



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Katy Allen

**SUBJECT:** SEE BELOW

**DATE:** 09-24-07

Approved

Date

10/4/07

**COUNCIL DISTRICT:** Citywide

**SUBJECT: REPORT ON THE REVISED RULE 20A 2006/07- 2011/12 UNDERGROUND UTILITY WORKPLAN AND THE BENCHMARKING STUDY ON THE UTILITY UNDERGROUNDING PROGRAM IN OTHER MAJOR CITIES IN CALIFORNIA**

## RECOMMENDATION

That the City Council:

- a) Approve this report, the revised fiscal year 2006/07 - 2011/12 Rule 20A Utility Undergrounding Workplan
- b) Accept the report on the benchmarking study on the utility undergrounding program in seven major cities around the Bay Area.
- c) Direct staff to submit, for the City Manager's consideration for inclusion in the 2007-2008 Proposed Budget, a proposal to fund the staffing needed to implement the 3-year Workplan

## OUTCOME

Approval of this report will guide Public Works staff and utility companies to program funds and assign project priorities for overhead to underground utility conversion projects.

## EXECUTIVE SUMMARY

The purpose of this report is for Council to approve a compressed schedule that reflects a new commitment from PG&E, AT&T and Comcast toward Rule 20A Underground Projects in San José. Also, the compressed schedule reflects the reduction of time spent on obtaining easements for above-ground utility cabinets that has been an obstacle for projects moving forward in the past.

In June 2007, staff presented to Council the annual report on the Rule 20A and Rule 20B (In-Lieu Fee) Underground Utility Programs, which provided information on the City's utility undergrounding program and projects. A workplan accompanying the report served as a guide

for Public Works staff and utility companies to program funds, assign project priorities, and establish, design and construct overhead-to-underground utility conversion projects. Included in the report was a letter from PG&E committing to expedite the Rule 20A Undergrounding Program Workplan and proposing favorable solutions to issues that have been obstacles to projects moving forward. This workplan has been revised to reflect PG&E, Comcast and AT&T's commitment to expedite projects. Managing this program in a compressed timeframe will require additional staff resources. A proposal for funding additional positions to support the expedited workplan will be submitted for consideration in the 2008-2009 budget process.

In addition, staff conducted a benchmarking study on utility undergrounding programs in other major cities in California to see how San José's practices for project delivery compare. Of the cities contacted, only the cities of San Diego and San Francisco seem to have more aggressive utility undergrounding programs than San José. San Diego working with San Diego Gas & Electric Company has a very successful program that also undergrounds residential streets by levying a utility surcharge, approved by the California Public Utility Commission, on all electric bills. San Francisco's program is currently more aggressive due to the outcome of past litigation with PG&E that resulted in prescribed schedules.

## **BACKGROUND**

Three methods are used to fulfill the General Plan goal of converting overhead utilities to underground systems. They are summarized below and are described in greater detail later in this report.

- Rule 20A Program – The Rule 20A Program is the City's use of PG&E rate-payer money on underground conversion projects. Although the funds for this program are never actually transferred to the City, City staff programs the money toward conversions on arterial and major collector streets. The 2007 calendar year allocation of PG&E funds for the City of San José is approximately \$4.2 million. These allocations accumulate until they are expended for undergrounding projects. PG&E then recoups these costs through rate increases.
- Rule 20B (In-Lieu Fee) Program – Undergrounding may be accomplished through the City's establishment of an In-Lieu Fee Program which allows the City to accumulate funds from developers to underground large aggregated projects rather than requiring developers to perform the undergrounding on a piecemeal basis. This results in more efficient use of engineering staff, construction crews and utility company resources, resulting in lower unit costs for design and construction.
- Rule 20C – In some instances, developers or other agencies may pursue completing underground conversions themselves. These conversions do not meet the criteria for Rule 20A or 20B, are typically less than 600 feet long, and are coordinated directly with the utility companies.

The Rule 20A and 20B Underground Utility Programs are currently administered in accordance with the 2006/07 - 2011/12 Workplan accepted by Council in June 2007. The Workplan guides Public Works staff to establish, design and construct the proposed overhead-to-underground utility conversion projects.

## **ANALYSIS**

### **I. REVISED WORKPLAN**

The report on the Rule 20A and Rule 20B (In-Lieu Fee) Underground Utility Programs was submitted to the City Council in June 2007. Also included with the report was a letter from PG&E stating that PG&E will work with the City to revise the workplan to expedite expenditure of the Rule 20A allocation. Specifically, PG&E proposed to reschedule the projects within the proposed five-year workplan to a three-year workplan. Furthermore, PG&E agreed to use Rule 20A funds to pay for special facilities costs and easements. Agreeing to use Rule 20A monies for special facilities cost was the biggest victory to San José's utility undergrounding program as it was the main reason for delays to recent projects.

Since June 2007, staff from Public Works, PG&E, AT&T and Comcast met several times to develop a more realistic workplan. The primary objective in developing the revised workplan was:

- Prioritize projects over the next five years and to expedite near-term projects for implementation over the next three years.
- Commitments of resources from all utilities (PG&E, Comcast and AT&T) to implement the revised three-year workplan

The revised workplan is shown in Attachment A. The revised workplan represents an expedited schedule that focuses on timely delivery of projects and allows faster draw-down of City of San José's current Rule 20A allocation balance. With the proposed three-year workplan, the City of San José will be drawing down approximately \$10-\$13 million per year of PG&E's Rule 20A allocation.

The proposed revised three-year workplan is very aggressive, and staff has obtained preliminary commitments from all utilities to collaborate in delivering the projects in a timely manner. Due to acceleration of the workplan, Comcast and AT&T may require a complete budget cycle to completely allocate the appropriate resources and funding. Also, there are always unforeseen circumstances such as weather-related emergencies that utility company resources may be diverted to respond to and may delay Rule 20A projects. Staff will continue to meet with utility companies on a monthly basis to closely monitor the schedule and address issues and concerns as they arise.

**Updates on Current Projects:**

**Guadalupe Gardens UUD Project**

PG&E has nearly completed construction of the Phase I project. PG&E is completing design of the Phase II project and construction is scheduled to begin in October.

Initially, the City agreed to provide PG&E fourteen (14) no-cost easements on City property for the above-ground cabinets. However, PG&E has revised its design and are placing the majority of the facilities in subsurface vaults, hence eliminating the need for some of the above-ground cabinets. PG&E will be using Rule 20A monies to pay for the special facilities cost. Also, this reduces the number of easements to nine.

**Jackson/Taylor Rule 20A/B UUD Project**

The City has coordinated a field meeting with PG&E, AT&T and Comcast to expedite the design of this project. This project is being coordinated with three different development projects, one of which is located at the former City Main Yard. Construction is scheduled to begin in February 2008.

**Market/Almaden Rule 20A UUD Project**

PG&E is currently designing the project and has initiated coordination with Comcast and AT&T. PG&E has agreed to place the majority of its facilities in subsurface vaults. However, both PG&E and Comcast have above-ground facilities that cannot be placed in subsurface vaults. The City is currently reviewing possible locations on either private property or within the City right-of-way. This project is being coordinated with the San José Redevelopment Agency and the Market Almaden Neighborhood Association.

**Park/Naglee Rule 20A UUD Project**

PG&E has begun preliminary design of this project. PG&E has agreed to place the majority of its facilities in subsurface vaults. However there are some above-ground cabinets at the Hoover Middle School and along Park Avenue that cannot be placed in subsurface vaults. Hoover Middle School has been contacted about the above-ground cabinets, and PG&E is making an effort to minimize the number of above-ground structures along its frontage.

Also, Comcast will require at least one above-ground cabinet along Park Avenue within the City right-of-way. It is currently expected to be installed in a low visibility area behind the sidewalk.

As design continues the residents will be notified of the locations of any above-ground cabinets necessary by the utilities. Construction is expected to start in June 2008.

## **II. BENCHMARKING**

To discover best practices that other jurisdictions may be utilizing to successfully deliver undergrounding projects, staff contacted six major cities in California to discuss their respective utility undergrounding programs. Of the cities contacted, only the cities of San Diego and San Francisco seem to have more aggressive utility undergrounding programs than San José. San Diego has a very successful program that also undergrounds residential streets by levying a utility surcharge, approved by the California Public Utility Commission, on all electric bills. San Francisco's program is currently more aggressive due to the outcome of past litigation that resulted in prescribed schedules. The following is a summary of undergrounding utility programs in other cities that participated in the benchmarking study.

### **City of San Diego**

The City of San Diego, through its Utilities Undergrounding Program, is currently relocating approximately 30-35 miles of overhead utility lines underground throughout the city each year. In addition to utilizing Rule 20A funds for undergrounding, the City's aggressive plans for undergrounding overhead utilities is funded primarily through a 2003 California Public Utilities Commission approved undergrounding surcharge on San Diego residents' electricity bills.

In the City of San Diego, approximately \$54 million per year is spent to convert overhead power and communication lines with safer and more reliable underground systems. These funds are dedicated exclusively for undergrounding and may not be used by the city for other purposes.

Although the City has been undergrounding utilities since 1970, approximately 1,000 miles of overhead utility lines remain. It is estimated that nearly all residential areas will be completed within the next 20 to 25 years.

The Utilities Undergrounding Program consists of two types of projects: one involves San Diego Gas & Electric (SDG&E) Rule 20 (or AT&T Tariff 32) projects that must meet certain public benefit criteria consistent with the California Public Utility Commission (CPUC)'s state-wide program. This program relates primarily to overhead lines along major city streets. The other type is known as a Surcharge project which is where the project is funded by the increased franchise fee authorized by the CPUC. Projects that fall into the surcharge category are typically found in residential areas that do not meet Rule 20 criteria.

The goal of the City of San Diego is to convert every residential overhead utility line in San Diego to underground service over the next 25 years. Approximately \$10 million worth of Rule 20A projects are completed in the city each year. Under Resolution E-3788, the City spends an additional amount of money, approximately \$44 million each year, on surcharge projects, which quadruples the pace of undergrounding throughout the city.

### **City of San Francisco**

As part of a legal settlement between the City and PG&E, the utility company agreed to underground approximately 42 miles of utility lines. The City of San Francisco's current Rule 20A expenditure rate is approximately \$5.7 million a year. The City of San Francisco's anticipated completion date is 2008. However, PG&E may not be able to achieve the goal as the projects have been delayed because of the current utility company resource issues.

Also, the City of San Francisco is looking into San Diego's utility undergrounding project and adopting a similar surcharge program to underground utilities that don't qualify under the Rule 20A program.

### **City of Stockton**

PG&E is the electricity provider in the City of Stockton. Stockton's Rule 20A utility undergrounding program is very small compared to San José. Stockton's current expenditure rate of Rule 20A allocation is approximately \$2 million per year. Stockton reports a very successful undergrounding program; however projects have been delayed in the past due to PG&E resource issues.

### **City of Long Beach**

Southern California Edison (SCE) is the electricity provider in the City of Long Beach. Under the CPUC, SCE is required to allocate Rule 20A funds. Currently, the City of Long Beach does not have any active utility undergrounding projects because its Rule 20A allocation balance is negative. The City of Long Beach was allowed to mortgage an additional five years of allocation in order to undertake Rule 20A projects sooner. According to the City of Long Beach, the project turnaround time was typically five years and most projects were completed on time.

### **City of Oakland**

PG&E is the electricity provider in the City of Oakland. Oakland's allocation is about \$3.3 million a year and currently, the City does not have any unspent balance. The City has experienced extensive delays to utility undergrounding projects due to resource issues. The current turnaround time for a typical utility undergrounding project is approximately seven years.

### **City of Fresno**

PG&E is the electricity provider in the City of Fresno. The City of Fresno spends approximately \$2.5 million a year of its Rule 20A allocation on utility undergrounding. According to the City of Fresno, projects have generally been delivered on time. The timeline varies depending on the complexity of the project.

### **EVALUATION AND FOLLOW-UP**

The revised workplan (Attachment A) represents an expedited schedule that focuses on timely delivery of projects and allows faster draw-down of the City of San José's current Rule 20A allocation balance. Staff will return in May 2008 with the annual report on the utility undergrounding and provide an update on the utility undergrounding program and projects.

### **PUBLIC OUTREACH/INTEREST**

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

While this action does not meet the \$1 million threshold under Criteria 1, this memorandum will be posted on the City's website for the October 16, 2007 Council agenda.

### **COORDINATION**

The revised workplan and the report have been coordinated with PG&E, AT&T, Comcast, the Planning, Building and Code Enforcement Department, City Manager's Budget Office and the City Attorney's Office.

### **COST IMPLICATIONS**

RULE 20A PROGRAM - The cost of the overhead-to-underground conversion of PG&E facilities in the public right-of-way within underground utility districts is funded through the PG&E Rule 20A allocation to the City. It includes up to \$1,500 per service entrance for private service panel conversions. The total cost for conversion work varies project by project. Other utility companies underground their facilities at their own cost.

The administration of the Rule 20A program has historically been funded through the Operating Budget with General Funds. However, due to budget constraints in recent years, staff has been using In-Lieu Fee funds since Fiscal Year 2003-2004 and has continued to use In-Lieu Fee funds--approximately \$250,000 per year--to support the administration of the Rule 20A program. It is appropriate to use In-Lieu Fee funds for administration of the Rule 20A program because in

most, if not all instances, projects virtually overlap within the two programs and In-Lieu Fees are collected within Rule 20A areas. Also, not all the potential Rule 20B projects in the Master Plan that are within Rule 20A project areas have completely developed, so undeveloped properties will be required to contribute In-Lieu funds when they develop and reimburse the undergrounding costs. SJMC Chapter 15.26 allows for the payment of the administrative costs for undergrounding projects from the In-Lieu Fee fund regardless of the type of undergrounding program (Rule 20A or 20B). Administration includes the legislation of utility underground districts, hosting community meetings, reviewing and coordinating responsibilities during the design and construction phases of the project and construction inspection.

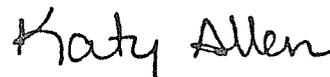
Moving forward, to fully implement the proposed three-year workplan and leverage approximately \$10-13 million per year of utility company monies, staff will propose through the 2008-09 Budget process additional funding of an amount to be determined to fund City resources necessary to implement this accelerated 3 year workplan.

**BUDGET REFERENCE**

Fund #	Appn #	Appn. Name	Total Appn.	Amt. for Contract	2007-2008 Proposed Budget (Page)	Last Budget Action (Date, Ord. No.)
<b>Remaining Project Costs</b>			N/A			
<b>Current Funding Available</b>						
416	4654	Underground Utility Program	\$910,000	N/A	Capital, V-17	N/A
416	5147	Underground Utility Admin. (20B)	\$130,000	N/A	Capital, V-25	N/A
416	4786	Underground Utility Admin. (20A)	\$250,000	N/A	Capital, V-24	N/A
429	5063	Underground Utilities – City Conversions	\$150,000	N/A	Capital V-889	N/A
<b>Total Current Funding Available</b>			<b>\$1,440,000</b>			

**CEQA**

CEQA: Not a project.



KATY ALLEN  
Director, Public Works Department

For questions please contact TIMM BORDEN, DEPUTY DIRECTOR, at (408) 535-8300.

**RULE 20A UNDERGROUND UTILITY PROGRAM**  
 REVISED 3-YEAR WORKPAN - SUMMARY OF CHANGES SINCE LAST REPORT

ATTACHMENT A

		2006/07-2011/12 5-YEAR WORKPLAN (Approved by the City Council in June 2007)		2006/07 - 2011/12 PROPOSED 3-YEAR WORKPLAN		
PROJECT - RULE 20A	COUNCIL DISTRICT	LEGISLATION ADOPTION DATE	CONSTRUCTION START	LEGISLATION ADOPTION DATE	CONSTRUCTION START	RULE 20A PROGRAM EXPENDITURES (ESTIMATED)
<b>FISCAL YEAR 2007/2008</b>						
GUADALUPE GARDENS (Phase I) - Hedding/Coleman	3	ADOPTED	Jan-07	ADOPTED	COMPLETE	(\$2,500,000)
GUADALUPE GARDENS (Phase II) - Hedding/Taylor/Coleman	3	ADOPTED	Jan-07	ADOPTED	Oct-07	(\$3,500,000)
JACKSON/TAYLOR - 4th to 9th	3	ADOPTED	Jan-08	ADOPTED	Feb-08	(\$2,500,000)
MARKET/ALMADEN AVE. - Reed, Pierce, William, Balbach, Viola	3	ADOPTED	Sep-08	ADOPTED	Apr-08	(\$2,500,000)
PARK/NAGLEE - Park, Naglee to Shasta & Naglee, Park to Bascom	6	ADOPTED	Sep-08	ADOPTED	Jun-08	(\$2,000,000)
					<b>TOTAL</b>	<b>(\$13,000,000)</b>
<b>FISCAL YEAR 2008/2009</b>						
STEVENS CREEK BLVD - Stearns to Calert	1	ADOPTED	May-09	ADOPTED	Aug-08	(\$650,000)
EVERGREEN PARK - Yerba Buena Rd. & San Felipe Rd.	8	ADOPTED	Dec-08	ADOPTED	Dec-08	(\$1,200,000)
CAMDEN AVENUE, Bascom to Leigh	9	ADOPTED	Mar-09	ADOPTED	Feb-09	(\$2,000,000)
VASONA LRT: DELMAS/SAN FERNANDO, 87, Cahill, Auzerais, S Clara. MONTGOMERY ST. - Santa Clara to Park. PARK AVE. - Rte. 87 to Bird	3	Aug-07	Jul-09	Dec-07	Feb-09	(\$5,000,000)
MONTEREY RD. - Willow to Curtner, inc. Cadwaller Plaza	3,7	ADOPTED	Mar-10	ADOPTED	May-09	(\$2,000,000)
					<b>TOTAL</b>	<b>(\$10,850,000)</b>
<b>FISCAL YEAR 2009/2010</b>						
WHITE ROAD at Alum Rock Avenue (Alum Rock Library)	5	Apr-08	May-10	Jan-08	Jul-09	(\$1,600,000)
ABORN ROAD - Renfield Wy to Thompson Creek (Evergreen Library)	8	May-08	May-10	May-08	Aug-09	(\$1,500,000)
Coleman Avenue - Hedding St to Basset	3	Feb-09	Feb-11	Aug-08	Dec-09	(\$2,500,000)
TULLY ROAD, Kenoga Dr to Senter Rd	7	Jun-09	Mar-11	Dec-08	Dec-09	(\$2,500,000)
McABEE ROAD - Peralta to Camden	10	Aug-09	Apr-11	Feb-09	Jan-10	(\$1,700,000)
LINCOLN AVENUE - San Carlos to Coe	6	Dec-09	Jun-11	May-09	Mar-10	(\$1,800,000)
De ANZA BLVD. - Rainbow to Prospect	1	Jan-10	Jan-12	Aug-09	May-10	(\$2,000,000)
					<b>TOTAL</b>	<b>(\$13,600,000)</b>
<b>FISCAL YEAR 2010/2011</b>						
KIRK PARK, Foxworthy - Yucca to Briarwood	9	Feb-10	Feb-12	Dec-09	Jul-10	(\$2,000,000)
GROSBECK PARK, Kliem Rd. - Hill to Norwood	8	Jun-10	Apr-12	Feb-10	Sep-10	(\$1,800,000)
HAMANN PARK, Westfield - Central to Daniel	6	Jun-10	Jun-12	Mar-10	Dec-10	(\$1,800,000)
					<b>TOTAL</b>	<b>(\$5,600,000)</b>
					<b>GRAND TOTAL</b>	<b>(\$43,050,000)</b>