



LOCAL 465

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Independent Study: City Takeover of Gas & Electric Service a High-Risk, High-Cost Endeavor With No Environmental Upside

Business & Labor Advocates Decry \$8.9 Billion Startup Costs, Risk to Workers, Taxpayers, Small Businesses

SAN DIEGO (April 27, 2021) – All risk, no reward. That is the overwhelming consensus of a [new study](#) released today by Point Loma Nazarene University's Fermanian Business & Economic Institute that evaluates both the costs and benefits of a government takeover of the delivery of gas and electric services to San Diego residents - a process known as municipalization. The study concludes that "municipalization would deliver little, if any, of the City's goals, while exposing it to enormous logistical, legal, and financial burdens and risks."

"Municipalization would add a whole new set of costs and risks to the City's plate without reaching greener energy or other goals," said Lynn Reaser, Chief Economist, Fermanian Business and Economic Institute at Point Loma Nazarene University. "Through our analysis of the pros and cons of municipalization, we have concluded this is not a path the City should pursue."

There is agreement from a broad and diverse coalition of utility workers, labor, and business advocates that municipalization would negatively impact local workers, small businesses, and taxpayers.

"This study makes clear that municipalization is all risk, no reward. San Diego working families cannot afford to see billions in taxpayer dollars spent on a takeover that won't make their

power bills lower or their energy greener and that puts local jobs in jeopardy,” said Keith Maddox, Executive Secretary-Treasurer of the San Diego and Imperial Counties Labor Council. “There is a reason that large municipalities have walked away from municipalization time and again. San Diego should learn from the experience of cities like Chicago and Boulder and stay away from this high cost, high risk endeavor.”

The independent study provides a window into the startup costs to taxpayers - estimated to be \$8.9 billion dollars. It also highlights annual operating and maintenance costs of \$1.7 billion. It finds that residents and businesses’ power bills would not be lower as a result, and could in fact increase due to the higher costs involved in a City owned and operated utility.

“Any benefit of San Diego taking control of its power utility is far outweighed by the numerous and substantial costs and risks associated with municipalization as outlined in this study,” said Jerry Sanders, President and CEO of the San Diego Regional Chamber. “With a city budget under considerable economic stress and businesses still managing the financial impacts of COVID, a disastrous distraction like municipalization is the wrong way to find stability. We should be focusing efforts and resources where they matter most – our economic recovery.”

“Spending billions of taxpayer dollars on a power grid while putting local jobs at risk is simply reckless and not a priority for anyone,” said Nate Fairman, Business Manager of IBEW 465, a union representing local utility workers. “Our members put their lives on the line every day to make sure our power grid is one of the safest and most reliable in the nation. Municipalization puts their jobs on the chopping block and San Diego’s energy reliability at risk.”

The report confirms that the City would take on substantial financial risks and liability associated with the ownership and management of the power grid and would yield minimal, if any, environmental benefit, such as a reduction of greenhouse gas emissions. These associated risks include:

- Billing and customer service—billing errors and service delays
- Reliability—service disruptions
- Power security—cyber or physical attacks
- Person security—customer information breaches
- Governance—fraud and conflicts of interest
- Liability—lawsuits over property damage, injuries, or deaths
- Financial risk—cost overruns, litigation, and settlement costs
- Job loss – uncertainty for utility workers and City employees

"As frontline utility workers, we work hard to keep the lights on and the gas flowing for San Diegans" said Cece Marquez, a local dispatcher with more than 18 years of experience.

"Municipalization would put our jobs, our healthcare, and our retirements at risk - and that is a high-stakes gamble we're not willing to take."

In terms of achieving the City’s goals of greater social, economic, and environmental equity, the study finds greater benefit in other efforts and municipalization would not be necessary. Policy tools such as targeted benefits and programs would better meet those objectives.

The study's case history of past municipalization efforts shows the path is long, possibly taking up to a decade, and many more efforts have failed than succeeded. This is yet another risk of committing the extensive time and effort necessary for this venture.

Media Kit with Study & Photos available for download at:

<https://unionyes.org/municipalization>.

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ABOUT POINT LOMA NAZARENE UNIVERSITY FERMANIAN BUSINESS AND ECONOMIC INSTITUTE

The FBI specializes in providing business and economic consulting services to for-profit and non-profit companies, individuals, organizations, government entities, and others throughout the San Diego region, as well as nationally and internationally. Consulting services include economic analysis, forecasting, economic impact studies, business plans, market research, and feasibility studies.

ABOUT THE SAN DIEGO & IMPERIAL COUNTIES LABOR COUNCIL

The San Diego & Imperial Counties Labor Council is a community of more than 200,000 working families standing together. At the Labor Council, nurses, teachers, firefighters, service workers and construction tradespeople join healthcare workers, hotel workers, janitors and zoo employees in their common fight for a voice on the job and at the decision making table. The Council and its 136 labor organizations seek to improve the lives of working people by advocating for living wages, housing that is affordable, quality healthcare and a secure retirement for all.

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ABOUT THE SAN DIEGO REGIONAL CHAMBER OF COMMERCE

The San Diego Regional Chamber is the hub for connections and collaboration among the regional business community, and uses that clout to advocate for public policies and candidates that support economic growth and the creation of jobs for all businesses. As the largest local Chamber on the West Coast, representing more than 2,000 businesses and an estimated 300,000 jobs, the San Diego Regional Chamber is working to make the San Diego region the best place to live and work. For more information, please visit SDChamber.org or call 619-544-1300.

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