



Potential Hybrid Undergrounding Fund Model

- The City would pay for 100% of the proportional share of the joint trench costs and 40% of the electrical infrastructure and underground electrical system costs of any undergrounding project from one of two sources (or a combination of the two). This Capital Cost could be paid for by using the City's General Capital Fund or using a dedicated City Electrical Undergrounding Fund, which would be at the City's sole discretion.
- If the Electrical Undergrounding Fund was used to fund the City's portion of capital undergrounding projects (which would be recommended), SCL would collect some percentage (1%, 2%, etc.) of the gross electric revenues generated in Shoreline from Shoreline ratepayers on the City's behalf. The fund would be collected by the utility and then disbursed to the City at some regular interval thereafter (bi-monthly, quarterly, annually, etc.) SCL would then recoup this amount from Shoreline ratepayers through a line-item underground fund charge on ratepayer bills. This charge would exist on ratepayer bills for the term of the Franchise and would not be tied to a project or pay-back timeframe.
- The remaining 60% of the civil infrastructure and electrical system project costs (conduit, vaults, wires, etc.) will be paid for by SCL and borne by all SCL ratepayers as part of the base SCL rates.
- Staff would also work to negotiate with SCL that SCL would pay for 100% of the SCL Undergrounding Project Costs, which the franchise would define as "all costs associated with an undergrounding project that relate to design, project management, construction management and inspection of the Civil Infrastructure and Underground Electrical System." These costs are currently not defined in the franchise.
- Over the last three years, the City has averaged \$1,725,017 in annual contract fee payments from SCL. These payments equate to 6% of the total electrical sales in Shoreline. Thus, a 1% underground fund collection would total \$287,502 annually and a 2% collection would total \$575,000.
- Language would be added to the franchise that Shoreline ratepayers will pay for Shoreline-initiated undergrounding projects and that all other jurisdictions' ratepayers will pay for their cities' undergrounding projects, not including the 60% "conduit and wires" cost and the 100% "project design, management and inspection" costs paid by SCL and shared by all ratepayers.
- Language would also be added to the franchise that the "overhead to overhead" relocation costs of an undergrounding project would be paid for by the utility (i.e., this funding model is applicable to pay for the delta in cost between traditional overhead to overhead facility relocation and an overhead to underground project.)
- Council could also potentially direct staff to work with SCL to direct the Electrical Undergrounding Fund to pay the debt service on the existing undergrounding projects prior to new projects being initiated. This would be done in coordination with these line items being removed from rate payer bills. This would need to be a discussion with SCL, as staff has not broached this concept with them.