



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM** Matt Loesch

**SUBJECT: SEE BELOW**

**DATE:** February 26, 2024

Approved

Date

**3/4/24**

**SUBJECT: ADOPTION OF RESOLUTIONS TO CONSIDER THE ESTABLISHMENT OF 14 NEW RULE 20A UTILITY UNDERGROUND DISTRICTS**

## **RECOMMENDATION**

Adopt resolutions setting Public Hearings on Tuesday, April 9, 2024, at 1:30 p.m., to consider the establishment of the Rule 20A Underground Utility Districts along Willow Street, East San Salvador Street, Empire Street, Hensley Street, North First Street, North Second Street, North Third Street, North Fourth Street, White Road, Story Road, Felipe Avenue, Coyote Road, San Felipe Road, Branham Lane, Almaden Road, Almaden Expressway, Coleman Road, Blossom Hill Road, Snell Avenue, Saratoga Avenue, Umbarger Road, and North Taylor Street.

## **SUMMARY AND OUTCOME**

This memorandum recommends the approval of resolutions to enable the City Council to hold public hearings resulting in the establishment of the 14 districts listed above. Removal of aerial wires and utility poles within these districts will improve the overall neighborhood appearance, pedestrian safety and mobility, the resiliency of the neighborhoods, and utility equipment maintenance.

## **BACKGROUND**

Through Rule 20A, the California Public Utilities Commission requires Pacific Gas and Electric Company (PG&E) to annually allocate funds for financing the undergrounding of overhead distribution facilities located on public streets within the City of San José. Additionally, the projects will be funded by the respective telecom utility company, such as AT&T and Comcast, pursuant Rule 32 of the California Public Utilities Commission.

On September 19, 2023<sup>1</sup>, City Council directed staff to review the list of potential projects, identify additional sites that meet the criteria approved by the California Public Utilities Commission and City Council, and report back to City Council in March 2024, for the establishment of the underground districts to maximize the use of the existing credit by the program sunset date of December 31, 2033, established by the California Public Utilities Commission.

The provisions and procedures to establish underground utility districts are defined in Chapter 15.24 of the San José Municipal Code. The San José Municipal Code requires the City Council to conduct a public hearing and adopt an ordinance prior to the establishment of an underground utility district. The proposed districts also need to meet the following California Public Utilities Commission and San José Municipal Code criteria for establishing underground utility districts:

- Such removal and replacement will eliminate, and such prohibition will avoid, an unusually heavy concentration of poles and overhead wires within said area;
- The public streets or right-of-way within said area are extensively used by the general public and carry a heavy volume of pedestrian or vehicular traffic;
- The public streets or right-of-way within said area adjoin or pass through a civic area or public recreation area, or an area of unusual scenic interest to the general public; and,
- The street or road or right-of-way is considered an arterial or major collector as defined in the Governor's Office of Planning and Research General Plan Guidelines.

In addition to the four basic justification criteria above, staff prioritized the proposed districts by evaluating whether the proposed district meets the following additional criteria: combined equity scores of eight or higher obtained from the City of San José Equity Atlas, complements Capital Improvement Program projects, completes previous undergrounded segments, fronts City facilities, ease of construction, minimizes costs to single family residences, and gateway streets to downtown.

## **ANALYSIS**

The removal of aerial wires and utility poles provides a significant visual benefit to the public, enhance pedestrian safety, and increase resiliency by reducing potential outages during storms such as the high-speed winds that occurred in January 2024 and caused significant power outages in San José and throughout the region.

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<sup>1</sup> <https://sanjose.legistar.com/View.ashx?M=F&ID=12281689&GUID=C31DADA0-2FFA-47AC-9068-D2930DA5B7BB>

To secure the remaining \$21 million in Rule 20A work credits due to the City as well as maximize the City's position to potentially seek over \$40 million in additional funding, the following actions were taken to prepare for the new undergrounding districts: staff performed preliminary site visits, reviewed qualifications, discussed with PG&E and other utilities, and met with Mayor and City Council offices to identify additional potential sites that met the criteria. Fourteen proposed underground utility districts were selected and prioritized from over 50 potential areas. Staff also conducted community meetings from February 12, 2024 through February 16, 2024; information regarding the community meetings is detailed in the Public Outreach section below.

#### *Underground District Areas and Scope of Work*

Establishment of the proposed districts will require the conversion of approximately 41,950 linear feet of aerial facilities to underground facilities in the public right-of-way along Willow Street, East San Salvador Street, Empire Street, Hensley Street, First Street, Second Street, Third Street, Fourth Street, White Road, Story Road, Felipe Avenue, Coyote Road, San Felipe Road, Branham Lane, Almaden Road, Almaden Expressway, Coleman Road, Blossom Hill Road, Snell Avenue, Saratoga Avenue, North Taylor Street, and Umbarger Road.

Within the limits of these districts, the majority of the utilities will be placed in underground conduits and vaults. Utility companies may need to install aboveground structures such as cabinets for equipment that cannot be placed in underground vaults. These cabinets may be placed in public right-of-way or on private properties. The size, quantity, and actual location of the cabinets will be determined during the design phase of each district. At PG&E's request, the proposed district's boundaries include entire parcels as well as the public rights-of-way. Certain properties and all backyard utility facilities, including poles and wires, will be exempted from the district to minimize impacts to properties outside the district.

There are approximately 421 properties included in the 14 proposed districts. Of the 421 properties, 190 are currently receiving overhead service and will require electrical service conversion work in order to receive electrical power from the underground system. This will require private property owners to perform electrical service panel conversion work on their properties. Easements requirements will be determined during the design phase.

#### *Private Property Owners and Possible Conversion Costs*

Establishing the new underground districts does not guarantee PG&E will accept and prioritize the design and construction of the district. Only when PG&E moves forward with design and construction would any of the districts possibly require further action from property owners to upgrade equipment on their private property.

The cost of electrical service conversion is dependent on the type and age of the existing services, but typically could cost up to \$10,000 for single-family residences. Commercial

buildings and multi-family residences service conversions could cost up to \$15,000 or higher. These estimates are based on current projects and may change due to the construction market at the time of construction.

The California Public Utilities Commission provides that Rule 20A funds may be utilized to reimburse private property owners' expenses for conversion work up to \$1,500 per service entrance. Additionally, PG&E, Comcast, and AT&T will provide up to 100 feet of trenching and conduit installation for properties requiring conversion within the district, from the front property line to the building structure. Any properties inside the proposed districts that receive utility service from outside the proposed district boundaries or are already receiving service from another underground system will not be affected by these districts.

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

City Council will conduct public hearings at the April 9, 2024 City Council meeting and staff will recommend the adoption of the ordinances establishing the underground utility districts. Any comments received by staff from the residents, property owners, and other stakeholders will be conveyed to City Council at the hearings.

### **COST SUMMARY/IMPLICATIONS**

The establishment of these underground districts and their associated projects will achieve the utility undergrounding of aerial wires and utility poles to improve the appearance, pedestrian safety and mobility, and utility equipment maintenance within 14 districts. The City will bear the estimated cost of \$1,400,000 (2% of total estimated cost), which comes from the 416 - Public Work's Underground Utility Fund and 429 - Building and Structure Construction Tax Fund. Currently, there is not enough funding to absorb the total project costs currently; however, due to the anticipated design and construction timelines for these projects costs are to be spread over the next 10 years, funding will be identified once a new district is established. This will enable staff to allocate existing Rule 20A work credits and seek to obtain reallocated work credits, from other municipalities, if our request is approved by the California Public Utilities Commission. The total cost to utility companies (PG&E, AT&T, and Comcast) is estimated to be \$68,200,000. The proposed underground utility districts will have no significant impact to the General Fund operating budget.

1. TOTAL COST OF UNDERGROUND UTILITY DISTRICTS:

COST TO UTILITY COMPANIES:

PG&E Rule 20A Allocation	\$55,600,000
AT&T Rule 32A.1	8,400,000
Comcast	<u>4,200,000</u>
<b>Total Cost to Utility Companies (Estimated)</b>	<b>68,200,000</b>

COST TO CITY:

Project Development, Administration and Construction Inspection (Fund 416)	840,000
City Facilities Conversion (20A) (Fund 429)	<u>560,000</u>
<b>Total Cost to City (Estimated)</b>	<b>1,400,000</b>

**TOTAL ESTIMATED COSTS :** **\$69,600,000**

**BUDGET REFERENCE**

The table below identifies the funds and appropriations proposed to fund the staff and City costs as part of the recommended project in this memorandum. As the current funds are not sufficient for all projects, the protracted time to deliver all projects will give staff time work with the City Manager’s Budget Office to identify adequate funds for specific projects prior to construction.

Fund #	Appn. #	Appn. Name	Total Appn.	Amt. for Contract	2023-2024 Adopted Capital Budget (Page)	Last Budget Action (Date, Ord. No.)
416	4786	Underground Utility Admin. (20A)	\$540,000	N/A	153	2/13/24, 31040
429	5063	Underground Utilities-City Conversions	\$608,000	N/A	1104	6/20/23, 30933
Total Current Funding Available			\$1,148,000			

Note - Additional funding will be made available in the following future years.

**COORDINATION**

This memorandum and corresponding documents have been coordinated with the City Attorney’s Office, the City Manager’s Budget Office, and the Department of Planning, Building, and Code Enforcement. In addition, the districts have been coordinated with utilities companies.

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## **PUBLIC OUTREACH**

The following outreach was conducted as part of Section 15.24 of the San José Municipal Code for the purposes of establishing underground districts.

Ten community meetings covering all 14 proposed districts were held between February 12, 2024 through 16, 2024 to inform the public of these undergrounding districts. Staff provided information on district limits, schedule, and property owner responsibilities along with the benefits of undergrounding. Staff also discussed in detail private electrical panel conversion work.

Staff explained options to minimize cost of conversions and explained the PG&E policy and procedure for the \$1,500 service conversion reimbursement. Property owners were informed that staff would provide contact information and deadlines to ensure upgrades would be appropriately incorporated into the undergrounding design. Upgrades to existing panels and electrical service or electrical panel conversion work that are not identified as part of the project, if desired by the property owner, will be paid for by the property owners.

Upon City Council's adoption of the resolutions setting public hearings, staff will send notices of the public hearings to all utility companies and owners and occupants of properties adjoining the proposed districts. A Notice of Public Hearings will be posted at City Hall and on the City Council Agenda website.

A Notice of Establishment will be mailed within 20 days of the effective date of the ordinance before a district is legislated. Additional correspondence will occur with property owners requiring electrical panel service conversions throughout the proposed projects. Prior to the start of construction activities, PG&E will place "Door Hanger" construction notices on adjacent properties.

This memorandum will be posted on the City Councils Agenda website for the March 19, 2024 City Council meeting.

## **COMMISSION RECOMMENDATION AND INPUT**

No commission recommendation or input is associated with this action.

## **CEQA**

Categorically Exempt, File No. ER24-011, Exempt pursuant to CEQA Guidelines Section 15301(b) Existing Facilities and 15302(d) Conversion of Overhead Electric Facilities.

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**PUBLIC SUBSIDY REPORTING**

This item does not include a public subsidy as defined in section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.

/s/

MATT LOESCH

Director of Public Works

For questions, please contact Mathew Nguyen, Deputy Director of Public Works, at [Mathew.Nguyen@sanjoseca.gov](mailto:Mathew.Nguyen@sanjoseca.gov) or (408) 535-8300.