July 14, 2020

Councilmember Campbell
City of San Diego
City Administration Building
202 C Street, 10th Floor
San Diego, CA 92101

Re: Report to the City of San Diego Concerning Electric and Gas Distribution Systems

Dear Councilmember Campbell,

Thank you for the opportunity to comment on the Report to the City of San Diego Concerning Electric and Gas Distribution Systems. We have been monitoring the City's franchise renewal process for some time because of its potentially fundamental impacts on the local economy, ratepayers, and working families. After careful review, we question whether the conclusions outlined in the report are in touch with industry standards and best serve the interests of the citizens of San Diego. The following are the primary concerns we have identified in the above-mentioned report.

- **Proposed Term is Unsupported**. The consultants are proposing a 20-year franchise term, citing this is in line with industry standards. However, on page 23 of the report, they support this recommendation by referencing 9 other recent franchise agreements that have an average term of 24.7 years. Based on data collected by the National Renewable Energy Laboratory, the average term of all cities of comparable size is 24.55 years. As a result, we believe the term should be at least 25 years. Anything less would potentially disincentive qualified utilities in participating in the competitive bid process or making the long-term infrastructure investments needed. Additionally, a 25-year term would also provide increased job certainty for the several thousand workers who are dedicated to making the grid safe and reliable.

- **Minimum Bid is Unprecedented.** The report recommends an unprecedented "minimum bid" of $62,000,000, calculated on the basis of one year's franchise fees (page 27). We are unaware of any franchise agreement that has commanded a payment of this scale, nor has the report citied any reference of an "apples to apples" comparison in this realm.

  While the current franchisee paid an upfront payment of $50,000 to the City in 1970, this was to cover expenses the City incurred to negotiate the franchise agreement. Based on the United States Bureau of Labor Statistics CPI inflation calculator, this $50,000 would be worth $339,145 today, or only about .0055% of the down payment the consultants have recommended.

On page 25, the consultants rationalize their minimum proposed bid by referencing the City of Long Beach and Southern California Edison (SCE) franchise agreement. However, this rationalization appears to be an "apples to oranges" example. In the City of Long Beach case, SCE reached a separate settlement agreement under which the City received a $5 million cash payment in addition to other assets in exchange for SCE agreeing to withdraw its support for a voter initiative that would have required an election for the City to acquire SCE's facilities and form a municipal utility. **This one-time payment was not a buy-in for a new franchise agreement.**

- **Working Families are Put at Risk**. The report fails to include any proposed conditions that would provide any level of assurance or future security for the current franchisee's workforce. These workers are the women and men who put their lives on the line every day to ensure electricity and gas flows for millions of San Diegans. Without worker protections, not only are the thousands of workers at SDGE put at risk, so are the thousands of jobs held by local electrical workers who have built our green energy infrastructure that leads CA and the nation. We must prioritize the workforce that is building the future of our City.

  This is particularly important in light of the changes that are occurring in the electricity industry and the financial pressure that would be imposed on a utility operator under the terms recommended in the report. In the aftermath of COVID-19, the City should not impose additional uncertainty on the utility's local and skilled workforce.

- **Competition is Minimized.** The City has stated on numerous occasions it intends to run an open, transparent competitive bid process. However, the terms and conditions recommended by the consultants would likely discourage qualified bidders from participating which will not incentivize competition and nor be in the best interest of the City or its citizens.

We greatly appreciate the time and resources the City has spent during this process. However, given the severe economic and employment impacts of COVID-19, the City cannot afford to select a franchisee that fails to protect the City's revenues and working families jobs or puts electricity reliability or the Climate Action Plan's goals at risk. Now, more than ever, the City needs a reliable partner with experience and a demonstrated commitment to working families and the citizens of San Diego.

For these reasons, we urge you to reject these unprecedented, unjustified conditions recommended in the report and release an invitation to bid that invites innovative proposals that will further the City's goals, ensure future job security, and incentivize a competitive bid process.

Sincerely,

Keith Maddox
San Diego & Imperial Counties Labor Council

Jerry Sanders
San Diego Regional Chamber of Commerce