



## **Staff Report**

---

### **PG&E RULE 20A FUNDING FOR THE OLD COUNTY ROAD UNDERGROUNDING PROJECT IN BELMONT**

Honorable Mayor and Council Members:

#### **Summary**

The current PG&E utility undergrounding project on Old County Rd has a funding shortfall of approximately \$ 2.1 mil dollars. In order to avoid reducing the scope of the project, the City Manager is requesting City Council approval of the attached resolution. This resolution would give the City Manager authority to make a formal request of the City of Foster for transfer of approximately \$ 1.7 mil in PG&E Rule 20A account funds at PG&E from the City of Foster City account at PG&E to the City of Belmont. This is possible by virtue of the fact that all of the City of Foster City's utilities are already undergrounded and according to PG&E, they cannot make use of their account balance. The City of Foster City is currently considering this request, but a formal City Council resolution of authority is necessary.

#### **Background**

***Belmont's Old County Rd Underground Project*** - On April 8, 2003, the City Council established the Old County Road and Masonic Way Underground Utility District by Resolution 9389. The project includes undergrounding of existing overhead power and communication utilities along Old County Road and one block of Masonic Way between Old County Road and Granada Street. Placing these utilities underground have been proposed to improve the safety, convenience and aesthetics of these heavily traveled streets.

On May 13, 2003, the City Council adopted another resolution to allow the option to use Rule 20A Funds for installation of 100' of underground service laterals and up to \$1,500 for the conversion on electric service panels within the established underground district. Relocation costs exceeding these limits will be the property owner's obligation.

Staff has been coordinating this project with PG&E since 2003. However, because of the tremendous construction work loads, PG&E indicates they have not constructed any Rule 20A projects in San Mateo County for many years. In 2007, PG&E expedited the process because of the City's need to obligate \$134,000 Surface Transportation Fund (STP) for the pavement rehabilitation project on Old County Road south of Ralston Avenue. The funding has an obligation deadline in FY 2008-09.

In May 2008, PG&E began construction work on the joint underground utility trenches along Old County Road from Ralston Avenue southward toward the city/county limit. PG&E indicates the whole project will be constructed in three phases. The first phase includes installation of the substructure, conduits, and service boxes for the new electric, telephone, and cable TV services.

The second phase will consist of each utility pulling wires through the underground conduits and installing ancillary equipment, such as transformers and switch boxes. The overhead lateral services for each property will be undergrounded in this phase. Finally, once all the properties have been converted, the overhead wires and the wooden utility poles will be removed (Phase Three).

Phase one of the undergrounding project between Ralston Avenue and the south city limit is now complete. PG&E indicates the next step is to complete the Phase One work of the remaining portion on Old County Road north of Ralston Avenue. Phase Two and Three will follow after all the underground substructures are installed in Phase One.

PG&E has provided the City a tentative schedule for the remaining work:

Phase One (Ralston Avenue to south City limit)	Completed in 9/08
Phase One (Ralston Avenue to Marine View)	3/09 – 12/09
Phase Two	1/10 – 6/10
Phase Three	7/10 – 12/10

### **Discussion**

Since the Old County Rd underground utility project total estimated project cost significantly exceeds the current available City of Belmont account balance at PG&E for use of Rule 20A funds (See fiscal section below), the project scope of work along Old County Rd will have to be reduced unless a new funding source can be obtained through transfer of Rule 20A funds from another entity in the PG&E service area. PG&E staff has informed Belmont staff of a unique situation with the City of Foster City's Rule 20A account at PG&E. The City of Foster City has a Rule 20A account balance of approximately \$ 1.7 mil. However, because the City of Foster City's entire utility system has already been undergrounded, there is no legal use of these Rule 20A funds for Foster City. The two City's City Manager's from Belmont and Foster City have had information discussions about this and PG&E staff is working with both cities to facilitate a possible voluntary transfer of funds to the Old County Rd underground project in Belmont. Before this concept can be pursued further, however, formal authority from the Belmont City Council is required.

### **General Plan/Vision Statement**

This project is consistent with the General Plan Public Facilities and Services Goals section (Paragraph 2041), which states "To provide public services at a level adequate to ensure public safety, health and welfare at the lowest possible cost; to establish and maintain all essential

public services and facilities in a manner that ensures continued operation in time of emergency.”

### **Fiscal Impact**

In 2003 when the underground district was adopted, the total construction cost for the Old County Rd undergrounding project was estimated at \$ 2,200,000 with a total length of 5800 ft. Today, the revised cost estimate for this 5800 ft distance exceeds \$ 5.2 mil. This amount exceeds the current Rule 20A account balance available in the City of Belmont’s account at PG&E as of June 30, 2008 by approximately \$ 2.6 mil. Since the total estimated project cost exceeds the current fund balance, the project scope of work will have to be reduced unless a new funding source can be obtained through transfer of Rule 20A funds from another entity in the PG&E service area.

This report is proposing the City of Belmont pursue a voluntary transfer of Rule 20A fund account balances totaling approximately \$ 1.7 mil from the City of Foster City’s PG&E account balance to the City of Belmont’s Old County Rd. project. Should this voluntary transfer be agreed to by the City of Foster City, the Old County Rd project would still have a remaining shortfall of approximately \$ 0.4 mil. In order to allow this project to be completed as scheduled, PG&E indicates they will advance the City's annual work credit up to five years as allowed to cover the amount in excess of the 2008 allocation. No additional funding would be required from the City of Belmont.

### **Public Contact**

The Council agenda was posted.

### **Recommendation**

The City Manager recommends approval of the attached resolution authorizing the City Manager to pursue a formal request from the City of Foster City of surplus Rule 20A funds in the approximate amount of \$ 1.7 mil for the Old County Rd utility undergrounding project.

### **Alternatives**

- a) Refer the matter back to staff to explore other funding concepts
- b) Refer the matter back to staff to explore Rule 20A funding transfers from entities other than Foster City
- c) Reduce the scope of work to match the existing budget
- d) Refer the matter to the Council Infrastructure Committee
- e) Refer the matter to the Finance Commission

### **Attachments**

- A. Resolution
- B. PG&E Rule 20A Verbatim regulation

Respectfully submitted,

---

Jack R. Crist  
City Manager

Staff Contact:

Jack Crist, City Manager  
650-595-7410

[jcrist@belmont.gov](mailto:jcrist@belmont.gov)

**RESOLUTION NO. \_\_\_\_\_**

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BELMONT  
AUTHORIZING THE CITY MANAGER TO MAKE A FORMAL REQUEST TO THE  
CITY OF FOSTER CITY FOR A TRANSFER OF PG&E RULE 20A ALLOCATION  
FUNDS FROM THE CITY OF FOSTER CITY ACCOUNT AT PG&E TO THE CITY OF  
BELMONT ACCOUNT**

**WHEREAS**, in the later part of 1967, the California Public Utilities Commission decided Case No. 8209 which established a program (commonly referred to as an “Undergrounding” program); and under which regulated electric utilities are required to budget funds annually for use by communities they serve to convert utility overhead distribution lines to underground; and

**WHEREAS**, Pacific Gas & Electric Company’s (PG&E) program (commonly referred to as the “Rule 20A” program) provides that uncommitted credits in a community’s undergrounding account may be transferred to communities with active undergrounding programs; and

**WHEREAS**, the City of Belmont currently has an approved 5800 ft. utilities undergrounding project along all of Old County Road within the Belmont City limits (from North Road/Sterling View street to 1406 Old County Road) and Masonic Way (between Old County Road and Granada Street); and

**WHEREAS**, as of September 17, 2008 the estimated uncommitted credits in the City of Foster City’s Rule 20A allocation account at PG&E for converting PG&E facilities was approximately \$ 1.7 million; and

**WHEREAS**, the City of Belmont’s Old County Road undergrounding project cost estimate of \$5.2 million exceeds the City of Belmont’s Rule 20A allocation account balance of \$ 2.6 million by approximately \$2.6 million; and

**WHEREAS**, PG&E has informed the City of Belmont it will be responsible for funding the remaining difference over and above the requested approximate \$1.7 million by using its future allocated Rule 20A credits; and

**WHEREAS**, the City of Foster City’s entire electric distribution system is already underground and PG&E representatives have indicated that Foster City cannot utilize Rule 20A funds for any other purpose. Belmont City staff will need to discuss this issue with the Foster City staff; and

**WHEREAS**, PG&E has suggested the two cities of Belmont and Foster City voluntarily negotiate and agree to a transfer of Rule 20A PG&E account funds totaling approximately \$ 1.7 million from the City of Foster City to the City of Belmont; and

**WHEREAS**, the City Manager’s of the two cities have discussed this matter informally and the City of Foster City’s City Manager is evaluating the request at this time; and

**WHEREAS**, this matter has previously been discussed by the City Council of the City of Belmont as well as the Belmont City Council's Infrastructure Committee; and

**WHEREAS**, the City of Belmont City Manager is seeking Belmont City Council authority to formally make this request of the City of Foster City.

**NOW, THEREFORE, BE IT RESOLVED** by the City Council of the City of Belmont that the City Manager is hereby authorized and directed to make a formal request to the City of Foster City for the voluntary transfer of Rule 20A funds in the approximate amount of \$ 1.7 million from the City of Foster City's account balance at PG&E to the City of Belmont's account at PG&E.

\* \* \* \* \*

I hereby certify that the foregoing Resolution was duly and regularly passed and adopted by the City Council of the City of Belmont at a regular meeting thereof held on February 10, 2009 by the following vote:

AYES, COUNCILMEMBERS: \_\_\_\_\_

NOES, COUNCILMEMBERS: \_\_\_\_\_

ABSTAIN, COUNCILMEMBERS: \_\_\_\_\_

ABSENT, COUNCILMEMBERS: \_\_\_\_\_

\_\_\_\_\_  
CLERK of the City of Belmont

APPROVED:

\_\_\_\_\_  
MAYOR of the City of Belmont

## Attachment B

### *PG&E Rule 20A Verbatim* — REPLACEMENT OF OVERHEAD WITH UNDERGROUND ELECTRIC FACILITIES

A. PG&E will, at its expense, replace its existing overhead electric facilities with underground electric facilities along public streets and roads, and on public lands and private property across which rights-of-ways satisfactory to PG&E have been obtained by PG&E, provided that:

1. The governing body of the city or county in which such electric facilities are and will be located has:
  - a. Determined, after consultation with PG&E and after holding public hearings on the subject that such undergrounding is in the general public interest for one or more of the following reasons:
    - 1) Such undergrounding will avoid or eliminate an unusually heavy concentration of overhead electric facilities;
    - 2) The street or road or right-of-way is extensively used by the general public and carries a heavy volume of pedestrian or vehicular traffic;
    - 3) The street or road or right-of-way adjoins or passes through a civic area or public recreation area or an area of unusual scenic interest to the general public; and
    - 4) The street or road or right-of-way is considered an arterial street or major collector as defined in the Governor's Office of Planning and Research General Plan Guidelines.
  - b. Adopted an ordinance creating an underground district in the area in which both the existing and new facilities are and will be located requiring, among other things, (1) that all existing overhead communication and electric distribution facilities in such district shall be removed, (2) that each property served from such electric overhead facilities shall have installed in accordance with PG&E's rules for underground service, all electrical facility changes on the premises necessary to receive service from the underground facilities of PG&E as soon as it is available, and (3) authorizing PG&E to discontinue its overhead service.
2. PG&E's total annual budgeted amount for undergrounding within any city or the unincorporated area of any county shall be allocated as follows:
  - a. The amount allocated to each city and county in 1990 shall be the highest of:
    - 1) The amount allocated to the city or county in 1989, which amount shall be allocated in the same ratio that the number of overhead meters in such city or unincorporated area of any county bears to the total system overhead meters; or

- 2) The amount the city or county would receive if PG&E's total annual budgeted amount for undergrounding provided in 1989 were allocated in the same ratio that the number of overhead meters in each city or the unincorporated area of each county bears to the total system overhead meters based on the latest count of overhead meters available prior to establishing the 1990 allocations; or
  - 3) The amount the city or county would receive if PG&E's total annual budgeted amount for undergrounding provided in 1989 were allocated as follows:
    - a) Fifty percent of the budgeted amount allocated in the same ratio that the number of overhead meters in any city or the unincorporated area of any county bears to the total system overhead meters; and
    - b) Fifty percent of the budgeted amount allocated in the same ratio that the total number of meters in any city or the unincorporated area of any county bears to the total system meters.
- b. Except as provided in Section 2.c., the amount allocated for undergrounding within any city or the unincorporated area of any county in 1991 and later years shall use the amount actually allocated to the city or county in 1990 as the base, and any changes from the 1990 level in PG&E's total annual budgeted amount for undergrounding shall be allocated to individual cities and counties as follows:
- 1) Fifty percent of the change from the 1990 total budgeted amount shall be allocated in the same ratio that the number of overhead meters in any city or unincorporated area of any county bears to the total system overhead meters; and
  - 2) Fifty percent of the change from the 1990 total budgeted amount shall be allocated in the same ratio that the total number of meters in any city or the unincorporated area of any county bears to the total system meters.
- c. When a city incorporates, resulting in a transfer of utility meters from the unincorporated area of a county to the city, there shall be a permanent transfer of a prorate portion of the county's 1990 allocation base referred to in Section 2.b. to the city. The amount transferred shall be determined:
- 1) Fifty percent based on the ratio that the number of overhead meters in the city bears to the total system overhead meters; and
  - 2) Fifty percent based on the ratio that the total number of meters in the city bears to the total system meters.

When territory is annexed to an existing city, it shall be the responsibility of the city and county affected, in consultation with the Utility serving the territory, to agree upon an amount of the 1990 allocation base that will be transferred from the county to the city, and thereafter to jointly notify PG&E in writing.

- d. However, Section 2 a, b, and c shall not apply to PG&E where the total amount available for allocation under Rule 20-A is equal to or greater than 1.5 times the previous year's statewide average on a per customer basis. In such cases, PG&E's total annual budgeted amount for undergrounding within any city or the unincorporated area of any county shall be allocated in the same ratio that the number of overhead meters in the city or unincorporated area of any county bears to the total system overhead meters.
  - e. Upon request by a city or county, the amounts allocated may be exceeded for each city or county by an amount up to a maximum of five years' allocation at then-current levels where PG&E establishes additional participation on a project is warranted and resources are available. Such allocated amounts may be carried over for a reasonable period of time in communities with active undergrounding programs. In order to qualify as a community with an active undergrounding program the governing body must have adopted an ordinance or ordinances creating an underground district and/or districts as set forth in Section A.1.b. of this Rule. Where there is a carry-over or additional requested participation, as discussed above, PG&E has the right to set, as determined by its capability, reasonable limits on the rate of performance of the work to be financed by the funds carried over. When amounts are not expended or carried over for the community to which they are initially allocated they shall be assigned when additional participation on a project is warranted or be reallocated to communities with active undergrounding programs.
3. The undergrounding extends for a minimum distance of one block or 600 feet, whichever is the lesser.

Upon request of the governing body, PG&E will pay from the existing allocation of that entity for:

- a. The installation of no more than 100 feet of each customer's underground electric service lateral occasioned by the undergrounding.
- b. The conversion of electric service panels to accept underground service, up to \$1,500 per service entrance, excluding permit fees.

The governing body may establish a smaller footage allowance, or may limit the amount of money to be expended on a single customer's electric service, or the total amount to be expended on all electric service installations in a particular project.

- B. In circumstances other than those covered by A above, PG&E will replace its existing overhead electric facilities with underground electric facilities along public streets and roads or other locations mutually agreed upon when requested by an applicant or applicants when all of the following conditions are met:
  1. a. All property owners served from the overhead facilities to be removed first agree in writing to have the wiring changes made on their premises so that service may be furnished from the underground distribution system in

accordance with PG&E's rules and that PG&E may discontinue its overhead service upon completion of the underground facilities; or

- b. Suitable legislation is in effect requiring such necessary wiring changes to be made and authorizing PG&E to discontinue its overhead service.
  2. The applicant has:
    - a. Furnished and installed the pads and vaults for transformers and associated equipment, conduits, ducts, boxes, pole bases and performed other work related to structures and substructures including breaking of pavement, trenching, backfilling, and repaving required in connection with the installation of the underground system, all in accordance with PG&E's specifications, or, in lieu thereof, paid PG&E to do so;
    - b. Transferred ownership of such facilities, in good condition, to PG&E; and
    - c. Paid a nonrefundable sum equal to the excess, if any, of the estimated costs, of completing the underground system and building a new equivalent overhead system.
  3. The area to be undergrounded includes both sides of a street for at least one block or 600 feet, whichever is the lesser, and all existing overhead communication and electric distribution facilities within the area will be removed.
  4. PG&E may, when requested by the city or county and mutually agreed upon by such government entity and PG&E, initially fund any required engineering/design costs for conversion projects under this section. In the event such a project proceeds, the requesting city or county shall reimburse PG&E for such engineering/design costs before PG&E shall be required to commence further work on the project. In the event the project is not approved to proceed within two and one-half years of PG&E's delivery of such engineering/design study, the requesting city or county shall reimburse PG&E for its costs of such engineering/design study within 90 days of a demand by PG&E. In the event payment is not received PG&E shall expense such costs as an operational cost and shall reduce the city or county's allocations provided under Section A of this Schedule by the amount.
  5. The costs of removal of the overhead poles, lines, and facilities are the responsibility of PG&E and will be paid by PG&E. Such payments shall not operate to reduce Rule 20-A allocations.
- C. In circumstances other than those covered by A or B above, when mutually agreed upon by PG&E and an applicant, overhead electric facilities may be replaced with underground electric facilities, provided the applicant requesting the change pays, in advance, a nonrefundable sum equal to the estimated cost of the underground facilities less the estimated net salvage value and depreciation of the replaced overhead facilities. Underground services will be installed and maintained as provided in PG&E's rules applicable thereto.
- D. The term "underground electric system" means an electric system with all wires installed underground, except those wires in surface mounted equipment enclosures.