



Tahoe Donner Value Line

March 2006

Utilities Undergrounding Feasibility Study Completed

Your feedback is invited.

Throughout its history, Tahoe Donner's overhead utility lines have been a subject of continuing discussion. Many have asked, "What would it take to put the utilities underground?" While many others have responded, "The cost would be prohibitive." In an effort to contribute some reliable data to these discussions, the Board of Directors pursued the completion of a "utilities undergrounding feasibility study" for the Tahoe Donner subdivision. This effort was not undertaken to either promote the undergrounding of our utilities or to derail any such initiative – but merely to shed some light on what it might take, so that our members could be better informed regarding this long-standing issue.

Nearly a year in the making, the study determined an underground construction sequence and schedule, and probable costs for each phase of the work required to place our community's electrical, phone, cable television, and proposed fiber-optic broadband systems underground. Also, a number of approaches to financing the construction cost were examined.

THE CONSULTANTS' CONCLUSIONS

In summary:

Time required to complete conversion:
8 to 10 years

Individual share of main-system cost:
\$25,000

Total cost with 15-year, 6% financing of individual share: **\$39,000**

Additional cost of individual service-drop conversion: **\$5,000 to \$12,000**

If the undergrounding of our utilities was to move forward, it would likely take nearly three years before construction could start (the time required to form a special district, secure financing, plan and design the systems, and select a contractor). Once construction starts, completion is estimated to require from five to seven additional years. In 2006 dollars, construction cost for the conversion is estimated at \$116.9 million. Over the eight to ten-year life of the project, assuming an annual inflation factor of 4%, this construction cost rises to \$148.4 million. To this, approximately 10% must be added to pay for such things as engineering services to design the system and oversee its construction, and consultant services to assist in the formation of a special district, to structure and secure funding, and to issue financing instruments. This brings the total cost estimate for the project to \$163.2 million.

Assuming 6,500 customers, this total cost equates to approximately \$25,000 per property. If it is assumed that the entire cost will be borne solely by the customers, and a very simple 15-year, 6% annual interest rate scenario for financing these individual shares applies, the annual cost to the individual customer would approximate \$2,600. Under these assumptions, the sum of principal and interest paid over the 15 years would approximate \$39,000 per property. The cost to convert individual customers' service drops (connecting your home to the system) from overhead to underground is not included in this amount. While this additional cost will vary widely depending upon the specific property involved, it could range from about \$5,000 to \$12,000, and it is envisioned that this would be added to each individual customer's cost.

A number of potential cost-sharing opportunities have been identified that could reduce the final cost to the individual customers. The TDPUD (electric & water service and the proposed fiber-optic broadband system) has replaced approximately half of the more than sixty miles of water line within Tahoe Donner. This is a continuing program that could take many years to complete. If the utility undergrounding project moves forward, some trenching expense could be shared with this water line project. Also, the anticipation that neither SBC (telephone) nor Cebridge Connections (cable TV) would merely underground their existing systems (opting instead for enhanced technologies), presents another potential for a reduction of the burden on the customers. Finally, the financing scenario mentioned above for illustration purposes in no way represents what may be ultimately available. Lower interest rates, more favorable tax treatments, and longer amortization schedules may also make the final bill more palatable.

If the project proceeds to construction, a general contractor would be responsible for trench excavation, ductbank installation, backfill of ductbank area, and trench restoration. Following completion of this work, each utility service provider would then install their infrastructures within the ductbanks and other facilities. The general contractor's work is proposed to begin with a two-year period for completion of trench work around the Northwoods Boulevard loop, with the utilities following each phase of the general contractor's work. The general contractor's work would then continue in three one-year phases to complete the trench/ductbank installation through the remainder of the community. Even with the utility providers following upon the heels of the general contractor, it is anticipated that the various utilities may require two additional years to complete their work following completion by the general contractor.

The consultants identified a "special undergrounding district" as a vehicle that has been extensively used in California to accomplish such a project. The first step to using this vehicle would be for a preliminary cost estimate (+/-20%) to be established (reviewed and accepted by the utilities involved), along with a map of the project boundaries, and a

proposed method for allocating the cost among the affected properties. Then, property owners representing at least 60% of the land area within the proposed district must sign a petition to the Town Council supporting the formation of the district. The receipt of this petition would then be followed by the Town commissioning an "Engineer's Report" and scheduling public hearings.

As mentioned above, the Board's purpose in obtaining the study was not to promote or oppose utility undergrounding, but rather to better inform our members so that they could formulate their own opinions. For a number of reasons, Tahoe Donner Association is not an appropriate entity to take on this project. The utilities lie primarily within the boundaries of the Town-owned streets. In fact, the Town's enhanced-road-maintenance fund for Tahoe Donner (TSSA-1) paid for the study at the urging of the Board. At this point, it appears that the Town is the most appropriate agency to carry this initiative forward, should the affected property owners support it. Other than providing the study to the Town and assisting our members in expressing their thoughts to that entity, the Association does not plan on taking any further action with regard to this issue—it's up to the property owners to either advance the initiative or put it to rest.

The complete study document may be reviewed on our Web site: www.tahoedonner.com, look for "Feasibility Study" under "Important Member Links" on the homepage. Included with this Value Line, please find a response card that you can use to express your reaction to this information. No postage is necessary, and your input will be forwarded to the Town of Truckee.