

ORIGINAL

**UNDERGROUNDING
MEMORANDUM OF UNDERSTANDING
FOR
CITY OF SAN DIEGO & SDG&E
UTILITY UNDERGROUNDING PROGRAM**

February 2022

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Table of Contents

1.	Definitions.....	1
2.	Goals and Term.....	6
3.	Rule 20	6
4.	Program Oversight and Governance	7
5.	Program Level Communications.....	8
6.	Joint Projects.....	9
7.	Projects Executed by GRANTEE	16
8.	GRANTEE Project Cost Estimates.....	21
9.	Verifying Competitive Procurement.....	22
10.	Accounting for GRANTEE Project Expenses	27
11.	Invoicing	28
12.	Budget Coordination.....	29
13.	Reporting Requirements	30
14.	Enhanced Communication between CITY and GRANTEE.	31
15.	Outreach.....	31
16.	Dispute Resolution.....	31
17.	Performance	32
18.	Legacy Projects.....	32

**UNDERGROUNDING MEMORANDUM OF UNDERSTANDING
BETWEEN THE CITY OF SAN DIEGO AND SAN DIEGO GAS & ELECTRIC
COMPANY**

THIS UNDERGROUNDING MEMORANDUM OF UNDERSTANDING (“MOU”) is entered into by and between **THE CITY OF SAN DIEGO**, a California municipal corporation (“**CITY**”), and **SAN DIEGO GAS & ELECTRIC COMPANY**, a California corporation (“**GRANTEE**”) (**CITY** and **GRANTEE** are collectively referred to herein as the “**Parties**”), to be effective when signed by both Parties, approved by the San Diego City Council (“**Council**”), and approved as to form by the San Diego City Attorney (the “**Effective Date**”).

On July 11, 2021, City of San Diego Ordinance No. 0-21328 became effective, entitled *An Ordinance of the Council of the City of San Diego Granting to San Diego Gas and Electric Company the Franchise for Transmitting and Distributing Electricity and other purposes* (the “**Franchise**”). The Franchise notes that the Parties previously entered into a Memorandum of Understanding Regarding Implementation of Franchise Undergrounding Obligations (“**2001 Undergrounding MOU**”) approved by San Diego City Council Resolution No. R-295892 on December 11, 2001. The Franchise calls for the Parties to negotiate a new or amended Undergrounding Memorandum of Understanding to continue the conversion to underground of **GRANTEE**’s aboveground electric facilities as identified by the Parties.

This MOU is intended to establish a protocol for the design, procurement and construction necessary to convert to underground **GRANTEE**’s electric facilities using Municipal Underground Surcharge funds (as defined in the Franchise) in a manner that complies with both **CITY**’s ordinances and policies for procurement and satisfies **GRANTEE**’s and California Public Utilities Commission rules and regulations to assure safety and quality.

1. Definitions. As used in this MOU, the following terms are defined as follows:

1.1. “**30% Design Baseline**” means **GRANTEE**’s trench and conduit 30% design schedule and 30% design estimate.

1.2. “**Applicable Laws**” has the meaning assigned to such term in the Franchises.

1.3. “**Actual Cost**” means the reporting of a cost value that was previously estimated and is now reported as a confirmation of cost incurred.

1.4. “**As-Builts**” means copies of the final construction drawings for the Improvements. As-Builts shall be notated to verify and record the quantities of all material installed and the physical position of installation. Additionally, As-Builts shall document any change in the actual installation performed as compared to the original drawing. As-Builts shall be provided by **CITY**’s qualified personnel.

1.5. “**Bid Documents**” means construction documents issued out for competitive bidding by **CITY** for a contractor to perform the undergrounding conversion Work.

1.6. “**Books and Records**” has the meaning assigned in the Franchise.

1.7. “**Business Days**” means any day other than a Saturday, Sunday or a Holiday. “**Days**” or “**days**” shall mean calendar days.

1.8. **“CGP”** means the State Water Resources Control Board’s Storm Water Construction General Permit.

1.9. **“CITY”** means the City of San Diego, which includes CITY’s agents, employees, and contractors. CITY shall be responsible for all CITY’s agents, employees and contractors and ensure that they adhere to all conditions as stated in this MOU.

1.10. **“CITY’s Address for Notices”** is:

City of San Diego Transportation Department
Utilities Undergrounding Program
MS 1900
202 C St.
San Diego, CA 92101

1.11. **“CITY Fiscal Year”** or **“Fiscal Year”** means July 1 to June 30.

1.12. **“CITY Liaison”** means the Assistant Deputy Director for the Right of Way Management Division as designated by the CITY to meet the designation requirement found in Section 10(a) of the Franchise.

1.13. **“CMFE”** means CITY’s Engineering and Capital Projects Construction Management Field Engineering Division.

1.14. **“Communities of Concern”** means a census tract that has been identified as having very low, low or moderate access to opportunity as identified in the San Diego Climate Equity Index or as otherwise identified in CITY policies.

1.15. **“Compliance Review Committee”** has the meaning assigned in the Franchise.

1.16. **“CPUC”** means the California Public Utilities Commission.

1.17. **“Defect”** or **“Defective Work”** means any design, engineering, materials, equipment, installation, service or other Work which (a) does not conform or otherwise meets the criteria of GRANTEE’s Specifications; (b) is of improper or inferior workmanship or material; (c) is inconsistent with industry standard generally accepted in the electric industry; or (d) could adversely affect the mechanical, electrical, or structure integrity of the Improvements.

1.18. **“Designated Person of Authority (DPOA)”** means a person identified by a Party to provide clarifications, direction, and approvals on behalf of that Party. The DPOA may hold various titles within each organization, such as “Project Manager”, “Resident Engineer”, or “Contract Administrator” and may be an employee or contractor of the Party, provided that the person has the appropriate level of administrative authority with respect to the requirements of this MOU.

1.19. **“Design Locations”** also known as **“Design By Location”** is a means of identifying smaller components of a distribution electric or gas design whereby a designer limits identifying callouts per smaller component. The callouts focus on equipment, labor, parts and pieces for each small

component of the design. Ultimately, an entire design will be identified by the collective Design Locations.

1.20. “**DSD**” means CITY’s Development Services Department.

1.21. “**Excavation**” means trenching, boring, and removal of soil required for the installation of GRANTEE’s Substructures or conduit, all necessary backfilling including required imported backfill material and removal of trench spoil, and surface repair.

1.22. “**Final Acceptance**” means GRANTEE’s acceptance of any Work performed by CITY on GRANTEE Facilities pursuant to a Project as further defined in Section 6.11.

1.23. “**Final Billing**” means the summary of Actual Costs provided to CITY at the completion of each Project.

1.24. “**Final Grade**” means the grade of the Work after paving and landscaping are complete.

1.25. “**Finish Grade**” means the grade of the Work before paving and landscaping.

1.26. “**Governmental Authorities**” means any local, regional, state or federal governmental entities having jurisdiction over any aspect of this MOU, CITY, GRANTEE or the Work performed pursuant to this MOU.

1.27. “**GRANTEE**” means San Diego Gas & Electric Company, which includes GRANTEE’s agents, employees, and contractors. GRANTEE shall be responsible for all GRANTEE’s agents, employees, and contractors and ensure that they adhere to all conditions as stated in this MOU.

1.28. “**GRANTEE’s Address for Notices**” is:

SDG&E Regional Public Affairs Department
8330 Century Park Ct.
San Diego, CA 92123

1.29. “**GRANTEE’s Construction Standards**” means GRANTEE’s Gas and Electric Construction Standards, including GRANTEE’s Service Standards and Guide, as may be amended from time to time (Gas and Electric Construction Standards and the Service Standards and Guide are available at <https://www.sdge.com/builder-services>).

1.30. “**GRANTEE Facilities**” means any facility, instrument, appurtenance or piece of equipment used for the delivery of energy or in support of the delivery of energy and associated uses thereof by GRANTEE within the ROW.

1.31. “**GRANTEE Inspector**” means the person assigned by GRANTEE to inspect and accept or reject new GRANTEE Facilities based on compliance or lack thereof with GRANTEE’s Construction Standards and Specifications.

1.32. “**GRANTEE Liaison**” means its Regional Public Affairs Manager as designated by the GRANTEE to meet the designation requirement found in Section 10(a) of the Franchise.

1.33. “**GRANTEE Planner**” means the person assigned by GRANTEE to coordinate technical planning activities on Projects in support of the GRANTEE Project Manager

1.34. “**GRANTEE Pre-Construction Meeting**” means a meeting organized by CITY after GRANTEE has hired a contractor to install the trench and conduit for the Project, which shall include, at a minimum, GRANTEE’s contractor, CITY Resident Engineer, GRANTEE Field Construction Advisors and Construction Manager, GRANTEE Project Manager, GRANTEE Planner, communications providers, other utilities and applicable CITY staff.

1.35. “**GRANTEE Project Coordinator**” means the person assigned by GRANTEE to coordinate the Work with CITY in the field.

1.36. “**GRANTEE Project Kickoff**” means the GRANTEE-scheduled kickoff meeting after receipt of Notice to Proceed.

1.37. “**GRANTEE Project Manager**” means the person assigned to manage the entire Project on behalf of GRANTEE.

1.38. “**GRANTEE’s Specifications**” means GRANTEE’s material, equipment and construction drawings and requirements (including any revisions, supplements or GRANTEE approved field changes) detailing the Work to be performed.

1.39. “**High Fire Threat District (HFTD)**” means those areas within California where there is a higher risk for power line fires igniting and spreading rapidly and where additional fire-safety regulations apply, as required by the CPUC and adopted as part of a statewide fire-threat map that outlines the boundaries of the HFTD via Tier 1 Advice Letter on January 19, 2018, as may be amended from time to time.

1.40. “**Improvements**” means those physical improvements or upgrades required by either CITY or GRANTEE to ensure protection of GRANTEE Facilities including, without limitation, curbs, sidewalks, berms, barricades, gutters, bridle or pedestrian paths, raised planters or parking lot berms in residential, commercial, manufacturing, or industrial projects. CITY’s plans for its Improvements shall provide verification of Finish Grade.

1.41. “**Joint Project Pre-Construction Meeting**” means a meeting led by CITY after delivery of the Mobilization Notice for any Joint Project held with GRANTEE Project Manager, GRANTEE Planner and GRANTEE Inspector, CITY’s contractor, and other communication providers and utility owners to discuss construction related questions and responsibilities for a Joint Project.”

1.42. “**Landowner**” means any public or private entity, or a natural person or persons, whose property is affected in any way by Work.

1.43. “**Monthly Invoicing Backup Material**” means those materials described in Appendix B - Invoicing Backup Material.

1.44. “**Municipal Surcharge Program Fund**” means funds collected under the Municipal Undergrounding Surcharge as defined in section 1(q) and 10(c) of the Franchise and remitted to CITY in accordance with section 5 of the Franchise, which are available for budgeting and expenditure exclusively for utility undergrounding purposes.

1.45. **“Notice of Design Acceptance”** means a notice from GRANTEE to CITY that GRANTEE takes no exceptions to a design submitted by CITY.

1.46. **“NPDES”** means a National Pollution Discharge Elimination System

1.47. **“Overheads”** means overhead costs are those activities and services that are associated with direct costs, such as payroll taxes, pension benefits, engineering, administrative and general (A&G) functions, etc. that cannot be economically direct-charged. The overhead allocations adhere to the methodology established by the Federal Energy Regulatory Commission (FERC) and were derived using the same methodology in GRANTEE’s most recent General Rate Case (GRC) filing.

1.48. **“Qualified Designer”** means a person who has both passed qualifying exams administered by GRANTEE in a particular design discipline (overhead design, underground design, gas design, vault design) and has also completed the requisite number of hours demonstrating their capabilities in that discipline.

1.49. **“Qualified Designer List”** means GRANTEE’s updated list of all qualified designers in their respective disciplines. A designer may be qualified in one, two, three or all four disciplines (overhead design, underground design, gas design, and vault design). Qualified Designers only design for disciplines for which they are qualified. The Qualified Designer List is available at <https://www.sdge.com/builder-services> (as may be amended from time to time)

1.50. **“Raceway Release”** means the raceway, inspection and release of customer side service equipment from the point of demarcation at the pull can to the existing weather head, which authorizes GRANTEE to proceed with customer energization.

1.51. **“Resident Engineer”** means the CITY employee or CITY hired Construction Management Consultant assigned to inspect and accept or reject Work.

1.52. **“ROW”** means the publicly-dedicated right-of-way of CITY, which are public easements for streets, alleys, or other uses, as defined in SDMC 113.0103, as may be amended from time to time.

1.53. **“SDMC”** means the San Diego Municipal Code, as may be amended from time to time.

1.54. **“Start Construction Notification”** means GRANTEE’s notification to CITY that GRANTEE is about to begin construction activities on a Project.

1.55. **“Substructures”** means manholes, handholes, vaults, pads (for transformers, terminators or fuse cabinets), grounding grids and other structures needed to accommodate cables, connections, transformers and appurtenances.

1.56. **“Surcharge Program”** means CITY’s Municipal Undergrounding Surcharge Program, as defined in the Franchise.

1.57. **“Utility Undergrounding Advisory Committee”** means the San Diego City Charter section 43(b) Citizens’ Committee formed on February 12, 2014 by Council Resolution R-308721. The Committee issued its final Report and Recommendations on March 23, 2015.

1.58. “**Work**” means all labor, engineering, design, material and equipment to be performed on GRANTEE Facilities or in the ROW with respect to a Project.

1.59. “**Work Order**” means a document describing a task to be completed by CITY or GRANTEE, as applicable, with respect to any type of Work.

2. **Goals, Term and Amendments**

2.1. Goals. The Franchise requires that this MOU “provide for the coordination and execution of the Municipal Undergrounding Surcharge Program, including provisions for design and construction by GRANTEE, for reimbursement of GRANTEE by CITY, for design and construction by CITY in circumstances where CITY and GRANTEE agree, or as determined in the Undergrounding MOU, it is more appropriate for CITY to contract for Work, for compliance with GRANTEE and CPUC standards, and other appropriate administrative matters.” To that end, the Parties have established certain goals for this MOU and the Surcharge Program, as follows:

2.1.1. Maximize the value of the Surcharge Program by:

2.1.1.1. Ensuring Projects are cost effective and that prudent care of public funds is always maintained.

2.1.1.2. Striving for expeditious overall delivery of completed Projects and planning for a practical minimum number of days streets are impacted by construction.

2.1.1.3. Actively pursuing the development of best practices to reduce impacts to communities during the construction process.

2.1.1.4. Delivering Projects that meet all standards for safety, quality, and reliability.

2.1.1.5. Keeping stakeholders informed through transparent information sharing and timely reporting.

2.1.1.6. Keeping residents, business owners and communities informed using proactive communication and outreach with customers prior to and during Project construction.

2.2. Term. This MOU shall become effective on the Effective Date and shall terminate immediately upon the termination, expiration or forfeiture of the Electric Franchise for any reason (“**Term**”). In the event of termination of this MOU, the Parties will meet and confer to discuss how to resolve any active Projects in a manner that will provide for the safety of the public and GRANTEE Facilities.

2.3. Amendments. Either Party may initiate a request for the other Party to review proposed amendments to update the provisions of this MOU and the Parties agree to review all such proposals in good faith. Any changes to this MOU are subject to approval by the Council.

3. Rule 20. GRANTEE will continue to work with CITY to underground certain aboveground utility facilities in accordance with the requirements of the CPUC’s Rule 20 program and CPUC orders. The Parties acknowledge that the CPUC is currently reviewing the Rule 20 program and a decision regarding the continuation of the Rule 20 program is not expected before the execution of this MOU. The Parties

agree to meet and confer if and when the CPUC recommends any significant changes or proposes a decision regarding Rule 20.

4. Program Oversight and Governance. CITY shall act as the overseeing and governing body of the Surcharge Program.

4.1. CITY Program Management Responsibilities. CITY owns and is responsible for managing the Surcharge Program. CITY's responsibilities with respect to management of the Surcharge Program include the following, without limitation:

4.1.1. Project identification and prioritization;

4.1.2. Establishing Underground Utilities Districts where Projects are selected by CITY;

4.1.3. Determining which Projects will be designed and constructed by GRANTEE as defined in Section 7 and which will be designed and constructed as Joint Projects as defined in Section 6;

4.1.4. Managing the Municipal Surcharge Program Fund, including all accounting thereof;

4.1.5. Assigning sufficient Municipal Surcharge Program Fund monies to Projects; and

4.1.6. Managing communication providers and other utilities impacted by any Project.

4.2. Project Identification and Prioritization.

4.2.1. CITY shall prioritize Projects in accordance with CITY Policies, as amended from time to time. Such prioritization shall account for undergrounding needs in Communities of Concern and communities with higher fire risk, as identified in the High Fire Threat District tool, the City's Climate Resilient SD Plan, and intelligence and data from SDG&E meteorology teams and academic research partners.

4.2.2. GRANTEE will supply information reasonably required by CITY to prioritize parts of CITY with aboveground distribution GRANTEE Facilities within the High Fire Threat District, and where undergrounding may be the most beneficial for wildfire mitigation. Upon request, GRANTEE will participate and support CITY staff in making presentations to Council concerning climate risk and public safety.

4.2.3. Upon request, GRANTEE will provide information to CITY regarding existing aboveground GRANTEE Facilities reasonably necessary to allow CITY to generate planning level cost estimates for Projects.

4.3. Underground Utilities Districts.

4.3.1. Underground Utilities Districts are created according to the "**Underground Utilities Procedural Ordinance**" (SDMC Chapter 6, Article 1, Division 5). GRANTEE will participate in the review of draft Underground Utilities District boundaries, including attending field review meetings, and will advise on adjustments to draft boundaries to achieve Project cost efficiencies.

4.3.2. If at any time after creation of an Underground Utility District, GRANTEE discovers a need to modify the boundary, such as to add or remove parcels, or exempt poles, stub poles or anchors, or other similar reasons, GRANTEE will promptly notify CITY.

4.4. Annual Project List. CITY will provide in writing to GRANTEE by July 30 of each year (thirty (30) days after the start of CITY's Fiscal Year), a list of Projects expected to be released to GRANTEE for the following twelve (12) month period with estimated Notice to Proceed (NTP) dates by quarter; and a list of Projects CITY desires to jointly deliver with GRANTEE support with estimated CITY start dates by quarter ("**Project List**").

4.5. Communication Infrastructure Providers. Prior to scheduling a public hearing for creation of an Underground Utilities District, GRANTEE will work with CITY and respective communication infrastructure providers to identify attachments to GRANTEE's poles within the proposed District. CITY will notify all affected persons and utility companies and secure their cooperation in accordance with the Underground Utilities Procedural Ordinance. SDMC 61.0509 governs the Parties' obligations concerning joint trench.

4.6. Non-Program CITY Work and Third-Party Work. CITY will be responsive to GRANTEE requests for utility coordination to facilitate Projects where CITY is the utility provider, CITY is planning or managing work in the ROW unrelated to the Program or has permitted work by a third party that may impact a Project (e.g., CITY Capital Improvement Projects, third-party construction in CITY ROW, etc.), including notifying appropriate CITY departments that may be impacted by a Project and securing CITY department participation for Projects. GRANTEE shall not be responsible for any delays or other impacts arising from other (non-Program) CITY work or third-party work in the ROW or any such party's failure to comply with Project schedules or milestones.

4.7. Safety.

4.7.1. The Parties agree and acknowledge that safety is of the utmost importance for all Work performed under this MOU.

4.7.2. CITY will provide copies of GRANTEE's safety policies to all CITY employees and contractors present at sites. CITY employees and contractors will adhere to GRANTEE's safety policies where doing so does not conflict with CITY requirements or policies. GRANTEE will adhere to GRANTEE's safety policy for all employees and contractors under GRANTEE's direct control.

4.7.3. Additionally, either Party reserves the right to suspend any Project for a reasonable safety reason, including without limitation, unstable or dangerous soil conditions. The Parties will meet and confer to explore all reasonable options to mitigate or resolve any such safety issue to enable the Project to move forward if Parties mutually agree regarding mitigation measures.

4.7.4. Payment to GRANTEE will not be withheld for Project expenditures that are reimbursable under this MOU incurred prior to suspending or terminating a Project, nor will GRANTEE be responsible for delays arising from any suspension of Work for safety.

5. Program Level Communications.

5.1. CITY DPOA, GRANTEE DPOA and pertinent staff shall meet on a regular basis, at least monthly, to review Project related information including, but not limited to, the Project List, all open and active Projects, all upcoming Work milestones, potential causes of delay, Project risks, and budget

forecasting. The Parties will submit Project documentation via ProCore or a similar software program that manages document transmittals whenever possible.

5.2. Each Party will have one DPOA for the Surcharge Program, however the assignment of a DPOA will not prohibit or limit any Project communications between the Parties. DPOA assignments will be communicated in writing, including clarification on the scope of that person's authority, and substitution or replacement of an assigned DPOA shall be communicated without delay. The DPOA may not have signature authority on all relevant approvals but serves as the Party's point of contact for obtaining required signatures, and to provide clarification on approval steps and signature authorities within the DPOA's organization.

6. Joint Projects. In accordance with the Project List, the Parties shall manage those Projects to be jointly delivered by CITY with GRANTEE support as follows:

6.1. CITY Design Responsibilities.

6.1.1. CITY will notify GRANTEE of its intention to commence Project design for a specific Project ("CITY Project Initiation Notice") and schedule a kick-off meeting ("CITY Project Kickoff").

6.1.2. CITY will be responsible for all Project designs, in all aspects, including joint trench design and coordination described in SDMC 61.0509. CITY will ensure all GRANTEE Facilities are designed by a Qualified Designer on the Qualified Designer List.

6.1.3. CITY will perform all corrections, edits or modifications to the designs concerning GRANTEE Facilities requested by GRANTEE during the Project lifecycle until GRANTEE accepts ownership of GRANTEE Facilities, in accordance with the procedures specified herein. GRANTEE will exercise care to avoid impacts to individual Project schedules once Final Designs are approved.

6.1.4. CITY will design all GRANTEE Facilities in compliance with GRANTEE's Construction Standards and GRANTEE's Specifications.

6.2. CITY and GRANTEE Cooperation for Design and Project Management of Joint Project

6.2.1. GRANTEE will provide, in a timely manner, the following support to CITY in preparation for the CITY Project Kickoff and as needed for the duration of the Project:

6.2.1.1. Provide CITY the Qualified Designer List, which shall be used exclusively for the design of any GRANTEE Facilities. GRANTEE shall ensure that the Qualified Designer List is updated and available on GRANTEE's Builder Services webpage for CITY's use. GRANTEE will not be responsible for impacts to Project schedules or Project cost if a Qualified Designer contracted by CITY for this Work becomes unavailable.

6.2.1.2. GRANTEE will review components of CITY design bid packages including design scope, references to designs, GRANTEE's Construction Standards, GRANTEE's Specifications and other GRANTEE materials included therein.

6.2.2. GRANTEE will cooperate in the timely scheduling of the CITY Project Kickoff, attend the CITY Project Kickoff, and provide necessary information for the selected Qualified Designer

to start the design. This includes providing CITY's selected Qualified Designer with access to any GRANTEE-controlled software or databases necessary for performing the design.

6.2.3. At the CITY Project Kickoff, CITY's selected Qualified Designer will be present, and the Parties will develop a draft Project schedule that includes all agreed-upon sequencing and durations for the Project. Schedule maintenance, reporting and coordination is described further in Section 6.14 below.

6.2.4. CITY will submit and GRANTEE will review all design submittals, bid package review submittals and other agreed-upon relevant submittals to support CITY, for conformance with GRANTEE Standards, safety and constructability in accordance with the timelines described in Appendix C - GRANTEE Design Review Timelines. For Work Orders consisting of more than 400 Design Locations, or with unique design requirements, including but not limited to boring requirements or bridge attachments, the Parties will discuss and approve appropriate review times.

6.2.5. Once the Project-specific design review timeline is established, if additional time is necessary to perform corrections, edits, or modifications, GRANTEE and CITY will amend the Project schedule accordingly and GRANTEE will make a good faith effort to minimize additional days of review time.

6.2.6. GRANTEE will cooperate with CITY in sequencing Project design approvals as necessary to support CITY's sequencing of construction including CITY's option to sequence the construction Work on private property in advance of construction Work in the ROW.

6.2.7. Parties recognize that these are large and complicated Projects, and the Parties may encounter various challenges regarding the coordination of approval processes for contracts and change orders. As such, GRANTEE agrees to be a good faith partner to CITY and will offer flexibility and cooperation regarding design and construction requirements where feasible and safe.

6.3. GRANTEE Acceptance of Design Performed by CITY.

6.3.1. Notice of Design Acceptance. Upon acceptance of each CITY submittal, GRANTEE will send a written "**Notice of Design Acceptance**" to CITY. Notices of Design Acceptance are valid for a period of six (6) months. CITY designers remain responsible for the quality of their design.

6.3.2. Changes after Notice of Design Acceptance. The Parties recognize that late changes to prior design acceptances can have detrimental impacts on the cost and schedule for delivering a Project. Should GRANTEE discover the need for design changes after a Notice of Design Acceptance has been granted, GRANTEE will inform CITY and provide explanation as to why revision of the prior Notice of Design Acceptance is necessary to ensure safety, reliability, constructability, changes in standards, or compliance with regulatory requirements. GRANTEE will cooperate with CITY in mitigating the impacts on Project cost and schedule to accommodate the revisions and issue a revised Notice of Design Acceptance.

6.3.3. Mitigating Changes After CITY Bid Package Completion. CITY recognizes that designs can become outdated due to subsequent changes in GRANTEE's Specifications, upgrades in the field unrelated to the Project, or changes to site conditions. The Parties also recognize that there are practical challenges to immediately implementing an approved design because of required timelines for bidding and other processes and changes to bid packages during or after the bidding process can impact

the Project with additional costs and delays. CITY procurement practices are to limit Project design changes after bid package preparation. GRANTEE will endeavor to minimize Project design changes or seek appropriate design deviations where practical and safe to do so once CITY bid package preparation is complete, in accordance with the terms of this MOU.

6.4. GRANTEE Easements for Joint Projects.

6.4.1. Where public right-of-way does not provide sufficient space for conduits, equipment, or other GRANTEE Facilities necessary for completing the overhead to underground conversion, CITY will coordinate discussions with the Qualified Designer, GRANTEE and property owners to identify a feasible and viable location for the easement along with alternative feasible and viable locations.

6.4.2. CITY will explain to the property owner of the identified feasible and viable locations for the proposed easement the specific terms and conditions of GRANTEE's easement proposal. Should the property owner agree to the terms, GRANTEE will prepare and process GRANTEE's easement forms to secure easement rights for the benefit of GRANTEE to which CITY is not a party. If the property owner does not agree to GRANTEE's terms and conditions for an easement at the identified location or the alternatives, the responsibility to identify feasible design alternatives remains with CITY.

6.4.3. Design approvals will not be finalized prior to GRANTEE acquiring all easements that are needed for the design to be complete. However, design reviews may continue concurrent with the process of acquiring easements; provided that concurrent Work may result in additional reviews.

6.4.4. CITY will actively manage communications with property owners; however, GRANTEE's land management professionals will handle the review and approval of easement terms and conditions with property owners and the execution of easements. CITY will continue to manage communications until all easements required for the Project are fully executed by GRANTEE and the respective property owners.

6.4.5. If CITY is the public landowner for a needed easement, CITY will be timely in executing approvals if all conditions required by Applicable Laws are met. Council approval may be required for the granting of easements where CITY is the public landowner.

6.4.6. In all cases, if an easement is to be granted to GRANTEE, then GRANTEE will provide for the services of qualified personnel necessary for execution.

6.4.7. Both Parties will cooperatively pursue resolution of all land rights issues to facilitate completion of Projects with a shared interest in reducing cost and timeline impacts to the Project.

6.4.8. In no event shall GRANTEE be held responsible for delays arising from GRANTEE's inability to obtain easements as long as GRANTEE is reasonably pursuing such easements.

6.4.9. Other than those negotiated directly with CITY, the terms and conditions of any such easement shall be at the sole discretion and responsibility of GRANTEE.

6.4.10. Any compensation required with respect to any easement necessary to complete a Project under the Surcharge Program shall be paid for through the Municipal Surcharge Program Fund.

6.5. Environmental Compliance for Joint Projects.

6.5.1. CITY will be responsible for all required environmental compliance for construction Work performed by CITY personnel and CITY contracts, including obtaining all necessary environmental reviews and approvals required by Applicable Laws (including permits).

6.5.2. The Parties agree and acknowledge that CITY controls and is responsible for environmental compliance relating to construction activities under the Surcharge Program, and GRANTEE is responsible for long-term operations and maintenance of GRANTEE Facilities. If CITY is aware or anticipates that any mitigation or monitoring requirements or any applicable permits for any Project may create post-construction impacts, the Parties will work collaboratively to resolve these issues so that no additional mitigation measures will impact GRANTEE Facilities during operations unless GRANTEE consents in writing to manage such measures.

6.6. Compliance with Applicable Laws. CITY will be responsible for obtaining any and all agency permits required for construction on a Joint Project. GRANTEE will support obtaining of agency permits, including but not limited to providing information about methods of construction to be used by GRANTEE and participating in meetings with regulatory authorities. If a governmental agency imposes conditions which necessitate any changes in the trench or conduit system shown on GRANTEE's Specifications for the Project, CITY shall not proceed with any Work affected by such conditions until GRANTEE has completed the necessary approval of redesign of construction drawings and new agreement documents have been signed by an authorized representative of GRANTEE and CITY reflecting such changes in accordance with the terms of this MOU. Construction Work performed by GRANTEE will be subject to all requirements of agency permits obtained for the Project.

6.7. CITY Construction Scope. The scope of construction to be contracted and managed by CITY for Joint Projects is as follows:

6.7.1. CITY will perform electrical service conversion Work on all properties within the Project except where property owners agree to self-perform their own conversion Work.

6.7.2. CITY will perform any customer side electrical Work needed during GRANTEE's execution of service cut-over Work.

6.7.3. CITY will perform all trench and conduit Work in the ROW and on private property. Prior to trench and conduit Work commencing, CITY will perform field markout of utility infrastructure prior to GRANTEE performing field layout as described in Section 6.11.5 herein. Additionally, CITY will be responsible for coordinating all joint trench Work with all communication providers and other utility owners for Joint Projects.

6.7.4. CITY will coordinate with communications providers for wire removal.

6.7.5. CITY will perform all streetlight installations, and installation of all conduit required to service the streetlights. As described in Section 6.13, GRANTEE will be responsible for wiring up to the service points and fulfilling electrical service orders to energize the streetlights.

6.7.6. CITY will have lead responsibility for all customer communications, stakeholder communications and issue resolutions pertaining to the Project. GRANTEE will participate in the resolving of issues when resolution requires GRANTEE involvement, upon CITY notification thereof.

6.8. Streetlight Coordination. CITY will design all streetlights and perform streetlight construction; provided that at CITY's discretion, CITY and GRANTEE may meet and confer regarding the assignment of such Work to GRANTEE, which may require further coordination of the Parties. The Parties acknowledge that there are inherent challenges in coordinating the installation, field approvals and energizing of streetlights that are part of any undergrounding Project. The Parties agree to evaluate opportunities for improved coordination and to pursue changes to contracting and operational practices that lead to increased efficiencies.

6.9. Construction Scheduling and Coordination.

6.9.1. CITY will provide notice to GRANTEE of CITY mobilizing their contractor for construction of a Project ("**Mobilization Notice**").

6.9.2. After delivery of the Mobilization Notice, CITY will arrange a Joint Project Pre-Construction Meeting with CITY's contractor, GRANTEE Project Coordinator, Inspector, Planner and Project Manager. GRANTEE will be provided at least ten (10) Business Days' notice of such Joint Project Pre-Construction Meeting.

6.9.3. GRANTEE and impacted communications and other utilities providers shall be invited to the Joint Project Pre-Construction Meeting and given an opportunity to discuss safety and other construction-related compliance issues.

6.9.4. CITY will report to GRANTEE Inspector immediately regarding any damage to any GRANTEE Facilities resulting from CITY's Work and will file a complete written report with GRANTEE of the surrounding circumstances within 24 hours of the incident or by the end of the next working day, whichever is later.

6.10. Field Change Orders: CITY will retain design services necessary to process any Field Change Orders (FCO) or other design support that may be necessary during construction. GRANTEE will review and comment on all design changes and shall endeavor to do so without delay.

6.11. GRANTEE Inspection and Acceptance of Construction Performed by CITY.

6.11.1. GRANTEE shall provide construction inspections in a timely manner consistent with 6.13.1.3.

6.11.2. GRANTEE will supply to the jobsite in a timely manner any required line workers or other specialty personnel that are required by GRANTEE and which GRANTEE does not allow CITY to supply.

6.11.3. Three months prior to CITY's release of its advertisement for construction bids for a Project, GRANTEE shall deliver to CITY an initial written schedule of days and hours in which GRANTEE's Inspector will be available at the Project job site, and GRANTEE shall cooperate with CITY to finalize an agreed-upon schedule. When inspection is requested outside of the agreed-upon schedule, GRANTEE will supply a qualified inspector to the job site within a reasonable time frame.

6.11.4. For any source of potential delays to CITY Work, GRANTEE will notify CITY about the potential delay at the earliest opportunity and will cooperate with CITY to attempt to prevent or mitigate the impact of the delay.

6.11.5. GRANTEE will perform field layouts in accordance with the approved design prior to CITY commencing construction Work. CITY will accept GRANTEE's layout as provided.

6.11.6. Any portion of the Work that is Defective may be rejected by GRANTEE, at the expense of CITY, at any time prior to Final Acceptance. Any Defective Work, or Work rejected for legitimate non-compliance with GRANTEE's Specifications, GRANTEE's Construction Standards, Applicable Laws (including permits), or the terms of this MOU, will be corrected or re-performed at CITY's sole expense prior to Final Acceptance.

6.11.7. Upon conclusion of Work by CITY and correction or re-performance of any Defective Work, CITY will provide red lined As-Builts of the new GRANTEE Facilities installed to the GRANTEE Inspector. CITY will maintain a set of the current GRANTEE's Specifications at each Project job site, which will always be available for review by the GRANTEE Inspector and Project Coordinator upon request. CITY will also maintain at each Project job site any related Project plans (e.g., alignment and Finish Grade of Improvements) approved by other governmental authorities with jurisdiction over the Work.

6.11.8. Final Acceptance shall occur when the GRANTEE Inspector verifies that the new GRANTEE Facilities meet GRANTEE's Specifications and GRANTEE's Construction Standards. GRANTEE shall accept, reject or request more information from CITY within ten (10) Business Days after receiving the Final Acceptance inspection request from CITY in writing.

6.11.9. GRANTEE will notify CITY in writing of Final Acceptance of the Work. Failure of GRANTEE to reject Defective Work during construction shall not be construed to imply Final Acceptance of such Work nor preclude GRANTEE's rights to reject Work as described in this MOU. CITY will be required to correct all legitimately claimed Defects which become evident at any time prior to Final Acceptance by GRANTEE. The cost of all such repairs, material, labor, and Overheads necessary to correct Defective Work shall be borne by CITY.

6.11.10. CITY will retain full title, risk of loss and responsibility for the ownership, custody, and control of Work performed by CITY until Final Acceptance and ownership, custody, and control of the new GRANTEE Facilities shall pass to GRANTEE only upon Final Acceptance.

6.12. CITY Work Warranties.

6.12.1. CITY represents and warrants that all Work performed by CITY, and all materials used in any Joint Project, will be new, of good quality and condition, free from Defects in workmanship and will conform to GRANTEE's Specifications. This warranty, except with respect to conduit Work, will begin at Final Acceptance of the Work by GRANTEE as described in Section 6.11 and will end one (1) year later. The warranty for conduit Work will start at Final Acceptance by GRANTEE and will end when the primary and secondary underground electrical system is energized. Furthermore, CITY will be responsible for any correction activities needed on the trench Work until new excavation occurs in that area (collectively, the "**Warranty Period**").

6.12.2. During the Warranty Period, CITY will correct any Defective Work arising from a breach of this warranty within ninety (90) days of notification by GRANTEE. If CITY is unable or unwilling to correct the Defective Work within such time period (or such extended time period agreed upon by the Parties), GRANTEE may notify CITY that GRANTEE will correct the Defective Work and will invoice CITY for the costs of such Work in accordance with the invoicing requirements of this MOU. Notwithstanding the foregoing, GRANTEE may immediately perform any emergency corrective Work if the Defect creates a hazardous condition or otherwise threatens the health or safety of persons or property without prior notice to CITY.

6.13. GRANTEE Construction for Joint Projects.

6.13.1. The following are conditions precedent prior to GRANTEE performing GRANTEE construction Work for a Joint Project:

6.13.1.1. Inspection and Final Acceptance by GRANTEE of all CITY-installed trench, conduit and substructures, including service trenches.

6.13.1.2. CITY Building Inspector has verified that all inspections and releases required for all cutovers have been completed.

6.13.1.3. GRANTEE has obtained all applicable permits from CITY and other applicable governmental agencies necessary to perform the Work described in Section 6.13.2.

6.13.1.4. CITY has installed and has approved for energizing all streetlights not in conflict with any overhead facilities.

6.13.2. Upon completion of the conditions precedent described above, GRANTEE will coordinate all outages and install all necessary electric materials to energize a primary underground facility and all secondary stations, cutover all customers to the new GRANTEE Facilities, perform all intercepts with existing GRANTEE Facilities, energize all installed streetlights, remove all overhead GRANTEE Facilities and upon vacation of poles by communications providers, and remove vacated poles from service. Once the primary underground facility and secondary stations are energized, GRANTEE will begin energizing streetlights, which will take approximately twenty (20) to thirty (30) Business Days after energization.

6.14. Project Schedules for Joint Projects.

6.14.1. GRANTEE and CITY will cooperate to create an initial Project schedule within thirty (30) days following CITY Project Kickoff. The initial Project schedule will be reviewed and updated regularly by CITY throughout the Project life cycle. GRANTEE will provide schedule updates to CITY for GRANTEE activities.

6.14.2. CITY will provide GRANTEE a milestone report every month for each Joint Project for which a CITY Project Kickoff has occurred, using the scheduled and actual start and completion dates for the Work ("**Monthly Milestone Report**"). The Monthly Milestone Report will be developed jointly and will include major design, bid and award, and construction milestones.

6.14.3. CITY will provide updated estimates and changes for milestones that affect GRANTEE's planning of Work and resources on a timely basis, particularly with respect to significant changes. GRANTEE will maintain such data in GRANTEE's Project scheduling system.

6.15. CITY Insurance Requirements. GRANTEE and CITY will confer on insurance requirements imposed during CITY's procurement process to ensure that insurance levels for CITY-performed Work are appropriate based on the nature of the Project, considering factors such as the scope, location, and complexity of Work.

6.16. Indemnity. CITY shall be solely responsible for all Work performed on a Project by any CITY employee, contractor, consultant, affiliate, agent or representative ("**CITY Contractor**") prior to Final Acceptance by GRANTEE. This shall not preclude CITY from seeking indemnification from any CITY Contractor. During the period prior to Final Acceptance of such Project, and extending for three (3) years from Final Acceptance, CITY shall indemnify, defend and hold GRANTEE, and its current and future parent company, subsidiaries, affiliates and their respective directors, officers, shareholders, employees, representatives, successors and assigns (collectively, "**Indemnitees**"), harmless from and against any and all claims, actions, suits, proceedings, losses, liabilities, penalties, fines, damages, costs or expenses (collectively, "**Claims**") resulting from: (a) injuries to or death of any and all individuals, including, without limitation, members of the general public, or any employee, contractor, consultant, representative, agent or affiliate of either Party, arising out of or connected in any manner with the performance of the Work by CITY or any CITY Contractor; (b) damage to, loss, and/or destruction of property of any type arising out of or connected in any manner with the performance of the Work by CITY or any CITY Contractor; or (c) third party claims of any kind, whether based upon negligence, strict liability or otherwise, arising out of or connected in any manner to CITY or any CITY Contractor's acts or omissions in breach of this Agreement. This indemnification obligation shall not apply to the extent that such Claims are caused by either the willful misconduct of an Indemnitee or an Indemnitee's sole or active negligence. CITY agrees to pay all costs and expenses incurred by GRANTEE in enforcing CITY's indemnity and defense obligations as specifically set forth above.

7. Projects Executed by GRANTEE.

7.1. Notice to Proceed. For each Project CITY decides to release to GRANTEE ("**GRANTEE Projects**"), in accordance with the Project List, CITY shall deliver a written notice to proceed ("**NTP**") to GRANTEE's DPOA. The NTP shall contain all documents necessary to allow GRANTEE to commence design and construction of the Project, which shall include, at a minimum:

7.1.1. Council Resolution creating the respective Underground Utility District.

7.1.2. Underground Utility District Boundary Map.

7.1.3. CITY Approved Environmental Documents, including, without limitation, the certified CEQA determinations, and any mitigation and monitoring requirements.

7.1.4. Locations for new streetlighting locations.

7.1.5. Preliminary scoping information CITY possesses regarding the Project that may assist GRANTEE in developing Project estimates.

7.1.6. CITY scheduling considerations (moratoriums, Capital Improvement Project timelines, etc.).

7.2. Project Kick-Off.

7.2.1. Upon receipt of the NTP, GRANTEE shall within thirty (30) days, or as otherwise agreed upon with CITY, schedule a kick-off meeting with the DPOAs and assigned Project resources to review all documents, further scope the Project, discuss draft schedule milestones, and identify potential Project risks (“**GRANTEE Project Kickoff**”).

7.2.2. Within thirty (30) days of the GRANTEE Project Kickoff, or as otherwise agreed upon, GRANTEE will provide a draft milestone schedule and updated Project estimate as part of its regular monthly reporting.

7.3. GRANTEE Responsibilities. To support the goal of Project efficiency and minimizing community impact, GRANTEE shall be responsible for all Project level design and construction execution activities, including, without limitation, mapping, customer services, designs, third-party coordination, permitting, construction, cabling, outages and energizations, cutovers, removals from service, street Work and communications.

7.4. CITY Oversight of GRANTEE Executed Projects.

7.4.1. 30% Design Baseline. Upon GRANTEE’s completion of trench and conduit 30% design, GRANTEE will schedule a meeting to review the “**30% Design Baseline**,” which includes review of the schedule and estimate. The meeting will include any updates regarding finalizing Project scope and risks. Within five (5) Business Days of GRANTEE providing the final 30% Design Baseline resulting from the meeting, CITY shall provide any comments or concerns in writing.

7.4.2. Start Construction Notification. GRANTEE will notify CITY of its intent to start construction by issuing CITY the “**Start Construction Notification**.” CITY will have fifteen (15) Business Days from delivery of the Start Construction Notification to inform GRANTEE in writing of any concerns. GRANTEE may commence construction on the Project any time after that period. Construction costs will accrue to such Project after such date.

7.4.3. Construction Baseline. Upon GRANTEE awarding the trench and conduit Work to its contractor, GRANTEE will schedule a meeting to review the “**Construction Baseline**” with CITY to present a construction baseline schedule and estimate. The meeting will include any updates regarding finalizing Project scope and risks. Within five (5) Business Days of GRANTEE providing the final Construction Baseline resulting from the meeting, CITY shall provide any comments or concerns in writing.

7.4.4. Electric Construction Notification. GRANTEE will notify CITY at least twenty (20) Business Days in advance of the start of electric construction Work.

7.4.5. GRANTEE and CITY will incorporate mutually agreeable quality management checkpoints into the Project schedule.

7.5. CITY Permitting Requirements.

7.5.1. GRANTEE will obtain CITY permits for Project Work in the ROW from DSD; provided that the Parties shall endeavor to work towards an alternate construction authorization method. GRANTEE’s reporting requirements to CITY regarding GRANTEE’s permit activity are described in that certain Administrative Memorandum of Understanding between the Parties dated November 1, 2021 (as

may be modified or amended from time to time). GRANTEE shall provide CITY with a full listing of DSD permit numbers on a monthly basis.

7.5.2. GRANTEE and CITY will meet and confer within 90 days of the Effective Date to discuss potential process changes regarding CITY traffic control permits that may enable the Parties to reduce Project costs.

7.6. GRANTEE Design. GRANTEE shall perform all necessary designs for GRANTEE Facilities. GRANTEE will consider options to reduce the size of aboveground equipment as technology, reliability and safety allow, as requested by the Utility Undergrounding Advisory Committee.

7.7. GRANTEE Construction. GRANTEE shall execute construction and coordinate all aspects of Work on all GRANTEE Facilities and customer service panel conversions, provided that SDMC 61.0509 will govern the Parties' obligations concerning joint trench for GRANTEE Projects. In accordance with SDMC 61.0509, GRANTEE will not have any control or responsibility arising from any action required to be taken by any communication infrastructure provider or other utility involved in any Project.

7.8. Streetlight Coordination. CITY will design all streetlights and perform streetlight construction; provided that at CITY's discretion, CITY and GRANTEE may meet and confer regarding the assignment of such Work to GRANTEE, which may require further coordination of the Parties. The Parties acknowledge that there are inherent challenges in coordinating the installation, field approvals and energizing of streetlights that are part of any undergrounding Project. The Parties agree to evaluate opportunities for improved coordination and to pursue changes to contracting and operational practices that lead to increased efficiencies.

7.9. GRANTEE Pre-Construction Meeting. Once GRANTEE has hired a contractor to install the trench and conduit for the Project, GRANTEE shall inform CITY, and CITY shall arrange the "**GRANTEE Pre-Construction Meeting**" within ten (10) Business Days. All attendees shall wear appropriate personal protective equipment.

7.10. Service Panel Conversions and Inspections.

7.10.1. At customer direction, GRANTEE will convert customers' electrical service using one of the following options:

7.10.2. Default options: "Meyers Adaptor" or "Direct Feed" are used if the existing customer-side equipment meets the requirements for such options, or the property owner agrees to pay for repair or upgrade of customer-side equipment necessary to use such options, without delaying the Project. GRANTEE will plan the Project schedule such that a responsive property owner interested in pursuing the repair or upgrade be allowed a reasonable amount of time to hire an electrician, pull permits, meet with GRANTEE Planner, perform the repair or upgrade, and complete the permit approvals, without causing Project delays.

7.10.3. Alternative option: the "Overhead Loop and Bond" conversion method is used for those customers who do not meet the minimum requirements to use the default options or where using the default options will put the Project at risk for delays. When the "Overhead Loop and Bond" conversion method is used, CITY will issue a Raceway Release protecting the customer-side electrical service conductors from the point of demarcation at the pull can to the existing weather head, provided

that it has passed inspection including compliance with the grounding requirements of 2017 NEC 250.24(A)(1), *see EXHIBIT 250.8*.¹ Upon receiving the CITY Raceway Release, GRANTEE may proceed with energizing conduits within the released raceway for purposes of performing the service cutover. Unless the CITY Building Official instructs otherwise, services may be cutover while CITY action to correct code compliance on existing customer-side equipment is still in progress.

7.10.4. For property owners who do not wish to have GRANTEE perform service conversion or wish to perform a voluntary panel upgrade, GRANTEE will coordinate with property owner and their contractors.

7.10.5. GRANTEE may provide and install grounding rods and related appurtenances as a reimbursable Project cost where such Work is needed to ensure the safety of the service conversion Work performed by GRANTEE.

7.10.6. GRANTEE will obtain building inspection permits from CITY prior to performing underground conversion of electrical services and will comply with all inspection requirements necessary to close the permit. Intake of GRANTEE requests for these permits will be handled by CITY's Transportation Department.

7.10.7. GRANTEE will request service panel conversion inspections according to instructions provided by DSD. As needed, CITY's Transportation Department will convene meetings with DSD and GRANTEE to verify that communications and efficiencies of the permit inspection process are consistent with the goals stated in Section 2 of this MOU.

7.10.8. GRANTEE shall not remove overhead power from any CITY-owned streetlight until GRANTEE receives written authorization from CITY.

7.10.9. CITY may request GRANTEE provide documentation concerning any such safety, reliability or structural integrity issues. CITY may additionally request GRANTEE participate in informational presentations to Council and the Compliance Review Committee describing the extent the Parties have actively pursued solutions.

7.11. GRANTEE Easements.

7.11.1. Where the ROW does not provide sufficient space for conduits, equipment, or other GRANTEE Facilities necessary for completing the overhead to underground conversion, GRANTEE shall approach property owners to obtain easements as required. Such easements shall be written for the limited purposes required for GRANTEE to construct, own, operate, repair, maintain and remove GRANTEE Facilities.

7.11.2. Any compensation required with respect to any easement necessary to complete a Project under the Surcharge Program shall be paid for through the Municipal Surcharge Program Fund.

7.11.3. No Project-specific construction contracts may be entered into by either CITY or GRANTEE until all required easements are identified and procured.

¹The grounding electrode conductor shall be protected from physical damage.

7.11.4. GRANTEE will manage communications with property owners until all easements are obtained.

7.11.5. If CITY is the public landowner for a needed easement, CITY will be timely in executing approvals if all conditions required by Applicable Laws are met. Council approval may be required for the granting of easements where CITY is the public landowner.

7.11.6. In all cases, if an easement is to be granted to GRANTEE, then GRANTEE will provide for the services of qualified personnel necessary for execution.

7.11.7. Both Parties will actively pursue resolution of all land rights issues to facilitate completion of Projects.

7.11.8. In no event shall GRANTEE be held responsible for delays arising from GRANTEE's inability to obtain easements as long as GRANTEE is reasonably pursuing such easements.

7.11.9. Other than those negotiated directly with CITY, the terms and conditions of any such easement shall be at the sole discretion of GRANTEE.

7.12. Other Project Coordination Requested by CITY.

7.12.1. GRANTEE will deliver to CITY prior to completion of design the proposed location of GRANTEE Facilities that have potential for conflicting with applicable federal, state and local accessibility requirements. GRANTEE will cooperate with CITY requests to further study these conflicts to ensure compliance concerns are addressed early to avoid impacting the pace of construction.

7.12.2. GRANTEE will notify CITY as early as possible of potential construction impacts to a street tree or street tree roots. GRANTEE acknowledges that CITY policies prioritize the protection and retention of existing street trees within the right of way. Tree removal must be approved by a City horticulturist or arborist and is only an option after all other reasonable options have been considered. CITY will provide assessment and recommendations in coordination with GRANTEE. When, following consultation with a CITY horticulturist or arborist, it is unreasonable to perform the undergrounding construction without removal or loss of a tree, the CITY will provide for the installation of a new street tree.

7.13. Environmental Compliance for GRANTEE Projects.

7.13.1. GRANTEE will ensure its construction complies with applicable environmental requirements including any mitigation, monitoring and reporting requirements established under CEQA. CITY will, unless otherwise noticed to GRANTEE, provide the qualified personnel for monitoring, curation and other specialized activities specified in the mitigation, monitoring and reporting requirements. GRANTEE may provide certain environmental support upon request of CITY, which will be documented by the Parties upon occurrence.

7.13.2. GRANTEE will cooperate with CITY by:

7.13.2.1. Including all applicable compliance requirements in construction contracts and right-of-way permit submittals.

7.13.2.2. Providing CITY environmental monitors a minimum notice of 24 hours (48 hours preferably) before construction starts and throughout the construction process when monitoring is required

7.13.2.3. Supporting CITY in obtaining agency permits when required for the Project. Such support may include, but is not limited to, providing information about GRANTEE construction processes and participating in meetings with resource agencies.

7.14. Stormwater. GRANTEE will perform construction under its own NPDES permit for stormwater pollution prevention. GRANTEE is aware that construction activity is also regulated by a municipal NPDES permit and enrollment in the CGP does not exempt a Project from the current and future municipal NPDES requirements. GRANTEE will have lead responsibility for all customer communications, stakeholder communications and issue resolution pertaining to the Project. Such communications and engagement will include GRANTEE contact information for the Project. Materials and communications will be co-branded with CITY logos upon CITY request.

7.15. Waste Disposal. GRANTEE will adhere to CITY Whitebook requirements for disposal of construction and demolition wastes as required by applicable permits, unless superseded by other Applicable Laws.

8. GRANTEE Project Cost Estimates

8.1. The Parties recognize that Projects are comprised of a series of individual Work Orders that have their own design, procurement, and construction lifecycle, as well as their own estimates, which change throughout the Work Order lifecycle. Each Work Order is issued at a different stage. Thus, the total Project estimate at any given time will be comprised of a group of individual Work Order estimates that are each at different stages of their lifecycle.

8.2. GRANTEE will provide the most up to date Estimated Cost at Completion (EAC) for all Project Work Orders monthly as part of the Monthly Invoicing Backup Material in accordance with Appendix B – Invoicing Backup Material. The EAC will be a dynamic estimate continually adjusted to reflect the current total estimated cost to complete the Work Order. The dynamic nature and monthly true-up of the estimate to actuals will allow the Work Order at completion to reflect the total estimate which will equal total Actual Costs.

8.3. GRANTEE will provide the following estimates throughout the Project lifecycle:

8.3.1. Preliminary Estimate. Upon request GRANTEE will provide preliminary estimates based on scoping information provided by CITY. These would be estimates provided in advance of any Notice to Proceed to GRANTEE.

8.3.2. Initial Estimate. GRANTEE will provide an Initial Estimate based off the initial kickoff meeting for the Project. This estimate will be adjusted by GRANTEE as new information becomes known but will still be referred to as the Initial Estimate on the Monthly Invoicing Backup Material until such time as the 30% Design Estimate is provided. Adjustments greater than 10% will be accompanied by an explanation.

8.3.3. 30% Design Estimate. Upon completion of the 30% Design Estimate for the trench and conduit Work Order design, GRANTEE will meet with CITY to discuss the 30% Design Estimate. The 30% Design Estimate will be baselined and reported on the Monthly Invoicing Backup

Material as the 30% Design Baseline. The 30% Design Estimate will be adjusted by GRANTEE as information becomes known but will still be referred to as the 30% Design Estimate on the Monthly Invoicing Backup Material until such time as the 90% Design Estimate is provided.

8.3.4. 90% Design Estimate. Upon completion of the 90% Design Estimate for any Work Order design, GRANTEE will update the Monthly Invoicing Backup Material to reflect the Design Estimate for that Work Order. The 90% Design Estimate for any Work Order will be adjusted by GRANTEE as new information becomes known but will still be referred to as the 90% Design Estimate on the Monthly Invoicing Backup Material until such time as an Issue for Construction (IFC) Estimate is provided. Adjustments greater than 10% will be accompanied by an explanation.

8.3.5. Issue for Construction (IFC) Estimate. Upon award of the trench & conduit Work Order to GRANTEE's construction contractor, GRANTEE will meet with CITY to discuss the IFC Estimate. The IFC Estimate will be baselined and reported on the Monthly Invoicing Backup material as the IFC Baseline. Upon award of subsequent Work Orders to construction contractors the estimates will be shown on the Monthly Invoicing Backup Material as IFC Estimates as well. All IFC Estimates will be adjusted by GRANTEE as new information becomes known but will still be referred to as the IFC Estimate on the Monthly Invoicing Backup Material. Adjustments greater than 10% will be accompanied by an explanation.

8.4. For all estimates, should an estimate increase by 10% or greater month over month, GRANTEE will provide CITY a detailed explanation concerning such change unless such change is the result of the advancement of the design Work Order in the Project lifecycle (e.g., the Work Order has moved from 30% Design Estimate to 90% Design Estimate).

8.5. The Parties understand that in accordance with the Franchise, new accounting practices will govern the Surcharge Program. As such, the Parties acknowledge the accuracy and predictability of Project estimates will take time to perfect and may not reflect average historical estimates or total Project costs. All estimates will include direct labor, material, Overheads and contingencies.

9. Verifying Competitive Procurement.

9.1. Design & Engineering Procurement

9.1.1. GRANTEE shall procure Design and Engineering Work in support of the Surcharge Program, which Work shall be managed under individual master services agreements ("MSAs"). "Design and Engineering" refers to any "consultant contract" in support of Surcharge Program Work, as described in SDMC 22.3202, which may include, without limitation, design, engineering, survey and other consultant Work. MSA sourcing efforts will occur no less than every five years.

9.1.2. GRANTEE's sourcing efforts for Design and Engineering Work shall be posted on GRANTEE's sourcing site for at least ten (10) days and in CITY's paper of record (or as otherwise required by Applicable Laws).

9.1.3. GRANTEE and CITY will collaborate during the Term of this MOU to create standard evaluation matrices to evaluate the competitive sourcing of Design and Engineering Work, which shall address, at a minimum, the following aspects of the Work:

- (a) Rates, Adjustments, Third Party Markup Percentage
- (b) Ability to meet scope of work requirements

- (c) Experience and technical ability
- (d) Experience with GRANTEE Standards and GRANTEE Facilities
- (e) Use of Diverse Business Enterprises (DBE)
- (f) Sustainability
- (g) Exceptions to GRANTEE Terms and Conditions

The evaluation matrices developed by the Parties will assign percentages and/or scoring to each aspect of the Work appropriate for the scope of Work at issue. Prior to GRANTEE advertising a sourcing effort for Design and Engineering Work in support of the Surcharge Program, GRANTEE shall provide a draft evaluation matrix for CITY's review. CITY will provide comments on the matrix within ten (10) days of receipt. If GRANTEE does not receive comments from CITY within such period, GRANTEE will move forward with the proposed matrix for the sourcing effort.

9.1.4. GRANTEE will review all bids for Design and Engineering Work (1) from a technical perspective to determine whether the consultant has the appropriate level of expertise for the specific subset of Work at issue to perform the Work, and (2) from a commercial and risk perspective to determine consultant's ability and capacity to perform the Work. Design and Engineering bidders will be disqualified automatically if the bidder does not employ at least one Qualified Designer (if scope includes Design), carry required levels of insurance, answer all material bid questions, submit all required documents and carry appropriate certifications and licensure required for the scope of Work being sourced. Bidders must also be in good standing to do business in California.

9.1.5. GRANTEE will issue Surcharge Program Work to consultants with MSAs based on consultant's workload, lead times, geographic coverage and performance metrics on previous Projects at the discretion of GRANTEE.

9.1.6. GRANTEE will maintain documentation of standard processes for evaluating Design and Engineering bids and selecting the contract award recipients and will make documentation describing such processes available to CITY upon request.

9.1.7. Upon CITY's request, GRANTEE will provide all Design and Engineering contracts to CITY for Surcharge Program Work, which may include MSAs and Releases.

9.2. Construction Procurement

9.2.1. To bid or perform any Civil or Electrical Construction Work in support of the Surcharge Program, contractors must hold a valid MSA with GRANTEE. GRANTEE will hold a competitive sourcing effort not less than every five (5) years to grant MSAs to prime contractors. "Civil and Electric Construction" refers to any civil or electric construction Work performed in support of the Surcharge Program.

9.2.2. To be eligible to be awarded an MSA with GRANTEE for Civil or Electric Construction Work, contractors must be pre-qualified by GRANTEE to determine whether they have the capability to perform the scope of Work for which they are requesting prequalification, which may be one or multiple scopes. Opportunities for prequalification will be published with information concerning GRANTEE's processes for prequalification on GRANTEE's sourcing site and in CITY's paper of record for at least ten (10) days and will be provided to CITY for review prior to posting. GRANTEE will provide opportunities for contractors to become prequalified from time to time and prior to any MSA sourcing effort for Civil or Electric Construction Work.

9.2.3. When GRANTEE initiates a sourcing effort for Civil or Electric Construction Work, such sourcing effort will be posted for at least ten (10) days on GRANTEE's sourcing site and in CITY's paper of record (or as otherwise required by Applicable Laws).

9.2.4. GRANTEE's sourcing effort for Civil or Electric Construction MSAs will include, at a minimum, the following requirements:

- (a) Bidder must carry or obtain insurance that meets minimum GRANTEE requirements
- (b) Bidder must have valid and current ISNetWorld ("ISN") membership (or successor safety program)
- (c) Bidder must have a passing score or approved variance from GRANTEE in ISN based on bidder's safety metrics as reported in ISN (or successor safety program)
- (d) Bidder must satisfy or be exempted from the requirements of GRANTEE's collective bargaining agreements, as applicable
- (e) Bidding prime contractors must carry a current and valid general contractor's license (A or B) from the Contractor's State License Board (or as otherwise required by Applicable Laws)
- (f) Bidder must be in good standing to do business in California
- (g) Bidder must meet GRANTEE's minimum experience requirements for performing Work on electric utility systems in California

9.2.5. GRANTEE and CITY will collaborate to create standard MSA evaluation matrices to evaluate the competitive sourcing of Civil and Electric Construction Work as part of any such sourcing effort, in accordance with the requirements of the San Diego City Charter, which shall address, at a minimum, the following aspects of the Work:

- (a) Safety record
- (b) Rates, Adjustments, Third Party Markup Percentage
- (c) Ability to meet scope of work requirements
- (d) Experience and technical ability
- (e) Experience with GRANTEE's Construction Standards and GRANTEE Facilities
- (f) Use of Diverse Business Enterprises (DBE)
- (g) Sustainability
- (h) Exceptions to GRANTEE Terms and Conditions

The evaluation matrices developed by the Parties will assign percentages and/or scoring to each aspect of the Work appropriate for the scope of Work at issue. Prior to GRANTEE advertising for a sourcing effort for Civil or Electric Construction Work, GRANTEE shall provide a draft evaluation matrix for CITY's review. CITY will provide comments on the matrix within ten (10) days of receipt. If GRANTEE does not receive comments from CITY within such period, GRANTEE will move forward with the proposed matrix for the sourcing effort.

Additionally, the Parties will develop evaluation matrices to be used on a regular basis to evaluate Construction Project Bids, as further described in Section 9.3.2 below. Such Construction Project Bid matrices shall be reviewed by the Parties not less than every three (3) years.

9.2.6. If GRANTEE deviates from the standard scoring and selection criteria agreed upon by the Parties in a specific matrix by more than 10% for any category, GRANTEE will provide CITY revised scoring and selection criteria proposed for use for that specific Project prior to advertising. CITY will maintain confidentiality similarly to any CITY bid advertisements.

9.2.7. GRANTEE will maintain documentation of standard processes for evaluating Civil or Electric Construction bids and selecting the contract award recipients and will make documentation describing such processes available to CITY upon request.

9.2.8. **Material Procurement.** To the extent materials used on a Project are not obtained by the construction contractor hired to perform Work on such Project, such materials will be sourced directly from stock provided through GRANTEE's materials department and will be charged to the Project in accordance with Section 10.1.2 below. GRANTEE's materials department procures materials for GRANTEE's construction efforts service-territory wide to obtain the best value by achieving economies of scale and efficient materials management.

9.3. Construction Project Bidding

9.3.1. GRANTEE may elect to issue Civil or Electric Construction Work on a time and equipment basis to any MSA holder resulting from a sourcing effort, using the rate structure described in the MSA, for Work scopes that do not exceed GRANTEE's established bidding threshold, set annually by GRANTEE and communicated to CITY ("**Bid Threshold**"). Surcharge Program Work shall be assigned to MSA holders based on workload, lead times, geographic coverage and performance metrics on previous Projects at the discretion of GRANTEE.

9.3.2. Project Work scopes that exceed the Bid Threshold will be competitively bid to all existing qualified MSA holders for such scope as a fixed bid Work package ("**Construction Project Bid**") and will result in a Construction Project Release. GRANTEE will utilize the standard evaluation matrices and bid evaluation processes identified in Section 9.2. Notwithstanding the foregoing, GRANTEE may request CITY approve the assignment by GRANTEE of an MSA holder to a specific Work scope above the Bid Threshold when emergent circumstances warrant such exception.

9.3.3. Prior to advertising any Construction Project Bid to MSA holders, GRANTEE will inform CITY of any known information about the proposed Construction Project Bid that could impact bid pricing. Such inform may include, without limitation, working days limitations, alley work, hard digging, unique design criteria, etc. GRANTEE will disclose such information to CITY at least thirty (30) days prior to advertisement to allow CITY to make suggestions regarding modifying the Project to attract lower-priced bids or more competition. CITY will maintain confidentiality similarly to any CITY bid advertisements.

9.3.4. Prior to awarding a Construction Project Release under an MSA, GRANTEE will provide CITY with a bid summary that includes the completed bid evaluation matrix, list of bid evaluators by title, and bid evaluation meeting minutes.

9.3.5. Should CITY oppose an award, CITY and GRANTEE shall meet in a timely manner regarding further advancement of the Project. The Parties may decide to re-advertise the Construction Project Bid, modify the Project, cancel, or suspend the Project.

9.3.6. At CITY request, GRANTEE will provide to CITY all Civil and Electric Construction contracts pertaining to the Surcharge Program.

9.4. Diverse Business Enterprises

9.4.1. DBE Contracting Requirements. In accordance with CPUC General Order 156 and Cal. Pub. Util. Code sections 366.2 and 8283, as may be further amended from time to time, GRANTEE is required to track its yearly utility expenditures with certified minority, women, service-disabled veteran and LGBT business enterprises (collectively, “DBEs”), and tracks expenditures with disadvantaged small businesses qualified under the U.S. Small Business Administration’s 8(a) Business Development Program. General Order 156 also requires GRANTEE to encourage the participation of DBEs in its contracting processes, perform external outreach to DBE suppliers and encourage prime contractors to utilize DBE subcontractors. Notwithstanding the foregoing, GRANTEE is not authorized or permitted to use quotas or set-asides to achieve its DBE goals.

9.4.2. DBE Classifications. The CPUC, pursuant to General Order 156 and other Applicable Laws, establishes the requirements and classifications for the types of DBEs for which GRANTEE must track and report its yearly utility expenditures, which may be amended by the CPUC from time to time. Such DBEs must be certified by the CPUC Clearinghouse or other method approved by the CPUC.

9.4.3. As of the Effective Date, GRANTEE seeks to secure at least 40% of GRANTEE’s total yearly procurement through DBEs, including Surcharge Program Work, utilizing direct contracting with DBE and certified DBE subcontractors. GRANTEE’s yearly goal may adjust over time.

9.4.4. Each of GRANTEE’s MSAs includes the MSA holder’s DBE procurement commitment for the scope of Work described therein, including direct and subcontracted Work.

9.4.5. MSA holders are required to provide GRANTEE monthly reports on payments made to certified DBE subcontractors in accordance with such MSA holder’s agreed DBE subcontracting goal using GRANTEE’s online subcontracting reporting system (or successor system).

9.4.6. GRANTEE files an annual DBE report with the CPUC describing GRANTEE’s DBE contracting and subcontracting efforts. This is a public document and will be shared with CITY after filing.

9.5. Minimum Contracting Requirements.

9.5.1. MSAs for Surcharge Program Work shall contain, at a minimum, the following CITY requirements, to the extent applicable to the scope of Work covered by such MSA, and as may be amended from time to time:

9.5.1.1. Equal Employment Opportunity Requirements as described in SDMC Article 2, Chapter 2, Division 27:

- a. Submittal of Work Force Report and/or Equal Employment Opportunity Plan (SDMC 22.2705).
- b. Subcontractors must comply with CITY’s equal employment opportunity outreach program (SDMC 22.2704).

9.5.1.2. Mandatory Non-Discrimination Contract Clause requirement (SDMC 22.3512).

9.5.1.3. Equal Benefits Requirements, as described in SDMC, Article 2, Chapter 2, Division 43).

9.5.1.4. Payment of Prevailing Wages, as described in SDMC, Article 2, Chapter 2, Division 30).

9.5.2. When GRANTEE informs CITY that GRANTEE plans to initiate a sourcing effort for any Surcharge Program Work, CITY shall provide GRANTEE with the applicable and current prevailing wage language for the Work scopes at issue to be included as part of the sourcing effort and in the resulting MSA.

9.5.3. Nothing herein shall restrict GRANTEE from negotiating or adopting its own requirements for MSAs for Surcharge Program Work, including any amendments to such MSAs, provided such requirements do not conflict with or are less stringent than applicable CITY requirements as described in this Section 9.5. Furthermore, GRANTEE shall have the right to terminate any MSA in accordance with its terms.

10. Accounting for GRANTEE Project Expenses.

10.1. GRANTEE monthly billing backup to support invoices for Surcharge Program Projects will subdivide Project costs into the following categories:

10.1.1. Direct Costs. Costs included in this category consist of labor and nonlabor charges including but not limited to contractor costs for engineering and design, construction, survey, etc.

10.1.2. Materials. Costs included in this category consist of cable, equipment, and other items included on the Project material list as required by the design not otherwise procured directly by contractors working on the Project. Such materials will be direct charged to the Project.

10.1.3. Overhead Costs.

10.1.3.1. Costs included in this category relate to those activities and services that are associated with direct costs, such as payroll taxes, pension and benefits, engineering, and administrative and general (A&G) functions, etc. that cannot be economically direct charged.

10.1.3.2. Overhead costs will include program-specific costs as defined in Section 10.2, as well as an allocation of costs from administrative and general utility support functions.

10.1.3.3. In alignment with the audit requirements described in the Franchise, or at the request of CITY, GRANTEE shall provide a breakdown of the costs included in the Surcharge Specific Cost Pool (as defined below) as follows:

- a. Design & Engineering
- b. Project Management
- c. Contract Administration
- d. Other

10.2. Surcharge Specific Cost Pool. The “**Surcharge Specific Cost Pool**” has been implemented exclusively for the Surcharge Program. The Surcharge Specific Cost Pool includes costs that are directly related to Surcharge Program Projects that cannot economically be direct charged to individual Projects. This may include, but is not limited to, design and engineering, Project management, and contract administration costs. An allocation of support costs associated with these services will also be charged to this pool.

10.2.1. The Parties acknowledge that the Surcharge Specific Cost Pool was implemented to ensure Municipal Surcharge Program Funds are directly and exclusively related to the Projects. The new accounting structure could have a significant impact on Project overhead costs in comparison to historical overhead costs and may result in either an increase or a decrease in Project costs.

10.2.2. Parties acknowledge that the methodology utilized by overhead pools to collect costs and allocate those costs to Projects may result in timing differences between when costs are incurred and when they are allocated to Projects.

10.3. Breakdown of Overheads. In alignment with the audit requirements described in the Franchise, or at request of CITY, GRANTEE shall provide a breakdown of costs allocated from general and administrative utility functions as follows:

10.3.1. Labor Overheads. Labor Overheads include payroll taxes, employee (excluding executives) incentive compensation plan, worker’s compensation, public liability/property damage, post-retirement benefits and vacation and sick costs.

10.3.2. Purchasing and Warehousing Overheads. The Purchasing and Warehousing Overheads are used to capture costs related to GRANTEE’s procurement activity in obtaining goods and services and costs associated with warehousing materials used in the operation of the business.

10.3.3. A&G and Construction Support Overheads. The A&G and Construction Support Overheads include Capital Administrative & General (A&G) Costs and Electric Department Overheads (construction and operational general expenses, such as management time). These costs are reasonably related to the Surcharge Program.

10.3.4. Other Overheads. Other Overheads incurred by Projects include charges for small tools and shop expenses.

11. Invoicing.

11.1. Monthly invoices shall be accompanied by the Monthly Billing Backup support documentation, which will include updated cost estimates for that month, the previous month as well as the percentage changed since last reported. Invoices are payable upon receipt, net thirty (30) days.

11.2. Within ten (10) Business Days of receiving a monthly invoice, CITY will notify GRANTEE of any request to review Books and Records associated with that Project prior to authorizing payment. If no request for Books and Records is made, invoice is due.

11.3. Within ten (10) Business Days of a request from CITY to review Books and Records as a condition of authorizing payment, GRANTEE will provide the requested supporting documentation.

11.4. Within ten (10) Business Days of receipt of Books and Records, CITY shall commence payment on the invoice in full or notify GRANTEE of potential dispute regarding certain charges included in the invoice. If CITY does dispute an invoice, but the dispute does not relate to the entire invoice, GRANTEE will re-invoice CITY with two invoices separating the verified amount from the amount in dispute to avoid significant delays in payment due to GRANTEE. CITY will pay the amount owed on the undisputed invoice promptly while the dispute is resolved on the disputed invoice in accordance with the terms of this MOU.

11.5. Monthly invoices are considered progress payments for all outstanding Actual Costs incurred by GRANTEE which shall be accompanied by the Monthly Billing Backup supporting documentation to demonstrate that the amount of monthly charges align with the estimated cost at completion and the percent of progress toward completion. Progress is measured as a ratio of working days completed to total working days of a Project activity.

11.6. A determination by CITY not to proceed to construction for a Project does not relieve CITY from the costs associated with the design and preparation for such Project.

11.7. Final Billing shall be provided to CITY no later than twelve months after Project completion.

12. Budget Coordination

12.1. CITY acknowledges that GRANTEE relies on CITY's obligation to reimburse costs for Work under this MOU incurred by GRANTEE and passed through to CITY without markup for profit in accordance with Section 10 herein. As such, this Section 12 establishes coordination requirements of the Parties in support of CITY's budgeting for the Surcharge Program.

12.2. CITY will be responsible for ensuring all Projects for which CITY has issued GRANTEE a Notice to Proceed or Mobilization Notice have been allocated funding from the Municipal Undergrounding Surcharge Fund to cover the total estimated costs to be incurred by GRANTEE in support of the Program in the upcoming CITY Fiscal Year. CITY will promptly notify GRANTEE if such funding is later restricted, is no longer available, or if CITY becomes aware that its funding commitments are at risk, at which time the Parties will meet and confer to discuss additional funding or Project suspensions, as needed.

12.3. GRANTEE acknowledges that CITY relies on Project expenditure forecasts to achieve long-term management of cash-flow reserves in the Municipal Surcharge Program Fund. For all Projects for which CITY has assigned GRANTEE Work under this MOU, GRANTEE will provide CITY updated monthly Project estimates and cashflows per requirements of this MOU and GRANTEE will be timely in informing CITY of any changes in Project costs or schedules that may affect the accuracy of such forecasts.

12.4. CITY and GRANTEE will confer no later than thirty (30) days prior to each CITY annual budget process milestone to ensure Municipal Surcharge Program Funding is available for all planned Projects on the Project List, as updated, during each CITY Fiscal Year. CITY budget projections are due on the following dates, which may change at CITY's direction:

- (a) Proposed Budget: December 1 for the next CITY Fiscal Year's Budget.
- (b) May Revision: April 1 for the next CITY Fiscal Year's Budget.

- (c) Mid-Year Projection: December 1 for the current CITY Fiscal Year.
- (d) Year-End Projection: April 1 for the current CITY Fiscal Year.

12.5. GRANTEE may suspend Work on a Project without penalty and will not be responsible for delays due to suspension of such Work if CITY does not allocate or cannot make sufficient funding available from the Municipal Surcharge Program Fund to cover the Work in accordance with Project estimates.

13. Reporting Requirements.

13.1. Cost Per Mile. GRANTEE shall submit to CITY on an annual basis GRANTEE’s average underground cost per mile for the Surcharge Program, calculated using the “Miles Installed” methodology described in the Franchise. The “Miles Installed” methodology reflects length of mainline trench and service trench installed as referenced in Appendix A – Cost Per Mile.

13.2. Project Monthly Milestone Reporting. GRANTEE will provide CITY a Monthly Milestone Report, Project Estimate Report and a forecasted Monthly Cashflow Estimate for all Projects where CITY has issued GRANTEE an NTP. The reports will be developed jointly and will include major design and construction milestones, Project estimates and cashflow forecasts such as but not limited to:

DESIGN ACTIVITIES	PRE-CONSTRUCTION ACTIVITIES	CONSTRUCTION ACTIVITIES
Trench & Conduit & One-Line 30%	City ROW/ TCP Permit	Service Panel Modifications
Trench & Conduit & One-Line 60%	Other Permits	Trench and Conduit
Trench & Conduit & One-Line 90%	All Easements Received*	Cable & Connections
Cable Pole 30%	All Joint Trench Offers Received*	Customer Cut-Over
Cable Pole 60%	NTP Construction Start (panel conversions)	Streetlights Phase 1
Cable Pole 90%	Trench & Conduit RFP & Award	Overhead Removals
Cable & Connections 60%	Electric RFP & Award	Pole Removals
Cable & Connections 90%	Other construction award	Streetlights Phase 2
Streetlighting 60%		Other construction
Streetlighting 90%		
OH Remove From Service 30%		
OH Remove From Service 60%		
OH Remove From Service 90%		
Other Misc. Job Levels 30%		
Other Misc. Job Levels 60%		
Other Misc. Job Levels 90%		

*To be reported as a milestone date only

Notes:

- 1 Not all activities are applicable to all projects and additional milestones may be added as necessary.
- 2 4kV - 12kV Cutover and SCADA are not required on every project so are included in "Other Misc."
- 3 Streetlight Phase 1 are lights not in conflict with overhead facilities, Streetlight Phase 2 are lights that were in conflict

13.3. At CITY’s request, GRANTEE will provide additional data or reports as jointly developed and agreed upon by the Parties during the Term of this MOU.

13.4. CITY will promptly provide GRANTEE the amount of electric Surcharge fees spent by the CITY when such information is required of the GRANTEE by the CPUC.

14. Enhanced Communication between CITY and GRANTEE.

14.1. Parties will actively pursue ways to minimize Parties' communications involving CITY personnel above the rank of Transportation Department Director. This includes establishing oversight procedures that can be largely performed by CITY DPOA. This also includes establishing steps for resolving problems of compliance with this MOU that can be largely managed by a CITY DPOA.

14.2. Parties will provide contact information for Project-assigned resources (for example, contact information for coordination of service cutover Work, street light energization, etc.).

14.3. Parties will ensure that appropriately knowledgeable personnel attend the monthly Underground Conversion Coordination meetings, or successor meetings.

14.4. If at any time CITY wants to cancel or suspend Work on any Project, CITY agrees to notify GRANTEE immediately to avoid unnecessary costs or delays. Similarly, GRANTEE shall inform CITY immediately in the event of any serious delay or barrier to Project development. Cancelling an approved Underground Utility District requires action by Council.

15. Outreach.

15.1. Parties will establish an open process of communication and coordination with the public and Council District offices. Additional coordination and communication may be needed with the Mayor's Office and Community Planning Groups. Formal Project communication plans shall be shared and coordinated between all Parties to ensure accurate and comprehensive information is provided.

15.2. CITY will facilitate community forum meetings in accordance with Utility Undergrounding Advisory Committee and Council District office recommendations and other CITY policies. GRANTEE will participate in meeting preparation including providing timely information for public notices and presentation materials. GRANTEE will provide appropriate personnel to speak for both formal presentations and information tables. The personnel representing GRANTEE will be prepared to communicate Project details relevant to a public audience including Project timelines.

15.3. Community forum dates will be set per the Project schedule to allow the greatest design flexibility for accommodating public input without delaying the design completion date or incurring avoidable costs for design changes.

15.4. GRANTEE will consult with CITY, including Council District offices, on community sensitivity to Project visual impacts and will plan accordingly to accommodate additional meetings with the community.

16. Dispute Resolution. In the event that a dispute arises between the Parties relating to the performance of a Party's obligations under this MOU, which may include, without limitation, interpretation of the terms of this MOU, reporting obligations, Project delays, invoices, or information sharing, either Party may notify the other Party, and the Parties shall confer promptly to manage such concerns. If the Parties' concerns cannot be satisfied through informal communications, the Party desiring formal resolution of the dispute shall notify the other Party in writing to request a meeting. The Parties will promptly identify the appropriate persons internal to the Party to resolve such dispute based on the nature of the dispute, and at a minimum, must include each Party's DPOA. Those persons will meet within seven (7) calendar days to attempt to resolve the dispute, provided that the Parties can mutually agree to extend such time if necessary. If the dispute cannot be resolved as a result of such

meeting, either Party may invoke the dispute resolution procedures described in section 17 of the Franchise.

17. Performance. GRANTEE and CITY will meet annually to review the operations of the Surcharge Program. At that meeting, the Parties will, at a minimum, (a) determine the level of funding needed in the following CITY Fiscal Year to support the targets, as agreed upon by the Parties, being set for undergrounding progress within that upcoming Fiscal Year, and (b) discuss ways to increase efficiencies and collaborate effectively. Furthermore, CITY may develop and maintain Project performance records. GRANTEE will have access to review those records on a regular, timely basis and may provide comments to CITY at its discretion, which comments shall be included directly in such records. The Parties agree and acknowledge that GRANTEE will not be held responsible for Project delays that arise out of or result from delays in the performance of any CITY obligation. Overall performance of GRANTEE related to this MOU will be monitored and reported to Council using such records and annual reviews as part of the two (2) year Compliance Review Committee cycle.

18. Legacy Projects. For Projects for which substantial Work was completed prior to adoption of this MOU, the Parties have agreed that it is in the best interest of the Surcharge Program to continue such Projects to completion under the terms of the previous MOU. For these Projects, the requirements of this MOU will be followed where doing so will not delay the completion date of such Projects or create other barriers to performance. These exceptions shall only apply to the following in-progress Projects:

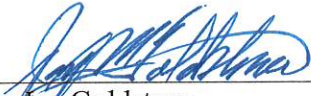
- (a) Chollas 4J1
- (b) Clairemont Mesa 6DD1
- (c) Clairemont Mesa 6H
- (d) Golden Hills 8C
- (e) La Jolla 1J Job 1
- (f) La Jolla 1J Job 2
- (g) Lomita Block 4Y
- (h) Muirlands 1M-J1
- (i) Rolando Blk 7G2
- (j) S. Mission Beach 2S1

UNDERGROUNDING MEMORANDUM OF UNDERSTANDING between THE CITY OF SAN DIEGO and SAN DIEGO GAS & ELECTRIC COMPANY

IN WITNESS WHEREOF, the Parties have caused this MOU to be executed as of the last date below:


CITY OF SAN DIEGO

City Council Ordinance No. 0-21440


By: Jay Goldstone
Its: Chief Operating Officer


3/29/2022
Date

Approved as to form:


By: Ryan Gerrity
Its: Deputy City Attorney


4/6/2022
Date

SAN DIEGO GAS & ELECTRIC COMPANY


By: Bruce A. Folkmann
Its: President and Chief Financial Officer

2/4/2022
Date

Approved as to form:


By: James W. Baker
Its: Assistant General Counsel

2/4/2022
Date

APPENDICES

Appendix A – Cost Per Mile

“**Cost Per Mile**” is defined as the total cost (design, materials, construction, etc.) to build one mile of a new underground system that will replace the overhead system. Total miles are determined by the trench footage (including service trenches) required to build the total underground system. The cost of removing the old overhead system (known as “**Remove From Service**” or “**RFS**”) is not included in the Cost Per Mile calculation. Generally, the number of underground miles of electric conduit that must be installed to replace overhead wires occurs at a factor of 1.5 to 3.0x. Items that impact cost include work hours, urban density, alleyways, environmental issues, hard digging, etc.

Project Example of Cost Per Mile Calculation:

Total overhead miles to be removed: 3 miles

Total underground miles constructed: 6 miles

Total cost of the new underground system: \$18M

Demolition and removal of old overhead system: \$1M (*removal of overhead system not included in Cost Per Mile*)

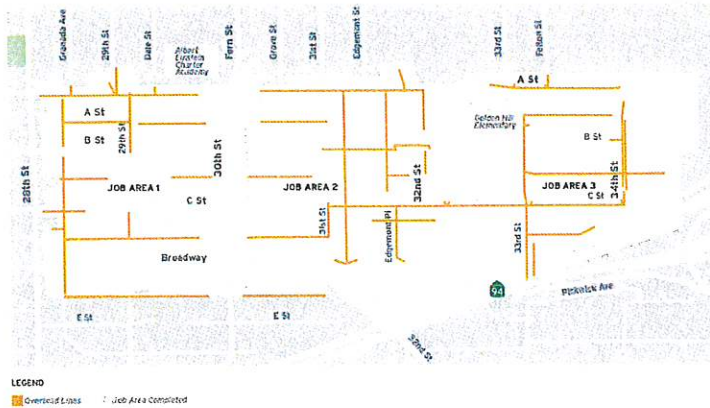
Total project cost: \$19M

Cost Per Mile: \$18M/6 miles = **\$3M per mile**

For illustrative purposes only, below is a summary of an underground conversion project called Golden Hills 8C, depicting (1) the overhead lines removed and (2) the underground miles installed. Individual Projects are not representative of all Projects; each Project has its own features that dictate cost and schedule.

Example: Golden Hills 8C

Linear Mileage of Overhead Line to be Removed

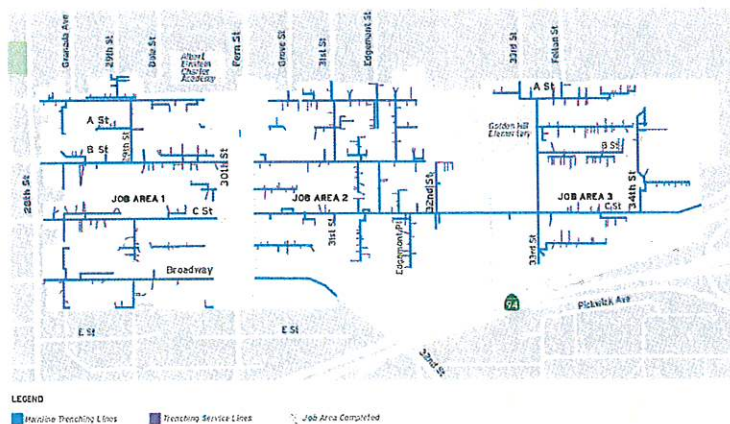


- Overhead Lines to be Removed*:
 - **2.44 miles**
- Total Cost Removal of Overhead Lines
 - **\$1.5M (not included in cost per mile calculation)**

* Sometimes referred to as street miles or center lane miles, although it would include pole footage for facilities not in the ROW such as back lot lines. This is a point A to point B measurement of overhead facilities and does not include service drop lengths, consideration for multiple circuits on same pole line or distances of undergrounded street crossings of minimal distances.

Example: Golden Hills 8C

Linear Mileage of Constructed Underground System



- New Underground Trench:
 - **5.81 miles Mainline**
 - **1.60 miles Service Trench**
- Total New Underground Trench:
 - **7.41 miles**
- Cost of New Underground System:
 - **\$40.1M**
- New Underground System:
 - **\$5.41M/ mile**

Appendix B – Invoicing Backup Material

In accordance with Section 11 – Invoicing, monthly invoices will be accompanied with Monthly Invoicing Backup Material. Details for each Project will be broken down as follows:

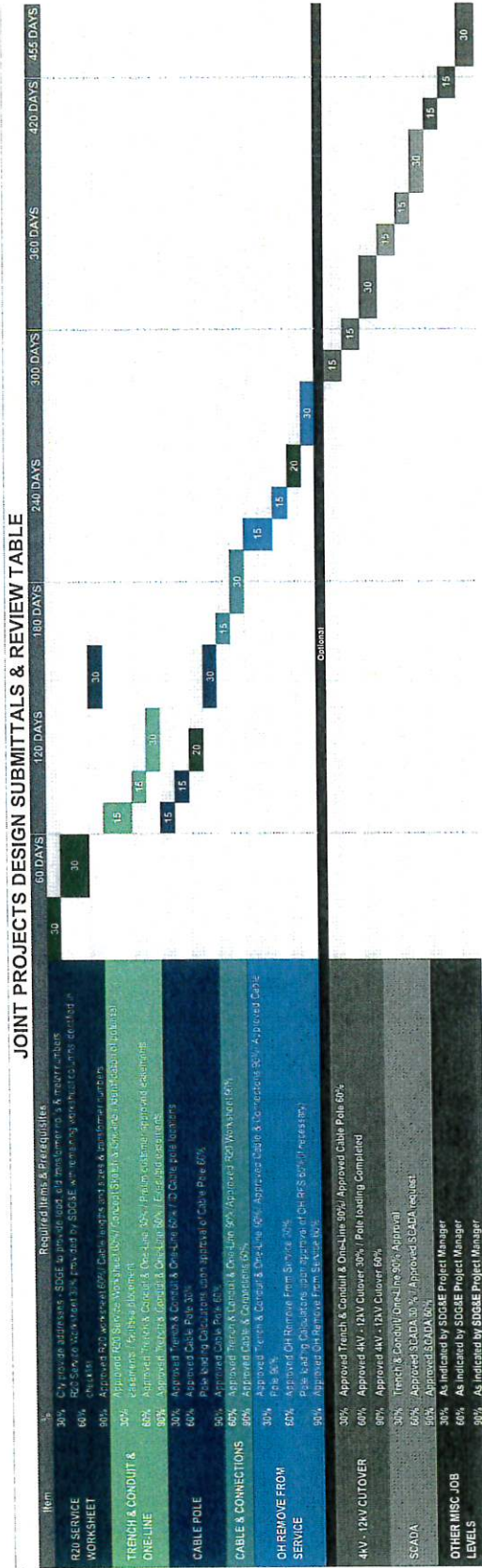
1. Project Name
2. UUP #
3. Work Order #
4. Project Detail (description of job level)
5. Status
6. Estimate Phase
7. Estimated Cost at Completion
8. Previous Estimated Cost at Completion
9. Estimate % Change
10. Job To Date Costs
11. Year To Date Costs
12. Directs
13. Materials
14. Overheads
15. Depreciation and Salvage Credit
16. Prior Charges Not Previously Billed
17. Monthly Net Billable Amount

Appendix C – GRANTEE Design Review Timelines

This table applies to design review times for Work Orders of up to 400 Design Locations with no unique scope items, which may include boring requirements, bridge attachments, transmission lines or other unique design elements.

Submittal	Design %	Required Items and Pre-Requisites	Review Time	Resubmittal Review Time	Full Submittal Requirements
R20 Service Worksheet	30%	City provide addresses - SDGE to provide load, old transformer no.'s & meter numbers	30	N/A	N/A
R20 Service Worksheet	60%	R20 Service Worksheet 30% provided by SDG&E with remaining worksheet columns identified in checklist	30	15 D	Checklist
R20 Service Worksheet	90%	Approved R20 worksheet 60%/ Cable lengths and sizes & transformer numbers			
Trench & Conduit & One-Line	30%	Approved R20 Service Worksheet 60%/ Concept Sketch & One-line / Identification of potential easements / facilities placement	15	15 D	Checklist
Trench & Conduit & One-Line	60%	Approved Trench & Conduit & One-Line 30% / Prelim customer approved easements	15	15 D	Checklist
Trench & Conduit & One-Line	90%	Approved Trench & Conduit & One-Line 60% / Executed easements	30	15D-30 D	Checklist
Cable Pole	30%	Approved Trench & Conduit & One-Line 60% / ID Cable pole	15	15 D	Checklist
Cable Pole	60%	Approved Cable Pole 30%	15	15 D	Checklist
Cable Pole		Pole loading Calculations upon approval of Cable Pole 60%	20		N/A
Cable Pole	90%	Approved Cable Pole 60%	30	15D-30 D	Checklist
Cable & Connections	60%	Approved Trench & Conduit & One-Line 90%/ Approved R20 Worksheet 90%	15	15 D	Checklist
Cable & Connections	90%	Approved Cable & Connections 60%	30	15D-30 D	Checklist
OH Remove From Service	30%	Approved Trench & Conduit & One-Line 90%/ Approved Cable & Connections 90%/ Approved Cable Pole 90%	15	15 D	Checklist
OH Remove From Service	60%	Approved OH Remove From Service 30%	15	15 D	Checklist
OH Remove From Service		Pole loading Calculations upon approval of OH RFS 60%(If	20		N/A
OH Remove From Service	90%	Approved OH Remove From Service 60%	30	15D-30 D	Checklist
4kV - 12kV Cutover	30%	Approved Trench & Conduit & One-Line 90%/ Approved Cable Pole	15	15 D	Checklist
4kV - 12kV Cutover	60%	Approved 4kV - 12kV Cutover 30% / Pole loading Completed	15	15 D	Checklist
4kV - 12kV Cutover	90%	Approved 4kV - 12kV Cutover 60%	30	15D-30 D	Checklist
SCADA	30%	Trench & Conduit/ One-Line 90% Approval	15	15 D	Checklist
SCADA	60%	Approved SCADA 30 % / Approved SCADA request	15	15 D	Checklist
SCADA	90%	Approved SCADA 60%	30	15D-30 D	Checklist
Other Misc. Job Levels	30%	As indicated by SDG&E Project Manager	15	15 D	Checklist
Other Misc. Job Levels	60%	As indicated by SDG&E Project Manager	15	15 D	Checklist
Other Misc. Job Levels	90%	As indicated by SDG&E Project Manager	30	15D-30 D	Checklist

Undergrounding MOU



NOTES:

1. ACTIVITIES SDG&E MANAGES
2. 4KV - 12KV CUTOVER & SCADA (IF NECESSARY) WOULD HAPPEN AFTER CABLE & CONNECTIONS (PRIOR TO RFS) - THIS IS INCLUDED IN TOTAL TIMELINE
3. INCLUDES CONSTRUCTABILITY REVIEWS (PERFORMED BY SEPARATE GROUP)
4. ACTUAL PROJECT SCHEDULES VARY