Capitola City Council

Agenda Report

Meeting: August 27, 2026

From: Public Works Department

Subject: Underground Utility District No. 6 and Rule 20A Program Update

Recommended Action: Receive information regarding Underground Utility District No. 6 and the Rule 20A utility undergrounding program, including district history, implementation considerations, and utility coordination issues, and provide direction as desired. *(Continued from May 28, 2026, City Council Meeting)*

Background: This item was continued from the May 28, 2026, City Council meeting.

Rule 20A is a California Public Utilities Commission (CPUC) program that allows participating utilities to underground overhead electrical distribution facilities using utility work credits allocated to local jurisdictions. Rule 20A funding is generally limited to arterial streets, scenic corridors, downtown areas, and locations meeting criteria established by the CPUC and utility tariffs. The Rule 20A program is now largely limited to previously established underground utility districts and remaining legacy allocations previously accumulated by local jurisdictions. Per CPUC Decision 23-06-008, remaining Rule 20A work credits expire at the end of 2033.

Capitola Municipal Code Chapter 13.08 establishes procedures for the creation and administration of underground utility districts.

Capitola Underground Utilities District No. 6 was originally established by City Council Resolution No. 3098 in 2000. District No. 6 originally included portions of Bay Avenue, Capitola Avenue, and Monterey Avenue and contemplated a broader corridor undergrounding effort than the area currently under consideration.

The Rule 20A program requires entire sub-districts to be underground as a single project. Over time, implementation planning focused on smaller segments of the district based on estimated project costs, available Rule 20A allocations, and utility coordination considerations. In 2019, the City amended the district map to subdivide District 6 into smaller implementation areas identified as Districts 6A-1, 6A-2, and 6B while maintaining the original overall district boundaries (Attachment 3). According to the 2019 staff report, the subdivision was intended to allow the City and PG&E to focus on a portion of the district believed to be achievable within available Rule 20A funding allocations, specifically the area near the Bay Avenue and Capitola Avenue intersection identified as District 6A-1.

Following subdivision of District 6, the City and utility providers advanced preliminary utility coordination and joint trench planning efforts for District 6A-1. Existing planning documents include joint trench composite plans and preliminary utility cost-sharing documentation prepared in coordination with PG&E and telecommunications providers.

The City currently maintains approximately $3 million in Rule 20A work credits associated with District No. 6. These credits are held and administered by PG&E for eligible undergrounding work and do not cover all project-related costs.

At the May 14, 2026, City Council meeting, Council voted not to move forward with roundabouts along the Bay Avenue corridor and directed staff to return with additional information regarding Rule 20A undergrounding considerations and potential future corridor safety improvements. Staff returned on May 28, 2026, to present additional information about the undergrounding.

Following the presentation Council discussed the item and the advantages and disadvantages of advancing underground work in Districts 6B or District 6A-1. Following discussions, the Mayor continued the item to a future meeting to allow staff to clarify items discussed.

Discussion: Rule 20A projects require extensive coordination between the City, PG&E, telecommunications providers, affected property owners, and other utility companies. Undergrounding projects typically involve utility design, trenching, easement acquisition, service conversions, street restoration, and coordination of above-ground utility equipment such as transformers and service cabinets. In addition to utility construction costs, cities are typically responsible for costs not covered under Rule 20A work credits, which may include street lighting, restoration, traffic control, right-of-way acquisition, and certain utility betterments.

As part of the Rule 20A process, affected property owners are generally responsible for modifications necessary to receive underground utility service on private property. Final trench configuration, utility participation, and easement requirements would require additional coordination with affected utility providers and property owners.

Previous undergrounding planning efforts within District 6A-1 were closely coordinated with the previously contemplated roadway reconstruction and roundabout project. Combining roadway reconstruction and utility undergrounding was anticipated to improve project coordination efficiencies and reduce the need for multiple phases of roadway restoration.

Because Council has since directed staff not to proceed with roundabouts along the corridor, the coordinated construction assumptions underlying the prior implementation strategy may no longer apply. If undergrounding were to proceed independently from a larger roadway reconstruction effort, additional standalone restoration work may be required, and current construction costs, utility coordination requirements, and restoration obligations would require updated evaluation prior to project advancement.

Without coordinated roadway reconstruction, the primary benefits of undergrounding would relate to aesthetics, utility reliability, and long-term infrastructure modernization.

Options: Per CPUC Decision 23-06-008, Rule 20A work credits associated with this program expire at the end of 2033 and may not be redeemed for undergrounding work after that time. Rule 20A projects are multi-year efforts that typically involve utility coordination, engineering, easement acquisition, environmental review, and construction scheduling through PG&E and participating utility providers.

Based on discussions with PG&E, forming a new underground utility district at this time would not likely result in a completed project prior to expiration of the program in 2033. However, the City may continue advancing projects within the existing District No. 6 implementation areas, including Districts 6A-1, 6A-2, and 6B.

Based on field review and preliminary discussions with PG&E, District 6A-2 would likely require substantially more work credits than are currently available due to topography, utility complexity, and the number of affected services within the area. As a result, the City's currently technically feasible implementation areas are limited to Districts 6A-1 and 6B.

District 6A-1: District 6A-1, the Bay Avenue and Capitola Avenue intersection, is currently the most advanced implementation area. Engineering work has already been completed, including joint trench planning and preliminary utility coordination. Remaining steps would include confirmation of utility participation, acquisition of required easements, final utility coordination, and scheduling through PG&E for construction. Easements would be required on private property to accommodate underground utility infrastructure and related equipment.

Under the Rule 20A process, work credits are utilized for eligible PG&E undergrounding work, including project development and construction activities. Telecommunications providers are generally responsible for their own undergrounding work, while the City would remain responsible for costs including easement acquisition, roadway restoration, street lighting, traffic control, and any PG&E undergrounding costs exceeding available work credits.

Some City restoration costs associated with District 6A-1 were previously anticipated to overlap with the contemplated roadway reconstruction project. Because that roadway project is no longer being pursued, the extent of standalone City restoration costs and potential PG&E cost overruns remains uncertain and would require monitoring.

The City may continue advancing District 6A-1 through final utility coordination, easement acquisition, and project bidding. If updated cost estimates ultimately determine the City's share of project costs is not financially feasible, the City would retain the ability not to proceed with construction; however, costs associated with easement acquisition would already have been incurred.

District 6B: The City could also consider shifting implementation focus toward District 6B. However, this would require substantial additional utility coordination, engineering, joint trench planning, and project development work, effectively restarting much of the implementation process within a different portion of the district. While preliminary discussions with PG&E indicate that completion prior to 2033 may still be possible, significant uncertainty exists regarding project cost, utility coordination requirements, and available remaining work credits after accounting for prior District 6A-1 project development work.

Development of District 6B would also likely require private easements and future City funding for restoration and other project-related costs. Based on preliminary discussions with PG&E, a substantial portion of remaining work credits could be consumed through project development and engineering activities prior to construction. While the City could consider development of a future capital project to support this effort, many funding sources recently utilized for major capital projects may not be readily applicable to this portion of Capitola Avenue.

Implementation Costs: The level of planning and cost information available for District 6B is substantially less developed than for District 6A-1. For District 6A-1, preliminary utility planning, joint-trench design, cost-sharing documentation, and construction cost estimates have previously been prepared. Comparable planning documents have not been developed for District 6B. As a result, the available cost information for District 6B is limited to a conceptual, planning-level estimate provided by PG&E at the time District 6 was subdivided in 2019.

PG&E estimated the cost of utility undergrounding at approximately $3.3 million for District 6B prior to the District subdivision in 2019. For comparison, PG&E has previously estimated utility undergrounding costs for District 6A-1 at approximately $4.5 million as part of the development of an undergrounding project. Because these estimates were prepared at different times and neither estimate has been updated to reflect current construction costs, they should not be considered current project budgets. In particular, the District 6B estimate may materially understate the cost of implementing the project under current market conditions.

The estimates are intended solely to provide a general, planning-level comparison of the potential utility undergrounding costs for the two districts. Actual costs could vary significantly depending on final project design, utility participation and requirements, easement needs, restoration obligations, construction conditions, market conditions, and future coordination with PG&E and other utilities.

The estimates represent utility undergrounding costs only. They do not include costs associated with roadway reconstruction, intersection improvements, sidewalks, bicycle or pedestrian facilities, drainage, streetscape enhancements, transportation improvements, or other corridor improvements that the City may elect to undertake in conjunction with or independently of the undergrounding projects. Additional City costs may also be required for easement acquisition, traffic control, project administration, environmental review, utility coordination, and other project-related activities that are not eligible for Rule 20A work credits.

Given the limited planning completed for District 6B and the age of the available cost estimate, additional engineering and utility coordination would be necessary to develop a reliable project cost before the City could determine the feasibility and overall financial implications of advancing the district.

Alternatively, the City could discontinue advancement of any District 6 projects. This would require notifying PG&E that the City no longer intends to pursue the undergrounding work associated with the districts and would result in the forfeiture of the remaining Rule 20A work credits.

Fiscal Impact: This item is informational and does not authorize construction or appropriation of additional funds.

Rule 20A work credits may only be used for eligible undergrounding activities and do not cover all project-related costs. Additional City funding would likely be required for items including roadway restoration, street lighting, traffic control, easement acquisition, and other project-related expenses if undergrounding work were advanced.

Attachments:

1. Resolution No. 3098 – Underground Utilities District No. 6 (2000)
2. 2019 Underground District Map Amendment and Staff Report
3. Existing District No. 6 and District 6A-1 Map

Alignment with 2025-2029 Strategic Plan Priority: Accountable Government; Sustainable Infrastructure

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