



April 30, 2024

Juan Larios
City of Imperial Beach | Director of Public Works
495 10th Street
Imperial Beach, CA 91932

SUBJECT: California Public Utilities Commission Electric Rule 20A Update and Work Credit Summary

Dear Juan,

Thank you for your continued partnership with San Diego Gas & Electric (SDG&E) to underground our overhead electric power lines and meet our commitment to provide clean, safe, and reliable energy to our customers. This letter is intended to provide an explanation concerning the recent California Public Utility Commission (CPUC) Rule 20 Decision (D. 23-06-008) and the consequences to the City of Imperial Beach's Rule 20A program.

Rule 20A Background and CPUC D. 23-06-008 Summary:

Rule 20A is a subprogram of Rule 20 under which the CPUC permits utilities to allocate ratepayer-funded work credits to cities and unincorporated counties for electric facility undergrounding projects that meet eligibility criteria focused on aesthetic purposes. In 2017, the CPUC opened a Rulemaking, R.17-05-010, to review issues related to the undergrounding of electric distribution lines, and specifically to consider the possibility of modifying the undergrounding programs pursuant to the Electric Tariff Rule 20 which is applicable to the investor-owned utilities in California. The rulemaking was separated into two phases. The Phase 1 Decision (D.21-06-013) was released in June 2021 and the Commission issued the Phase 2 Decision (D.23-06-008) approving a revised Electric Rule 20, on June 8, 2023. The second closed Rulemaking 17-05-010.

As directed by D.23-06-008 SDG&E submitted modifications to its Electric Rule 20A Tariff in Advice Letter 4253 and in Advice Letter 4254 (approved on September 13, 2023), which was served on all communities with Rule 20A programs.

The revised Electric Rule 20A Tariff has been updated to the following:

- (a) An Active Rule 20A project shall be defined as a project with a signed resolution that the utility has designated as either “active” or on “hold.” Whereas Resolution E-4971 defines an “inactive” community as a community that has not (i) formally adopted an undergrounding district ordinance which expires at completion of work within the district boundaries, (ii) started or completed construction of an undergrounding conversion project since 2011, or (iii) received Rule 20A allocations from the utility for only 5 years or fewer due to recent incorporation. An “underserved” community is defined as any city, unincorporated county, or tribal jurisdiction that has not completed a Rule 20A project since 2004.
- (b) A Rule 20A project that a utility has designated as on “hold” is a project that was initiated but has stopped for an indeterminate amount of time due to the community possessing insufficient work credits to fund the entire project.
- (c) Any Rule 20A work credit that has not been allocated to a community with an Active Rule 20A Project within two years of the effective date of this decision shall be deemed expired.
- (d) Communities shall have the option to contribute financially to any Rule 20A project that has insufficient work credits for completion.
- (e) Any Rule 20A work credit that has not been deducted from a community’s work credit balance by December 31, 2033, shall be deemed expired.

For any questions, please refer to the documents at <https://www.sdge.com/major-projects/Rule20Undergrounding>.

Work Credit Allocations Balance:

Work Credit Balance as of January 1, 2023	\$2,197,996
2023 Adjustments to previously reported projects	\$0
2023 Closed Projects	\$0
2024 Allocation	\$0
Work Credit Allocation Balance Total	\$2,197,966

Underground Utility Districts Status Summary:

Imperial Beach City Council has established Utility Underground Districts (UUD) as listed.

- o Donax Avenue 20A
- o Elm Avenue 20A
- o Fern Avenue 20A

SDG&E designs are in progress to underground electrical facilities within these three project districts. The current cost estimate for these projects exceed the City of Imperial Beach’s \$2.2M work credit allocation balance.

Therefore, the City of Imperial Beach will need to determine which project(s) will proceed forward under Rule 20A and provide an update to SDG&E for consideration no later than December 1, 2024. This is to allow SDG&E time to review and allocate to the Project(s) within two years of the effective date (by June 2025) as per item (c) listed above. Alternatively, the City of Imperial Beach may choose to proceed with the current designs and provide additional funding sources with the execution of a Mixed-Use Agreement as per item (d) listed above.

It is important to note that effective December 22, 2017, any Contributions in Aid of Construction (CIAC) and any contribution by any governmental entity or civic group shall be treated as taxable income to SDG&E, unless a specific exemption under the law applies. Therefore, if a Mixed-Use Agreement alternative is utilized, the CPUC has authorized SDG&E to collect from the participating community a charge to cover SDG&E's estimated liability for income taxes related CIAC, also known as the Income Tax Component of Contributions and Advances (ITCCA). Currently, ITCCA tax is collected at a rate of 24% of the collectible value of the project. Please refer to the attached appendices if the City elects to request a waiver of ITCCA tax as a cost saving measure.

Lastly, SDG&E utilizes a vendor to assist with community outreach prior to and during construction. The assigned vendor responsibilities are, but not limited to, prepare a Community Outreach Engagement Plan, prepare fact sheets in English and Spanish, send e-blasts monthly, post on Nextdoor.com at least quarterly, prepare and distribute door hangers, and attend community meetings. If City staff has resources and prefers to manage these items, please notify SDG&E so that our vendor, and the associated costs, will not be assigned to the project(s).

Preliminary cost estimates for the City's Rule 20A projects are included below. Please note, SDG&E is providing the following cost estimates for reference purposes only and makes no representations, warranties, or promises regarding the accuracy, timeliness, quality, or completeness of the estimates. Estimates are based on known, current information and existing circumstances. Actual costs may change as the project or circumstances change. If work is billed, such bills will be based on actual costs, not estimates. SDG&E will not be liable for any damages, causes of action or losses arising or claimed to arise out of the use of these estimates.

Cost Estimate

Donax Avenue 20A	\$	5,735,570
Fern Avenue 20A	\$	3,905,934
Elm Avenue 20A	\$	1,889,263
TOTAL	\$	11,530,767

Provided estimates each assume the project will leverage the City's available Rule 20A Work Credits (\$2.2 Million). ITCCA tax (24%) was applied as applicable for collectible values.

Next Steps:

The City will need to provide final direction on which district(s) they will be proceeding forward with along with a finalized, detailed boundary map to ensure the SDG&E conversion design aligns with City expectations. If the City opts to proceed with 20A projects beyond the available Rule 20A Work Credits, a Mixed-Funds Agreement will be required.

Other items to note include:

- The City will need to provide its streetlighting design(s), so SDG&E can confirm proper service to these service points.
- The City will need to confirm the Community Outreach Engagement Plan.
- For any outstanding UUD Resolution that will not be constructed within the Rule 20A work credit allocation budget, SDG&E asks that City staff notify us if said resolution will be cancelled or will proceed as a Rule 20B.

Please feel free to contact Michael McEachern or me if you have any questions.

Sincerely,



Kelli Fitzgerald
Franchise Planning Manager
kfitzgerald@sdge.com



cc:

Michael McEachern – SDG&E | Design & Proj Mgmt | Project Manager II
Roberto Alcantar – SDG&E | Regional Public Affairs | Public Affairs Manger

Attachments:

- ITCCA Letter | Exemption Qualification
- SDG&E ITCCA Exemption Request Form | Master Development Plan
- SDG&E ITCCA Exemption Request Form | Section 1033
- 2023 Rule 20A Conversion Report - SUMMARY



2023 Rule 20A Conversion Report - SUMMARY

City of Imperial Beach

Work Credit Allocation Balance

Work Credit Balance as of January 1, 2023	\$2,197,996
2023 Adjustments to previously reported projects	\$0
2023 Closed Projects	\$0
Work Credit Allocation Balance Total	\$2,197,996

Estimated Allocation Expenditures**

2023 Projects in Construction	\$0
2023 Closing Projects	\$0
Estimated Allocation Expenditures** Total	\$0

Waitlisted Projects (Estimates)

Active Allocated Projects in Design With Resolution	(\$11,530,767)
On Hold Projects With Resolution	\$0
Waitlisted Projects (Estimates) Total	(\$11,530,767)

City of Imperial Beach Total	(\$9,332,771)
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*APPROXIMATE AMOUNT - VALUE WILL BE ADJUSTED WITH COMPLETION OF PROJECT AS ACTUAL PROJECT COSTS ARE RECORDED IN PLACE OF ESTIMATED AMOUNTS

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2023 Rule 20A Conversion Report - DETAIL

City of Imperial Beach

Work Credit Expenditures

2023 Adjustments to previously reported projects

None \$0

2023 Closed Projects

None \$0

Work Credit Expenditures Total \$0

Estimated Allocation Expenditures**

2023 Projects in Construction

None \$0

2023 Closing Projects

None \$0

Estimated Allocation Expenditures Total \$0**

Waitlisted Projects (Estimates)

Active Allocated Projects in Design With Resolution

Donax Ave 20A (\$5,735,570)

Elm Avenue 20A (\$1,889,263)

FERN AVE 20A (\$3,905,934)

On Hold Projects With Resolution

None \$0

Waitlisted Projects (Estimates) Total (\$11,530,767)

City of Imperial Beach Total (\$11,530,767)