The City of San Diego

Staff Report

DATE ISSUED:	6/22/2020	
TO:	City Council	
FROM:	Urban Division	
SUBJECT:	Consultant Report on City of San Diego Proposed Franchises for Gas & Electric Service	
Primary Contact:	Lee Friedman	Phone: (619) 236-6980
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Council District(s):	Citywide	

OVERVIEW:
The City of San Diego (City) entered into 50-year franchises for gas and electric services with San Diego Gas & Electric (SDG&E) in 1970. The franchises are set to expire in January 2021. The City retained the services of NewGen Strategies & Solutions and JVJ Pacific Consulting, LLC in October 2019 to assist the City franchise team by valuing the electric and gas distribution systems, determining costs of severance, assessing the feasibility of municipalization and drafting recommendations for a new proposed franchise agreement, which are included in the attached consultant reports.

PROPOSED ACTIONS:
Accept the consultants' reports and draft a Resolution of Intent with the following key terms as determined by the committee.

DISCUSSION OF ITEM:

INTRODUCTION

Per City of San Diego (City) Charter Section 103, the San Diego City Council (Council) has the authority to grant franchises on recommendation by the Mayor by a two-thirds vote after an opportunity for free and open competition. With the 1970 franchises for gas and electric services set to expire in January 2021, the City has the unique opportunity to reshape its franchises for electric and gas services to better align to the goals of the City and ratepayers. This is a unique opportunity for several reasons. First, most cities with regulated utilities have perpetual terms. The City of San Diego is only one of five cities in San Diego Gas & Electric service territory that has limited terms on its franchises. Second, the size of the City makes these franchises extremely valuable, as the City of San Diego is the largest City in California that franchises its gas and electric services (the City of Los Angeles is a municipal entity). With over 300,000 account holders requiring an annual power load of over 8,000 GWhs, the City's energy policies have an outsized impact on our region. Third, the City has the opportunity to increase the utility's overall compensation to the City. And finally, the City could use this opportunity to require alignment with policy goals, improve transparency, update reporting requirements, and enhance operational efficiencies, while providing some level of ratepayer relief.

HISTORY OF 1970 FRANCHISE FEE FOR GAS & ELECTRIC SERVICES

The City of San Diego's (City) franchises for gas and electric services are set to expire in January 2021. Both of these franchises are currently held by San Diego Gas & Electric (SDG&E), who was the sole bidder and was subsequently awarded the franchises after several rounds of non-responsive bidding where SDG&E took exception to both the original term length (10 years), the fee amount (3% of gross receipts for both gas and electric), and other terms related to relocation. Eventually, as the 1920 franchises were expiring, SDG&E and the City agreed to a term length of 50 years and a franchise fee of 3% of gross receipts for both gas and electric and dedicated 4.5% of gross receipts to underground overhead facilities. However, SDG&E made its bid entirely conditional on the California Public Utilities Commission (CPUC) approving a surcharge on customers in the City equal to 1.9% of its gross receipts to cover the amount over what SDG&E contented was the systemwide average franchise fee rate of 1.1% paid by other cities in its service area. The CPUC approved this 1.9% differential surcharge in 1972.

In 2000, per an opening required in the 1970 franchise agreement to address consideration after 30 years, SDG&E and the City entered into negotiations to (1) specifically define "gross receipts" to include all surcharge revenue; (2) have SDG&E apply to the CPUC to create a new Municipal Undergrounding Surcharge of 3.53% to expand utility undergrounding in the City; and (3) to add another 0.35% to the "differential surcharge" as a result of the explicit definition of "gross receipts" to include surcharge revenue. It is important to note that the definition of "gross receipts" had been in contention since the early 1990's when SDG&E changed their calculation to exclude the revenue generated on the differential surcharge of 1.9% from their franchise fee payments to the City. Additionally, although utility undergrounding was established as part of the 1970 franchise agreement, SDG&E had successfully lobbied over the years to decrease its mandated 4.5% contribution to the undergrounding program. Furthermore, Rule 20 funds (established by the CPUC to assist in undergrounding utility lines) have very specific eligibility requirements, and cannot be used for the vast majority of the City's remaining overhead lines, which are predominately located in residential neighborhoods.

Ultimately, these negotiations concluded with CPUC approval of the application by Resolution E-3788 and allowed the parties to create an Utility Undergrounding Surcharge of 3.53% which would be charged directly to City of San Diego ratepayers, thus creating a large single source of dedicated revenue to significantly expand the utility undergrounding program. Since the passage of E-3788, City ratepayers have been paying an effective differential surcharge of 5.78% (1.9% differential from 1972 + 3.53% for Municipal Undergrounding + 0.35% for surcharge amounts in "gross receipts" = 5.78%).
Throughout the 50-year term, and, most recently in 2018, the City and SDG&E have litigated several breaches by SDG&E of the 1970 franchise. The franchises are explicit that SDG&E's franchise rights in the streets are secondary to City's primary right to use the streets and that if any SDG&E use conflicts with a City use then SDG&E must relocate its facilities at its own cost. Notably, in 2003 SDG&E filed for declaratory relief against the City during the redevelopment of the East Village and construction of Petco Park. SDG&E contended it would not be financially responsible for relocating and reconnecting its facilities as streets were changed to allow the new construction. This issue of "relocation" was adjudicated in favor of the City in 2007, after the Fourth District Court of Appeals agreed with the City that the franchise required relocation of SDG&E's conflicting facilities at its expense, including restoration of service in previously served areas. Currently, the City and SDG&E are litigating the "relocation" provision again – this time over the relocation of SDG&E facilities that conflict with City's Pure Water Program projects, and has already cost the City upwards of 35 million dollars which it has paid SDG&E under protest.

DRAFTING OF PROPOSED FRANCHISE AGREEMENT

With the 1970 franchise set to expire, the City of San Diego formed a Franchise Fee team of internal staff and the City Attorney's Office, and brought on two expert consulting groups, NewGen Strategies & Solutions (NewGen), who would be tasked with performing the valuation, severance, and municipalization studies, and JVJ Pacific Consulting, LLC (JVJ), who would perform the critical role of strategic advising and the drafting of recommendations for a new franchise.

In Fall 2019, NewGen began their efforts with a survey and benchmarking of other City's franchises while JVJ and City staff familiarized themselves with the 1970's franchise agreement and all subsequent notable legal and operational issues concerning the franchise since 1970. JVJ and City staff conducted multiple meetings with City departments who have longstanding relationships with SDG&E due to the nature of their work. Particularly, the Utility Undergrounding Program team within the Transportation & Storm Water Department, the Development Services Department, and the Public Works Department.

Concurrently, the Smart and Sustainable Communities branch was busy conducting external outreach to local stakeholders and potential bidders. Via a Request for Expressions of Interest (RFEI), the City asked two major questions to the public. First, *what terms and policies would you like to see in the next franchise for gas and electric services*. And secondly, *are you interested in bidding on this franchise*? The City received many thoughtful and well researched responses to the first question, as well as responses to the second question from the following three potential bidders: SDG&E, Indian Energy LLC, and Berkshire Hathaway Energy. The issuance of the RFEI was followed up by additional public outreach, including three public workshops, several presentations to local boards, and an online survey. Materials to the workshop as well as responses to the RFEI are posted on the City's Sustainability Page.

Between the responses received from stakeholders and the results of public outreach, several themes became apparent. First, greenhouse gas (GHG) reductions, rate relief, and efforts to modernize the electrical grid were consistently the major priorities of the respondents. Other significant areas of concern were fire protection, labor protections, service reliability, and expansion of solar. Secondly, the respondents were generally in favor of the City establishing a municipal entity – and were overwhelmingly supportive of franchise terms that made the prospect of municipalization easier for the City. While the City received many communications and letters that generally struck the same tone on policy, a stark difference did appear regarding length of term between those advocating for a significantly shorter term of 5 years and those advocating for a minimum term of 25 years.

By the end of March 2020, the NewGen reports were substantially completed, and with the additional information gathered through the RFEI and public workshops, JVJ began drafting recommended terms for the proposed franchise agreement with assistance from the City Franchise Fee team. As part of the City's due diligence, the Franchise Team set up meetings with all the potential bidders who responded to the RFEI to hear their feedback and ideas for a proposed franchise as well.

Much like the stakeholder responses the City received from the RFEI, the potential bidders also shared their opinions on matters of policy and terms. These discussions focused heavily on operation interactions between the City and the utility, but matters of term and minimum bid were also of significant importance. Unsurprisingly, the potential bidders all desired long terms and minimal additional compensation.

The information gathered from the stakeholders and the potential bidders, along with the analysis of over a dozen franchises and feedback from our City Attorney's office and other City departments, played a critical role in the consultant's development of the proposed franchise terms. These proposed terms, included in the JVJ report as a series of recommendations, compromise a holistic package that aims to incorporate, without preempting CPUC or California State Law, the policies that most benefit the City and its ratepayers while still providing a worthwhile franchise for a potential utility.

The reports from NewGen Strategies & Solutions and JVJ Pacific Consulting LLC are summarized below.

SUMMARY OF NEWGEN STRATEGIES & SOLUTIONS REPORT

NewGen and its subconsultants (Advisian and MRW) were responsible for completing the following tasks:

Task 1: Value of SDG&E Electric and Gas Distribution Infrastructure Serving the City (NewGen)
Conduct a high-level valuation of existing electric and gas distribution utility infrastructure owned by SDG&E in the City.

Task 2: Severance Analysis (Advisian)
Develop a range of estimates around the capital costs associated with severing the electric and natural gas systems located within the City from the rest of SDG&E assets.

Task 3: Economic Feasibility of Municipal Acquisition of Gas and Electric Assets in the City (MRW)
Prepare a financial analysis and recommendations regarding purchase of the electric and gas distribution utility systems by the City, including departing load costs and prospective finance costs through bonds or other mechanisms, as an alternative to granting franchises.

Task 4: Franchise Benchmark Survey (NewGen)
Perform a benchmarking study of the 20 most populous cities in California and five cities outside California to compare franchise fees for electric and gas services and assess best practices for setting franchise fees, including forms of incentives and enforcement mechanisms used by other cities. The findings of the franchise benchmark survey were summarized in matrices provided to the City for further additional analysis; no written report was prepared for this task.

Task 1: Value of SDG&E Electric and Gas Distribution Infrastructure Serving the City
NewGen conducted a high-level valuation of existing electric and gas utility distribution infrastructure owned by SDG&E in the City. NewGen developed indicators of value using the following three generally accepted approaches to valuation.

Cost Approach – Value is based on the premise that an informed buyer would pay no more than the cost of producing a substitute property with the same function or utility as the property being valued. This approach was represented in the analysis based on the following methods:

- Reproduction Cost New Less Depreciation (RCNLD)
- Original Cost Less Depreciation (OCLD) (i.e., the approximate value of SDG&E's rate base)

Income Approach – Value is estimated by capitalizing or determining the present worth of the prospective net earnings from the property. This approach was represented in the analysis based on the following method:

- Discounted Cash Flow Analysis

Market Approach – Value is estimated based on recent fair market sales of similar facilities under similar circumstances. This approach was represented in the analysis based on the following method:

- Guideline Sales Transactions

In addition, the City asked NewGen to develop indicators of value under the following two assumptions:

Perpetual Franchise Assumption – Going concern value; does not consider the expiration of SDG&E's electric and gas franchise agreement with the City due to expire in January 2021.

One-Year Franchise Assumption – Value based on one year remaining in SDG&E's existing 50-year electric and gas franchise agreements with the City; assumes that SDG&E has a duty to remove its facilities under the existing franchise agreements if it does not obtain new or extended franchises.

Based on the results of analyses and assumptions described in the Task 1 report, NewGen estimated the preliminary indicators of value of SDG&E electric and gas distribution infrastructure in the City as shown in Table 1.

Table 1
Value of SDG&E Utility Infrastructure in City

Description	Electric Distribution	Gas Distribution
Cost Approach		
RCNLD[1]	$2,784,463,000	$1,109,630,000
OCLD	$1,585,378,000	$498,601,000
Income Approach		
Perpetual Franchise Assumption	$2,237,751,000	$652,898,000
One-Year Franchise Assumption	$208,333,000	$57,742,000
Market Approach	$2,086,955,000	$632,523,000
Estimated Range of Value		
Perpetual Franchise Assumption	$1.6 billion to $2.2 billion	$499 million to $653 million
One-Year Franchise Assumption	$208,333,000	$57,742,000

1 RCNLD values do not include an adjustment for economic obsolescence due to rate regulation.

Task 2: Severance Analysis

If an entity other than SDG&E wins the franchise bid or the City chooses to provide utility service within its boundaries, that portion within the City boundaries would have to be physically separated (i.e., severed) from the remainder of SDG&E electric and gas operations – and those separations would have an associated cost.

For the purposes of this analysis, Advisian included the capital costs (engineering, equipment, and construction) to sever those assets inside the City boundaries from those SDG&E assets outside the boundary. This includes all capital costs required to conduct the separations. Advisian made no assumptions about which entity or entities would be responsible for various aspects of the severance costs amongst SDG&E. In addition, Advisian's analysis does not include any transition or start-up costs associated with the City or other entity taking over the ownership/operations of the natural gas and electric systems within the City's boundaries

While Advisian did not have access to proprietary and sensitive GIS data about the electric and gas systems or electric substations from SDG&E, they developed a preliminary estimate of severance costs using several top down, parametric approaches for various elements within the electric and natural gas systems. The results of the analysis are shown in Table 2.

Table 2
Estimated Capital Costs to Sever Electric and Natural Gas Systems from SDG&E

Type	Lower Bound Estimate	Upper Bound Estimate	Comments
Electric Distribution	$189.5 million	$899.2 million	Lower bound assumes modified boundary and primarily physical separation via metering. Upper bound assumes unmodified boundary and that new substations will be required to achieve severance.
Electric Transmission	$0	$1.5 billion	Lower bound assumes NO transmission severance is required.Upper bound assumes every transmission line boundary crossing point requires severance.
Natural Gas	$29.7 million	$52.8 million	Lower bound assumes that all transfer points are low gas volume transfer points. Upper bound assumes high volume transfer points.
Total	**$219.2 million**	**$2.45 billion**	Low bound is sum of all low estimates.Upper bound is sum of all upper bound estimates.

Task 3: Economic Feasibility of Municipal Acquisition of Gas and Electric Assets in the City
MRW prepared financial analyses and recommendations regarding the economic feasibility of the purchase of the electric and gas distribution infrastructure by the City of San Diego, including departing load costs and prospective finance costs, as an alternative to granting franchises. Municipal utility entities included:

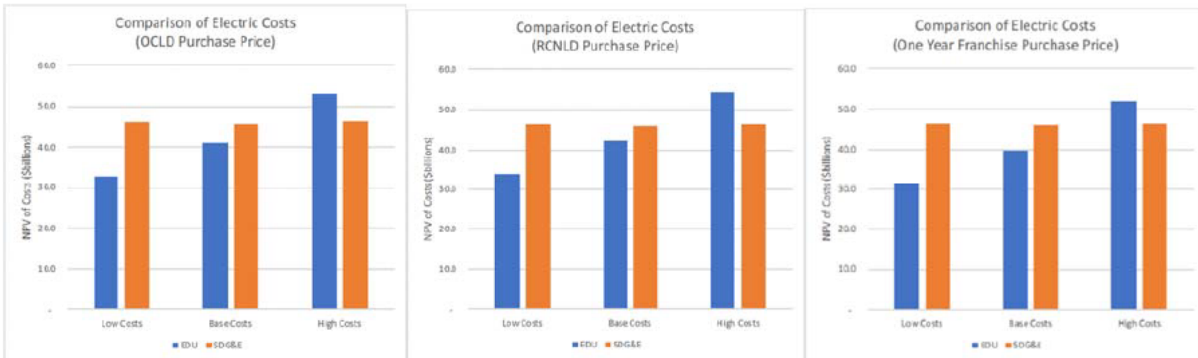
- Electric Distribution Utility (EDU)
- Gas Distribution Utility (GDU)

Utilizing the OCLD, RCNLD and One Year Purchase Price costs developed by NewGen as part of the valuation study, MRW established three scenarios (Low Costs, Base Case, High Costs) to gauge the potential feasibility of a municipal EDU & GDU.
MRW determined, based on the data available, that the City could acquire SDG&E's electric distribution assets, establish an EDU, and offer customers lower rates than SDG&E under the Low Cost or Base Case scenarios if the purchase price was less than RCNLD, but that an EDU would not be feasible under the High Cost scenario regardless of the purchase price.

See Figure 1:

Figure 1
Comparison of Customer Costs Under EDU and SDG&E

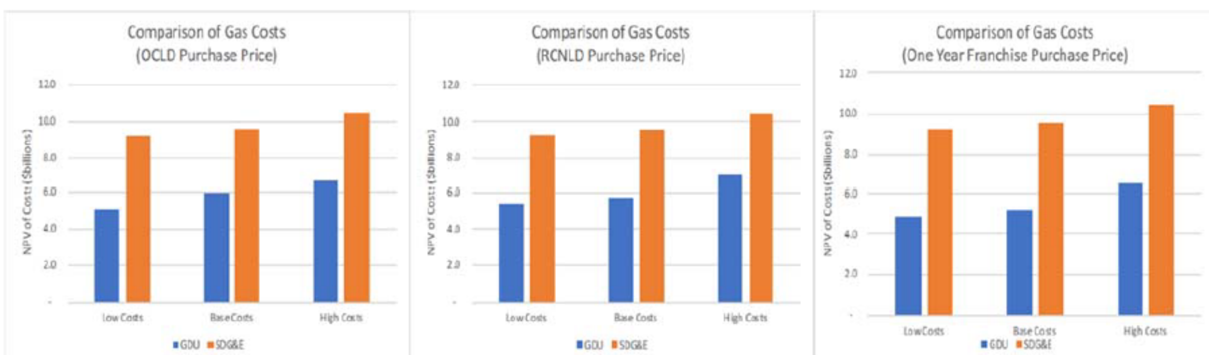
OCLD Purchase Price **RCNLD Purchase Price** **One Year Purchase Price**



For the GDU, MRW determined that under all cost scenarios, the City could acquire SDG&E's gas distribution assets and offer customers significantly lower rates if the purchase price was less than RCNLD. See Figure 3:

Figure 3
Comparison of Customer Costs Under GDU and SDG&E

OCLD Purchase Price **RCNLD Purchase Price** **One Year Purchase Price**



Task 4: Franchise Benchmark Survey
NewGen obtained electric and gas franchises from 13 of the 20 most populous charter cities in California (including two counties) and four cities outside California and built the terms of these franchises into a matrix. These franchises, and terms within, would serve as a benchmark for JVJ Pacific Consulting, LLC. Findings of this survey confirmed the following:

1. The City of San Diego has the highest franchise fees in the State for gas and electric services.
2. Many charter cities in California have perpetual terms with their respective utilities
3. More recently established franchises within and out of the state have terms significantly shorter than 50 years.

SUMMARY OF JVJ PACIFIC CONSULTING, LLC REPORT

Using the 1970 franchise agreement as a template, and with information gathered from NewGen's reports, the responses to the RFEI, external stakeholder letters and documents, and internal briefings, JVJ has outlined a series of recommendations for the City's consideration.

First and foremost, JVJ recommends the City pursue new franchises for electric and gas service per the City Charter through open and fair competition– but that if the proposed franchises are not accepted without material changes by a responsible bidder, the City then proceed down the path of municipalization.

For the franchise, JVJ proposes the following major terms and concepts:

Term

JVJ recommends a term of 20 years. This recommendation is based on JVJs expert opinion that a term shorter than 20 years will likely result in no competition for the franchise, giving the incumbent a significant advantage to lobby for its preferred terms. 20 years, according to JVJ, "balances several factors. It provides the City with the ability to revise the terms as warranted by future conditions. It also provides the successful bidder with a substantial time to earn a profit and amortize investments."

City Compensation

Franchise Fee
JVJ recommends the 1970 electric franchise fee of 3% remains unchanged and that the definition of gross receipts should also stay the same, and recommends a half percent (.5%) increase to the gas franchise fee. JVJ calculates the increase to the gas electric fee would increase revenue to the City's general fund by just over one million dollars annually, and could be utilized to support implementation of the City's Climate Action Plan and support other sustainability efforts.

Minimum Bid
Like the 1970 franchises, JVJ agrees with the City Attorney's recommendation, based on the 1970 process, that the City advertise both the electric and gas franchises as Invitations to Bid (ITB). An ITB serves two important functions. First, unlike a Request for Proposals (RFP), the City sets and prescribes all the requirements and terms in an ITB – and to be considered responsive, the bidder must agree to the terms within the ITB without exception, and, secondly, require a minimum bid amount (set by the City). In 1970, the minimum bid set by the City was fifty thousand dollars ($50,000). JVJ recommends the City set the minimum bid for the new proposed electric franchise at fifty-four million dollars ($54,000,000) and the proposed gas franchise at eight million dollars ($8,000,000) – which are roughly equal to one year's franchise fee.

Based on the overall value of the franchise, and deductions of value based on utility payments to other municipalities, JVJ believes that these minimum bid amounts are appropriate for the City to pursue. JVJ also recommends making available to the winning bidder two options of payment: for the winning bid to be paid in full or paid in installments, with interest, over a period not to exceed 10 years.

Other Compensation:
JVJ recommends several other inclusions for the proposed franchise to increase value to the City and its residents:

- Requiring the main purchasing office of the utility to be within City limits to capture sales tax revenue
- City right to use unused space on utility infrastructure
- City right to use unused utility property
- A right of first refusal to purchase utility real property put up for sale within the City

Ratepayer Relief

In 1972, after several rounds of non-responsive bidding and negotiation, the City of San Diego (City) awarded San Diego Gas & Electric (SDG&E) a franchise to operate the electric and gas systems in the City. SDG&E agreed to pay an electric franchise fee of 3.00% to the City conditioned on approval from the California Public Utilities Commission to offset costs above the average base rate, then 1.1%, to City of San Diego ratepayers in the form of a *differential surcharge* at 1.9%.

In 2002, during formal negotiations, the City and SDG&E agreed to expand the utility undergrounding program by instituting a 3.53% Utility Undergrounding Surcharge on City of San Diego ratepayers. To capture the revenue of this new surcharge in franchise fees, the City and SDG&E agreed to adjust the definition of *gross receipts* to capture *all* surcharge revenue – an area of contention since the early 90's when SDG&E abruptly stopped including the original 1.9% surcharge differential in its gross receipts calculation at a cost of millions of dollars of lost franchise fees to the City. Because this new definition would capture a larger share of total revenues, SDG&E successfully lobbied to increase the 1.9% electric differential surcharge by 0.35% to a total of 2.25%.

JVJ recommends the proposed franchise rebalance the base rate and differential surcharge to the CPUC approved 1.1% and 1.9% established in 1972, and that the new franchisee must apply to the CPUC to modify Resolution E-3788 to reduce customer surcharges by 0.35%. This amount was agreed to between the parties as a result of the 2002 redefinition of "gross receipts" to include the surcharge revenue, however the justification for it continuing is lacking without sufficient evidence to support it, and because the surcharge revenue had earlier been treated by the parties as being part of gross receipts during the initial years of the 1970 franchise terms and only became an issue when SDG&E changed its accounting of remittance. JVJ, with assistance from MRW, has estimated this could result in savings of around one hundred and ten million dollars ($110,000,000) to City of San Diego ratepayers over the 20-year term. Because this would also reduce revenue generated through the calculation of gross receipts, there would be a financial impact to the City. JVJ, again with assistance from MRW, has calculated that impact to be between four to seven million dollars ($4,000,000 - $7,000,000) over the proposed 20-year term.

JVJ also recommends the new franchises include an updating mechanism including a biennial report comparing franchise fees amongst other municipalities.

City Policy Objectives

With advisement from the City Attorney to avoid issues of CPUC or legislative preemption, JVJ recommends the proposed franchise include language to address the City's major policy objectives of climate action and equity.

First JVJ recommends the franchise include a clause requiring the utility to make good faith efforts to support the objectives of the Climate Action Plan.

Secondly, subject to CPUC approval, JVJ recommends City management of public purchase charge funds (EPIC charges) that are currently administered by the utility.

Third, JVJ recommends the franchise include provisions requiring the City and the grantee to develop a Joint Policies Guide that shall, at a minimum, address GHG reductions established within the City's Climate Action Plan with an emphasis on equity and environmental justice for communities of concern. This document shall be adopted by Council within 12 months of the start of the franchise and updated every four years. An annual report on the implementation of the Joint Policies Guide is also recommended.

Finally, JVJ recommends including provisions requiring the utility to comply with the CPUC's CCA Code of Conduct. By including it in the franchise, the City can ensure enforcement of its requirements.

Relocations, Undergrounding and other Operational Protocols

The 1970 franchise established a Manual of Administrative Practice (MAP) which was to be updated cooperatively on an annual basis between the City and the utility. The purpose of the MAP was to manage operational and construction protocols. The MAP was last updated in 1986, and since then, several municipal code changes regarding construction in the public-right-of-way have made parts of the MAP redundant.

To avoid the issues (both practical and legal) of having to maintain a MAP as part of the new franchise, JVJ is recommending the City instead adopt a biennial permit process and do away with the MAP.

JVJ is also recommending the City require, as part of receiving a permit, the utility to share as-built diagrams to the extent that the utility is permitted to do so by law. This would allow for a more streamlined design process, and could prevent relocations.

City Right to Purchase Procedures

The City, along with any other municipality that has a franchise with a utility in California (even those with perpetual terms) has the right to condemn the utility's facilities and form a municipal entity.

However, according the JVJ, the prospect of condemnation (a complex and often timely litigation process) can itself be a barrier to municipalization.

Instead of condemnation, JVJ recommends including a *Right to Purchase* provision in the proposed franchise with the valuation to be established by a panel of appraisers as is done in the City of Stockton and the City of Long beach. JVJ contends the utility's right to fair compensation is "fully protected while at the same time reducing both the cost and time required to exercise the City's right to acquire."

Audits, Dispute Resolution and other General Provisions

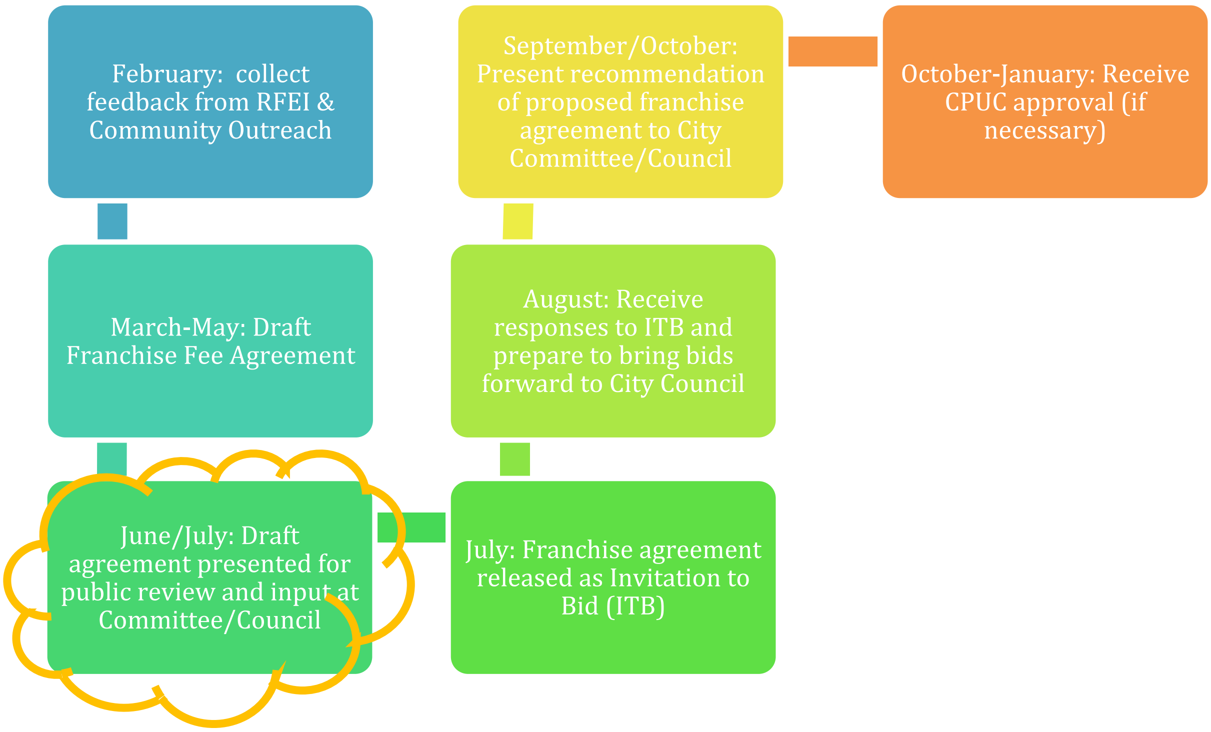
JVJ is recommending a series of improvements to create additional transparency, hold the utility responsible, manage resolution, and give the City remedies for breaches of contract.

Along with maintaining the role of the independent auditor to perform financial audits of the utility, as established in the 1970 franchise, JVJ recommends requiring a periodic comprehensive performance audit to be conducted by a third-party auditor every four years, and for the results of this audit to be presented, in public, to City Council.

JVJ also recommends the franchise include provisions for establishing a dispute resolution process, which would include non-binding mediation to resolve issues before entering into litigation.

While the City still retains the option to forfeit the franchise, JVJ recommends that material breaches or non-compliance by the utility be subject to financial penalty.

PROJECTED TIMELINE FOR FRANCHISE FEE



The action being requested today is for the Committee to direct the City Attorney's office to draft a Resolution of Intent outlining the preferred terms to be included in the proposed franchise agreements as part of the Invitation to Bid.

After the Invitation to Bid is advertised and bidders respond, City Council may award, by a two-thirds vote, the franchises to the highest responsible bidders. If, after the award of the franchise, it is determined that any provision of the franchise would need CPUC approval, the City would then seek to receive such approvals as necessary before the expiration of the 1970 franchise.

If, however, the City receives no responsive bids, or the Council chooses not to award these franchises to the highest responsible bidder, the City may be forced to begin the process of municipalization – as noted in the JVJ report.

CONCLUSION

With the franchises for gas and electric expiring in January 2021, the City has the opportunity to craft new franchises that better meet the City's needs, reduce the burden on City ratepayers, and protect the City's interests. Our expert consultants, with input from the City's Franchise Team and external stakeholders, have valued SDG&E's system, preliminarily determined the cost (and value) to municipalize, and have crafted a series of recommendations for inclusion in a proposed franchise agreement.

These recommendations have been crafted holistically with the intent to balance the needs of the City, especially the concerns of compensation and term, with the desire to attract multiple responsive bidders.

SPECIAL THANKS

This process, even under normal circumstances, would have been a heavy lift. To the many stakeholder groups, community groups, and individuals who participated in this process from the very beginning, who responded to the RFEI, and continued to work with the City team through the COVID-19 crisis, thank you for your ideas, your time, your patience and flexibility, and your invaluable input.

To the incredible members of the City staff, thank you for your support, time, and creativity. Many of you reordered a significant number of priorities to assist with this project, and have made it better through your dedication. Transportation & Storm Water's Utility Undergrounding Team, the Development Services Department, the Sustainability Department, and the Executive Management Team were critical to the development of these proposals.

And finally, a special thanks to the City Attorney's Office, especially to Fritz Ortlieb and Ryan Gerrity, who have spent the better part of the year researching and drafting the many documents that will be required for the proposed franchise.

City Strategic Plan Goal(s)/Objective(s):
Goal 1: Provide high quality public service

3. Consistently collect meaningful customer feedback
4. Ensure equipment and technology are in place so that employees can achieve high quality public service

Goal 3: Create and sustain resilient and economically prosperous City

1. Prepare and respond to climate change
2. Enhance San Diego's global standing

Fiscal Considerations:
N/A

Charter Section 225 Disclosure of Business Interests:
N/A

Environmental Impact:
This activity is not a project pursuant to CEQA Guidelines Section 15378(b)(5) as it is an organizational or administrative activity of government that will not result in direct or indirect physical changes in the environment. As such, this activity is not subject to CEQA pursuant to CEQA Guidelines Section 15060(c)(3).

Equal Opportunity Contracting Information (if applicable):
N/A

Previous Council and/or Committee Actions:
N/A

Key Stakeholders and Community Outreach Efforts:
A Request for Expressions of Interest was advertised on January 21st and resulted in several stakeholder letters as well as interest from three potential bidders. Additional community outreach was done via three Franchise Fee Workshops held at Rancho Bernardo Library, Malcolm X Library, and Otay Mesa-Nestor Library. An online survey was also conducted via SurveyMonkey.

Lee Friedman	Erik Caldwell
Strategic Energy Initiatives Manager	Deputy Chief Operating Officer, Smart & Sustainable Communities