TO:       HONORABLE CITY COUNCIL
FROM:     CITY MANAGER        DEPARTMENT: UTILITIES
DATE:     MARCH 10, 2008                  CMR: 157:08
SUBJECT:  ADOPTION OF A RESOLUTION OF INTENT TO ESTABLISH
          UNDERGROUND UTILITY DISTRICT NO. 45 (PALO ALTO AVENUE,
          ALMA STREET, HIGH STREET, LYTTON AVENUE AND CAMBRIDGE
          AVENUE) BY AMENDING SECTION 12.16.020 OF THE PALO ALTO
          MUNICIPAL CODE

RECOMMENDATION
Staff recommends that Council adopt the attached Resolution of Intent to establish Underground
Utility District No. 45 (UUD 45) by amending Section 12.16.02, of Chapter 12.16 of Title 12; of
the Palo Alto Municipal Code.

BACKGROUND
The Electric Utility’s undergrounding project areas are selected and recommended to AT&T and
Comcast, the two other utilities participating in undergrounding projects, based on the age and
maintainability of the existing overhead electric system. AT&T and Comcast determine whether
the recommended areas meet their criteria for undergrounding based on guidelines established by
the California Public Utilities Commission (CPUC). The attached exhibits “B” and “C” show
the boundaries of UUD 45. The area now proposed as UUD 45 meets the City and CPUC
guidelines for undergrounding overhead utility lines. The attached exhibit “D” provides
additional background and history on undergrounding of electric utilities.

DISCUSSION
UUD 45 will result in the removal of 41 poles and provide underground service to 45 properties,
mostly commercial, of which a small percentage are residential properties. Completion of UUD
45 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), fiber, 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.

City staff is currently in discussion with AT&T concerning the allocation of costs and responsibilities for joint trench applications. As 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 on-going, but staff does not foresee a significant change in cost allocation for projects with joint trench participation from AT&T.

On December 17, 2007, a letter was sent to the property owners in the proposed district introducing the project and inviting them to a meeting. During the January 31, 2008, meeting (attended by 6 property owners), 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 23 property owners, 19 (77%) of whom are in favor of the project, 3 (20%) of whom are not in favor of the project, and 1 (3%) having no preference.

**RESOURCE IMPACT**

Funds for UUD 45 are included in the FY 2008-09 and 2009-10 Utilities Department Electric Capital Improvement Program 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 $11,000. Property owners will be offered the option of financing their service conversions under Section 12.16.091 of Palo Alto Municipal Code which provides for City loans to property owners to fund the service conversions. Property owners 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 change 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 the Council’s adoption of a Resolution of Intent to establish Underground Utility District No. 45. 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 May 5, 2008. 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 AT&T and Comcast prior to starting engineering design.
<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. 45</td>
<td>March 10, 2008*</td>
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<td>2. Public Hearing</td>
<td>May 5, 2008*</td>
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<td>3. Award of construction contract and Joint Construction Agreement with AT&amp;T/Comcast</td>
<td>November 2008*</td>
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<td>4. Substructure (conduits, vaults, etc.) installation by Contractor</td>
<td>January 2009 through April 2009</td>
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<td>5. Installation of underground facilities (cable, switches, etc.)</td>
<td>May 2009 through July 2009</td>
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<td>6. Resolution determining properties electing to pay service conversion cost over a period of 10 years</td>
<td>March 2009*</td>
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<td>7. Service conversion work by property owners</td>
<td>July 2009 through September 2009</td>
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<td>8. Pole removal and project completion</td>
<td>October 2009 through January 2010</td>
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* Denotes Council Action

ENVIRONMENTAL REVIEW
This project is categorically exempt from CEQA under Section 15302(d) (conversion of overhead electric utility distribution system facilities to underground).

ATTACHMENTS
A: Resolution
B: Underground Utility District No. 45 Boundary Map – Palo Alto Avenue, Alma Street, High Street and Lytton Avenue area
C: Underground Utility District No. 45 Boundary Map – Cambridge Avenue area
D: Background and History on Underground of Electric Utilities

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