

Memorandum

TO: BUILDING BETTER
TRANSPORTATION COMMITTEE

FROM: Katy Allen

SUBJECT: SEE BELOW

DATE: 09-18-06

Approved

Date

INFORMATION

SUBJECT: PROGRESS OF PROJECT DELIVERY WITH PACIFIC GAS AND ELECTRIC COMPANY (PG&E) ON UNDERGROUND UTILITY PROGRAM

RECOMMENDATION

Acceptance of this report on the progress of project delivery with PG&E on the underground utility program.

EXECUTIVE SUMMARY

In April 2006, 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.

Based on discussions at utility undergrounding workshops with PG&E in 2005, projects in the Workplan were re-prioritized so that utility companies could deliver projects based on their actual budget and resource availability. Staff has continued to work with PG&E staff to develop a strategy that would more aggressively program projects to draw down the accumulated PG&E allocation reserve.

Initial workshops that were held last year seemed fruitful for the City and PG&E as far as gaining a better understanding of constraints and expectations. Guidelines were developed that would facilitate decision-making and issue resolution in a more-timely fashion.

A year later, schedules for most of the projects in the near-term workplan have slipped, and disagreements over agreed upon practices for aboveground cabinets and no-cost easements have caused a need to hold another workshop to revisit the procedures.

BACKGROUND

With the submittal of the Annual Workplan report to Council in April, Council also directed staff to return with a project delivery progress report to the Building Better Transportation Committee in the fall. The objective of this progress report is to inform Council of the status of projects and key program issues before the 2006/2007 annual report to be presented next spring.

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

- Rule 20A Program – The Rule 20A Program uses PG&E rate-payer money for underground conversion projects. Although the funds for this program are never actually transferred to the City, they are still available for such projects. City staff programs the money toward conversions on arterial and major collector streets. The 2006 calendar year allocation of PG&E funds for the City of San José is approximately \$4.1 million. This allocation and unexpended allocations from previous years have accumulated and will be available until they are expended for undergrounding projects. The current accumulated balance is approximately \$34 million.
- Rule 20B (In-Lieu Fee) Program – Undergrounding may be accomplished through the City's establishment of 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. 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 Mayor's March 2005 Budget Message states: "Traffic Capital Improvement Program Reallocation: The Manager shall determine the leverage capability of the PG&E 20A grants for utility undergrounding." In compliance with the Budget Message, Rule 20B funds are leveraged against 20A allocations, as opportunities arise, to construct one larger project. The majority of proposed Rule 20A projects complement transportation capital improvement projects.

ANALYSIS

In the past two years, staff of Public Works and the City Attorney's Office held several workshops with executive staff and attorney for PG&E regarding the Rule 20A utility undergrounding program. The primary objectives of the workshops were:

- To convey to PG&E the City's urgency in getting past historic roadblocks, such as resource issues, that have negatively impacted the delivery of Utility Undergrounding Projects.
- To develop guidelines that would implement the program and facilitate decision-making and issue resolution in a more-timely fashion.
- To understand PG&E's interpretation of rules and tariffs as they relate to obtaining no-cost easements from adjacent property owners, underground vaults ("special facilities") cost and aboveground cabinets. PG&E's standard facilities are above ground structures (cabinets). PG&E defines "special facilities" as subsurface structures (vaults) for which the City or other applicant would bear the cost.

The following are outcomes of these workshops:

- The City and PG&E developed and agreed on guidelines entitled "Best Practices" that provide for the establishment of undergrounding utility districts and the placement of utility facilities.
- The City agreed to contact property owners for no-cost easements to place PG&E's aboveground facilities.
- PG&E provided a more-realistic five-year project delivery schedule that it can deliver based on its actual budget and resource availability.
- PG&E clarified its rules and tariff regulations related to utility undergrounding.

Since then, Public Works staff has met monthly with utility company staff to review project schedules and address any outstanding issues. It has become apparent that utility companies continue to experience resource issues and reprioritization of corporation-wide activities that result in an inconsistent commitment to our underground program. Recently, PG&E informed the City that it can only commit to projects on a calendar year basis due to funding issues related to uncertainty in out years as funding and resources could be diverted toward restoring power during storm outages or heat waves.

More recently, on August 28, 2006, executive staff of Public Works and PG&E met to evaluate primary objectives of workshops and progress on the projects. The outcome of this meeting was action items that would move two projects forward, and an agreement to hold another workshop with staffs to revisit and clarify the "best practices."

Aside from the challenges presented above, the 5-year Workplan (Attachment B) was designed to draw down the accrued and future Rule 20A allocations in an effort to maximize the number of undergrounding projects delivered. The status of projects listed in the current 5-year Workplan that are currently under design is provided in Attachment C.

COORDINATION

This memorandum has been coordinated with the City Attorney's Office. The Workplan and the schedule have been coordinated with PG&E.

CONCLUSION

Executive staff of Public Works continue to meet with their counterparts at PG&E to assist in resolving regulatory requirements and issues. Public Works project staff continues to meet with utility companies monthly to discuss project issues and schedule. These meetings have been successful, as staff can monitor project schedules closely and resolve issues immediately whenever possible. Staff will also work with our lobbyist to considering pursuing changes with Public Utility Commission legislation to improve delivery of 20A projects.

Comcast and AT&T have been able to keep up with the current workload of underground projects. Once all the issues are resolved, Comcast and AT&T may have to increase resources to keep up with PG&E's schedule. In addition, the City will have to seek additional funds to convert its own facilities (i.e. streetlights, traffic signals and irrigation controller cabinets) to receive power from an underground system and return with a plan to Council for additional resources to manage and inspect the construction of the utility undergrounding project.

KATY ALLEN
Director, Public Works Department

**RULE 20A and RULE 20B (IN-LIEU FEE)
UNDERGROUND UTILITY PROGRAM
2005/06 - 2010/2011 WORKPLAN**

PROPOSED PROJECT	TYPE OF PROJECT	COUNCIL DISTRICT	LEGISLATION ADOPTION DATE	CONSTRUCTION START	IN-LIEU FEE PROGRAM EXPENDITURES (Estimated)	RULE 20A PROGRAM EXPENDITURES (Estimated)
FY 2005/2006						
BEGINNING FUND BALANCE/RULE 20A ALLOCATION					\$2,903,147	\$30,687,128
RESERVE FOR ENCUMBRANCE					\$38,716	
2005/2006 REVENUE(ANTICIPATED)/RULE 20A ALLOCATION					\$1,350,000	\$4,084,099
4TH/5TH/6TH/7TH STREET (PHASE II), bounded by Santa Clara and St. John St. (Completed construction in Nov. 2005)	20A	3	5/7/2002	Completed		(\$3,000,000)
GUADALUPE GARDENS - Hedding/Taylor/Coleman (In Design)	20A	3	1/14/2003	Jun-06		(\$3,000,000)
Design - Saratoga Ave & Jackson Taylor Rule 20B Projects					(\$150,000)	
TOT. NON-CONSTRUCTION INCL. PROGRAM ADMINISTRATION (In-Lieu Fee-Rule 20B)					(\$90,000)	
PROGRAM ADMINISTRATION (Rule 20A)					(\$221,000)	
SUBTOTAL					\$461,000	\$6,000,000
ENDING FUND BALANCE					\$3,830,863	\$28,771,227
FY 2006/2007						
BEGINNING FUND BALANCE/RULE 20A ALLOCATION					\$3,830,863	\$28,771,227
2006/2007 REVENUE(ANTICIPATED)/RULE 20A ALLOCATION					\$1,420,000	\$4,100,000
SARATOGA AVENUE - Route 280 to Kiely (In Design)	20B	1	6/9/1998	Sep-06	(\$950,000)	
STEVENS CREEK BLVD - Stearns to Calert (In Design)	20A	1	2/10/2004	Oct-06		(\$450,000)
CAMDEN AVENUE, Bascom to Leigh (In Design)	20A	9	8/17/1993	Jan-07		(\$2,000,000)
JACKSON/TAYLOR - 4th to 9th (In Design)	20A & B	3	11/18/2005	Apr-07	(\$810,000)	(\$2,000,000)
TOT. NON-CONSTRUCTION INCL. PROGRAM ADMINISTRATION (In-Lieu Fee-Rule 20B)					(\$110,000)	
PROGRAM ADMINISTRATION (Rule 20A)					(\$231,000)	
SUBTOTAL					\$2,101,000	\$4,450,000
ENDING FUND BALANCE					\$3,149,863	\$28,421,227
FY 2007/2008						
BEGINNING FUND BALANCE/RULE 20A ALLOCATION					\$3,149,863	\$28,421,227
2007/2008 REVENUE(ANTICIPATED)/RULE 20A ALLOCATION					\$1,500,000	\$4,200,000
PARK/NAGLEE - Park, Naglee to Shasta & Naglee, Park to Bascom	20A	6	Mar-06	Aug-07		(\$1,700,000)
EVERGREEN PARK - Yerba Buena Rd. & San Felipe Rd. (In design)	20A	8	6/21/1998	Aug-07		(\$900,000)
MARKET/ALMADEN AVE. - Reed, Pierce, William, Balbach, Viola	20A	3	Jun-06	Nov-07		(\$2,500,000)
VASONA LRT: FRUITDALE AVENUE - Southwest to Meridian	20B	6	6/21/1994	Jan-08	(\$600,000)	
VASONA LRT: Stokes @ Southwest Expressway	20B	6	Dec-06	Apr-08	(\$600,000)	
TOT. NON-CONSTRUCTION INCL. PROGRAM ADMINISTRATION (In-Lieu Fee-Rule 20B)					(\$120,000)	
PROGRAM ADMINISTRATION (Rule 20A)					(\$241,000)	
SUBTOTAL					\$1,561,000	\$5,100,000
ENDING FUND BALANCE					\$3,088,863	\$27,521,227
FY 2008/2009						
BEGINNING FUND BALANCE/RULE 20A ALLOCATION					\$3,088,863	\$27,521,227
2008/2009 REVENUE(ANTICIPATED)/RULE 20A ALLOCATION					\$1,575,000	\$4,300,000
VASONA LRT: DELMAS/SAN FERNANDO, 87, Cahill, Auzerais, S Clara. MONTGOMERY ST. - Santa Clara to Park. PARK AVE. - Rte. 87 to Bird	20A & B	3	Sep-06	Jul-08	(\$800,000)	(\$3,500,000)
MONTEREY RD. - Willow to Curtner, inc. Cadwallier Plaza	20A	3, 7	6/20/1989	Jul-08		(\$1,500,000)
WHITE ROAD at Alum Rock Avenue (Alum Rock Library)	20A	5	Apr-07	Aug-08		(\$1,000,000)
McABEE ROAD - Juli-Lynn to Peralta	20B	10	Feb-07	Dec-08	(\$700,000)	
MERIDIAN AVENUE - Park to Auzerais	20B	6	Jun-07	Jan-09	(\$800,000)	
TOT. NON-CONSTRUCTION INCL. PROGRAM ADMINISTRATION (In-Lieu Fee-Rule 20B)					(\$130,000)	
PROGRAM ADMINISTRATION (Rule 20A)					(\$251,000)	
SUBTOTAL					\$2,681,000	\$6,000,000
ENDING FUND BALANCE					\$1,982,863	\$25,821,227

**RULE 20A and RULE 20B (IN-LIEU FEE)
UNDERGROUND UTILITY PROGRAM
2005/06 - 2010/2011 WORKPLAN**

PROPOSED PROJECT	TYPE OF PROJECT	COUNCIL DISTRICT	LEGISLATION ADOPTION DATE	CONSTRUCTION START	IN-LIEU FEE PROGRAM EXPENDITURES (Estimated)	RULE 20A PROGRAM EXPENDITURES (Estimated)
FY 2009/2010						
BEGINNING FUND BALANCE/RULE 20A ALLOCATION					\$1,982,863	\$25,821,227
2009/2010 REVENUE(ANTICIPATED)/RULE 20A ALLOCATION					\$1,650,000	\$4,400,000
ABORN ROAD - Renfield Wy to Thompson Creek (Evergreen Library)	20A	8	Sep-07	Jul-09		(\$1,500,000)
Coleman Avenue - Hedding St to Basset	20A	3	Feb-08	Feb-10		(\$2,000,000)
TULLY ROAD, Kenoga Dr to Senter Rd	20A	7	Jun-08	Feb-10		(\$1,500,000)
KIRK PARK, Foxworthy - Yucca to Briarwood	20A	9	Jul-08	Apr-10		(\$1,000,000)
LOS GATOS/ALMADEN ROAD - Union to Warwick	20B	9	Aug-08	Jul-10	(\$800,000)	
PEARL/HILLSDALE - Capitol to Hillsdale to Summer Creek	20B	6	Dec-08	Oct-10	(\$800,000)	
TOT. NON-CONSTRUCTION INCL. PROGRAM ADMINISTRATION (In-Lieu Fee-Rule 20B)					(\$140,000)	
PROGRAM ADMINISTRATION (Rule 20A)					(\$261,000)	
SUBTOTAL					\$2,001,000	\$6,000,000
ENDING FUND BALANCE					\$1,631,863	\$24,221,227

FY 2010/2011						
BEGINNING FUND BALANCE/RULE 20A ALLOCATION					\$1,631,863	\$24,221,227
2010/2011 REVENUE(ANTICIPATED)/RULE 20A ALLOCATION					\$1,732,000.00	\$4,500,000
McABEE ROAD - Peralta to Camden	20A	10	Aug-08	Jul-10		(\$1,000,000)
LINCOLN AVENUE - San Carlos to Coe	20A	6	Dec-08	Dec-10		(\$1,500,000)
De ANZA BLVD. - Rainbow to Prospect	20A	1	Jan-09	Apr-11		(\$1,500,000)
MUNICIPAL GOLF COURSE - Lundy/Old Oakland Rd./Murphy	20A	4	Apr-09	Jun-11		(\$1,000,000)
CANOAS GARDEN, Almaden to Masonic	20B	6	Oct-08	Sep-10	(\$800,000)	
McKee ROAD - Jackson to Jose Figueres	20B	5	Dec-08	Oct-10	(\$600,000)	
LUNDY AVE - Murphy to Old Hostetter	20B	4	Jan-09	Mar-11	(\$600,000)	
JULIAN STREET, The Alameda to Cinnabar	20B	6	Mar-09	Jun-11	(\$650,000)	
RESERVE FOR FUTURE SJRA PRIORITY PROJECTS	20A					(\$7,000,000)
RESERVE FOR FUTURE PARKS PROJECTS	20A					(\$8,000,000)
RESERVED FOR FUTURE RULE 20A PROJECTS	20A					(\$8,700,000)
TOT. NON-CONSTRUCTION INCL. PROGRAM ADMINISTRATION (In-Lieu Fee-Rule 20B)					(\$150,000)	
PROGRAM ADMINISTRATION (Rule 20A)					(\$271,000)	
SUBTOTAL					\$3,071,000	\$28,700,000
ENDING FUND BALANCE					\$292,863	\$21,227

FUTURE PRIORITY PROJECTS						
GROSBECK PARK, Klien Rd. - Hill to Norwood	20A	8	2010	2012		(\$1,000,000)
HAMANN PARK, Westfield - Central to Daniel	20A	6	2010	2012		(\$1,000,000)
PROSPECT ROAD - Saratoga to De Anza	20A	1	2011	2013		(\$1,500,000)
MINNESOTA AVE. - Lincoln to Iris	20A	6	2011	2013		(\$1,000,000)
BLOSSOM HILL, SNELL AVE - Judith to Snell, Giuffrida to Cheyenne	20A	2	2011	2013		(\$2,000,000)
						\$6,500,000

Note: Construction of Rule 20A Undergrounding projects are funded by utility companies.
Rule 20A Program administration cost is borne by the City.

PROJECT STATUS - UNDERGROUND UTILITY PROGRAM

Guadalupe Gardens Rule 20A UUD: This project was legislated in January 2003. It was initially delayed due to ongoing negotiations with PG&E with regard to aboveground cabinets and easement issues. In the current Workplan, this project was scheduled to start construction in June 2006.

The City applied guidelines that were established in the workshops to obtain no-cost easements. Issues related to aboveground cabinets and easements on or adjacent to City and Airport-owned land have been resolved. Those on private properties have not. The City contacted seven (7) private property owners to request no-cost easements; all owners denied the City's request. Staff provided this information to PG& E, and is awaiting a response.

City and PG&E staffs continue to resolve issues related to easements and special facilities on privately-owned properties. So as to avoid further delays in the overall delivery of the Guadalupe Gardens UUD, PG&E decided to construct this project in two phases. Phase I, the area bounded by Hedding Street, Coleman Avenue, Interstate 880 and Guadalupe River, will start construction in late October 2006. Construction in the balance of this UUD will commence as the issues get resolved.

Stevens Creek Rule 20A UUD: This project was legislated in February 2004 as a complement to the City of Cupertino's utility undergrounding project on Stevens Creek Boulevard. This project was scheduled in the current Workplan to start construction in October 2006. However, PG&E recently stated that it will defer this project because (1) this UUD is no longer a priority for the City of Cupertino and (2) City of San Jose higher-priority jobs that are currently in the schedule, making it necessary to move this project. The City of Cupertino stated to City of San Jose staff that the project is still a priority and they are waiting on PG&E.

PG&E proposes to start construction in 2008.

Camden Ave UUD: In the current Workplan, this project is scheduled to start construction in January 2007. PG&E reports that the project is in design and may be reengineered because of Comcast's cable upgrade project that modified its system in 2004, which would seem to make the proposed construction start date infeasible.

Jackson/ Taylor Rule 20A and Rule 20B UUD: This project, which was legislated in November 2005, was used as a pilot project to apply guidelines established in the workshop. The City was successful in applying the guidelines and provided the information to PG&E in October 2005. Executive staff of Public Works and PG&E met several times on this project and was able to successfully resolve the aboveground cabinet issue. PG&E agreed to use Rule 20A allocations to place the majority of its facilities in subsurface vaults. Two cabinets within the project will be placed aboveground in no-cost easements on private properties as agreed to by the property owners.

ATTACHMENT C

Project Status – Underground Utility Program

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In the current Workplan, this project is scheduled to start construction in April 2007. However, PG&E has informed the City that construction will begin in September 2007. Staff believes the delay is due to PG&E's resources and funding issues. Another contributing factor was PG&E's internal delay in resolving the special facilities issues.

Saratoga Ave Rule 20B UUD: In the current workplan, this project is scheduled to start construction September 2006. The project is two months behind schedule due to a delay in PG&E's design of its system. The City is presently designing this project and will manage its construction.

Park/Naglee Rule 20A UUD: This project was legislated in March 2006. According to PG&E, the project is on schedule. It is currently in design and will start construction in August 2007. Guidelines set forth in the workshop were applied to request no-cost easements of private property owners in May 2006. All but two denied the request. PG&E was provided this information in June 2006 and revisited the project site in July 2006. Reasoning that properties with smaller front yards cannot be burdened with aboveground cabinets, PG&E agreed to place these facilities subsurface in the public right-of-way at no cost to the City.

PG&E has requested that the City contact the property manager of Hoover Elementary School, located at the southwest corner of Park and Naglee Avenues, to renegotiate an easement request. Initial contact was made in May 2006 to request easements for 15 aboveground cabinets, but the property manager denied the City's request, citing safety concerns and the designation of the Hoover School building as an historic site. However, the property manager stated he was willing to grant easements for sub-surface structures (vaults). This information was provided to PG&E, but PG&E has deemed unacceptable the property manager's denial of the easement request for aboveground cabinets. City staff is in the process of renegotiating with the property manager. If the City is unable to obtain easements, the project may be delayed.

Evergreen Park Rule 20A UUD: PG&E reports that the project is in design and scheduled to start construction in August 2007.

Market/Almaden Rule 20A UUD: The project was legislated in June 2006. PG&E reports that the project is on schedule to start construction in November 2007.