

TOWN OF ORO VALLEY

Page 1 of 2

COUNCIL COMMUNICATION

MEETING DATE: December 10, 2008

TO: HONORABLE MAYOR AND COUNCIL

FROM: Sarah S. More, Planning and Zoning Director

SUBJECT: Study Session – Discussion of Electrical Undergrounding and Tucson Electric Power's (TEP) Service Adequacy and Reliability

SUMMARY:

Over the past two years, the Town has discussed the issue of electric service adequacy and the Town's undergrounding requirement with TEP. On October 25, 2006, the Town Council held a study session to meet with TEP and on July 11, 2007, the Town Council discussed utility franchise agreements in study session (see attached reports). ~~Since that time, on several occasions, TEP has indicated that they are unable to assure service to new developments in Town, most recently the technological park development at La Cañada and Tangerine Road and a subdivision plat in Rancho Vistoso.~~

DISCUSSION OF ISSUE:

The Town of Oro Valley's Zoning Code requires that new utility lines be located underground. Further, a conditional use permit is required for new and replacement utility lines. TEP maintains that they will share the cost of undergrounding with the Town, in the amount an aboveground placement would cost. No agreement between the Town and TEP has been reached.

Our initial discussion was focused on an existing situation with overloaded circuits at Tangerine and La Cholla and Tangerine and La Cañada. TEP indicated that these circuits were overloaded, and to remedy the situation, TEP intends to run a new line to connect these two circuits to provide backup. There are existing aboveground power poles on the south side of the Tangerine right-of-way, that TEP indicates will remain aboveground. The TEP proposal was to build a new aboveground line, on the south side of Tangerine Road for that one mile length. This Conditional Use Permit was not granted, but a request to replace the line on existing aboveground poles on La Cholla was approved by the Town Council. That line work has been completed.

The Town of Oro Valley does collect a utility tax (see attached report for details). TEP has indicated that their rate structure does not accommodate the cost of undergrounding in one part of their service area. They have indicated support for continuing the collection of the utility tax and dedicating some portion of those funds to the cost of undergrounding.

TEP works in cooperation with the Public Works department to coordinate roadway improvements and utility relocations. Those type of projects are most likely to provide some cost savings. Tangerine Road is scheduled for widening, as an RTA project, but not for several years.

TOWN OF ORO VALLEY

Page 2 of 2

COUNCIL COMMUNICATION

MEETING DATE: December 10, 2008

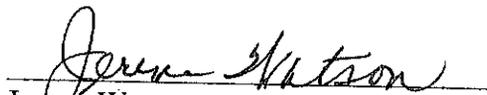
The issue of service availability and reliability remains unchanged. This issue may affect both current customers as well as proposed new developments. TEP has short-term and long-range plans to address service to Oro Valley and nearby customers. They include new transmission and distribution lines, upgrades of existing lines and new substations.

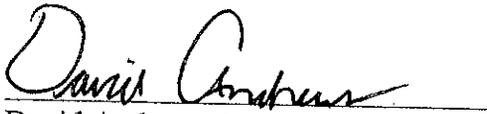
ATTACHMENTS:

1. Town Council Communication, Electric Infrastructure Issues, dated October 25, 2006
2. Town Council Communication, Public Utility Franchise Agreements, dated July 11, 2007

C: Larry Lucero, TEP
R:/INDIV/SarahM/TEP TC ss' 121008.doc


Sarah S. More, Planning and Zoning Director


Jerene Watson, Assistant Town Manager


David Andrews, Town Manager

TOWN OF ORO VALLEY

COUNCIL COMMUNICATION

MEETING DATE: October 25, 2006

TO: HONORABLE MAYOR & COUNCIL

FROM: Sarah S. More, FAICP, Planning and Zoning Administrator

SUBJECT: Study Session – Electric Infrastructure Issues

BACKGROUND:

Staff recently met with Tucson Electric Power (TEP) representatives to discuss issues related to electric infrastructure needs within the Town. Both TEP and staff agree that it is in the best interest of the Town to plan together for the future to assure reliable service for the Town residents and businesses. The Town Manager suggested that all parties discuss the issues in a study session with Town Council. TEP representatives will make a presentation at the study session.

DISCUSSION OF ISSUES:**1. Immediate Need to Update Circuits**

Our initial discussion has focused on an existing situation with overloaded circuits at Tangerine and La Cholla and Tangerine and La Cañada. TEP indicates that these circuits were overloaded the past two summers. In order to address this issue, TEP intends to run a new line to connect these two circuits to provide backup. There are existing above-ground power poles on the south side of the Tangerine right-of-way. According to TEP, the original plan to use the existing poles for the new lines will not work. The current TEP proposal, not formally submitted, is to build a new above-ground line, on the south side of Tangerine Road for that one mile length. Previous Conditional Use Permits to allow above ground lines have not been approved by the Town Council.

Part of that discussion concerned the Town's code requirement for locating new utility lines underground. The Oro Valley Zoning Code requires a conditional use permit for new utility poles and above ground wires (see Attachment). Another issue is coordinating with the future roadway widening of Tangerine Road (in the adopted Regional Transportation Plan) and avoiding duplicative work. One option might be to allow TEP to construct the above ground line on an interim basis pending the Tangerine Road widening and requiring that it be placed underground at that time, as a condition of a Conditional Use Permit. At this time, staff does not know whether the RTA funds will cover any of the cost of utility line relocation and undergrounding. Another option might be to require that the new line be placed underground, hopefully in a location that will not be disturbed by future roadway widening. Neither the Town nor TEP has identified funding for utility line undergrounding. TEP estimates the cost of undergrounding over that of putting in a new above ground line, for this one project is approximately \$433,500.

In addition, there is a current need to upgrade the wires along four existing routes within the Town that TEP has delayed due to the Town ordinance requiring that new wires be placed underground. According to TEP, upgrading old wires will increase capacity without increasing voltage, thus providing better service to Town residents. For example, lines on La Cholla are 40 years old and in serious need of replacement. As TEP replaces lines they are upgrading to steel poles that are weathered to appear the same color as the older wooden poles. Steel poles last longer and are less susceptible to storm damage.

TOWN OF ORO VALLEY

TOWN COUNCIL STAFF REPORT Electric Infrastructure Issues

Meeting Date: October 25, 2006
Page 2

2. Addressing Growth and Development Issues Related to TEP Service

Typically, all new development – subdivisions, shopping centers, etc. – is responsible for all infrastructure needs generated by the new development. The developer pays to underground the new utilities. TEP reviews all new development proposals in the Town and provides comments regarding electric service and easements. The following is a quote from a recent TEP comment on a subdivision plat:

“A conditional approval is being given because of the uncertainty that TEP will be able to make necessary modifications to its electrical system in order to provide service to this project. The Town of Oro Valley has established an ordinance which restricts the upgrading of any overhead electrical power facilities within the town limits. Such restrictions may prohibit TEP from rendering service under its filed rules and regulations.”

TEP advises that the utility rate structure approved by the Arizona Corporation Commission does not include an allowance to cover the cost of undergrounding utilities. TEP has indicated that they do not have the capacity to cover such costs.

When the Town makes roadway widening improvements that necessitate utility relocation, the Town is responsible for extra costs related to undergrounding the utilities. In the recent case of Town improvements at Tangerine and 1st Avenue, the Town chose not to underground utilities due to the lack of funding to cover such costs.

Given the amount of planned and approved development that will be occurring over the next few years in Oro Valley, TEP and Town staff believe that we must work together to address service needs before the issue becomes critical. Both interruption of service to existing Town residents and business as well as the potential of lack of service to new developments is of concern to us all.

3. Planning for the Future

Cities and towns in Arizona are given exclusive control over all rights-of-way dedicated to the municipality. This exclusive control enables the municipality to grant franchise agreements to utilities using the city or town's streets in the distribution of utility services. As an example, many cities and towns have granted franchises to electric companies to place power lines within the public right-of-way. In conjunction with this franchise, a franchise tax can be charged by the municipality to the utility users. While there is no specific amount or limitation in State law, the traditional amount for a franchise tax is usually between 2% and 5% of the gross proceeds from the sale of utility services within the city or town. The Town of Oro Valley does not currently have a franchise agreement with our electric provider, TEP. To grant a franchise, the municipality must place the question before the voters of the community for approval. This can be done at any one of the four primary/general election dates designated.

TEP estimates that the cost to underground one mile of 48 kV line is \$1,000,000 and \$500,000 for a lower voltage line. Establishing a franchise tax could fund that portion of the cost of new or replaced electricity lines not covered by TEP, i.e. the difference between the cost to relocate an above ground line and placing the line underground. Franchise taxes can also fund other utility costs over and above normal service – for example, providing new solar power to the Town.

TOWN OF ORO VALLEY

TOWN COUNCIL STAFF REPORT
Electric Infrastructure Issues

Meeting Date: October 25, 2006
Page 3

Looking ahead even further, TEP plans a new transmission substation just outside of the current Town limits to the north, located on state trust land. This substation will help address current service issues as well as future development to the north. It will take about 3 years to bring the substation on line.

CONCLUSION

Staff and TEP agree that there are both immediate and long-term issues related to growth and development and the provision of reliable electric service that must be addressed for the Town. Staff suggests that the Town Council discuss this matter with TEP and provide direction to staff regarding:

1. Options for an above ground line along Tangerine Road between La Cañada and La Cholla, including a possible temporary CUP.
2. Whether the Town should work with TEP to develop a franchise agreement.
3. And, whether to pursue a franchise tax to fund projects unique to the Town, such as undergrounding.
4. Alternatively, identifying another funding source for utility undergrounding.
5. Other mechanisms for planning for future growth and development with TEP to assure adequate service.

Planning and Zoning Administrator

Community Development Director

Acting Assistant Town Manager

Town Manager

Attachments:

1. OV Zoning Code Section 25.1.N
2. TEP Handout