

Funding Options for Undergrounding Utilities in accordance with CPUC Rules 20A and 20B
Prepared by BCUU
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BCUU's experience over the past few years is that funding options for Undergrounding projects are often complex and not readily available to the general public. BCUU wishes to provide this Summary as our best effort to document a variety of funding solutions:

Funding Opportunities for CPUC Rule 20A Undergrounding Projects

Rule 20A projects proceed when a governing body has obtained enough CPUC "credits" to fund the project. The City of Berkeley webpage indicates the city is not currently accepting Rule 20A applications. The last Rule 20A project the City of Berkeley approved was in 1992.

Cities may approve Utility Undergrounding Districts (UUDs) prior to obtaining the necessary funding credits, but the physical work will not proceed until sufficient credits are available in the city's account or other funding is made available. For instance, Berkeley's UUD48 (Grizzly Peak Blvd/Summit Ave) was approved by the City in 1992, but it has not been constructed. Much of the delay is a result of "credit availability". The City now has over \$9,000,000 in credits. The UUD48 project is estimated to cost < \$8M. Construction was last scheduled to start in the Summer of 2019. It has recently been further delayed, this time not by funds; but by administrative issues. Other Berkeley 20A projects similarly funded have included:

TBD

In total, over 45 Utility Undergrounding Districts (UUDs) have been completed in Berkeley using numerous funding sources including:

TBD

Less well-known funding opportunities for Rule 20A Undergrounding projects include:

1. The City may purchase credits from other Cities that have a surplus of undergrounding credits. Cities with excess credits market them in order to fund other projects in their city. Under just one of many possible scenarios, we note that California State law requires new developments to place utilities underground when they are constructed. Under Rule 20 the cities accrue credits just like older cities with above ground utilities, however the newer developments do not have undergrounding needs of older cities. This often makes the CPUC credits an asset that a city may want to sell. These undergrounding credit purchases are historically done on at fifty cents to the dollar basis. Berkeley has never exercised this option.
2. The City's available credits may be augmented by up to 5 years of projected future CPUC credits. This brings the currently available City of Berkeley credits to over \$11,000,000. Berkeley has never exercised this option.
3. PG&E will entertain, upon application by the governing body (Berkeley) further advances of future credits. The City of Berkeley has never exercised this option.
4. Funding for Rule 20A credit purchases can be obtained by using a Proposition 218 assessment district similar to the process the City recently used to fund both the Street Lighting and Storm Water measures. Berkeley has never exercised this option.

CPUC Rule 20B Projects

Rule 20B projects proceed when approved by the local governing body and are funded. While it is often said these projects are, “fully paid by the parcel owners within the approved Utility Undergrounding District (UUD)” this is not quite the complete story.

Less well-known funding opportunities for Rule 20B Undergrounding projects include:

1. PG&E pays 20 to 40% of the total 20B project cost to reflect the lower operating costs of the undergrounded system. Telecom Companies pay 100% of their cost associated with the project.
2. The Rule 20B Project can be financed using a Proposition 218 assessment district similar to the process the City recently used to fund both the Street Lighting and Storm Water measures. Berkeley has never exercised this option for utility undergrounding of either 20A or 20B projects.
3. The early “upfront” design costs have been, in the past, a barrier to 20B project formation as they have been presented as an “at risk” advanced cash from organizers of the UUD. At a CPUC Rule 20 Workshop in April of 2019, BCUU learned from PG&E that these “upfront” funds could be advanced on loan from the city’s Rule 20A credit account. Berkeley has never exercised, or made public, this option for funding utility undergrounding.
4. Numerous PG&E and California State “low income” subsidies are available to subsidize parcel owners that qualify. These subsidies have been exercised in some of the past for some 20A projects e.g. Arlington UUD Project. These same subsidies are available to 20B projects. Berkeley has not exercised any subsidies for 20B projects.
5. The League of California Cities plans to petition the CPUC for special Rule 20A designation for Very High Fire Hazard Zones (VHFHZ) in their jurisdictions. This would make Rule 20A applicable to all streets in these zones in the petitioning city’s and increase the Rule 20A funding there as well.

Just one Rule 20B project, Thousand Oaks Heights, has been completed in Berkeley. This project was completed in 2002. No other 20B projects have been completed since. The City of Berkeley webpage indicates the City is not currently accepting Rule 20B project applications pending a redraft of the Rule 20B Project Guidelines.

In the summer of 2019, members of BCUU submitted (to both PG&E and the City) a draft revision of Rule 20B Guidelines for the City of Berkeley to consider. This **draft** can be found on our website and we await further developments.

Various Other Funding Sources

Other funding options are available. Many are in use in other municipalities. These include (in part):

- Utility Surcharges
- Sales Tax
- Transfer Tax
- Developer Fees
- University of California Fees

These sources could be used alone or in combination with other 20A or 20B funds.