

MEMORANDUM



DATE: March 15, 2018
TO: Mayor and Council Members
CC: Chair and Board Members
FROM: Linda McCrea, Interim Director of Utilities
SUBJECT: Undergrounding Pilot Program Resolution

A diversified team of Tacoma Power staff from T&D, Power Management and Economic Development have been working on a Strategic Initiative concerning Economic Development related policies. One potential policy amendment would provide for Tacoma Power to contribute to the cost of conversions from overhead to underground for certain commercial developments.

Tacoma Power's Customer Service Policies, which were amended most recently in 2013, include a 30% contribution for overhead-to-underground conversion for residential locations in which the conversion is done through an LID. Tacoma Power also has several Franchise Agreements with other cities which allow for at least a 30% contribution by Tacoma Power for distribution overhead-to-underground conversions with or without an LID for residential and commercial locations.

The PUB has directed staff to draft a resolution implementing a pilot program for contributions from Tacoma Power toward the costs associated with distribution overhead-to-underground conversions of power infrastructure for commercial and multi-family dwelling development projects.

The Customer Service Policies document will require a change to encompass a pilot program that provides contributions by Tacoma Power of 30% for distribution infrastructure conversions from overhead to underground for commercial and multi-family dwelling development projects whether prepaid or with an LID. To determine the implications of the pilot program and to limit potential fiscal impact, the proposed resolution specifies the following stipulations of area, time duration and fiscal exposure:

- The area will be limited to the Brewery District which is bounded on the north by South 17th Street, on the south by South Tacoma Way, on the west by Tacoma Avenue and on the east by Pacific Street.
- The time duration will extend for a three-year period during which annual updates will be made to the PUB and a summary report will be provided detailing how the pilot program was utilized.
- A maximum of \$10 Million dollars will be allocated for the entire pilot program.

During the year of research, staff has evaluated the benefits of such a program to the City of Tacoma including improved clearance from electrical hazards allowing for zero lot line development for higher density Land Use Planning, opportunities for more coordination and leverage construction efforts with City Street Improvement Projects and harmony with other city policies and objectives. Additionally, Tacoma Power ratepayers would recognize benefits of improved reliability, increased safety, and reduced O&M costs as detailed in the Leidos 2016 study; *Projected Utility Justifiable Contribution for Undergrounding Distribution Electrical Infrastructure*. Additionally, the proposed policy amendment will further City Council goals by allowing for more flexibility and encouraging private sector investment.

The proposed pilot program will be limited to projects that have secured assurance that all overhead infrastructure will be converted to underground. The proposed program also requires a contribution stipulation that would require conversion projects be of a minimum practical size (e.g. at least one city block, where applicable, both sides of the street, etc.) Following the pilot program, permanent changes may be made to the Customer Service Policy document.

Meanwhile Tacoma Power Staff will continue to pursue related items to ensure more practical implementation of this pilot program, which will be brought to the PUB in the near future.

1. Staff will consult with Legal and Finance to pursue assistance for customers' conversion costs in conjunction with a distribution overhead to underground infrastructure conversion.
2. Staff will clarify telecommunication franchise requirements that addresses relocation, replacement, rebuild, removal of poles and underground requirements, including for CenturyLink. This will ensure a more complete overhead to underground conversion by all utilities, mitigating stranded overhead poles.
3. Staff will continue to pursue financial implications and other information related utility requirements for overhead and underground infrastructure relocation related to Public Works projects.