Capitola City Council

Agenda Report

Meeting: September 10, 2026

From: Public Works Department

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

Recommended Action: Receive updated information regarding a potential shortened Rule 20A undergrounding project along Monterey Avenue and provide direction as desired. *(Continued from the August 27, 2026, City Council meeting)*

Background: On August 27, 2026, the City Council received an update regarding Underground Utility District No. 6 and the City's remaining Rule 20A work credits. A link to the prior agenda report is included as Attachment 1. During the meeting, PG&E confirmed the Rule 20 tariff generally requires a Rule 20A project to encompass at least 600 feet or one block. PG&E also confirmed that a portion of an underground utility district may be selected for a shortened project if the selected limits satisfy that requirement. PG&E noted the primary concern with changing the project limits is whether a newly selected segment could be designed and constructed before the Rule 20A program sunsets at the end of 2033.

Following discussion, the Council requested additional information regarding a smaller undergrounding project along Monterey Avenue in District 6A-2. The Council continued the item to September 10, 2026, to allow staff to obtain additional information from PG&E.

Discussion: At the last meeting, Council requested PG&E prepare a preliminary estimate for undergrounding the overhead utilities along Monterey Avenue from Fanmar Way to Cherry Avenue. That estimate was not available prior to the agenda publication but will be distributed as additional material as soon it is received.

As noted at the last Council meeting by PG&E staff, this type of estimate provides an initial indication of whether the shortened Monterey Avenue segment could potentially be completed using the City's remaining Rule 20A work credits. However, the estimate should not be viewed as a complete project budget. Rule 20A credits generally apply to eligible PG&E undergrounding work and do not cover all City costs associated with an undergrounding project.

A newly selected segment would require additional project development, including confirmation of the final limits, utility design, joint-trench coordination, confirmation of participation by telecommunications providers, identification and acquisition of any required easements, coordination of private service conversions, and development of street-restoration and traffic-control requirements. The City would be responsible for costs that are not eligible for Rule 20A credits, including some combination of roadway restoration, street lighting, easement acquisition, traffic control, environmental review, project administration, and utility betterments.

Based on the additional information, the Council may provide one of the following directions:

1. Continue evaluating the Monterey Avenue segment. Direct staff to continue coordinating with PG&E and other utility providers to refine the scope, schedule, and estimated City costs before returning to the Council for a commitment to advance the project.
2. Continue advancing District 6A-1. Direct staff to continue the utility coordination, easement, and project-development work previously initiated for the Bay Avenue and Capitola Avenue area.

3. Take no further action on District No. 6. Discontinue advancement of the undergrounding projects, recognizing that the remaining Rule 20A work credits would expire at the end of 2033.

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

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. The City has not yet received a cost estimate for the directed project on Monterey Ave. PG&E has previously estimated utility undergrounding costs for District 6A-1 at approximately $4.5 million.

If the Council directs staff to continue evaluating or advancing an undergrounding project, additional City funding would likely be required for project costs that are not eligible for Rule 20A work credits.

Attachments:

1. August 27, 2026, Underground Utility District No. 6 and Rule 20A Program Update Agenda Report
    a. https://mccmeetingspublic.blob.core.usgovcloudapi.net/capitolaca-meet-94d53db7b95e40c088cca9b7d948669a/ITEM-Attachment-008-986d052ec2ff46258ae86364ffe31f03.pdf

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

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