

**City of Piedmont  
California**



**Date:** June 30, 2006  
**To:** Mayor & Council  
**From:** Ann Swift, City Clerk/IS Mgr.  
**Subject:** **Undergrounding Districts – P.G. & E. Costs**

---

On May 18, I met with representatives of P.G. & E. regarding a change in their policy regarding underground utility districts. The company has decided to require prepayment for all engineering work rather than defer a portion of these charges until the formation of a district and sale of bonds. Those of you who have followed undergrounding may remember that the company has charged a nominal (but ever increasing) amount which was included in the “preliminary expense” of forming a district. For the past year or so the estimated cost was \$15-25,000. Under the new policy, P.G. & E. will collect \$50-75,000 in advance for their engineering services.

This places many fledgling districts in a difficult position. They have based their fund raising campaigns on numbers which have now more than doubled. They must either go back to their supporters to raise more money or find some other method of paying the bill. Because they have no contract with P.G. & E. yet (or with the city), P.G. & E. is not technically renegeing on any agreement.

One possible solution to the problem would be for the districts to “borrow” the city’s Rule 20A funds. The PUC allows city’s to use these funds for P.G. & E. engineering in 20B districts. Of course, should the district fail to form, the city would be obliged to pay the borrowed amount back, i.e. use general fund monies.

In trying to develop a plan which would mitigate the risk to the city’s general fund but still allow districts to use the city’s 20A funds, I formulated the following idea.

*In return for a loan of \$50-75,000 of the city’s 20A funds, a district must place on deposit a minimum of \$1,000 from at least 80% of the property owners in the district, plus sufficient other funds to pay for all preliminary costs.*

This option requires a higher level of financial participation from a greater number of homeowners than the current city policy of 70%. It is unlikely that homeowners who have made a substantial contribution to an undergrounding project will vote against it. Their participation provides some level of insurance to the city’ council regarding use of 20A funds.

At some point in the near future, I would like to bring this matter to a council meeting for discussion but I would be happy to answer any questions prior to that time.