

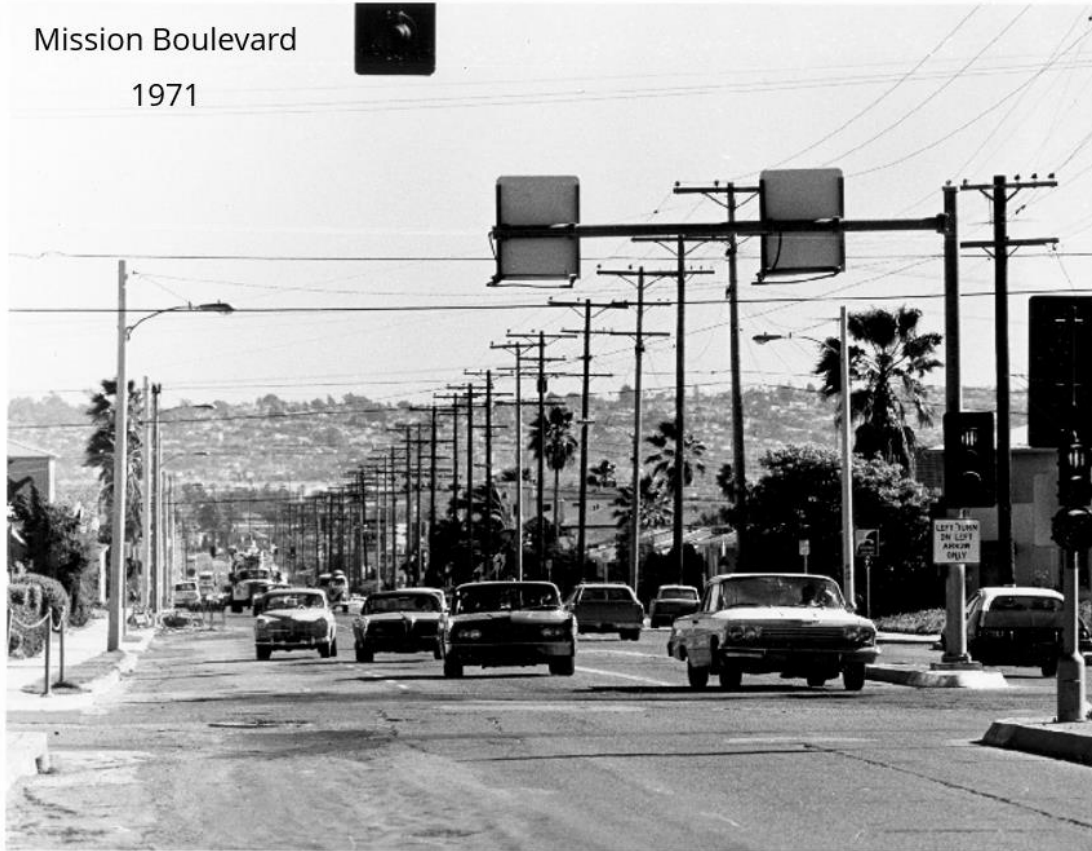
Transportation Department

Undergrounding MOU

Franchise Compliance Review Committee
April 19, 2023

How It All Began

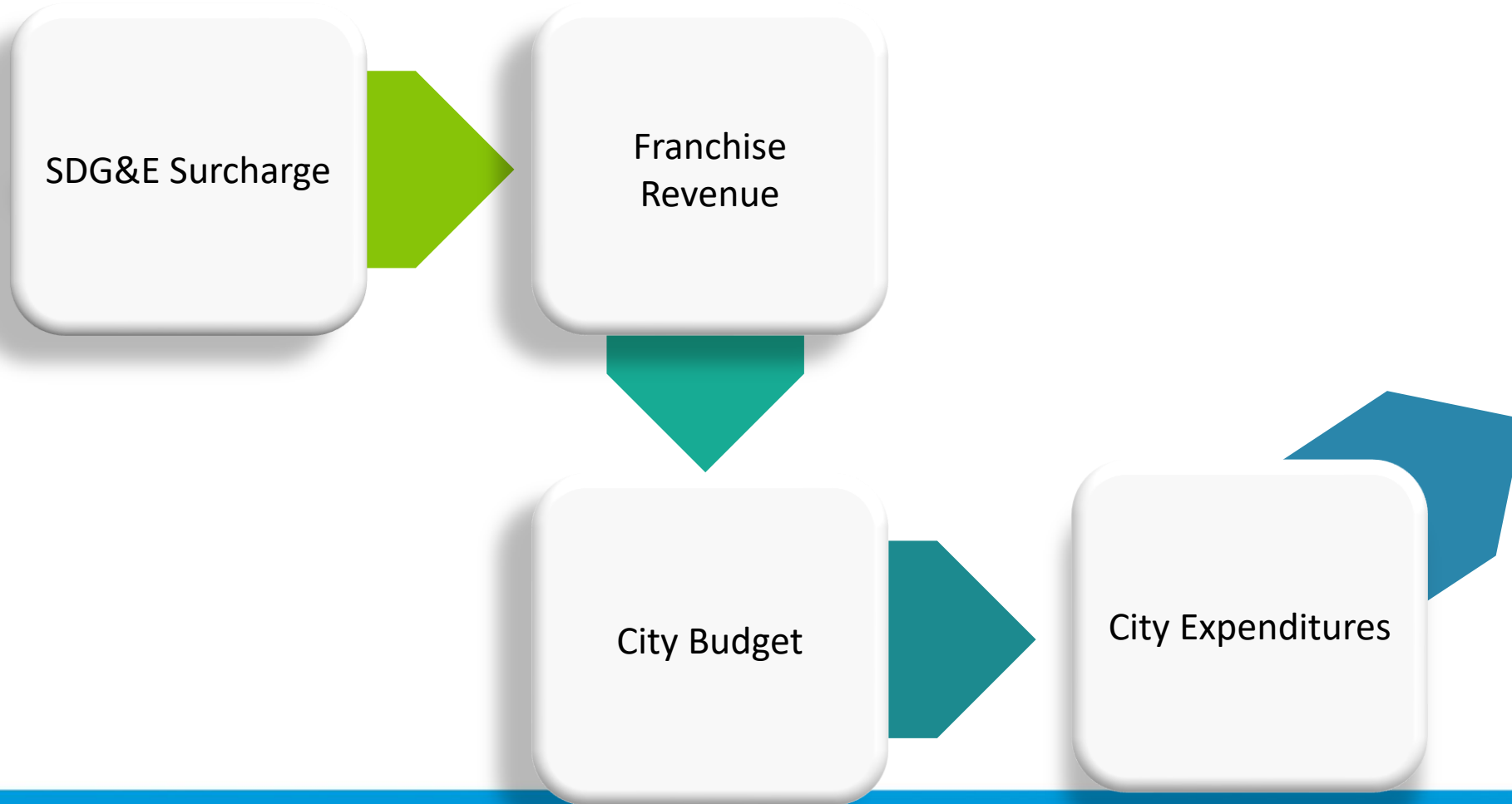
Mission Boulevard
1971



Mission Boulevard
1973



One of a Kind Program



Projects

Desired Outcome

Good progress at a fair price

Consistency with City laws and policies

Means

Progress Targets

Cost Controls

Budgetary Controls

Option to Self-Perform

Cooperation



Progress and Cost Efficiency – Past Outcome

Planned	Accomplished	Comparison
71 Projects	31 Projects	56% Less
200 Miles	100 Miles	50% Less
\$525 Million	\$405 Million	23% Less

Progress and Cost Efficiency – New Terms



More formality to agreeing on targets



More reporting required



Increased cost controls

Progress and Cost Efficiency – Present State



- Revenue growth versus cost escalation
- No longer have contribution of Rule 20A work credits

Project Cost Controls

Past Terms

- Portion of cost records embedded in internal accounting
- No process to verify market prices for outsourced work

New Terms

- Separate accounting for Surcharge work [Electrical Franchise Sect. 8(i)]
- City rules apply to SDG&E procurement [Electrical Franchise Sect. 8(g)]
- Pricing proposals with commercially reasonable assurances [Electrical Franchise Sect. 8(g)]
- Access to all books and records [Electrical Franchise Sect. 8(j)]

Project Cost Controls – Present State



- Accounting setup
- Public advertising performed
- Sharing of bid evaluation criteria

Budgetary Controls

Past Terms

- Agreement contained no specific requirements for SDG&E
- Staff relied on past expenditures for setting budgets
- Staff relied on experience and judgement for mid-year projections

New Terms

- SDG&E to provide info at key milestone dates
 - Proposed Budget
 - May Revision
 - Mid-Year Projection
 - Year-End Projection

[Undergrounding MOU Sect. 12]

Budgetary Controls – Present State

- SDG&E adapting to change in first year of these new requirements
- Already proving to be a very helpful addition



City's Option to Self Perform – Past Terms

- Took too long to agree on specific terms of the work
- Cabling, service cutovers and overhead removal deleted from City scope
- Cooperation challenges during execution of the projects
- Successfully completed design for three projects and major undergrounding construction for one project

City's Option to Self Perform – New Terms

- States “design reviews and inspections... shall not be unreasonably withheld or delayed” [Electrical Franchise Sect. 10(f)]
- Extensive use of “Grantee will cooperate” [Undergrounding MOU Sect. 6]
- Clarified roles for easements [Undergrounding MOU Sect. 7.11]
- City choice of which projects to self-perform, but same scope limitations [Undergrounding MOU Sect. 4.1.3 and Sect. 6]

City's Option to Self Perform – Present State



- Three projects that started under old agreement have resumed
- Working through some initial challenges

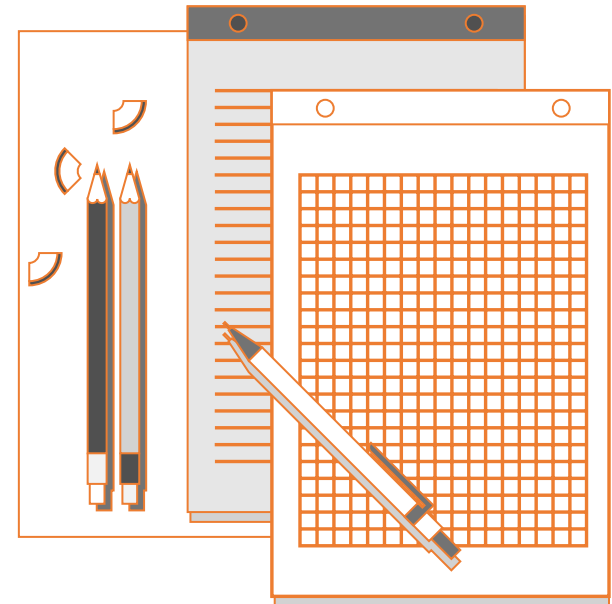
Processes that Remain City-Controlled



- Prioritization of projects
 - Equity in how program funds are distributed
- SDG&E work requires DSD permits
 - Effective at managing construction impacts

Written Requirements to Cooperate

- SDG&E to participate in field review of proposed boundary
[Undergrounding MOU Sect. 4.3.1]
- Promptly notify City if boundary needs modification
[Undergrounding MOU Sect. 4.3.2]
- Meet and confer on suspended projects
[Undergrounding MOU Sect. 4.7.3]
- Scheduling of project startup
[Undergrounding MOU Sect. 7.1]



Written Requirements to Cooperate (cont'd)

- Shall not remove power to streetlights without permission
[Undergrounding MOU Sect. 7.10.8]
- City access law and arborist review early coordination
[Undergrounding MOU Sect. 7.12]
- Comply with MMRP and schedule with City monitor
[Undergrounding MOU Sect. 7.13]
- Participate in community forum meetings
[Undergrounding MOU Sect. 7.10.8]

Conclusion

- Agreement more like a regulation than a contract
- Thicker rulebook strategy being tested
- Reliance on working relations with SDG&E
- Independent audit process will bring an objective evaluation
- Desired outcomes remain the same:
 - Good progress at a fair price
 - Consistency with City laws and policies



Sherman Heights



Kellogg Park



Mission Beach



Thank You!