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## Memorandum

TO: Vail Town Council

FROM: Greg Hall, Director of Public Works and Transportation

DATE: July 3, 2018

SUBJECT: Undergrounding of Holy Cross Energy overhead lines

### I. PURPOSE

The purpose of this meeting is to present an update on the undergrounding of Holy Cross Energy overhead lines.

Information to be presented includes:

- Holy Cross Energy Franchise Agreement and the 1% Community Enhancement funds
- Update on construction costs for Bighorn Road and Intermountain South Frontage Road electric line undergrounding projects
- Options to complete the work for council direction regarding the undergrounding projects, contractor award and budget modifications

### II. BACKGROUND

In 1999 Holy Cross Energy and the Town of Vail entered into a 20 year franchise agreement, which included establishment of a community enhancement fund, collected by Holy Cross. The utility assesses an additional 1% to customers to generate funds to be used by the Town. In this timeframe the Town of Vail has received \$ 2,682,964 of which \$ 1,612,868 has been used exclusively for the undergrounding of overhead powerlines. There are nearly 7 miles of overhead lines remaining within the Town of Vail. The town received \$ 196,407 from community enhancement funds this past year.

The initial project was the undergrounding of power lines along the South Frontage Road from the west vail interchange to Cascade Village. In subsequent years the town has participated with individuals and neighborhoods to leverage funds to underground overhead lines. In 2013 as the funding was being drawn down the town identified with Holy Cross Energy 5 lines as priorities in order to better plan over the long term the use of the community enhancement funds. These 5 projects were estimated at the time to cost in the millions to complete.

Two of those overhead line projects were the Bighorn Road and the Intermountain South Frontage Road.

### **III. PROJECT DESCRIPTION**

#### **Bighorn Road Project**

This project was started nearly 8 years ago and has been incrementally completed as funds and funding partners have allowed. In this time frame, approximately 1300 linear feet of line has been undergrounded. Town staff has been working to secure the remaining funds to complete the remaining 3300 feet of lines. It was anticipated in 2017 the town would be able to complete the project. See attached map for details.

#### **Intermountain South Frontage Road Project**

The town evaluated this project as part of the initial undergrounding phase. The 4200 linear feet Intermountain underground routing Holy Cross had selected at that time was to follow the existing line. In addition, the town could only advance up to a maximum of three years of future payments from Holy Cross, limiting the funds available for undergrounding. This required the town to prioritize between the two sections of South Frontage Road and it was decided to undertake the portion from West Vail interchange to Cascade. In 2013 the town added the remaining Intermountain portion as one of the five prioritized projects. See attached map

### **VI. PROJECT COSTS AND REVENUES**

On June 6, 2017 the town staff presented to the Town Council update on both the Intermountain and Bighorn Road undergrounding projects. The estimated cost of both projects was \$ 2,153,000. At that time, it was decided to move forward with engineering to pursue both projects. The Town engaged an engineer to prepare construction documents for the two projects. Late last year, an opportunity presented itself regarding a portion of the Intermountain project to jointly share in some of the construction costs with ERWSD, and the Intermountain project was split into two phases. There are two components to each project. The town is responsible for excavating and installing the infrastructure of conduits and vaults along a Holy Cross approved route, including all road repairs. The Town contracts to have this work performed. The Town also contracts with Holy Cross Energy for their engineering of the system, the supply of the conduits and vaults to be installed along with the installation of new electric lines, transformers and switch gears as well as the removal of the old lines and poles. In addition, to the work required to have the main power line undergrounded, secondary services are also required to be underground from overhead transformers on poles to ground set transformers to the service meter. Holy Cross Energy does not perform any work for the secondary services. The work required of secondary services requires an electrician, excavator, and electrical plan and permits.

The Town entered into agreements with Holy Cross Electric on April 3 of this year, for each project for the entire portion of the Holy Cross work. On May 1, of this year the town entered into an intergovernmental agreement with ERWSD to jointly fund the eastern phase of the Intermountain project infrastructure installation. On June 2, the Town received two bids for the infrastructure installation projects for Bighorn Road as well as the western phase of the Intermountain project. Having the complete costs defined by contractors and bids, the town of Vail was able to discuss with Holy Cross a prudent way to complete these projects over the next two years. The following is being proposed for council consideration.

## 2018

### Intermountain Eastern Phase Project (Currently Contracted)

ERWSD District joint Project	\$ 317,193
Project Contingency 10%	\$ 32,000
Holy Cross costs for engineering and to supply materials	<u>\$ 50,000</u>
2018 subtotal	\$ 399,193

### Bighorn Road Project

Award project to RPM Excavating for Bighorn infrastructure	\$ 406,114
Project Contingency for Bighorn	\$ 41,000
Holy Cross costs for engineering and to supply materials	<u>\$ 45,000</u>
2018 subtotal	\$ 492,114

### Intermountain Western Phase Project

Award Project to RPM Excavating for Intermountain West Phase	\$ 527,631
Project Contingency 10%	\$ 53,000
Holy Cross costs for engineering and to supply materials	<u>\$ 55,000</u>
2018 subtotal	\$ 635,631
2018 Grand Total	\$ 1,526,938

### 2018 Funds Available

Current Holy Cross uncommitted enhancement funds in Town Account	\$ 1,095,614
Advancement of Holy Cross Funds to End of Current Franchise	<u>\$ 242,000</u>
Total 2018	\$ 1,237,614

## 2019

### Bighorn Road Project

Holy Cross costs for materials, equipment and labor	\$ 200,000
Town of Vail Cost to convert 6 secondary services	<u>\$ 90,000</u>
2019 subtotal	\$ 290,000

Intermountain Project Both east and west Phases

Holy Cross costs for materials, equipment and labor	\$ 220,000
Town of Vail cost to convert 2 secondary services	<u>\$ 30,000</u>
2019 subtotal	\$ 250,000
2019 Grand Total	\$ 540,000

2019 Funds Available

Future funds from new 2019 Holy Cross Franchise Agreement	\$ 729,324
2018 additional supplemental funds to be reimbursed in 2018 and 2019.	\$ 971,324

## **VII. PROJECT OPTIONS**

1. The Town could follow through with the Bighorn Project this year and rebid the western half of Intermountain next year.  
  
or
2. The town could provide additional funds this year and negotiate with Holy Cross to have the Town's advancement be included in any pay back and complete all the excavation and infrastructure installation this year.  
  
or
3. The town could loan itself the funding gap to complete the two projects now. The town would then pay itself back with enhancement funds as they are provided by Holy Cross Energy over the next 5 years.

The town will enter into a new franchise agreement with Holy Cross in 2019 to fund the work to be completed in 2019 and pay back the town for funds expended in 2018 beyond the allocated funds available.

## **VIII. ACTION REQUESTED**

The Town Council is being asked to provide direction to the staff on the options presented to complete the undergrounding projects. Based on the option selected, Town Council is asked to then award the appropriate contracts and direct staff to provide the necessary funds to be included in the second reading of the second budget supplemental for 2109.

## **IX. STAFF RECOMMENDATION**

Staff recommends the Town Council complete the Bighorn and Intermountain undergrounding projects in 2018 and award both contracts to RPM excavating and direct the town manager to execute contracts in a form approved by the town attorney. Supplement the budget to complete the projects and direct the town manager to develop with Holy Cross Energy on a new franchise agreement for 2019.

**X. ATTACHMENTS**

- a) Bighorn Road Underground Utility Project
- b) Intermountain South Frontage Road Underground Utility Project

