TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER        DEPARTMENT: UTILITIES

DATE: APRIL 25, 2005                                        CMR:200:05

SUBJECT: RESOLUTION OF INTENT TO ESTABLISH UNDERGROUND UTILITY
DISTRICT NO. 41 COLORADO AVE/MIDDLEFIELD ROAD/OREGON
EXPRESSWAY/COWPER STREET

RECOMMENDATION
Staff recommends that Council adopt the attached Resolution of Intent to amend Section
12.16.02 of Chapter 12.16 of Title 12 of the Palo Alto Municipal Code by establishing
Underground Utility District No. 41.

BACKGROUND
The Electric Utility’s undergrounding project areas are selected and recommended to SBC and
Comcast based on the age and maintainability of the existing overhead electric system. SBC and
Comcast determine whether the recommended area meets their criteria for undergrounding based
on guidelines established by the California Public Utility Commission (CPUC). The attached
Exhibit “A” shows the existing, current, and future underground districts. The area now
proposed as Underground Utility District No. 41 meets the City and CPUC guidelines for
undergrounding overhead utility lines.

DISCUSSION
This underground project will result in the removal of 80 poles and provide underground service
to 185 commercial and residential properties. Completion of this project will eliminate overhead
distribution lines in an area bordered by existing underground districts and enhance reliability of
the electric distribution system while improving aesthetics.

Once the underground district is created, the Utilities Department will design and obtain bids for
the installation of the underground substructure required prior to placing the electric, telephone,
cable TV (CATV), street light and City communication facilities underground. After the new
underground systems (cable, transformers, switches, etc.) have been installed, the property
owners will connect to the new underground system, utilizing their own contractors. City crews
will then remove the overhead power lines, and telephone crews will complete the project by removing the remaining telephone and CATV overhead facilities and the poles.

The City staff is currently in discussion with SBC concerning the allocation of costs and responsibilities for joint trench applications. Since both parties agree that joint participation on projects is mutually beneficial, these discussions should not have an impact on the timeline of the project. The discussions are ongoing, but staff does not foresee a significant change in cost allocation for projects with joint trench participation with SBC.

On February 16, 2005, a letter was sent to the property owners in the proposed district introducing the project and inviting them to a meeting. During the meeting (attended by 12 property owners) on March 10, 2005, staff explained the details of the project and answered questions from the property owners. A questionnaire, which was included with the letter, was used to determine the level of support for the project. Staff has received completed questionnaires from 70 property owners, 42(60%) of whom are in favor of the project, 20(29%) of whom are not in favor of the project, and 8(11%) having no preference.

**RESOURCE IMPACT**

Funds for this project are included in the FY 2004/05 Utilities Department Electric CIP budget. The only cost to the property owners will be that of replacing the overhead service drops to their buildings with underground service. It is estimated that the average cost per property owner will be approximately $4,500. Property owners will be offered the option of financing their service conversions under Section 12.16.091 of Palo Alto Municipal Code. In that case, customers borrow funds from the City and repay the loan and administrative costs, which are added to their property tax bills, over a ten year period, at an interest rate approved by the Council.

**POLICY IMPLICATIONS**

The resolution of intent does not represent any changes to existing City policy and is consistent with the Council-approved Utilities Strategic Plan to invest in utility infrastructure to deliver reliable service.

**TIMELINE**

The first step in the establishment of the district is Council adoption of a Resolution of Intent to establish Underground Utility District No. 41. The Resolution defines the district boundaries and sets a time and place for a public hearing on the matter. The public hearing has been tentatively scheduled for the City Council meeting on June 6, 2005. At the public hearing, the property owners will have an opportunity to comment on the project. The adoption of the Resolution of Intent will also serve as a formal action that is required by SBC and Comcast prior to starting engineering design.
The first Council action required to initiate the procedure will be adoption of the Resolution of Intent to establish Underground District No. 41. Below is the tentative project schedule:

<table>
<thead>
<tr>
<th>Action</th>
<th>Date</th>
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<tbody>
<tr>
<td>1. Resolution of Intent to establish Underground District No. 41</td>
<td>April 11, 2005*</td>
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<td>2. Public Hearing</td>
<td>June 6, 2005*</td>
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<td>3. Award of construction contract and Joint Construction Agreement with SBC/Comcast</td>
<td>January 2006*</td>
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<td>4. Substructure (conduits, vaults, etc.) installation by Contractor</td>
<td>February 2006 through July 2006</td>
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<td>5. Installation of underground facilities (cable, switches, etc.)</td>
<td>August 2006 through October 2006</td>
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<td>6. Resolution determining properties electing to pay service conversion cost over a period of 10 years</td>
<td>April 2006*</td>
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<tr>
<td>7. Service conversion work by property owners</td>
<td>October 2006 through January 2007</td>
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* Denotes Council Action

ENVIRONMENTAL REVIEW
This project is categorically exempt from CEQA under Section 15302.

ATTACHMENTS
A: Resolution
B: Underground Conversion Projects
C: Underground Utility District No. 41 Boundary Map

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