



## Item No. 19 Town of Atherton

### **CITY COUNCIL STAFF REPORT – REGULAR AGENDA**

**TO: HONORABLE MAYOR AND CITY COUNCIL  
GEORGE RODERICKS, CITY MANAGER**

**FROM: ROBERT OVADIA, PUBLIC WORKS DIRECTOR**

**DATE: FEBRUARY 20, 2019**

**SUBJECT: DISCUSSION OF OPTIONS FOR USE OF RULE 20A UTILITY  
UNDERGROUNDING WORK CREDITS AND PROVIDE STAFF  
WITH DIRECTION**

#### **RECOMMENDATION**

Discuss options for use of Rule 20A Utility Undergrounding Work Credits; consider the option of selling accumulated Rule 20A work credits; and provide staff with direction.

#### **BACKGROUND**

The California Public Utilities Commission (CPUC) and utility companies established a program to underground utilities across the State in 1967, commonly known as Rule 20. Under Rule 20A, investor-owned utilities allocate funds to communities to convert overhead electric facilities to underground facilities. These funds are not provided directly to communities but rather allocated as credits to cover the utility provider's project costs, primarily design and construction, for approved projects. The local jurisdiction is required to fund project costs associated with project support, and more significantly the relocation of other impacted municipally owned utilities and facilities, such as street lights and traffic signals.

The Town receives an allocation of approximately \$25,000 Rule 20A work credits annually and, including the 2019 allocation, has accumulated approximately \$1.4 million in credits to fund PG&E's costs associated with utility undergrounding projects. Jurisdictions may borrow future allocations, up to 5 years in advance, to implement projects. PG&E has indicated that their recent undergrounding projects have varied significantly and have ranged between \$1,000 and \$2,000 per linear foot. The Town would be responsible for certain costs in implementing the district including staff time, project coordination and inspection, and infrastructure associated with street light conversions in the district boundaries. The various communication companies would be responsible for the costs associated with relocating their facilities underground, and affected private properties would be responsible for converting their properties to accept underground utility service.

To create an underground utility district, the Town Council is required to determine, pursuant to a public hearing, that the 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.

At its June 20, 2018 Council meeting, following questions and the opportunity for public comment, the Council opted not to form a District at in the Civic Center area.

**ANALYSIS**

As noted in the June 20, 2018 staff report, Rule 20A funds can be “sold” to interested communities in exchange for General Fund dollars. Prior to PG&E’s declaration of bankruptcy, it was estimated that the Town could expect to receive 40-50% on the dollar for the funds.

Local agencies are permitted to trade or sell unused Rule 20A credits. Several local agencies have done so to raise funds for their projects. Typically, credits are sold or traded at less than their dollar value due to their limited use. Credit market value has varied depending on need, interest, and availability, ranging between 5 to 50 cents on the dollar. Example transactions are noted in the table below.

<b>Seller</b>	<b>Purchaser</b>	<b>Year</b>	<b>Credit Value</b>	<b>Cash Value</b>	<b>Rate</b>
Trinity County	Pinole	2018	\$631,104	\$315,552	\$.50
Butte County	Colusa County	2018	\$2,000,000	\$500,000	\$.25
Rocklin	Tiburon	2018	\$438,080	\$109,520	\$.25
Sonora	Half Moon Bay	2017	\$400,000	\$200,000	\$.50
Rocklin	Live Oak	2017	\$ 2,000,000	\$ 500,000	\$.25
Vallejo	Dublin	2017	\$ 750,000	\$ 300,000	\$.40
Foster City	Half Moon Bay	2017	5 years of credit allocations		\$.47
Foster City	Half Moon Bay	2016	\$ 437,189	\$ 200,000	\$.46
King City	Pismo Beach	2016	\$ 775,000	\$ 300,000	\$.39

<b>Seller</b>	<b>Purchaser</b>	<b>Year</b>	<b>Credit Value</b>	<b>Cash Value</b>	<b>Rate</b>
County of San Luis Obispo	Arroyo Grande	2013	\$ 3,000,000	\$ 150,000	\$.05

The average value of recent credit transfers has been approximately \$.39 per credit, not including the Arroyo Grande transaction which was unusually low. With PG&E’s recent declaration of bankruptcy, the value in the current market is unclear. While the Town may elect to set a “minimum” sale price, the price is largely driven by need and interest. The Town may elect to hold onto its Rule 20A funds; but, given the cost of undergrounding and the amount of funds the Town has available, it is unlikely that a local project will develop.

**POLICY FOCUS**

The Council’s policy discussion should focus on the potential sale/transfer of Rule 20A work credits to interested communities in exchange for unrestricted General Funds.

**FISCAL IMPACT**

The sale of Rule 20A work credits would provide additional one-time revenue into the Town’s General Fund that could be used to address other Town priorities.

**COMMISSION/COMMITTEE FEEDBACK/REFERRAL**

This item \_\_\_ has or X has not been before a Town Committee or Commission.

- \_\_\_ Audit/Finance Committee (meets every other month)
- \_\_\_ Bicycle/Pedestrian Committee (meets as needed)
- \_\_\_ Civic Center Advisory Committee (meets as needed)
- \_\_\_ Environmental Programs Committee (meets every other month)
- \_\_\_ Park and Recreation Committee (meets each month)
- \_\_\_ Planning Commission (meets each month)
- \_\_\_ Rail Committee (meets every other month)
- \_\_\_ Transportation Committee (meets every other month)
- \_\_\_ Tree Committee (meets each month)