



The City of San Diego

Staff Report

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TO: Environment Committee
FROM: Transportation Department
SUBJECT: Status Update on the Utilities Undergrounding Program

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Council District(s): All

OVERVIEW:

This is an informational item to present a status update of the Utilities Undergrounding Program (UUP).

PROPOSED ACTIONS:

This item is for information only.

DISCUSSION OF ITEM:

Background

The City of San Diego's Utilities Undergrounding Program (UUP), administered by the Transportation Department, endeavors to convert every overhead utility line in San Diego's right of way to underground service. The effort of this program significantly reduces the fire risk, enhances reliability by minimizing outages for San Diego residents, and offers long-term cost effectiveness by decreasing maintenance costs because underground utilities are less vulnerable to external disturbances and extreme weather events.

Since 1970, over 400 miles of overhead utilities in the City of San Diego have been undergrounded through special funding sources and there are currently over 1,000 miles of overhead utility lines remaining that need to be undergrounded. The UUP facilitates these projects, but most of the construction tasks are executed by the City's gas and electricity franchisee, San Diego Gas & Electric (SDG&E). This work is governed under the City's Franchise Agreement with SDG&E.

Undergrounding Memorandum of Understanding

Effective partnering with SDG&E is imperative for the success of the Utilities Undergrounding Program. The Undergrounding Memorandum of Understanding (MOU) was developed to establish clear expectations for SDG&E as a partner. Now that work under the

MOU is underway, staff have focused efforts on overseeing compliance with the terms of the MOU to improve accountability. Here are a few examples:

1. The new MOU requires SDG&E to prepare a preliminary cost and schedule estimate within 30 days of the first project scoping meeting. Under City staff oversight, SDG&E has delivered preliminary cost and schedule estimates for 11 projects. This is helping forge a better partnership by creating an early opportunity to communicate project cost and schedule concerns. Under the prior franchise terms, the City did not receive this early information causing cost and schedule information to be communicated much later in the progress of a project.
2. The new MOU requires more transparency in SDG&E's process of competitively bidding and awarding work to contractors. Under City staff oversight, SDG&E has provided proof of compliance with MOU requirements during the advertisement and award of Master Service Agreement contracts, contracts that will provide the design, engineering, construction, and project management services needed to deliver several projects in this and coming years. The required transparency will also allow a deeper look during the franchise audit, giving City management better insight into whether SDG&E's competitive bidding practices are effective at securing competitive market rates for these services.
3. The new MOU allows the City to directly manage undergrounding projects with less risk and more certainty. In fact, the new MOU includes eight pages clarifying required SDG&E support on City managed projects, referred to as Joint Projects. While the effectiveness of these requirements will continue to be evaluated throughout the life of the agreement, positive signs of progress include the continued development of Joint Projects started under the old agreement, and the startup of two additional Joint Projects. One of the early Joint Projects, Rolando 7G2, which stalled under the old agreement, has successfully moved forward under the new agreement, and is estimated to finish construction this fiscal year. Another, Jamacha Lomita 4Y, has also experienced a resolution to an earlier stall, and is now progressing steadily toward completion in FY 2025.

Staff have amplified communication to ensure SDG&E is completing projects in line with the MOU and the City's best interests. An example includes scheduling joint meetings every month to discuss project progress, timelines, and budgets. These regular meetings act as a vital link, bolstering accountability by sharing data, strategies, and addressing challenges transparently. This ongoing and consistent interaction fosters a collaborative atmosphere for both parties to collectively achieve the MOU's outlined objectives, manage costs, and provide good quality of service.

Finally, the City is utilizing an independent third-party auditor as part of the City's Franchise audit. The audit includes a review of SDG&E's adherence to the MOU to ensure compliance. The final report is expected to be completed at the end of the Fiscal Year.

Prioritizing of Undergrounding Projects

The UUP prioritization process is governed by Council Policy 600-08, the City's 2018 Undergrounding Master Plan and the Undergrounding Memorandum of Understanding. Originally, under Council Policy 600-08 prioritization focused on ensuring each Council District had an equally distributed number of projects based on total projects and miles of

undergrounding. The 2018 Master Plan then added more rigor by adding specific prioritization criteria. These new criteria included land use, location of substation within the project boundary, and a discretionary category used to prioritize projects based on public benefit. The Undergrounding Memorandum of Understanding then added two new criteria – Communities of Concern¹ and areas of higher fire risk². These new prioritization criteria put a particular focus on public safety and equity as qualifying factors.

Progress of Undergrounding Work

Staff have leveraged the new Undergrounding MOU to get a substantial volume of undergrounding design and construction underway. A total of 17 projects have been assigned to SDG&E under the terms of the new MOU. Of these, 13 are assigned for SDG&E to fully deliver, three are assigned to SDG&E to support as Joint Projects where the City handles most of the design and construction, and one project is assigned to SDG&E to conduct additional geotechnical engineering analysis prior to establishing commitments on the final project delivery. Additionally, the City is currently handling 50 undergrounding projects. Of which 42% are in underground construction, 22% are in the design phase, and 36% are in public improvement construction. Also, seven projects have completed undergrounding this Fiscal Year. Below you will find more detail on each segment of work being handled by City staff.

As detailed in Table 1, staff are actively managing 22 projects that are in underground construction. The undergrounding of utility systems and the subsequent removal of overhead utility systems typically takes between 18 and 36 months for most projects. These current projects have a mix of funding sources including 20A and Surcharge. Of the 22 projects 59% are in a high-fire risk area, and 50% are within a community of concern demonstrating a commitment to public safety and equity.

¹ As identified in the City's Climate Equity Index

² As identified in the City's Climate Resilient SD Report

Table 1: Current List of Projects in Construction

Project Name	CD	Within Fire Hazard Area	Within Community of Concern	Phase
Crown Point (2BB) Job 2	1	No	No	Phase 1 – Trenching & Conduit
La Jolla (1J) Phase 1	1	Yes	No	Phase 2 – Electric (Cabling)
Bay Park (6H)	2	Yes	No	Phase 3 – Removal from Service
Marlesta Drive/Beagle Street	2	Yes	No	Phase 3 – Removal from Service
Mount Acadia Blvd	2	Yes	No	Phase 3 – Removal from Service
30th St Phase (Phase IIIB)	3	Yes	Yes	Phase 3 – Removal from Service
Howard Ave Phase 1	3	No	No	Phase 3 – Removal from Service
Golden Hill (8C)	3	Yes	Yes	Phase 2 – Electric (Cutovers)
San Diego Ave	3	Yes	Yes	Phase 3 – Removal from Service
Baker Street /Shawnee Road	3	Yes	No	Phase 3 – Removal from Service
Ridgeview–Webster / Oak Park (4J1)	4	Yes	Yes	Phase 2 – Electric (Cabling)
Jamacha Lomita (4Y)	4	Yes	Yes	Phase 1 – Trenching & Conduit
Allied Gardens (7T)	7	Yes	No	Phase 1 – Trenching & Conduit
28th Street	8	No	Yes	Phase 3 – Removal from Service
Cesar Chavez Parkway	8	No	Yes	Phase 3 – Removal from Service
Rolando (7G2)	9	No	No	Phase 3 – Removal from Service
Orange Ave	9	No	Yes	Phase 3 – Removal from Service
31st Street (Distribution)	9	No	Yes	Phase 3 – Removal from Service
32nd Street Phase 1	9	Yes	Yes	Phase 3 – Removal from Service
32nd Street Phase 2	9	Yes	Yes	Phase 3 – Removal from Service
Seminole Ave Phase 1	9	No	No	Phase 3 – Removal from Service
Seminole Ave Phase 2	9	No	No	Phase 3 – Removal from Service

Another measure of undergrounding progress is the volume of projects actively being designed and the pace of design completion. The table below shows 10 projects currently in the design phase. This volume of design activity is the result of City and SDG&E staff working together to restart production under the new MOU. Weekly meetings with SDG&E maintain a close focus on design pace to ensure that these projects move to the construction phase as quickly as feasible. Schedule variance is tracked monthly against baseline schedules established at 30% design and 90% design, and any progress concerns not addressed at the weekly project management meetings are elevated to management-level discussions with SDG&E.

Table 2: Current List of Projects in Design

Project Name	CD	Within Fire Hazard Area	Within Community of Concern
La Jolla (1M1)	1	No	No
Del Mar Hts./Carmel Valley (1Y)	1	No	No
Mission Beach (2S2)	2	No	No
North Clairemont (6K1)	2	Yes	No
North Clairemont (6K2)	2	Yes	No
Encanto/Emerald Hills (4R1)	4	No	Yes
Jamacha Lomita (4Y1, joint project)	4	No	Yes
Allied Gardens (7R1)	7	No	No
Egger Highlands (8R, joint project)	8	Yes	Yes
Adams North (3DD)	9	Yes	No

To highlight the program’s success at completing the delivery of projects, Table 3 lists seven projects that have completed the undergrounding construction so far in FY-2024. Combined, these projects have undergrounded overhead lines on 4.2 miles of City streets and supported 296 properties. Undergrounding has been completed on these projects, but there may be some public improvement construction work on-going as detailed in Table 4.

Table 3: Undergrounding Completed in FY24 (to date)

Project Name	CD	Within Fire Hazard Area	Within Community of Concern
Fanuel Street Phase 1	1	No	No
Fanuel Street Phase 3	1	No	No
Mission Blvd	1	No	No
Sunset Cliffs Blvd	2	No	No
Ingulf St	2	No	No
Howard Ave Phase 2	3	No	No
Hilltop Drive Phase 1	9	Yes	Yes

Finally, there are 18 projects currently in public improvement construction. During this phase project enhancements are completed to include pavement restoration, tree planting, curb ramps, and streetlights.

Table 4: Current List of Projects in Public Improvement Construction

Project Name	CD	Within Fire Hazard Area	Within Community of Concern
Fanuel St Phase 1	1	No	No
Fanuel St Phase 3	1	No	No
La Jolla (1J) Phase 2	1	Yes	No
Cass Street	1	No	No
La Jolla (1M) Job 1	1	Yes	No
Mission Beach (2S1)	1	No	No
Mission Blvd	2	No	No
Ingulf Street	2	No	No
Bay Ho (6DD1)	2	Yes	No
Howard Ave Phase 2	3	No	No
San Vicente Street Phase 1	4	Yes	Yes
San Vicente Street Phase 2	4	Yes	Yes
Hughes Street	4	Yes	No
Golfcrest Drive	7	No	No
25th (SB) St	8	Yes	Yes
Coronado (SB) Avenue	8	No	Yes
Hilltop Drive (Phase 1)	9	Yes	Yes
Wightman Street	9	Yes	Yes

In terms of project delivery, SDG&E recently adjusted timelines for all projects not yet in construction. This resulted in most projects start dates being delayed by more than a year. Staff are not accepting the changes due to the extreme delays. Additionally, four projects were missing from the new schedule, hindering the City’s review of all potential delays.

SDG&E has explained that adjusting projects schedules was necessary to address some inaccuracies they found with their original submittal, to consolidate contracting packages for improved efficiency, and to stagger the civil construction contract award dates by a minimum of two months to get more competitive bids. SDG&E explained that these changes should bring overall cost savings to these projects due to more competitive bidding. However, they are not yet able to estimate the amount of savings due to the dynamics of the construction market.

The City has requested that SDG&E take another look at the new schedule dates to determine if there are opportunities to bring projects back to their original schedule start date, while still gaining the benefits of efficiency and competitive pricing. So far, SDG&E has been able to restore one project to its original start date, and they are currently working on adjusting schedules for additional projects.

The current outlook of construction starts, based on the latest schedules provided by SDG&E, are as follows:

- FY 2025: 7T, 8R, and 4R1
- FY 2026: 1M1, 1Y, 2S2, 6K1, 6K2, 1S and 7R
- FY 2027: 3DD and 2BB Job 1

Increasing Community Communication & Engagement

Community engagement remains an important part of the undergrounding program. Most recently, the Department hosted two community events. The first event held on November 30, 2023 was a pre-construction forum designed to allow the residents of project Allied Gardens 7T an opportunity to hear more about the construction details. City staff led the presentation, providing details of the planned improvements and construction schedule. Subsequently, a panel comprising of representatives from City teams from UUP, Urban Forestry, Development Services Department, and Engineering & Capital Projects, along with COX, AT&T, and SDG&E addressed specific questions from community members in attendance. The project proposes to underground 3.23 miles of utility lines to provide new, secure, and dependable underground electrical, telephone, and broadband services.

The second event was a pole removal ceremony held on December 6, 2023 and marked the completion of the second phase of Howard Avenue. This was a combined project allowing City staff to directly manage portions of the undergrounding construction, which resulted in schedule efficiencies and cost savings. This project undergrounded 1.1 miles of utility overhead lines and provided safe and reliable underground electrical, telephone, and broadband service to 76 properties. This project serves as a great example of how the Transportation Department is able to deliver through the combined means of City-managed construction and partnership with SDG&E.

The continued focus on improving community communication is illustrated by recent and ongoing work to improve messaging and communication with the public through the website, community forums, and a new newsletter to inform City Council staff.

Updating the website is particularly important because it is the primary way that prioritization status, construction updates, and undergrounding process are communicated to the public. By the end of the Fiscal Year, the Undergrounding Info Map will be updated with improved terminology that will better communicate prioritization status. To improve community understanding, staff are developing a messaging strategy to guide the development of all communications that will improve consistency and clarity in the information that is communicated to the public. This will include updated door hangers, community presentations, and related external facing materials.

Finally, a newsletter for Council office staff is being rolled out on a pilot basis in January. The goal of the newsletter is to improve access to information about our program. We will be requesting feedback to incorporate it into possible future editions.

Status of Program Finances

Effective project planning is important because the cost of each project affects the overall fund balance that can be used to support the start of additional projects. City and SDG&E staff collaborate closely throughout the project lifecycle to ensure clear communication around financial tracking. The Transportation Department routinely emphasizes budget constraints with SDG&E including emphasizing the core objectives in the Undergrounding MOU – maximizing the Surcharge Program’s value by ensuring projects are cost effective and that prudent care of public funds is always maintained. Company leadership at SDG&E has agreed to collaborate with the City to identify design and construction options that can reduce project costs. There are also weekly meetings between City and SDG&E staff to explore cost savings options on a project by project basis.

Funding Sources

Rule 20A Work Credits – Established in 1967 by the California Public Utilities Commission (CPUC), Rule 20A required California’s electrical utility companies to reserve funds each year to pay for underground conversion of existing overhead lines. These funds were allocated to cities and counties as “work credits”. The CPUC has since ruled that Rule 20A be discontinued and no new credit be allocated after December 31, 2022.

Underground Surcharge Fund – Within the City of San Diego’s jurisdiction, additional funds designated for undergrounding work are collected as a surcharge on electric utility bills and remitted to the City as Underground Surcharge revenue. Surcharge revenue and expenditure activity are reported in the City’s annual budget under the “Underground Surcharge Fund.”

Status of Underground Surcharge Fund

The volume of projects described above is possible due to the amount of funding available. Fiscal Year 2024 started off with an Underground Surcharge Fund balance of \$298.5 million and a budgeted \$22.1 million increase in revenue over Fiscal Year 2023. This financial position enables entering of financial obligations associated with starting construction on these large infrastructure projects, supporting a volume of undergrounding construction that surpasses that of any other city in California.

Much of the currently active project work is at an early stage in the project lifecycle, and at this stage cost estimates are not reliable enough for projections of how quickly funds will expend. In the next six to twelve months SDG&E will put more construction out to bid and will have more actual project expenditures to report. As this more precise cost information materializes, future program reports will include a forecast of spend rates in comparison to fund balance and revenue.

City of San Diego Strategic Plan:

This item relates to the Strategic Plan’s Operating Principle: by providing high quality public service, promote a customer-focused culture that prizes accessible, consistent, and predictable delivery of services, work in partnership with all our communities to achieve safe and livable neighborhoods, protect property and the environment through timely and effective response in all communities. This supports the Strategic Plan’s Priority Areas to Advance Mobility and Infrastructure & Protect and Enrich Every Neighborhood.

Fiscal Considerations:

N/A

Charter Section 225 Disclosure of Business Interests:

N/A

Environmental Impact:

N/A

Climate Action Plan Implementation:

This action supports Strategy 5: Resilient Infrastructure and Healthy Ecosystems of the Climate Action Plan (CAP). Undergrounding overhead lines reduces wildfire and other safety hazards, such as downed lines, caused by more extreme weather events. In addition, it reduces the need for tree trimming due to conflicts with overhead lines, which enhances carbon sequestration and preserves the tree canopy. The Utilities Undergrounding Program also plants street trees after the removal of overhead lines, which furthers the CAP target to increase urban tree coverage.

Equal Opportunity Contracting Information (if applicable):

N/A

Previous Council and/or Committee Actions:

December 11, 2001: Established Council Policy 600-08 and Surcharge Fund.

November 27, 2006: Changed reporting periods for Master Plan approval to every five years.

July 27, 2018: Approved the 2018 Master Plan.

Planning Commission Action:

N/A

Key Stakeholders and Community Outreach Efforts:

The primary stakeholders are the citizens of San Diego who benefit from removal of overhead utilities across the city. The process of undergrounding creates impacts typically associated with construction in the street right-of-way, including lane closures. Private property owners are impacted by construction on their property to connect the underground lines. These inconveniences are minimized through planning and notification.

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