

City of San Diego Electric & Gas Franchise Invitation to Bid

1/23/2021



Goals: of the Invitation to Bid Process (ITB)

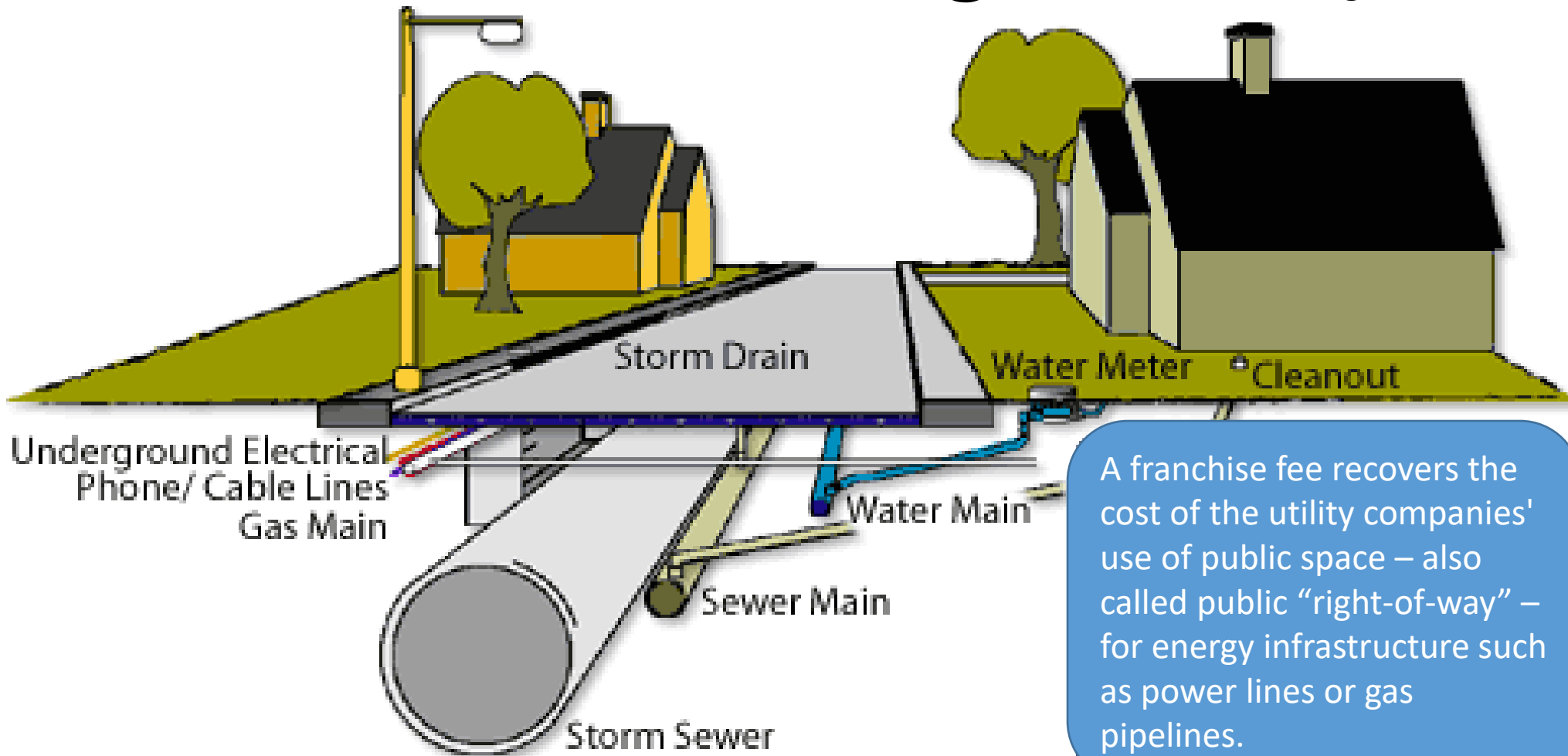
- To have an inclusive and transparent process.
- Ensure new agreements protects ratepayers.
- Allows the city to reach climate goals outlined in the Climate Action Plan.
- Provide equitable access to environmental benefits for all communities.
- Gives us flexibility to explore all options for how we supply energy in the future.

City Franchise Agreements

- A franchise agreement allows for the lease or rental of the city's land – this land is known as a public right of way.
- 4 main franchises are:
 - SDG&E Electrical agreement
 - SDG&E Gas agreement
 - Cable company agreements
 - Refuse agreements

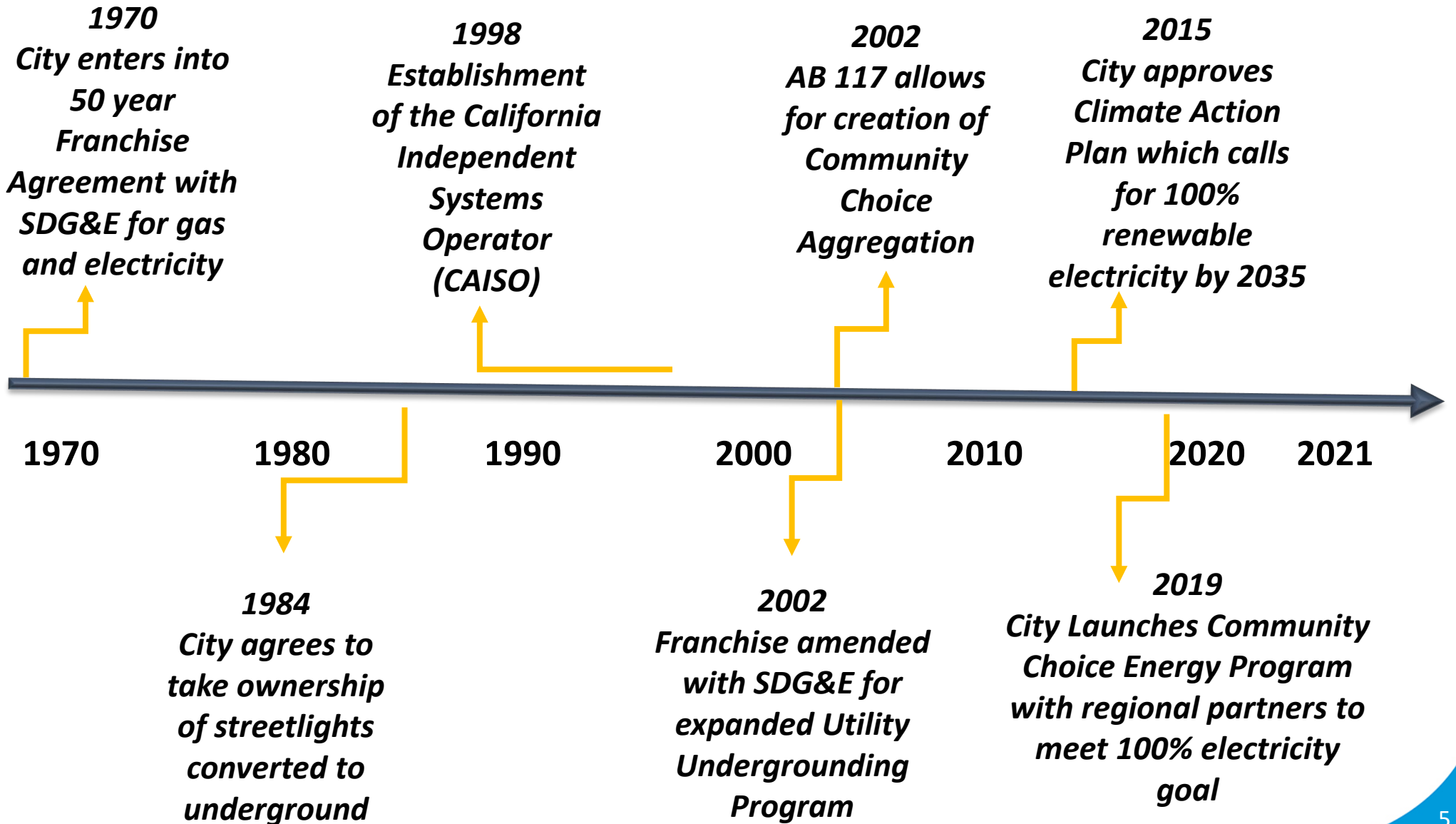


What is the Public Right of Way?



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.

San Diego's Energy History



San Diego Electricity Provider Roles

California Public Utilities Commission



Regulates privately owned electric, natural gas, telecommunications, water, railroad, rail transit, and passenger transportation companies. CPUC evaluates SDG&E programs and approves rates, among other regulatory matters.



Buys electricity from renewable sources, bills customers



Delivers electricity and maintains the electrical grid (transmission lines) and bills customers

San Diego Gas Provider Roles

California Public Utilities Commission



Regulates privately owned electric, natural gas, telecommunications, water, railroad, rail transit, and passenger transportation companies. CPUC evaluates SDG&E programs and approves rates, among other regulatory matters.

SDGE

A  Sempra Energy utility®

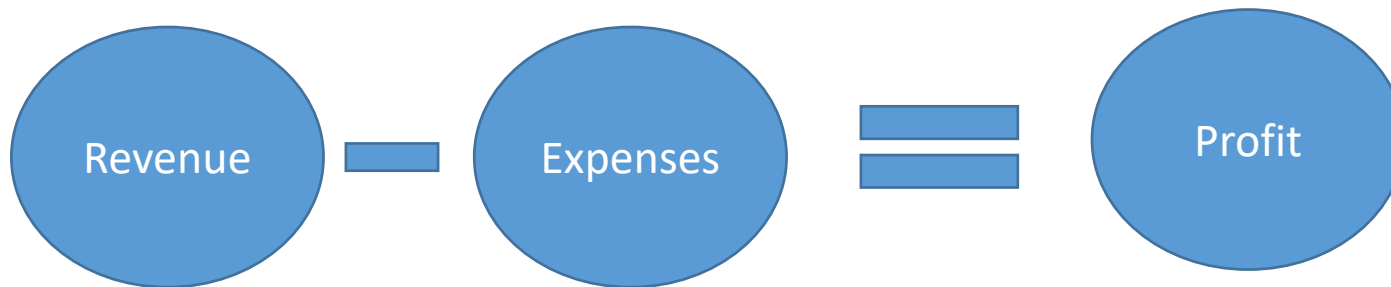


Buys and delivers natural gas to homes and businesses.
Maintains infrastructure to deliver gas to homes and businesses.
Bills customers

Current Franchise for Electricity & Gas Agreements

Fees

- Fee on gross receipts (revenue) for gas & electric: 3%
- Fee on gross receipts (revenue) for Undergrounding Program: 4.5%



Major Terms

- Length of Contract: 50 Years
- SDG&E responsible for costs associated with conflicts in Public Right of Ways
- SDG&E responsible for coordination of work and installations in PROW
- Early termination option for the City allows for City purchase of SDG&E assets and municipalization

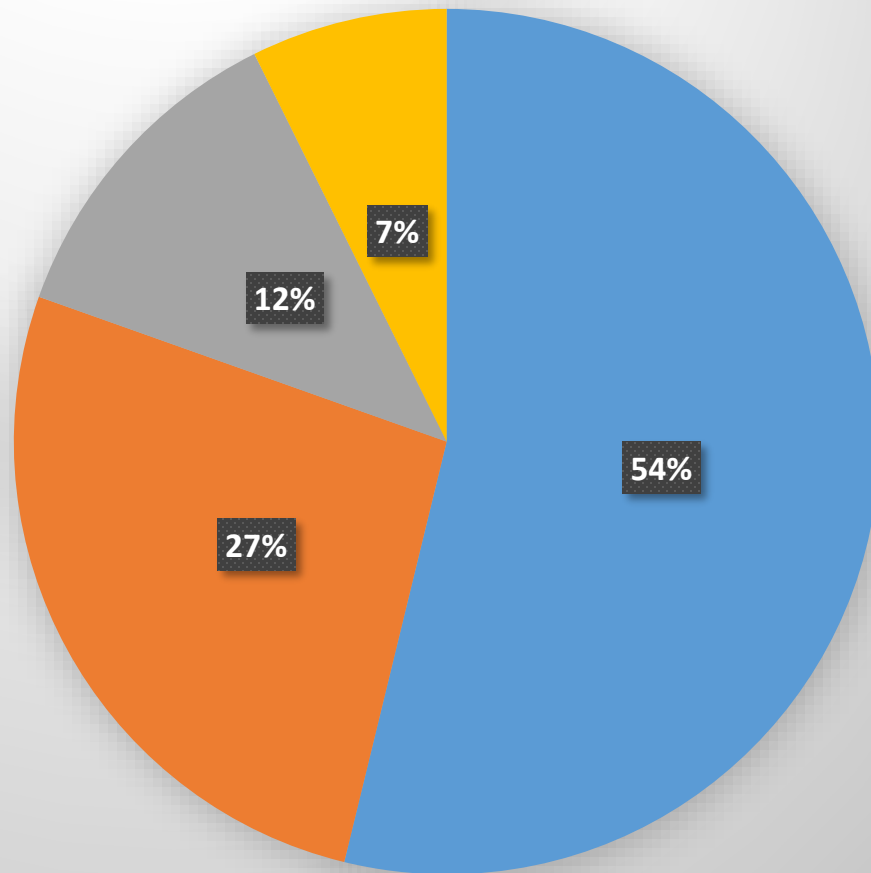
How does this compare?

- Most cities have perpetual terms – City of San Diego rare exception. Only 5 of the 29 cities in SDG&E service territory have franchises with expirations
- Average franchise fee charge for electricity in SDG&E territory ~1.1%
- Average franchise fee charge for gas in SDG&E territory is ~1%

Additional Information: Budget

City of SD Revenue FY 2020 (Major Funds Only)

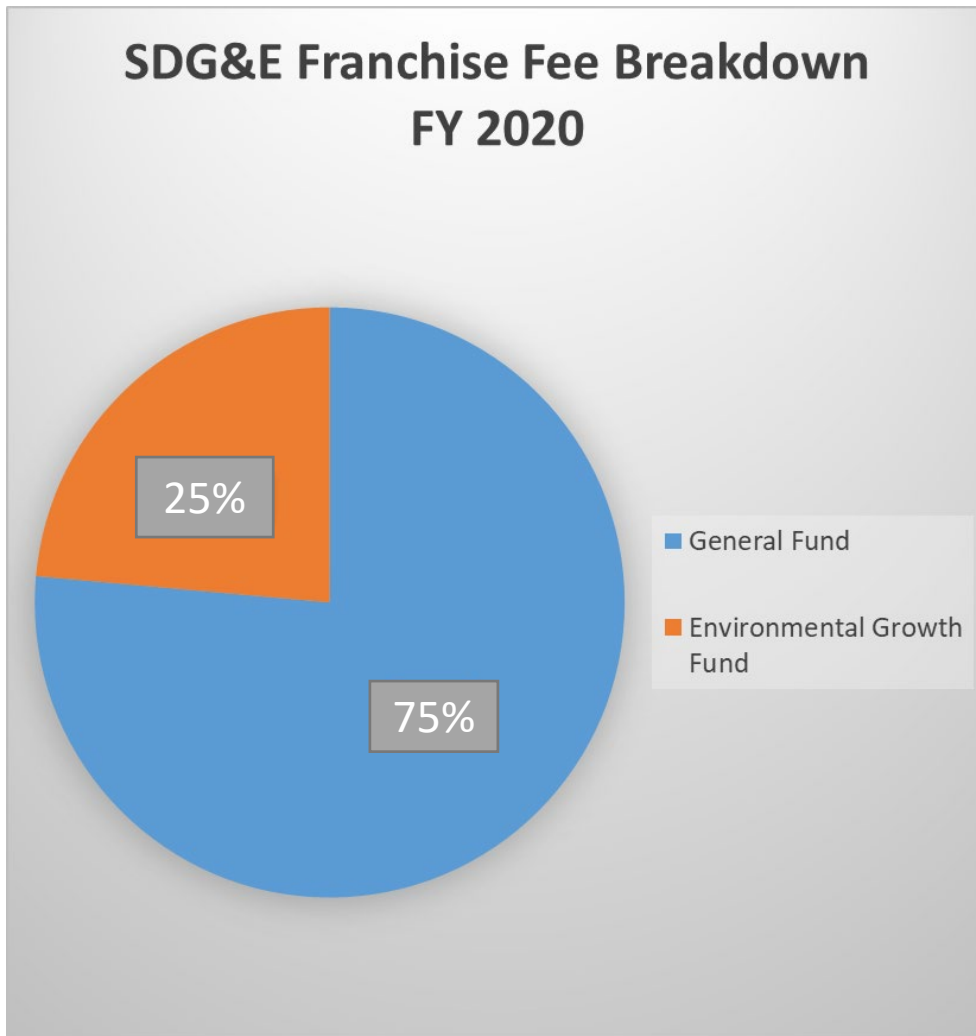
- Property Tax
- Sales Tax
- Transit Occupancy Tax
- Franchise Fees (all)



In Millions:

- **Property Tax: \$601.9**
- **Sales Tax: \$297.9**
- **Transit Occupancy Tax: \$136.9**
- **Franchise Fees: \$82**
- **SDG&E Franchise Fee: \$68.1**

Fee Breakdown



City of SD Muni Code requires
75/25% of SDG&E fees

General fund expenditures support core community services such as public safety, parks and recreation, library services, and refuse collection, as well as vital support functions such as finance, legal, and human resources

Looking Forward

What are the possibilities for a new franchise?

We are currently assessing other franchises and receiving feedback from interested stakeholders to develop a matrix of potential options for consideration.

Case Study; Chula Vista (2004)

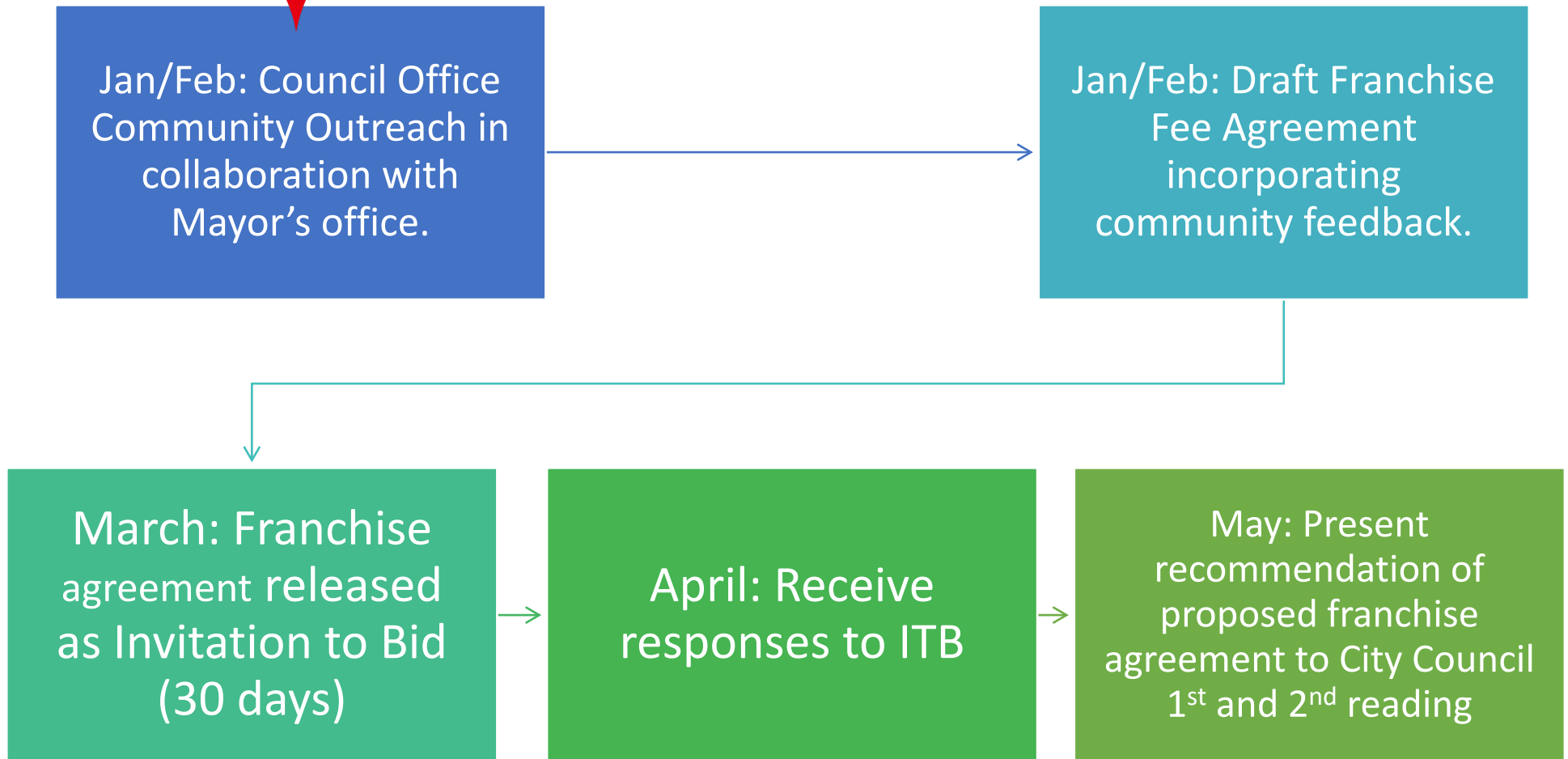
- 10 year Term w/ automatic extensions
- Relocation and undergrounding of SDG&E assets
- Creation of parks along its transmission corridor
- One time payment to the city (250k)
- Allocate \$2 million annually for energy conservation projects
- Increase electricity franchise fee from 1.1% to 1.25% of the gas and electric receipts to generate \$2.1 million new revenues.

Source: <https://www.sandiegouniontribune.com/sdut-chula-vista-sdge-sign-10-year-utility-contract-2004oct13-story.html>



**WE
ARE
HERE**

Projected Timeline



Currently: Jan/Feb Council Community Outreach



- Jan. 23: Virtual Town hall at 1 p.m. Hosted by D9
- Jan. 25: Online Survey Released
- Jan. 30: Virtual Town hall at 9:30 a.m. Hosted by D1
- Feb. 1: Virtual Town hall at 3:00 p.m. Hosted by D9
- Feb. 3: Virtual Town hall at 5:30 p.m. Hosted by D1
- Feb. 4: Virtual Town Hall at 5:30 p.m. Hosted by D2
- Feb. 11: Virtual Town Hall 6:00 p.m. Hosted by D7
- Feb. 13: Virtual Town Hall 3:00 p.m. Hosted by D3
- Feb. 19: Virtual Town Hall 6:00 p.m. Hosted by D3
- Feb. 16: Virtual Town Hall at 6:30 p.m. Hosted by D9
- Feb. 18: Virtual Town Hall at 5:30 p.m. Hosted by D5
- March 1: Compilation Report on public comments

We Want your Feedback on

- Terms
- Outcomes



Thank you!

For any additional questions please feel free to reach out to Javier Gomez from the Mayors staff at JavierG@san Diego.gov