



AGENDA STAFF REPORT

DATE: June 10, 2013

TO: Honorable Mayor and City Council

THRU: Jill R. Ingram, City Manager

FROM: Sean P. Cumby, P.E., Director of Public Works

SUBJECT: **SOUTHERN CALIFORNIA EDISON (SCE) RULE 20
FACILITY UNDERGROUNDING CANDIDATE
PROJECT LOCATIONS**

SUMMARY OF REQUEST:

It is requested that the City Council authorize moving forward with Rule 20A underground assessment projects along: (1) Seal Beach Boulevard 400 feet north extending to 400 feet south of the Golden Rain intersection and (2) Seal Beach Boulevard from Pacific Coast Highway to Electric Avenue for the purpose of undergrounding overhead utility lines.

BACKGROUND AND ANALYSIS:

Rule 20 is a set of policies and procedures established by the California Public Utilities Commission to regulate the conversion of overhead electric equipment to underground facilities, a process called "undergrounding". Rule 20 determines the level of ratepayer funding for different undergrounding arrangements. Under Rule 20, undergrounding projects are financed by utility rate money, combined rate funds and local tax proceeds, or private funds, depending on whether Rule 20A, Rule 20B, or Rule 20C provisions apply.

Rule 20A projects are paid for by all SCE ratepayers, not just those who live on streets on which facilities will be undergrounded. City and county governments choose undergrounding projects using a process that includes public participation. In addition, the City Council previously approved a scoring methodology to use when evaluating potential candidate project locations throughout the City.

To qualify for full funding through Rule 20A proceeds, projects must produce a benefit to the general public, not just electricity customers in the affected area, by satisfying one or more criteria below. The City used the following criteria to establish its scoring methodology for projects, along with other factors.

- The location has a usually heavy concentration of overhead facilities
- The location is heavily traveled
- The location qualifies as an arterial or major collector road in a local government's General Plan Traffic Circulation Element
- The overhead equipment must be located within or pass through a civic, recreational, or scenic area

The City of Seal Beach has completed two such Rule 20A projects. The first project was located within Seal Beach Boulevard between Marlin Avenue and Bolsa Avenue. The second project was located on North Gate Road near Seal Beach Boulevard. Since the completion of the second project, several requests from the public have been made for areas to be included within the next project. As the requests were made, the City established a scoring methodology that was approved by the City Council on August 8, 2011. The methodology included a scoring system that awarded points for the project's location, traffic level, proximity of areas of significance (schools and emergency operations centers), gap closures (areas between other undergrounding projects), etc. A list of the projects and scoring is included with this staff report.

The City has an account with Southern California Edison where Rule 20A funds are set aside from SCE on a yearly basis that can be used once enough funds have been accumulated to complete a project. The City may also borrow against five years projected Rule 20A funds when proposing a project. The current balance is \$954,919. The City may borrow up to 5 years in advance to fund projects. The annual allocation for Seal Beach in 2013 is \$96,653. This annual allocation varies year to year, but if the annual allocation were estimated at \$90,000, the City of Seal Beach could currently begin projects with a total estimated value of \$1.4 million.

The candidate project areas scored were recommended by both residents and City staff. Project candidate areas were recommended based on a variety of factors and scored via the approved methodology. Attached is a list of the proposed project areas and their scores. Based on the approved scoring criteria, two projects scored the highest are recommended for moving forward with undergrounding projects. There are currently funds available to proceed with both projects. They are as follows:

- Seal Beach Boulevard 400' North and South of the Golden Rain Intersection, and
- Seal Beach Boulevard from Pacific Coast Highway to Electric Avenue

If direction is provided, a rough timeline of the project delivery is as follows:

- City Engineer's Report: The City Engineer will prepare a report that must be approved by the City Council that: establishes a project area, and by resolution to proceed with the project

- Private Utility Design: This typically takes approximately eight months to one year
- Construction: Typically six months to one year for projects of this size

ENVIRONMENTAL IMPACT:

There is no environmental impact related to this item.

LEGAL ANALYSIS:

The City Attorney has reviewed and approved as to form.

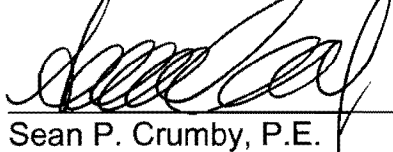
FINANCIAL IMPACT:

The City of Seal Beach currently has \$954,919 dollars available in Rule 20A funds to fund qualifying undergrounding projects. It is anticipated that adequate funding is available based on primary information of cost for SCE to proceed with both projects as recommended. This estimated cost is preliminary in nature. SCE will provide a refined cost estimate when the plans are complete.

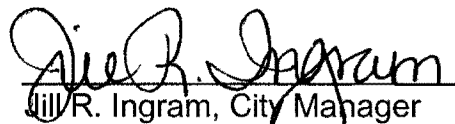
RECOMMENDATION:

It is recommended that the City Council authorize moving forward with Rule 20A underground assessment projects along: (1) Seal Beach Boulevard 400 feet north extending to 400 feet south of the Golden Rain intersection and (2) Seal Beach Boulevard from Pacific Coast Highway to Electric Avenue for the purpose of undergrounding overhead utility lines.

SUBMITTED BY:


Sean P. Crumby, P.E.
Director of Public Works

NOTED AND APPROVED:


Jill R. Ingram, City Manager

Prepared By: Luis Estevez, Deputy Director of Public Works/Maintenance and Utilities

Attachments:

- A. City of Seal Beach 2013 Rule 20A Allocation Letter from SCE
- B. Project Scoring Worksheet
- C. SCE - Rule 20 Criteria

April 24, 2013

Ms. Jill Ingram
City Manager
City of Seal Beach
211 8th Street
Seal Beach, CA 90740

SUBJECT: City of Seal Beach 2013 Rule 20A Allocation Balance

Dear Jill:

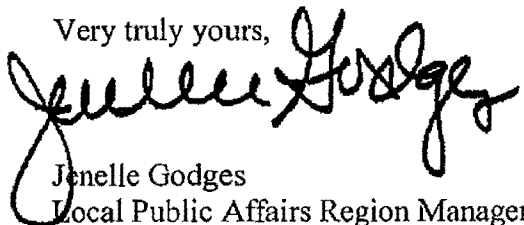
As I shared with you earlier this year, Southern California Edison (SCE) has filed with the California Public Utilities Commission (CPUC) its annual report of SCE's 2013 budget for capital spending under Tariff Rule 20A, Replacement of Overhead with Underground Electric Facilities. For calendar year 2013, the budget is \$37,800,176.

Pursuant to the formula set out in Tariff Rule 20A, the portion of this amount allocated to the City of Seal Beach is \$96,653. Under the tariff, allocations not committed to a qualifying project in one year are carried over to the next year. As of this writing, the City of Seal Beach's allocation balance is \$858,266.

CPUC Decision 01-12-009 (Decision) codified the opportunity for local governments to "mortgage" their current year's allocation up to an additional five years in order to be able to undertake a qualifying Rule 20A project sooner than they otherwise could.

In accordance with the Decision, and when requested by you, SCE will meet with you and community residents at least once every six months when projects are in queue, and at least once every other month once a conversion project is underway. The Decision requires local government to give notice of the meetings and provide the venue. Please feel free to call me any time to schedule such a community meeting or, if you have any questions about Rule 20A or any other matters affecting our service to you.

Very truly yours,



Jenelle Godges
Local Public Affairs Region Manager

cc: City of Seal Beach - Sean Crumby
Rule 20 Program Manager – Tony Mathis
Transmission & Distribution District Manager
LGA/Rule 20 Committee Chair – Tina Taverner

Exhibit B: Proposed Undergrounding Utility District Scoring Sheet

Street Name	To Limit	From Limit	Residential Request	Gap Closure	Area of Significance	Distribution Line	Average Daily Traffic	Residential Area	Emergency Significance	Total Points	Mileage	Preliminary Cost Estimate
Seal Beach Blvd	PCH	Electric Ave	1	0.5	1	1	2	1	1	7.5	0.3	\$450,000
Seal Beach Blvd	Electric Ave	Marlin Ave	0	0	1	1	3	1	1	7	0.4	\$600,000
Seal Beach Blvd	400' North of Golden Rain	400' South of Golden Rain	0	1	1	1	5	0	1	9	0.2	\$300,000
Seal Beach Blvd	PCH	PCH	0	0	1	1	3	0	1	6	0.2	\$300,000
Bolsa Avenue	Seal Beach Blvd	Balboa Drive	1	0	1	1	2	1	1	7	0.4	\$600,000
Lampson Ave	Heather Street	Candleberry Avenue	0	0	1	1	3	0	1	6	0.6	\$900,000
Seal Beach Blvd	Heron Point	Bolsa Ave	0	1	1	1	3	0	1	7	0.4	\$600,000
Almond Avenue	Aster Street	Violet Street	0	0	1	1	2	1	1	6	0.7	\$1,050,000
Almond Avenue	Aster Street	Violet Street	0	0	1	1	2	1	1	6	1.0	\$1,500,000
Lampson Ave	400' West of Candleberry	400' East of Candleberry	0	0	1	1	3	0	1	6	0.2	\$300,000

ATTACHMENT “C”



Undergrounding

Prior to 1967, SCE provided electrical service primarily by means of overhead lines. Population growth and expanding communities led the public to become more aesthetically minded and to seek ways to have existing utility facilities relocated to underground.

As a result, the CPUC formulated the rules for SCE and other state utilities to place existing overhead lines underground. The CPUC created SCE's Tariff Rule 20, Replacement of Overhead with Underground Electric Utilities, which dictates the terms and conditions for undergrounding existing overhead facilities.

Rule 20A Allocations

In accordance with Tariff Rule 20, SCE budgets an amount each year for undergrounding and then allocates that amount to local governments using the CPUC-approved formula set out in Tariff Rule 20A. Funding for Rule 20A is collected through SCE rates only after the undergrounding is complete, not ahead of time.

Annually, SCE's Local Public Affairs Region Manager will attempt to provide each local government with their current year's Rule 20A allocation and their overall Rule 20A allocation balance.

The allocations (or —work credits as utilities call them) do not represent a cash balance account, but rather a qualified right on the part of local governments to direct the spending of a portion of SCE's anticipated capital budget to qualified Rule 20A projects. The allocations are funded by all SCE ratepayers, not just property owners along the streets where existing overhead facilities will be placed underground. The allocations do not become the property of local governments, and do not accrue interest, but are instead a municipal planning tool and part of a methodology to determine how much undergrounding can be equitably performed for each local government that SCE serves.

Because undergrounding is expensive – on the order of \$1.5 to \$2.5 million per mile – local governments sometimes must wait and accumulate their allocations before starting an underground project. A local government can also —mortgage its Rule 20A allocations by borrowing forward up to a total of five (5) years' allocations. Allocations carry over from year to year if not used. (However, there may be a mortgage balance rather than a reserve balance in a local government's 20A fund.) Additional funding also can be provided by the local government to supplement funding for the undergrounding project. If the local government's allocations are enough to cover the cost of a proposed undergrounding project, SCE can proceed to detailed engineering and construction.

It should further be noted that the Rule 20A program does not guarantee that SCE will underground in every instance. In particular, there may be engineering or design concerns that may prevent or require

modifications to an undergrounding plan. In addition, a Rule 20A undergrounding must meet certain criteria.

Rule 20 A Criteria

Local governments, working with SCE Local Public Affairs Region Managers and Rule 20A Project Managers, choose Rule 20A undergrounding projects using a process that includes public participation.

Because Rule 20A projects are paid for by all SCE ratepayers, the tariff rule states that a proposed Rule 20A project must be in the —general public interest by satisfying at least one of four criteria:

1. Undergrounding will avoid or eliminate an unusually heavy concentration of overhead electric facilities (defined as two or more primary electric circuits on a single pole line).
2. The street is extensively used by the general public and carries a heavy volume of pedestrian or vehicular traffic.
3. The street adjoins or passes through a civic or scenic area.
4. The street is an arterial or major collector road identified on the General Plan.

To qualify for Rule 20A funding, the proposed project must also extend for a minimum of one block or 600 feet, whichever is the lesser. Rule 20A funding also may be used to pay for the conversion of affected customers' meter panels to accept underground service, as well as the installation of up to 100 feet of each customer's underground service lateral on private property (the connection from the circuit in the street to the customer's own electric panel).

Once the local government and SCE have determined a proposed project qualifies for Rule 20A funding, SCE will calculate the cost of its portion of the project. The local government must work with other involved utilities to manage their own needed work.

Undergrounding project costs vary and are dependent on the project's location, complexity, soil type, technical requirements, and any operational or construction requirements the local government imposes. Undergrounding may involve as many as half a dozen utility and telecommunication companies' facilities, depending on the area.

Undergrounding is technically challenging because of other existing facilities already in the ground. Because of this, joint trenching is preferred and typically required by most governing agencies. SCE is considered the lead utility, meaning we determine the underground trench route. Telecommunication and cable companies will typically begin their designs after SCE has completed its preliminary design and provided it to the governmental agency.

Although SCE coordinates its Rule 20 work with other affected utilities, SCE has no control over the activities of telecommunications utilities or cable companies. SCE does not function as the project manager, as we do not design the total project.

At the local government's request, SCE will meet with government officials and residents to provide a status on any Rule 20A project that has been approved.

It is important to understand that, while underground electric utilities may be more aesthetically pleasing, when the electricity goes out in an underground system, the outage duration may be longer than in an overhead system. Underground problems are less obvious when trying to locate, and they usually take longer to repair.

Rule 20B

In circumstances that do not satisfy any of the criteria in Rule 20A, SCE will replace our existing overhead electric lines with underground facilities at the applicant(s)' expense, providing all the following conditions are met:

1. All the affected property owners agree in writing to make the necessary wiring changes to receive underground electric service.
2. Local legislation is enacted that would require wiring changes be made and authorizing SCE to discontinue our overhead service (i.e., underground utility district ordinance).
3. The applicant(s) agree to install all underground structures in accordance with SCE's specifications and transfer ownership upon completion/inspection to SCE, or the applicant may pay SCE to install this equipment.
4. The applicant must pay for the cost of installing the underground electrical equipment exclusive of transformers, meters, and services, less any credits that are described below.
5. The project must cover all facilities on both sides of the street for at least one block, or 600 feet.

Rule 20B provides for significant credits against the total project cost, in the amount of the cost of an equivalent overhead system and the cost of removing the existing overhead facilities. The cost of these subsidies is borne by all SCE ratepayers across our service territory.

While more Rule 20B projects are paid by cities using their own funds, others are often initiated by local neighborhoods, and go forward only after a local vote to establish an assessment district, the legal mechanism by which homeowners become bound to pay their share of the project cost. Some Rule 20B projects are funded by developers, often pursuant to conditions imposed on them by local governments as part of a development agreement.

Rule 20C

When the conditions for Rule 20A or Rule 20B cannot be met, overhead electric lines may still be placed underground provided the applicant(s) agree to pay for the entire cost of installing the underground facilities and removing the idled overhead facilities subject to credit for the net salvage value and any available depreciation of the removed overhead facilities.

Rule 20C includes undergrounding done at the expense of an applicant. In most cases, these are spot jobs where the overhead facilities attached to one or two poles are converted to underground facilities. There is no minimum project length requirement.