

ROSEVILLE
REQUEST FOR COUNCIL ACTION

Date: 1/11/10
Item No.: 13.a

Department Approval



City Manager Approval



Item Description: Discussion of Undergrounding of the Overhead Electric Lines on the Rice Street Interchange Project

BACKGROUND

With the Highway 36 and Rice Street interchange construction project progressing to a point where it appears likely that work will begin in 2010, Roseville and Little Canada have looked into the option of burying the overhead power lines that currently run along the west side of Rice Street. These overhead electric lines and poles blight the corridor and it would greatly improve the aesthetics of a key street to both cities if they could be eliminated.

Initially, Xcel Energy provided a preliminary estimate of over \$2 million to bury the power lines from County Road B to County Road B2. Staff requested additional preliminary design and a new scoping estimate suggested it would cost \$574,300 to perform the additional work to underground these lines. This is the amount Xcel is expecting to incur above the cost of relocating the existing overhead facilities to accommodate the new road design. There would also be some additional costs for easements necessary for ground mounted transfer switches and other equipment. The lower cost estimate has made the possibility of burying the power much more feasible.

City staff met with staff from Little Canada, Ramsey County, and Xcel Energy on October 19 to discuss financing options. Xcel has a surcharge option, CRFS (Community Requested Facility Surcharge) available for projects such as the one proposed where each rate payer of the city would have a small surcharge added to their electric bill based on a formula to finance the cost of the work over a three-year period. The only catch to the surcharge is that Xcel can only charge residents and businesses for the work performed within the respective city limits. Because the power lines are located on the west side of Rice Street a great majority of the work will take place in Roseville while both cities benefit equally from the work.

Currently, Xcel has broken down the costs based on the location of the work as follows:

Roseville: \$478,152 (with carrying charges on the three-year surcharge option adding an additional \$59,811)

Little Canada: \$96,116 (with carrying charges adding an additional \$12,090)

Staff from Roseville and Little Canada met on December 8 and discussed options for moving forward with the project. Both cities are now seeking input from their respective City Councils

on whether or not to continue moving forward with the project, how to fairly split the project costs, and how to finance the project. The cost sharing range is currently estimated anywhere from the Xcel-determined \$478,152 for the work occurring only in Roseville to half of the project costs (approximately \$287,150 not including carrying charges or additional easement costs) if we agree the benefits are equal to each community. It should be noted that Xcel has since said that if overhead lines are to remain, some poles may be relocated to Little Canada's side of the street due to design issues. Roseville and Little Canada staff are waiting for a response from Xcel on whether or not moving the poles to the east side of Rice St. would affect the current preliminary CRFS cost sharing structure and allow Little Canada to surcharge a larger portion of the project.

Because the line burial benefits both cities equally, staff would recommend a 50/50 split of the costs between the two cities. If the City Council agrees and the Little Canada Council concurs, the next decision would be how to finance the work. One option is to use the surcharge process allowed by the MPUC for the Roseville share of the costs. Other options could include implementing a utility franchise fee or utilizing other city reserve funds.

City staffs from both Roseville and Little Canada agree that burying the power lines along Rice Street will dramatically improve the appearance along this important stretch of street that serves as a gateway to both cities. Burying the power lines would mean the overhead telephone and Comcast lines would be buried as well. The total cost of the Rice Street/Highway 36 interchange project is currently estimated at \$27 million. Burying the power lines would seem to be a sound, relatively inexpensive investment given the magnitude of work being performed along the corridor and the additional aesthetic improvements being included in the project.

Looking forward, another issue to consider is continuing the overhead power line undergrounding going north as Ramsey County eventually reconstructs Rice Street north of County Road B2. The stretch of Rice Street from County Road B2 north to Little Canada Road is currently in Ramsey County's five-year TIP. That would mean that there would be additional costs - likely higher than the current estimates due to a longer stretch of roadway - for burying power relatively soon after this current project is completed. The stretch from Little Canada Road north to I-694 has not been scheduled yet by Ramsey County, but would appear to be at least six years out.

The Little Canada City Council will be provided the same information by their staff at their Council meeting on January 13th. Both cities will then meet again to determine how to proceed based on input received from our respective City Councils.

Attached you will find a flow chart from Xcel Energy detailing the process for requesting special facilities (Attachment A). Also attached is the preliminary scoping estimate for the facilities to be constructed in Roseville (Attachment B). Understand that the costs shown do not share the total project costs equally between Roseville and Little Canada. We also hope to have a representative from Xcel Energy available at the Council meeting for CRFS process questions.

81 **FINANCIAL IMPACTS**

82 The City of Roseville cost share for the undergrounding of the overhead electric lines would be
83 proposed to be financed by a (CRFS) surcharge on Roseville's Xcel customers.

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85 **STAFF RECOMMENDATION**

86 Staff recommends the Council consider undergrounding of the overhead electric lines along Rice
87 St. as a part of the interchange project utilizing the Minnesota Public Utilities Commission
88 authorized surcharge financing option.

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90 **REQUESTED COUNCIL ACTION**

91 Motion authorizing staff to work with Xcel Energy and the City of Little Canada on developing a
92 detailed engineering estimate of the undergrounding of the overhead electric lines along Rice St.
93 from County Road B to County Road B-2 utilizing the CRFS option.

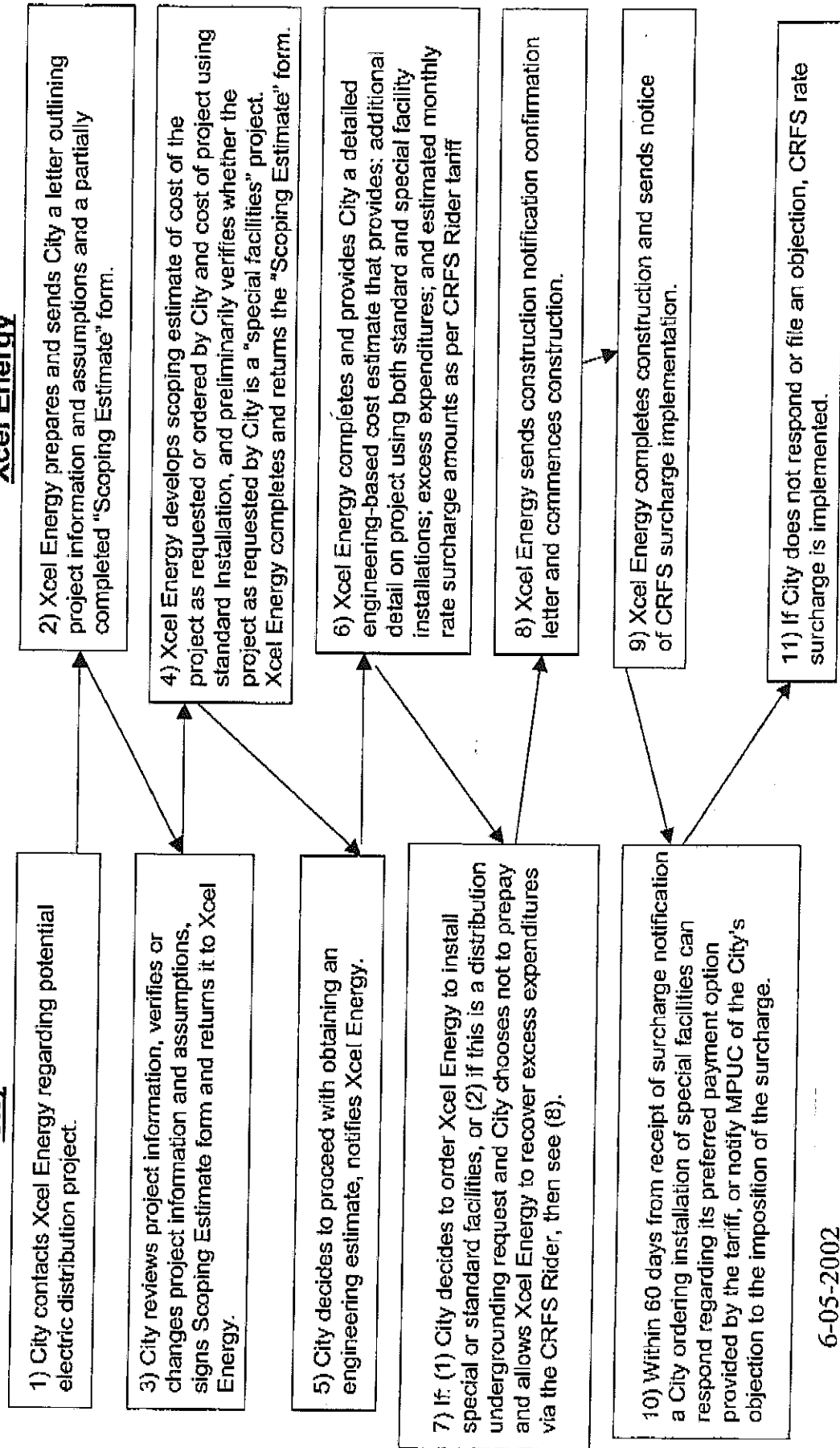
Prepared by: Duane Schwartz, Public Works Director

Attachments: A: Xcel Special Facilities Flow Chart
B: Preliminary Scoping Estimate

Attachment C - Flow-Chart of Communications Between Xcel Energy and a City Requesting or Ordering Installation of Electric Distribution Facilities as a Special Facility

City

Xcel Energy



6-05-2002

Northern States Power Company, a Minnesota Corporation
City Requested Special Facilities Surcharge (CRFS)
City of Roseville

Excess Expenditures = \$478,152				
Customer Class	Customers	Surcharge ⁽¹⁾	Months	Recovery
Residential	14,806	\$0.76	36	\$405,326
Res Low Income	360	\$0.76	36	\$9,855
Small C&I ND	1,078	\$0.76	36	\$29,511
Small C&I	891	\$2.28	36	\$73,176
Large C&I	169	\$3.04	36	\$18,506
Street Lighting	39	\$0.76	36	\$1,068
Sm Mun Pump ND	10	\$0.76	36	\$274
Small Mun Pump	3	\$2.28	36	\$246
Large Mun Pump	0	\$3.04	36	\$0
Total	17,356			\$537,962
Total Carrying Charges included in recovery amount⁽²⁾				\$59,811

Allowable Class Surcharge Levels per Month Under CRSF Tariff	
Residential:	\$0.25 up to \$4.50
Low Income Residential:	\$0.25 up to \$1.00
Small C&I Non-Dmd:	\$0.25 up to \$4.50
Small C&I - Demand:	3 Times Residential Amount
Large C&I - Demand:	4 Times Residential Amount

- (1) Adjustment possible in final months of recovery period for more precise cost recovery.
- (2) Monthly carrying charge of 0.9983% applies to outstanding balance, equal to compounded rate based on 8.81% overall rate of return from the last general rate case (2005) and 3.85% tax factor.