State of California
DEPARTMENT OF TRANSPORTATION

California State Transportation Agency

MEMORANDUM

To: CHAIR AND COMMISSIONERS
CALIFORNIA TRANSPORTATION COMMISSION

CTC Meeting: August 20-21, 2026

From: STEVEN KECK, Chief Financial Officer

Reference Number: 2.4f.(2), Action Item

Prepared By: René Fletcher, Chief
Division of Right of Way and Land Surveys

Subject: **REQUEST TO APPROVE TERMS, CONDITIONS, AND EXECUTION OF A HIGH VOLTAGE UNDERGROUND UTILITY LICENSE AGREEMENT WITH PACIFIC GAS & ELECTRIC ON STATE ROUTE 20 IN LAKE COUNTY**

ISSUE:

Should the California Transportation Commission (Commission) approve a request by the California Department of Transportation (Department) to approve terms, conditions, and execution of a high voltage underground utility (HVUU) license agreement with Pacific Gas & Electric (PG&E) on State Route (SR) 20 in Lake County?

RECOMMENDATION:

The Department recommends that the Commission approve a request to approve terms, conditions, and execution of an HVUU license agreement with PG&E on SR 20 in Lake County.

BACKGROUND:

Since the enactment of Senate Bill 901 in 2018, electric utility companies are required to prepare and submit annual wildfire mitigation plans to the California Office of Energy Infrastructure Safety detailing how their facilities will be maintained and operated while reducing the risk of catastrophic wildfire. A common mitigation strategy is to underground existing overhead electric distribution lines. In some project areas, use of access-controlled right of way is the last remaining option where utilities can be placed underground. To accommodate these projects, an Encroachment Policy Exception (EPE) and a license fee are required to grant use of access-controlled right of way to utilities.

For this request, the Department seeks to execute a license agreement for 30 years with PG&E, facilitating longitudinal underground installation within access-controlled right of way, for approximately 2.64 miles, with an escalating annual rate derived from appraisal principles based on county and route data, with modifiers accounting for width and length of the proposed installation.

The Department's Project Development Procedure Manual Chapter 17 – Encroachment and Utilities policies do not accommodate longitudinal utilities within access-controlled right of way, i.e., freeways, expressways, and Interstates, without detailed project review in service of an EPE request. An EPE request was submitted on December 16, 2025, and reviewed by the district. PG&E requires the exception due to environmental constraints, unstable terrain, and the need to expedite wildfire mitigation efforts associated with installing the facilities outside the Department's right of way. Although the EPE is typically the final step before issuing a construction permit, final approval is being withheld until the license agreement is executed to ensure a permit is not issued without an agreement in place. PG&E is prioritizing construction of these projects. As the sole electric utility provider in the area and owner of the facilities requiring mitigation, no other entities would pursue similar projects within the Department's right of way. PG&E submitted environmental studies to the Department, and the Department finalized a California Environmental Quality Act exemption on July 27, 2026, determining that the project is exempt.

In addition, Federal transportation funds were used in the development of the access-controlled right of way and the relocation of previously existing installations of longitudinal utilities. As such, the Department must charge a license fee to allow longitudinal utility encroachments within these areas to avoid a gift of public funds. The license fee is based on a matrix of values derived from appraisal principles for each county and route. The Federal Highway Administration (FHWA) has reviewed the license agreement and fee matrix and approved the use of the documents for installations within access-controlled right of way. Any changes to the license agreement will require additional review and approval by FHWA and the Commission.

BENEFITS:

It is in the State's best interest to assist utility companies in meeting their fire hardening goals. Use of a standardized fee matrix provides clear, market-supported, criteria to determine the value of proposed licenses, while the license agreement provides additional terms and conditions associated with longitudinal installations that remain revocable and do not rise to the level of granting property rights to the utility companies.

LICENSE TERMS:

Term: 30 years
License Fee: $6,723.69 per year
Escalation Rate: 3.2 percent annually
Re-evaluation: Every 10 years

Attachment: Exhibit A – Location Map

Exhibit A

Location Map