Solano County

675 Texas Street
Fairfield, California 94533
www.solanocounty.gov

Agenda Submittal

Agenda #:	11	**Status:**	Regular Calendar
Type:	Resolution	**Department:**	Resource Management
File #:	19-894	**Contact:**	Bill Emlen, 784-6062
Agenda date:	1/14/2020	**Final action:**	
Title:	Receive an informational presentation on the purpose and use of Solano County's Rule 20A credits and the status of credits available to Solano County; and Provide general direction to the Department of Resource Management regarding utilization of Rule 20A credits		
Governing body:	Board of Supervisors		
District:	All		
Attachments:	1. A - Undergrounding Conditions, 2. Presentation, 3. Minute Order		

Date	Ver.	Action By	Action	Result
1/14/2020	1	Board of Supervisors		

Published Notice Required? Yes ____ No __X_
Public Hearing Required? Yes ____ No __X_

DEPARTMENTAL RECOMMENDATION:

The Department of Resource Management recommends that the Board of Supervisors receive an informational presentation on the purpose and use of Solano County's Rule 20A credits and the status of credits available to Solano County; and Provide general direction to the Department of Resource Management regarding utilization of Rule 20A credits.

SUMMARY:

Background: The Public Utilities Commission instituted the current undergrounding program in 1967 with Tariff Rule 20, which governs and funds conversion of overhead electrical utilities with new replacement underground services. Tariff Rule 20 also established rules to govern who shall bear the cost of the conversion between the utilities and agencies.

PG&E's Rule 20A program provides annual credits to local cities and counties to assist in the costs of undergrounding electric overhead utilities. These credits are allocated annually and can be accumulated until there is an identified approved project. Solano County 's Rule 20A ledger balance with PG&E currently totals $4 million. The use of these credits are somewhat limited in their conversion into a project, and there is typically a required funding match from other fund sources to complete a project. To utilize the credits for a project, the local agency must enter into an agreement for PG&E which specifies how the credits are converted to reimbursable dollars. The credits can also be swapped with other agencies by agreement to help facilitate projects that are short on funds.

In consideration of the variety of options available to the County with regards to the credits, the Board is being asked to consider and provide direction to the Department of Resource Management as to how to prioritize use of these credits.

FINANCIAL IMPACT:

Receiving the presentation and providing comments has no impact on the Road Fund or General Fund. The costs associated with preparing the agenda item are nominal and absorbed by the department's FY2019/20 Adopted Budget.

DISCUSSION:

The Rule 20A program provides an annual allotment of credits to agencies statewide for specific use in undergrounding utilities to eliminate overhead electric poles and lines. It has been a number of years since the County has had an identified project with sufficient Rule 20A funds and other funds to prepare a project. Previously, PG&E project selection criteria recommended undergrounding along high trafficked corridors where there are safety concerns of pole strikes by vehicles. General undergrounding of poles along pedestrian, business, and residential areas has also been approved in the past. The credits can be converted to useable funds only after entering into an agreement with PG&E, similar to the sample agreement attached (A - Standard Agreement). The reimbursement can be used to fund PG&E staff time on a Rule 20A project, consultant design costs, and most of the costs of constructing the undergrounding work. However, the credits are limited as to how they can be spent, and specifically exclude portions of environmental clearance, local agency staff time throughout the project, relocation of other interfering utilities, and many of the costs for connections outside the public right of way. Road Funds have similar constraints on expenditures for utility work inside and outside of the right of way. Rule 20A projects often need other sources of funding to complete projects and could require General Fund and/or local transportation sales taxes to bridge these funding gaps. Once the credits are spent through a Rule 20A agreement, PG&E, with approval from the Public Utilities Commission, levies statewide tariffs on utility rate payers to fund the Rule 20A program expenditures.

Rule 20A projects have historically poor records of delivery due to the variety of constraints they encounter. PG&E is not currently initiating any new Rule 20A projects until some of the backlogged statewide Rule 20A projects are completed. Many agencies initiate Rule 20A projects, but encounter significant issues related to accessing private properties to allow the numerous connections necessary to underground the lines. Often, the electric boxes at residences need to be upgraded, and Rule 20A limits the amount of reimbursement leaving the difference in costs either paid by the private homeowner or by the local jurisdiction's General Fund. Private landowners are typically resistant to coming out of pocket for Rule 20A costs. Older lines and connections may also serve properties without any legal easement, providing no means to complete the work without creation of new formal easements. Without local landowner buy-in, these projects can present challenges.

In 2009, the Solano County Board of Supervisors considered a Rule 20A project in Suisun Valley along Rockville Road. Staff worked with PG&E to scope the project and established a preliminary project estimate of $8 million. At that time, Solano County had a Rule 20A credit balance of approximately $3.4 million, which left the project with a significant funding shortfall. In addition, staff found that the standard Rule 20A agreement proposed by PG&E at that time had terms which could've led to significant expenditure of the County's Rule 20A credits without any guarantee that the project would move into construction. Other agencies were making similar complaints about the delivery of their Rule 20A projects at that time. Preliminary scoping of the project by Department and PG&E staff identified many properties that would need tie-in work that was ineligible for Rule 20A funds, and also required undergrounding of lines on properties that had no easements for access and use. In 2014, staff put the project on hold until future terms and funding conditions improved.

The Rule 20A program has undergone significant changes since the 2007 Great Recession, including temporary credit freezes, significantly reduced annual credit allocations, and difficult and expensive agreement terms. Prior to 2019, the standard Rule 20A agreement placed significant funding conditions and timelines on local agencies without holding PG&E to similar terms. The California State Association of Counties (CSAC), along with a group of member agencies, spent several years lobbying to change the terms of the standard Rule 20A agreement. In February 2019, the Public Utilities Commission (PUC) approved an updated version, which provides more favorable terms to agencies with PG&E sharing some of the expenses. CSAC has since recommended that local agencies move forward on Rule 20A projects as a show of good faith and to show interest in using the funds. This new agreement allowed several frozen Rule 20A projects to move forward and seek connecting funds for completion.

At this time, Department of Resource Management has identified several concepts the Board could consider and is seeking further direction regarding the County's current Rule 20A credits.

Options

1) Initiate A New Project

The Department could begin the process of identifying and initiating a new project with PG&E. PG&E has indicated it is accepting new applications to determine the needs of local agencies as well as to assist local agencies on the preliminary steps of the process. It should be noted that PG&E is currently not funding new Rule 20A projects until the current backlog is reduced.

A new project initiation would require scoping of locations under the terms of the new agreement. Project locations would need to be initially vetted by PG&E staff for eligibility, and then brought to the Board for a decision on a single project. Some potential project locations that could be considered include the undergrounding of lines along Midway Road in Dixon, or Rockville Road, or Suisun Valley Road in Suisun Valley, or Benicia Road and Lemon Street in Vallejo. Long linear projects with simple frontages run with PG&E estimates at $800k-$1 million per mile. Double-pole lined roads are more expensive.

A specific example project would be the Benicia Road Improvement Project in the County's Capital Improvement Plan, which has potential use of Rule 20A funds for the undergrounding of some utility poles along the roadway and sidewalks. Undergrounding along Benicia Road would be constrained to limited portions of the road, with preliminary estimates around $2.5 million in Rule 20A credits, but could grow to well over $6 million by adding the intersecting streets. Adjoining connections onto adjacent private properties would need funding from a source other than the Road Fund as some of these expenses are ineligible for both Rule 20A and Road Funds. It is also estimated that utilizing Rule 20A underground power into a project may add 3-5 years or more to the lead time.

2) Do Nothing - Let Rule 20A Credit Balance Grow

The County gains less than $100K in credits per year. The Department could let the credit ledger grow over time by not initiating any new project. Eventually the credit balance would grow to a size where a large project could be undertaken. It's common for agencies to have credit balances in the millions of dollars. However, with the recent bankruptcy announcement of PG&E, there is some concern that the Rule 20A program is under greater scrutiny because of its track record of delivery. Early prognostication by CSAC and some member agencies envision Rule 20A surviving bankruptcy due to the value of undergrounding of electric poles in fire prone areas. PG&E staff recently indicated that the PUC will be reviewing the Rule 20A program this winter, with potential to make new findings as to its use. A claim by the County was submitted to PG&E as part of the bankruptcy process to attempt to preserve the County's credit balance if the credits are to be liquidated.

3) Swap Rule 20A Credits with Local Agencies

PG&E has referred several other agencies to the County staff seeking to swap funds for Rule 20A credits. PG&E and the Public Utilities Commission are supportive of swaps because they can provide Rule 20A funding where shortfalls exist in projects in process. The list of statewide Rule 20A projects in process is long. The concept of a swap is where another agency with a project "purchases" the Rule 20A credit value with another source of funding at a deep discount. Rule 20A credits are renowned for their difficulty to expend, so agencies have not shown a willingness to pay a high exchange rate. The benefits of a "credit swap" are that an agency can swap credits for other funds that can be used on projects or in turn used as match for a Rule 20A project.

Staff solicited interest in credit swaps with the Directors of Public Works of each of the local cities, as well as the Solano Transportation Authority. The City of Rio Vista responded with interest, but there are no details to report. Staff has also received proposals for swaps from the City of Pismo Beach and the County of San Mateo. If this is a favorable alternative, the Department would return to the Board with a swap agreement for consideration.

A mix of one, two, or all three of the alternatives could also be considered. A small project could be initiated, with a credit swap for General Funds to create match, with a remainder balance left for unanticipated project overruns. The Board's comments would be helpful for staff to determine the next course(s) of action.

ALTERNATIVES:

The Board could choose to not receive the presentation on Rule 20A credits. This is not recommended because the Department needs some Board input on the alternatives available for utilizing the Rule 20A credits.

OTHER AGENCY INVOLVEMENT:

County Counsel's Office has reviewed and approved this item as to form.

CAO RECOMMENDATION:

APPROVE DEPARTMENTAL RECOMMENDATION