

DATE ISSUED: May 22, 2002

REPORT NO. 02-117

ATTENTION: Honorable Mayor and City Council  
Docket of May 28, 2002

SUBJECT: Allocation of Underground Conversion Projects for FY 2003 and  
Amendments to Council Policy 600-8

REFERENCE: Managers Report 01-256, dated December 5, 2001

### SUMMARY

Issues - Should the City Council:

1. Adopt a resolution amending Council Policy 600-08, *Underground Conversion of Utility Lines by Utility Company* to:
  - a. Establish a formula for the division of the annual available allocation for undergrounding.
  - b. Establish a two tier allocation system - one for Rule 20A underground projects and the other for surcharge funded underground projects.
  - c. Establish how surcharge allocations may be used toward assessment districts.
  - d. Establish how underground surcharge funds will be allocated toward residential and alley projects?
2. Adopt a resolution, per Council Policy 600-08, adopting a master plan for undergrounding of overhead utilities?
3. Adopt a resolution, per Council Policy 600-08, approving an allocation of underground conversion projects totaling \$37 million?..

Manager's Recommendation -

1. Adopt a resolution amending Council Policy 600-08, *Underground Conversion of Utility Lines by Utility Company* to:
  - a. Establish a formula for the division of the annual available allocation for undergrounding.
  - b. Establish a two tier allocation system- one for Rule 20A underground projects and the other for surcharge funded underground projects.
  - c. Establish how surcharge allocations may be used toward assessment districts.
  - d. Establish how underground surcharge funds will be allocated toward residential and alley projects.
2. Adopt a resolution, per Council Policy 600-08, adopting a master plan for undergrounding of overhead utilities.
3. Adopt a resolution, per Council Policy 600-08, approving the allocation of

underground conversion projects totaling \$37 million....

Fiscal Impact - None with this action. Projects on this list will be brought before Council individually for public hearings to create Underground Utility Districts.

Currently, TransNet funding is utilized to fund City incurred costs associated with undergrounding such as street light and traffic signal conversion. Additionally, at this..time, the CPUC is being asked to approve the creation of an Underground Surcharge..Fund for the residents of the City of San Diego. Funds from this surcharge would be used for expenditures currently paid with TransNet funds.

Projects identified as part of this action would be designed in Fiscal Year 2003 and constructed by SDG&E in calendar year 2004; city incurred expenditures to install street lighting would also occur in 2004. Thus, should the CPUC not approve the Underground Surcharge, then additional funding would need to be identified as part of the Fiscal Year 2004 budget.

## BACKGROUND

On January 28, 2002, the City Council approved ordinances relative to the SDG&E franchise. A provision of these actions provided that SDG&E would implement an electric surcharge and agree to other actions to provide funding and necessary mechanisms to ensure undergrounding of utility lines occur at a yearly rate equal to 4.5% of gross electric revenues.

Council Policy 600-08 requires the City Manager to bring before the Council a master plan for approval not later than June 30<sup>th</sup> each year, reflecting the complete list of all overhead utilities within the City. In addition, the policy also requires that the City Council will approve an allocation of underground conversion projects each year not later than June 30<sup>th</sup>.

## DISCUSSION

### Allocation Division:

The City Manager is recommending a change to Council Policy 600-08, that provides an allocation formula detailing the division of the available underground funds. This formula would be applied to both the allocation of CPUC Rule 20A allocations and Surcharge Allocations independently. The formula for the division of allocations is as follows:

1. The division of the total CPUC Rule 20A allocation available for any given year shall be as follows:

10% shall be allocated to city-wide projects at the discretion Mayor with the approval of the City Council.

45% shall be allocated equally among all Council Districts with qualified Rule 20A projects.

45% shall be allocated among all Council Districts with qualified Rule 20A projects based on the percentage amount of Major and Collector street miles of overhead lines within that district to the total City-wide Major and Collector street miles of overhead lines

2. The division of the total surcharge allocation available for any given year shall be as follows:

10% shall be allocated to city-wide projects at the discretion of the Mayor with the

approval of the City Council.

45% shall be allocated equally among all Council Districts with public residential streets and public alleys with overhead electrical facilities.

45% shall be allocated equally among all Council Districts with public residential streets and alleys with overhead electrical, based on the percentage amount of public residential and alley miles of overhead lines within that district to the total City-wide public residential and alley street miles of overhead lines.

#### 2002 Allocation of Projects:

In order to allow utilities time to ramp up to the desired undergrounding pace, and in accordance with the MOU with SDG&E, the allocation for June 2002 is not to exceed a total of \$37 million. Of this amount, \$20 million will be CPUC Rule 20A allocation and \$17 million will be projects funded by the surcharge.

Per the proposed allocation formula for CPUC Rule 20A projects, as outlined in the proposed amendment to Council Policy 600-08, and in keeping as close as possible to the proposed master plan for CPUC Rule 20A projects, a proposed list of projects to be allocated for 2002 is attached in attachment "A" for approval by the Council. Those projects identified with an asterisk will be constructed under the CPUC Rule 20A program. Those projects not identified with an asterisk will be funded with Surcharge funds, contingent upon CPUC approval.

Due to the limited number of funds available for use as surcharge funds and the difficulty in the application of Council Policy 600-08 uniformly and fairly across all Council Districts for the use of the first year surcharge funds, the City Manager recommends that all projects identified on the 2002 list of allocations meet the requirements of CPUC Rule 20A. Thus, should the CPUC not approve the Underground Surcharge, those additional projects to be constructed with surcharge funds would carry over into the following years allocation of Rule 20A projects.

In addition, because surcharge funds will be used primarily towards those projects such as residential streets and public alleys that have traditionally not qualified for undergrounding, the City Manager is still in the process of identifying all potential projects, as well as developing a process for public input into the prioritization of these projects. Not allocating any surcharge funds to these projects the first year will enable the completion of this process. The first allocation of surcharge funds to these projects would occur with the allocation list of June 2003.

#### Master Plan:

The master plan is composed of two parts. One master plan for all CPUC Rule 20A eligible projects (attachment "B") and another master plan for all non eligible CPUC Rule 20A projects - namely, residential and alley projects (attachment "C"). Non eligible CPUC Rule 20A projects are those projects constructed with underground surcharge funds.

- A. CPUC Rule 20A Master Plan - The master plan for CPUC Rule 20A projects comprises all known projects within the City that meet Rule 20A criteria and are in order based on four factors:
1. The priorities as outlined in Council Policy 600-08.
  2. Input from the Council Districts
  3. Constraints of the yearly allocation of CPUC Rule 20A allocations
  4. Allocation Constraints for each Council District based upon the allocation division formula.

The master plan for CPUC Rule 20A projects is designed to provide SDG&E with sufficient qualified projects in order to expend all available funds through the end of the existing franchise (19 years).

- B. Master Plan for Surcharge Projects - The master plan for surcharge projects is comprised of all known residential streets and alleyways within the City based upon data provided by SDG&E, as per the MOU and the SDMC. This data has been sorted to determine quantity and location of overhead, but insufficient time remains prior to the adoption of the surcharge master plan to sufficiently obtain public input as to the priority of the proposed surcharge plan.

The City Manager is recommending that those projects which will be constructed with surcharge dollars be constructed in project “blocks.” The blocks for each Council District would be in a size equal to the amount of estimated undergrounding which could occur given the allocation level for that district. The City manager is recommending changes to Council Policy 600-08 which would:

1. Require that each Council District only allocate one “block” per year, but that the proposed blocks could be adjusted based on any given years allocation level.
2. Require that blocks cannot be split into pieces but must be contiguous.
3. Require that blocks cannot be reduced in order to use surcharge funds to construct additional Rule 20A qualified projects.
4. Require that in as much as possible, to avoid a patchwork of overhead and underground systems by allocating blocks contiguous to one another.

For the 2002 surcharge master plan, the location of the overhead facilities and proposed project “blocks” are provided but not prioritized; and it is requested that Council approve this non-prioritized plan and provide until the master plan of 2003 for the first prioritized plan.

- C. Transmission Systems and Open Spaces - The master plan contains no information regarding transmission systems. For planning purposes, SDG&E was not able to provide that information in a suitable format to meet the time schedules for this plan. SDG&E has indicated that this information will be available in a usable format by June or July 2002. For the 2003 master plan, the transmission systems will be incorporated into the plan that will be brought before the Council.

The manager recommends an amendment to Council Policy 600-08, that no open spaces or canyon projects will be allocated within the City, until such time that all Major Streets, Collector Streets, Residential Streets and Public Alleys that can feasibly be done, have been allocated.....

#### Cost Sharing Provision for Assessment Districts:

The City Manager is recommending an amendment to Council Policy 600-08 that would establish a City cost sharing provision for those private entities who wish to partially fund underground conversions. Such cost sharing is an efficient use of surcharge funds and encourages private investment in these types of projects.

The proposed amendment would provide that: At the discretion of any given Council District, surcharge allocations for any given year may include an allocation contribution of surcharge funds towards some assessment district costs for the conversion of overhead lines; or towards other privately financed underground conversion projects costs, according to the following provisions:

1. No surcharge funds may be contributed towards any initial deposit used for design or project feasibility purposes.
2. A contribution of surcharge funds may not exceed 75% for any assessment district formation cost or other project formation costs.
3. No maximum limit on surcharge fund contribution towards construction costs.
4. Any surcharge funds contributed towards an assessment district or other privately funded underground conversion project shall be subtracted from that districts pro rata allocation of surcharge funds.
5. Any contribution of surcharge funds towards an assessment district or other privately funded underground conversion project shall be identified as part of the yearly allocation list of underground conversion projects. Allocation of surcharge funds may not occur prior to approval of the annual allocation.

ALTERNATIVES

Do not approve this proposal.  
Approve other or modified proposal.

Respectfully Submitted,

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Frank Belock, Jr.....  
Director, Engineering and Capital Projects...

Approved:

George I. Loveland  
Senior Deputy City Manager

Patti Boekamp  
Chief Deputy Director, Transportation and Drainage Design  
Engineering and Capital Projects

BELOCK/BOEKAMP/NB

Note: The attachments are not available in electronic format. A copy is available for review in the Office of the City Clerk.

- Attachments:
- A. Recommended 2003 Allocation List of Projects
  - B. Master Plan for CPUC Rule 20A Projects
  - C. Master Plan for Surcharge Projects (Residential Streets and Alleys)