


Agenda Report Reviewed by:
City Manager: 

CITY OF SEBASTOPOL
CITY COUNCIL
AGENDA ITEM

Meeting Date: September 19, 2023
To: Honorable Mayor and City Councilmembers
From: Toni Bertolero, Engineering Consultant
Subject: Undergrounding Overhead Utilities CIP Project #0130-22.08
Recommendation: Direct staff to Cancel CIP Project #0130-22.08 Undergrounding Overhead Utilities
Funding: Currently Budgeted: Yes No Not Applicable

Account Code: 700-23-50-9901

Costs authorized in City Approved Budget: Yes (Finance Initialed _____) No (Finance Exempt)

INTRODUCTION/PURPOSE:

The item is for the cancellation of CIP #0130-22.08 Undergrounding Overhead Utilities.

BACKGROUND:

For many years, cities and counties across California have relied on Rule 20A to help improve their streetscapes by placing overhead utilities underground. Enacted by the California Public Utilities Commission, the rule requires the largest utilities (PG&E being one) to allocate a certain amount of monetary credits for cities each year to help fund undergrounding programs. Cities can draw from their Rule 20A allocations to relocate overhead electric facilities underground within designated underground districts. Under Sebastopol Municipal Code Section (SMC) 15.66 the City Council may designate underground utility districts pursuant to the requirements therein, which includes giving notice to affected property owners of the potential district designation, holding a public hearing, and making findings of the public’s necessity, health, safety, or welfare requiring undergrounding utilities within designated areas. Undergrounding the portion of the service connection on private property is the responsibility of the property owner and after the new designated district becomes effective, the City will notify all affected property owners that if they desire to continue to receive the subject utilities, they must provide all necessary facility changes on their premises to continue receiving these utility services. Otherwise, upon further required noticing, the City may order the disconnection and removal of all overhead service wires and appurtenances supplying utility service to the private property.

The City originally had \$1,026,981 in work credits in 2020. As the City has not moved forward to underground utilities (designated as “inactive”), PG&E has reallocated the City’s work credits at various times to “active” cities and counties. To date, the City currently has \$734,876 in work credits. PG&E will continue to reduce the City’s work credits through reallocations until 2025, at which time the CPUC has ruled that all work credits with inactive communities will expire, and work credits will no longer exist for any inactive cities and counties.

In June 2021 the CPUC made the determination to no longer issue new work credits as of December 2022. Recently, the CPUC made a number of changes to the Rule 20A program that affects all cities and counties with Rule 20A work credits starting December 2024:

- Reallocated work credits from inactive communities to active communities on an as-needed basis, as determined by PG&E and approved by CPUC;
- Recalculate all Rule 20A projects to include potential risks and cost escalation;

- Determine which projects have sufficient work credits to continue;
- Continue to reallocate work credits from inactive communities until June 2025 at which time, all work credits for inactive communities will expire.

City staff has been working with PG&E regarding the undergrounding of overhead utilities along SR 116 (Petaluma Avenue) from Abbott Street to Walker Avenue over the past several years. This project was then added to the City's Fiscal Year 2024-25 Capital Improvement Program. Based on changes and directives from the California Public Utilities Commission regarding the Rule 20A program, and discussions with PG&E representative, staff is presenting new information to Council to determine whether it is feasible to move forward with this project.

DISCUSSION:

Staff has researched current costs to underground overhead utilities. Actual costs vary widely; however, staff has reviewed recent undergrounding of overhead utilities by other cities and a rough estimate of \$1,500 per lineal foot in today's dollars for the construction cost is not unreasonable. In speaking with PG&E, a minimum of one block of undergrounding is needed to be a feasible project. Also, in speaking with PG&E, if the City were to establish an undergrounding district no later than November 2024, the project would likely take at least 5 years to get to the construction phase (2029).

Given this unit cost and the amount of work credits the City currently has, the estimated cost of a one-block size along Petaluma Avenue from Abbott Lane to Fannen Lane is \$900,000. The total project cost, including contingency (20%), city engineering and Caltrans permitting (5%), and 5 years inflationary cost (15%) would increase the cost by another 40%, or approximately \$1.3 million total project cost. Given \$734,876 available in work credits (assuming no further reallocations are made by PG&E), the City would need to fund the project another \$525,124 from City funds. PG&E has stated that a project would need to show that the City has sufficient funds to fund the project with work credits and local funds.

In addition, PG&E requires private properties along the block to underground their overhead utilities from the PG&E line to their building. There are approximately 7 properties along this one block stretch that would be affected and the cost of undergrounding the private service line would be borne by the property owner. That cost varies depending on the length of their private service line but could cost \$5,000 to \$10,000 per property.

Because of the cost challenges listed above, it is recommended that the City cancel the undergrounding overhead utilities project. Staff has asked PG&E if there is a possibility of "selling" the City's work credits to another agency at a discounted rate, and we have been told by PG&E that work credits cannot be sold or transferred. The City has also asked PG&E if the City's work credits can remain in Sonoma County and transfer to another agency in the county and we have not heard back from PG&E regarding this question. Staff will continue to communicate with PG&E until this question is answered.

In summary, it is recommended that the project be cancelled for the following reasons:

1. The high cost of undergrounding and commitment of local city funds makes this project infeasible.
2. If the project were to continue, only one block would be undergrounded along Petaluma Avenue and the City would need to enter into agreement on the boundaries with various utilities (e.g., AT&T, Comcast, etc.).
3. Private properties along the one-block stretch would be responsible for undergrounding their overhead utilities within their private property, at their cost.
4. Caltrans would be involved in the process since the undergrounding would take place on State right of way, thereby adding to the complexity and cost of the project due to their lengthy process and design requirements.

ENVIRONMENTAL REVIEW:

The proposed action is exempt Yes No from the requirements of California Environmental Quality Act (CEQA). CEQA will be conducted by PG&E as part of the project planning and design process.

GOALS:

This action supports the following City Council Goals and General Plan Actions:

- Community Development CD-14, continue to require the undergrounding of utility lines wherever feasible.

FISCAL IMPACT:

If the undergrounding overhead utilities project is not cancelled, the City would need to set aside \$525,000 in local funding to support the project. The City would also need to notify the approximately seven property owners of their need to underground their overhead utility on their private property at their cost and at the time the undergrounding takes place.

PUBLIC COMMENT:

As of the writing of this staff report, the City has not received any further public comment for this agenda item. Staff anticipates receiving public comment from interested parties following the publication and distribution of this staff report. Such comments will be provided to the City Council as supplemental materials before or at the meeting. In addition, public comments may be offered during the public comment portion of the agenda item.

PUBLIC NOTICE:

This item was noticed in accordance with the Ralph M. Brown Act and was available for public viewing and review at least 72 hours prior to schedule meeting date.

RECOMMENDATION:

It is recommended that Council cancel the Undergrounding Overhead Utilities CIP Project #0130-22.08.