reviewed the data received from all electric utilities to ascertain whether a change in the regulatory policy regarding construction costs of underground lines was warranted by the current information. The Commission subsequently initiated this rulemaking proceeding on June 25, 1999, whereupon Staff continued its inquiry into the viability of the October 20, 1967 General Order.

**Jurisdiction**

The Louisiana Public Service Commission exercises jurisdiction over the subject matter discussed herein pursuant to the following:

Louisiana Constitution, Article IV, Section 21 which provides that:

The commission shall regulate all common carriers and public utilities and have such other regulatory authority as provided by law. It shall adopt and enforce reasonable rules, regulations, and procedures necessary for the discharge of its duties, and shall have other powers and perform other duties as provided by law.

L.R.S. 45:1163 which provides in pertinent part that:

A. (1) The commission shall exercise all necessary power and authority over any street railway, gas, electric light, heat power, waterworks, or other local public utility for the purpose of fixing and regulating the rates charged or to be charged by and service furnished by such public utility.

**Staff's Recommendation**

Upon reviewing the information received in 1998 from all utilities regarding the methodology employed by each utility in calculating the differential between construction costs of overhead and underground lines, Staff is of the view that no amendments to the General Order dated October 20, 1967 are necessary at this time. The policy underlying the 1967 General Order, of not burdening, other ratepayers with the costs of extending underground service to one customer, in

*General Order dated June 28, 2001*

Staff's view continues to be a valid regulatory goal.

However, the information reviewed by Staff indicates: (i) that the General Order has not always been rigorously enforced; (ii) there exist some variances in the methodologies employed by the utilities; and (iii) due to these variances, a customer, who may choose one of two electric utilities under La. R.S. 45:123 and the Commission's General Order dated October 15, 1993, could be faced with the difficult and complicated task of comparing the relative cost efficiencies of receiving services from two utilities.

Based on the above, Staff proposed that the following additional requirements be adopted in a new General Order to clarify the requirements of the October 20, 1967 General Order.

I. The cost differential between underground and overhead shall be set at \$5.00 per front foot. This cost will be revisited by the Commission one year from the effective date of this Order. If a utility believes that special or unusual circumstances exist that will result in the actual differential being much higher, that utility may petition the Commission to use the actual cost differential using the formula provided for in the October 20, 1967 General Order.

II. The \$5.00 per front foot figure shall apply **only** to residential subdivisions, containing no less than 14 lots with lot front footage not to exceed 200 feet, using electrical systems of 120/240 volts. In all other situations (i.e. smaller subdivisions, commercial or industrial systems, etc.) the formula set forth in the October 20, 1967 General Order shall be used to make the calculations.

III. Utilities shall continue to keep records detailing actual costs, as calculated using the differential formula contained in the October 20, 1967 General Order strictly based on labor and material costs without any incentives included. All such records shall be maintained for consideration by the Commission Staff in its review of this Order.

Subsequent to Staff's Recommendation being published in the Commission's Official Bulletin, Staff learned that a penalty provision was inadvertently omitted from the Recommendation. As such, Staff's Final Recommendation was amended to include the following:

IV. A Utility engaging in any action found to be in violation of this General Order shall be assessed a penalty of \$5,000.00 for the first offense and up to \$10,000.00 for any subsequent offense. In addition, a violation of this General Order may result in the utility being required to forfeit the customer that the utility was seeking to serve by extending underground lines in a manner prohibited by the provisions of this General Order.

An additional section was added to address any additional concerns that may arise, reading as follows:

V. The Commission shall revisit this Order at the May Business and Executive Session to address any additional requirements.

Staff's Final Recommendation, including sections IV and V, was considered at the Commission's April 21, 2000 Business and Executive Session. On motion of Commissioner Sittig, seconded by Commissioner Field, with Commissioners Dixon and Blossman voting yes, and Commissioner Owen abstaining, the Commission voted to accept the Staff recommendation with the exception that the "pilot program" provision be amended to include six months, rather than one year as contained in the recommendation. The item will also be back on the Agenda in May for Commission consideration in the event any additional comments or concerns are received by Staff.

**IT IS THEREFORE ORDERED THAT:**

1. The cost differential between underground and overhead shall be set at \$5.00 per front foot. This cost will be revisited by the Commission 6 months from the effective date of this Order. If a utility believes that special or unusual circumstances exist

that will result in the actual differential being much higher, that utility may petition the Commission to use the actual cost differential using the formula provided for in the October 20, 1967 General Order.

2. The \$5.00 per front foot figure shall apply **only** to residential subdivisions, containing no less than 14 lots with lot front footage not to exceed 200 feet, using electrical systems of 120/240 volts. In all other situations (i.e. smaller subdivisions, commercial or industrial systems, etc.) the formula set forth in the October 20, 1967 General Order shall be used to make the calculations.
3. Utilities shall continue to keep records detailing actual costs, as calculated using the differential formula contained in the October 20, 1967 General Order strictly based on labor and material costs without any incentives included. All such records shall be maintained for consideration by the Commission Staff in its review of this Order.
4. A Utility engaging in any action found to be in violation of this General Order shall be assessed a penalty of \$5,000.00 for the first offense and up to \$10,000.00 for any subsequent offense. In addition, a violation of this General Order may result in the utility being required to forfeit the customer that the utility was seeking to serve be extending underground lines in a manner prohibited by the provisions of this General Order.
5. The Commission shall revisit this Order at the May Business and Executive Session to address any additional requirements.
6. This Order shall be affective immediately.

**BY ORDER OF THE COMMISSION  
BATON ROUGE, LOUISIANA**

June 28, 2001

/S/ JAMES M. FIELD  
DISTRICT II  
CHAIRMAN JAMES M. FIELD

/S/ JACK "JAY" A. BLOSSMAN  
DISTRICT I  
VICE CHAIRMAN JACK "JAY" A. BLOSSMAN

**DON OWEN - ABSTAINED**  
DISTRICT V  
COMMISSIONER DON OWEN

/S/ IRMA MUSE DIXON  
DISTRICT III  
COMMISSIONER IRMA MUSE DIXON

/S/ C. DALE SITTIG  
DISTRICT IV  
COMMISSIONER C. DALE SITTIG

SECRETARY  
LAWRENCE C. ST. BLANC