



SUPPLEMENTAL

COUNCIL AGENDA: 06-05-07
ITEM: 3.5

Memorandum

To: HONORABLE MAYOR
AND CITY COUNCIL

From: Katy Allen

SUBJECT: SEE BELOW

DATE: 05-18-07

Approved

Date

5/21/07

COUNCIL DISTRICT: Citywide

**SUBJECT: REPORT ON THE RULE 20A AND RULE 20B (IN-LIEU FEE)
UNDERGROUND UTILITY PROGRAM AND 2006/07- 2011/12 WORKPLAN**

REASON FOR SUPPLEMENTAL MEMO

The previous recommendation included directing staff to take collective action with other cities for advocacy for increased accountability and resource allocation for the delivery of Rule 20A projects. Staff has received a letter from PG&E dated May 16, 2007 (attached), that commits to expediting the Rule 20A Undergrounding Program Workplan, and proposes favorable solutions to issues that have been obstacles to projects moving forward.

This item is also requested to be deferred to the June 5th Council agenda so that Council has adequate time to review the revised recommendation.

RECOMMENDATION

That the City Council:

- a) Approve this report, the proposed fiscal year 2006/07 - 2011/12 Workplan for the Rule 20A and Rule 20B (In-Lieu Fee) Underground Utility Program.
- b) Direct staff to work with PG&E and return to Council in September with a revised workplan that provides for expedited delivery of Rule 20A Projects.

ANALYSIS

The letter from PG&E documents their commitment to solutions that staff believes will allow the Underground Program to move projects forward in an expedited workplan, and begin to reduce the growing Rule 20A reserves. Specifically, PG&E proposes to compress the current 5 year Rule 20A Workplan into a 3 year plan. PG&E also offers that they will:

HONORABLE MAYOR AND CITY COUNCIL

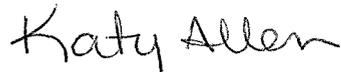
05-18-07

Subject: Report on the Rule 20A and 20B Underground Utility Program and 2006/07-2011/12 Workplan

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- allow the City's Rule 20A allocation to be used to pay for the "special facility" charges to install subsurface transformers
- take the lead on land and right of way issues for easements for aboveground cabinets and will allow the City's use of Rule 20A allocation for this purpose

This change is consistent with the Sunshine noticing requirements allowing a supplemental memo to be released.



KATY ALLEN

Director, Public Works Department

TB/aa

Attachment

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**Pacific Gas and
Electric Company**

Government Relations

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May 16, 2007

Ms. Katy Allen, Director
Department of Public Works
City of San Jose
200 East Santa Clara Street
San Jose, California 95113

Dear Ms. Allen:

Thank you for the ongoing assistance you and your team have provided regarding Rule 20A undergrounding projects in San Jose. Pacific Gas and Electric Company (PG&E) remains committed to the success of projects being constructed in San Jose, and we appreciate the partnership we have with the City.

PG&E staff has been reviewing the implementation methods used for Rule 20A projects to improve processes and provide greater flexibility. There are a number of improvements expected to be adopted in the near future. Several of them will address key issues in San Jose focusing on project implementation, subsurface installations, and rights-of-way.

Project Implementation

PG&E's top priority is to provide high-quality and reliable service to our customers. In the past, this has meant that system maintenance, new service connections, emergency response, capacity upgrades, and other priority work delayed implementation of undergrounding projects. Our differences over California Public Utilities Commission (CPUC) tariff rules and guidelines have also played a large role in the delay of projects in San Jose.

A key focus of our review of the Rule 20A Undergrounding Program has been to find every available means to provide greater flexibility in project implementation. While we have made progress through workshops and meetings with San Jose staff, there is more that can be done to give you greater control over your Rule 20A allocation.

Solution: To build on our recent success, PG&E staff recommends that we revise the City's current Rule 20A Underground Utility Program Workplan, which prioritizes projects over the next five years, to expedite projects for implementation over the next three years. PG&E commits to meet with San Jose staff to develop an expedited schedule that will shorten the timeframe for engineering, construction, and completion of the City's prioritized projects. This will more than double the amount of funding spent in San Jose for Rule 20A undergrounding for the next several years. Furthermore, we will also discuss with City staff how faster implementation will draw down San Jose's current allocation balance.

Subsurface Installations

The CPUC in Decision 92-03-065 ruled that the standard design for underground installations in the PG&E system should be a pad-mounted transformer. PG&E has also preferred this standard because of the additional cost to install, higher cost to maintain, and lower reliability of subsurface transformers.

Subsurface transformers have been an option when pad-mounted transformers were not feasible due to PG&E engineering specifications or space limitations. In addition, project sponsors have had the option to pay the differential cost in "special facility" charges for subsurface transformer placement.

Solution: Our past difference on this issue has resulted in project delays. We recognize that the case-by-case approach has had a limited level of success. Our review of the Rule 20A Program has taken this issue head-on and resulted in a new method that eliminates the roadblock we have faced in the past. Specifically, PG&E will allow the City to use its Rule 20A allocations to pay for "special facility" charges for subsurface transformers.

Rights-of-Way (ROW)

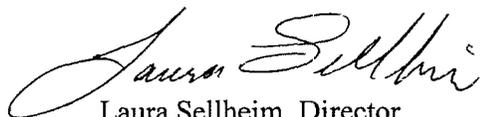
Another ongoing challenge for project implementation is right-of-way acquisition for undergrounding facilities that can not otherwise not be placed along the public streets in franchise areas. Guidelines used from CPUC decisions require project sponsors to provide those rights without additional cost to PG&E ratepayers.

Solution: PG&E understands the difficulty cities face with providing no-cost ROW easements to PG&E for undergrounding projects. In order to better assist the City, we are prepared to take the lead on land and ROW issues and allow for San Jose Rule 20A allocations to be used for this purpose at no additional cost to the City.

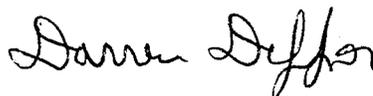
Summary

PG&E believes that our improved Rule 20A program will meet the needs of San Jose and remove most of the challenges we have faced together for years, including expedited project implementation and the use of your allocation balance to pay for subsurface transformers and managing right-of-way issues. We look forward to continuing our work together and hope that this information is helpful. Please contact Darren Deffner at 408-282-7299 or dddi@pge.com, if you have any questions or concerns.

Sincerely,



Laura Sellheim, Director
Area 3 Maintenance & Construction
Energy Delivery Department



Darren Deffner
Government Relations Representative
Public Affairs Department