

April 2020

SDG&E & CITY OF SAN DIEGO ELECTRIC AND GAS FRANCHISE AGREEMENT

POSITION: The Chamber's Sustainability & Industry Committee voted to SUPPORT the proposed agreement as outlined by SDG&E on April 2, 2020. The Public Policy Committee voted to SUPPORT it on April 14, 2020. The Chamber's Board of Directors voted to SUPPORT the proposed agreement on April 23, 2020.

RATIONALE: Certainty provided by a completed renewal agreement will be beneficial both for ratepayers and for the City in this uncertain time, while leveraging industry expertise and best practices.

STATUS: The City's agreement will expire in 2021 and is driven by a public process currently thought to occur before Fall of 2020. The City's timeline may slightly adjust in response to coronavirus impacts.

SUMMARY

The City of San Diego operates franchise agreements for its provision of gas and electric services to San Diego residents. The current agreements expire on January 17, 2021, and they are currently fielding interest. San Diego Gas & Electric (SDG&E) holds the current agreement, and is seeking renewal for a period of at least 25 or 30 years. The agreement provides SDG&E the right to use public streets and rights of way for facilities necessary to deliver power to residences and business.

INDUSTRY/IES IMPACTED

The franchise agreement indirectly impacts all businesses within the City.

SUPPORTERS

- San Diego Taxpayers Association
- San Diego Labor Council
- CleanTech San Diego
- San Diego North EDC

OPPONENTS

None known

ARGUMENTS IN FAVOR

Renewing the SDG&E agreement for a period of at least 25 years will allow for long-term planning to address a complex, changing industry that sets ambitious goals around renewable and clean energy without introducing uncertainty and dramatic changes for a large workforce at a critical time.

ARGUMENTS IN OPPOSITION

Instead of allowing for a renewal with a non-governmental organization, the City should pursue municipalization with this opportunity.

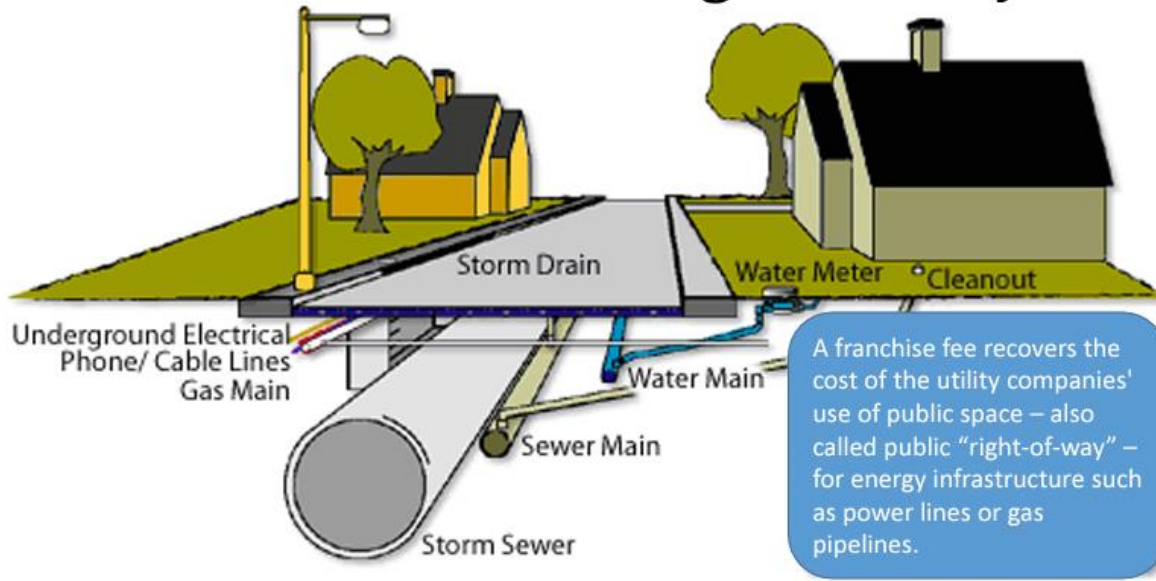
ADDITIONAL INFORMATION

Today, SDG&E's franchise fees account for more than 80% of the City's total franchise fee revenues, totaling \$131.9M. These funds are overwhelmingly used within the general fund, and the remainder are invested in the Environmental Growth Fund. Franchise agreements are typical- currently, SDG&E has agreements with all of the 27 cities and 2 counties they service, and many exist in perpetuity, and notably, the fee to City of San Diego is higher than those paid to any other California City.

While the timeline may require flexibility in response to the coronavirus, originally, it was planned that in April the draft agreement would be reviewed and provided input at Council and Committee, followed by an Invitation to Bid (ITB) in May/June, followed by ITB response evaluations and recommendation to

Council in July/August, with recommendation and proposed franchise agreement to Council/Committee in September and culminate in CPUC approval if necessary.

What is the Public Right of Way?



A franchise fee recovers the cost of the utility companies' use of public space – also called public “right-of-way” – for energy infrastructure such as power lines or gas pipelines.

*From the City of San Diego Franchise PowerPoint