TO: HONORABLE CITY COUNCIL
FROM: CITY MANAGER DEPARTMENT: UTILITIES
DATE: MAY 5, 2008 CMR: 220:08

SUBJECT: ADOPTION OF AN ORDINANCE AMENDING SECTION 12.16.020 OF CHAPTER 12.16 OF TITLE 12 OF THE PALO ALTO MUNICIPAL CODE BY ESTABLISHING UNDERGROUND UTILITY DISTRICT NO. 45 (PALO ALTO AVENUE, ALMA STREET, HIGH STREET, LYTTON AVENUE AND CAMBRIDGE AVENUE)

RECOMMENDATION
Staff recommends that Council adopt the attached Ordinance to create Underground Utility District No. 45 (UUD 45) and thereby amend Section 12.16.020 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 based on the age and ability to maintain the existing overhead electric system. AT&T and Comcast determine whether the recommended area meets the criteria for undergrounding based on the guidelines established by the California Public Utilities Commission (CPUC). UUD 45 meets the City’s and CPUC’s guidelines for undergrounding overhead utility lines. The attached Exhibits “B” and “C” show the boundaries of UUD 45. The attached Exhibit “D” provides additional background and history on undergrounding of electric utilities.

Cost-sharing of underground utility district projects has been determined by agreement between the City, AT&T, and Comcast. The cost for joint trench bid items is determined using a space/cost allocation formula, which divides the minimum trench area required for each trench occupant individually by the sum of the minimum trench areas for all occupants.

At the March 10, 2008 meeting, Council passed Resolution of Intent No. 8802 to establish UUD 45. The May 5, 2008 Council meeting has been set as the date of the public hearing on the matter. Notices announcing the meeting with a description of the project and a copy of the Resolution were mailed to all property owners in the proposed district on April 4, 2008.
**DISCUSSION**
This underground project will result in the removal of 45 poles and provision of underground service to 45 properties, of which a small percentage are residential properties. Completion of this project will eliminate overhead distribution lines in an area bordered by existing underground districts and will enhance reliability of the electric distribution system while improving aesthetics.

If an underground district is created, the Utilities Department will prepare plans and specifications and obtain bids for installation of the underground substructure. Underground substructure construction consists of the installation of conduits, vaults, concrete pads and boxes. The Utilities Department will install the electric distribution cables, transformers and switches upon completion of the substructure installation. After the new underground system (cable, transformers, switches, etc.) has been tested and energized, the property owners will be notified that they have 60 days to connect to the new underground system. Upon completion of the new connections, utility crews will remove the overhead power lines, and telephone crews will complete the project by removing the remaining telephone and cable television facilities and poles.

**TIMELINE**
Upon Council approval and completion of the public hearing, the following will occur as proposed:

- **May 5, 2008*** Introduction and first reading of Ordinance Establishing Project Area as Underground Utility District No. 45
- **May 19, 2008*** Second reading and adoption of Ordinance.
- **November 2008*** Award of construction contract and Joint Construction Agreement with AT&T/Comcast.
- **January 2009** Substructure (conduits, vaults, etc.) installation by Contractor
- **March 2009*** Resolution determining properties electing to pay service conversion cost over a period of 10 years
- **May 2009 through July 2009** Installation of underground facilities (cable, switches, etc.)
- **July 2009 through Sept 2009** Service conversion work by property owners
- **October 2009 through Jan 2010** Pole removal and project completion

* Denotes Council Action
RESOURCE IMPACT
The total cost of the project is estimated at $2,350,000. The majority of the cost will be for the substructure installation of underground facilities ($1,450,000). The remaining funds will be utilized for engineering ($100,000), electric equipment & cables ($680,000), and removal of overhead facilities ($120,000). AT&T and Comcast will reimburse approximately $700,000 to the City for the installation of telephone and cable television conduits and boxes in accordance with an agreement with the three parties. Construction and installation costs of this project have been budgeted in the FY 2008-09 and 2009-10 Utilities Department Electric Capital Improvement Program budget.

The cost of the required service conversions on private property is to be borne by the individual owners in accordance with Utility Rule and Regulation No.17. The total cost for the property owners requiring service conversions from overhead to underground has been estimated at $200,000. The property owners have been 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
This recommendation is consistent with the Council-approved Utilities Strategic Plan to invest in utility infrastructure to deliver reliable service. The project furthers Program L-80 (the continuation of Citywide undergrounding of utility wires) and L-81 (the use of compact and well-designed utility elements) of the Comprehensive Plan.

ENVIRONMENTAL REVIEW
This project is categorically exempt from the California Environmental Quality Act under California Public Resources Code Section 15302(d) (conversion of overhead electric utility distribution system facilities to underground).

ATTACHMENTS
A: Ordinance
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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