

DATE ISSUED: June 16, 2005

REPORT NO. 05-149

ATTENTION: Honorable Mayor and City Council  
Docket of June 21, 2005

SUBJECT: Status of Underground Conversion Program

SUMMARY

Issues - Should the City Council: 1) Adopt a resolution, per Council Policy 600-08, approving a revised master plan for undergrounding of overhead utilities; 2) Adopt a resolution, per Council Policy 600-08, approving an allocation of CPUC Rule 20 (A) underground conversion projects totaling \$12.0 million; 3) Adopt a resolution, per Council Policy 600-08, approving an allocation of Surcharge underground conversion projects totaling 32.1 million?

Manager's Recommendation - 1) Adopt a resolution, per Council Policy 600-08, approving a revised master plan for undergrounding of overhead utilities; 2) Adopt a resolution, per Council Policy 600-08, approving an allocation of CPUC Rule 20 (A) underground conversion projects totaling \$12.0 million; 3) Adopt a resolution, per Council Policy 600-08, approving an allocation of Surcharge underground conversion projects totaling 32.1 million?

Fiscal Impact - None with this action. Projects on the approved FY 2006 allocation list will be brought before Council individually for public hearings to create Underground Utility Districts. Projects identified as part of this action would be designed in calendar year 2006-2007 and constructed by SDG&E beginning in the latter half of calendar year 2007 or early 2008.

## 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 that not later than January 31<sup>st</sup> and June 30<sup>th</sup> of each year, City staff shall report to the City Council the status of all allocated underground conversion projects, as well as the status of expenditures and the underground conversion account.

Council Policy 600-08 requires the City Manager to bring before the Council a master plan for approval by 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 by June 30<sup>th</sup>.

## DISCUSSION

### A. **Status of Allocated Projects:**

There are currently 51 underground conversion projects in construction which encompasses over 48.1 miles, 2,577 customers and estimated construction costs of approximately \$81.9 million. Eighteen (18) of these are Rule 20A and 33 are Surcharge-funded projects.

Another 16 projects (11 surcharge, 5 Rule 20A) encompassing 22.8 miles, 2,413 customers, and estimated construction costs of approximately \$43.2 million are scheduled to begin construction before the end of the current calendar year.

In calendar year 2005, it is estimated that 28 of the surcharge projects totaling 20.7 miles, affecting 1,487 customers and estimated at \$41.8 million will complete construction (with the exception of SBC).

In calendar year 2005, it is expected that 12 Rule 20A projects totaling 13.5 miles, affecting 542 customers and estimated at \$22.6 million will complete construction.

In September 2005 the first large residential block projects which were allocated in FY 2004 are scheduled to begin construction.

*The status of all allocated underground conversion projects can be seen in Attachment 1.*

**B. Status of Conversion Funds:**

1. In calendar year 2005, SDG&E is required to expend \$11,573,519 million in Rule 20A expenditures.

As of March 31, 2005, SDG&E has indicated they have spent approximately \$3,196,169 on CPUC Rule 20A projects within the City of San Diego thus far during the calendar year.

2. Approximately \$92.5 million in Surcharge revenues has been deposited into the Undergrounding Surcharge Fund (30100) since collection began in January 2003.

Currently, the City has spent approximately \$64.2 million on conversion projects with the Undergrounding Surcharge Fund (30100).

*The status of the Undergrounding Surcharge Fund (30100) as of March 25, 2005 can be seen in Attachment 2.*

**C. Undergrounding Master Plan:**

The first prioritized master plan to completely underground the approximately 970 miles of overhead utilities within the City of San Diego streets and alleys was approved by Council along with the allocation of the first residential surcharge blocks in October 2003.

Upgrades to the Master Plan for FY 2007 will include improved and expanded project details showing the limits of each project, various stages of each project (design, construction, and completion), and standardization of the symbols through out the manual. Other improvements that will take place are: better labeling of street names, address hundred blocks, easier to read legends, estimated number of customers affected, estimated trench footages and other attribute data. Other new data that will be added to the plan will be the display of existing utility poles, open space areas, and canyons that have existing overhead lines running through them. This and other data will be introduced to make finding information in the Master Plan much easier. These upgrades will simplify and will greatly improve the value of this manual.

*The Revised Undergrounding Master Plan for Fiscal Year 2006 can be seen in Attachment 3.*

D. **FY 2006 Annual Allocation:**

1. For FY 2006 this includes an allocation of approximately \$12.0 million in surcharge-funded residential project blocks. These projects would begin construction sometime in late 2007 and into 2008.
2. For FY 2006 this includes an allocation of approximately \$32.1 million in Rule 20(A) funded residential project blocks. These projects would begin construction sometime in mid 2007.

*The Proposed FY 2006 Undergrounding Allocation can be seen in Attachment 4.*

E. **SBC's non-participation in City's expanded Underground Program:**

In December 2004, the City Council approved a settlement agreement with SBC California [SBC] that would secure SBC's participation in the expanded Underground Utility Program. This agreement is contingent upon the California Public Utilities Commission's approval of a cost recovery mechanism for SBC.

The Agreement required SBC to file an Application with the CPUC for permission to collect a surcharge from its customers to cover SBC's undergrounding costs. SBC did so on March 3, 2005. SBC estimates the cost to be \$0.94 per month per customer. The monthly surcharge would be adjusted annually by the CPUC to reflect SBC's actual costs. The monthly surcharge will be marked on SBC telephone bills as a City of San Diego undergrounding surcharge.

While the Application is pending, the City will continue to pay SBC to design underground conduit which the City will install in conjunction with the relocation of SDG&E and cable company lines. This avoids the need to re-trench City streets when the time comes to relocate SBC facilities. If the Application is approved, SBC will be allowed to accumulate six months worth of surcharge funds before it begins to remove its overhead lines. The oldest projects are anticipated to be converted first, as SBC hires additional staff over four years to keep pace with the City's expanded program. SBC will purchase the conduit previously installed by the City while the Application was pending. The City will absorb the conduit installation costs, including SBC's share of the joint trench costs, as the City now does for Cox and Time-Warner. This is estimated to be approximately \$2 million per year, and will be paid from SDG&E franchise fee funds.

If the Application is not approved by the CPUC, or approved for only a portion of SBC's actual costs, then the City and SBC will meet to discuss other alternatives to secure SBC's participation in the Underground Utility Program.

F. **Public Outreach:**

In order to accommodate a high volume of inquiries to the program, a telephone hotline was previously established to directly provide information and referral to people interested in obtaining undergrounding information.

In addition to this, the Underground Program is currently in the process of designing and setting up a page on the City's web site dedicated exclusively to undergrounding issues in order to adequately accommodate those who prefer obtaining information via the internet. Also, the Underground Program is designing an informational brochure to educate the public about the undergrounding process and to provide access information to our website and information line.

The brochure is completed and by the end of July 2005, people will be able to go on-line and learn about the undergrounding master plan and where their properties lie within the master plan, get project schedules and updates, and learn about the public hearing process, pre-construction notifications, replacement of streetlights, see which projects the City has undergrounded since 1970, view the current quarterly reports regarding Surcharge revenues and expenditures, get a detailed history of undergrounding in San Diego and more.

In addition, residents living within an underground conversion project will be able to sign up via email to receive automatic email updates and schedules for any project. Residents will also be able to send correspondence regarding concerns about projects, or even general inquiries via email directly to the Underground Program Public Information Officer.

Beginning in July 2005, the Underground Program will begin hosting a monthly informational seminar at the Balboa Park War Memorial. The event will be hosted and repeated on the third Thursday of each month from 4 pm to 6 pm. While the event will be open to the public, residents living within areas scheduled for undergrounding will be invited via mail approximately six months prior to the construction start dates on their streets. The event will be hosted by the City but representatives from each utility company will be in attendance to answer questions.

The event will focus on answering questions about schedules, giving residents information about how and where they can continue to monitor a project that is affecting their properties, answer questions about what residents can expect during construction and the type of work that will happen on their properties and who they can contact if concerns arise during construction.

G. **SDG&E Audit of Expenses:**

The City is in process of hiring an outside Auditor to perform a periodic review and audit of SDG&E's stated underground costs to date for both the Rule 20A program, and the

Surcharge Program. Requests for Qualification have been advertised and received by the City. Interviews of responding firms are expected to occur in June. The audit is estimated to begin in July 2005.

ALTERNATIVE

Do not approve the Revision of the Master plan, and proposed Annual Allocation.

Respectfully submitted,

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Afshin Oskoui  
Deputy Director,  
Architectural Engineering and Contracts  
Engineering and Capital Projects Dept.

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Approved: Richard Mendes  
Deputy City Manager

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Reviewed: Patti Boekamp  
Director, Engineering and Capital Projects Dept.

BOEKAMP/OSKOU/NB

Note: Attachment 3 is not available in electronic format. A copy for review is available in the Office of the City Clerk.

Attachments: [1. Current Status of All Allocated Underground Conversion Projects](#)  
[2. Status of Undergrounding Surcharge Fund \(30100\) as of March 25, 2005](#)  
3. Revised Undergrounding Master Plan for Fiscal Year 2006  
[4. Proposed FY 2006 Undergrounding Allocation](#)