

Smart & Sustainable
Communities

Electric & Gas Franchise Fee
Workshop

Agenda

- Presentation on San Diego's Franchise Agreement for Electric & Gas Services
- Presentation on understanding your energy bill
- Q&A
- Survey

What is a Franchise?

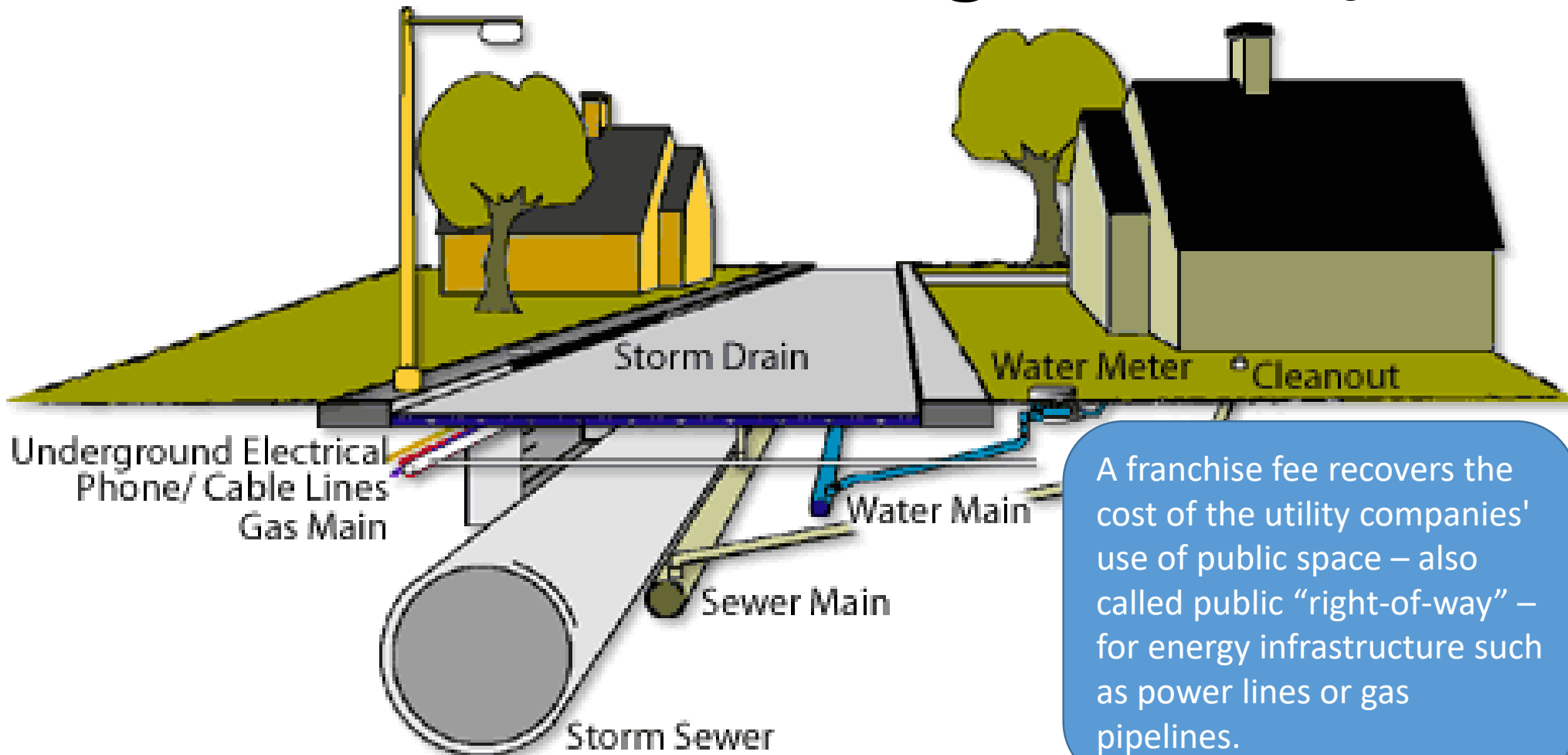


City Franchise Agreements

- A lease for the exclusive right of the public right-of-way (PROW) for specific services
- 3 main franchises are
 - SDG&E
 - cable companies
 - refuse haulers
- Franchises are governed by Charter Section 103
 - *“Such grants shall be made by ordinance adopted by vote of two-thirds (2/3) of the members of the Council and only after recommendations thereon have been made by the Manager [Mayor] and an opportunity for free and open competition and for public hearings have been given”*



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.



SDG&E Franchise: A Look Back

RESOLUTION NO. 157748

A RESOLUTION DETERMINING AND PROPOSING TO GRANT A FRANCHISE TO LAY AND MAINTAIN GAS PIPES IN THE PUBLIC STREETS AND HIGHWAYS IN THE CITY OF SAN DIEGO, FOR THE PURPOSE OF CARRYING GAS FOR HEAT OR POWER, AND TO ERECT AND MAINTAIN POLES AND WIRES IN SAID STREETS AND HIGHWAYS FOR TRANSMITTING ELECTRIC ENERGY AND POWER, AND ORDERING NOTICE OF AN APPLICATION FOR SUCH A FRANCHISE AND OF THE PROPOSITION OF THE COMMON COUNCIL TO GRANT THE SAME, TO BE ADVERTISED BY PUBLICATION IN THE OFFICIAL NEWSPAPER OF SAID CITY.

WHEREAS, an application has been made to the Common Council of The City of San Diego by the San Diego Consolidated Gas & Electric Company, a corporation, for the granting to it of a franchise to erect, lay, operate and maintain gas pipes and conduits on all of the public streets and highways of The City of San Diego, for the purpose of carrying gas for heat and power, and to erect

1920 Franchise Fee Agreement

50 Year Term in 1920
50 Year Term in 1970

106-12-17-70
Franchise 50th Ave
CLERK'S FILE COPY

ORDINANCE NO. 10466 DEC 17 1970
(New Series)

ORDINANCE GRANTING TO SAN DIEGO GAS & ELECTRIC COMPANY, ITS SUCCESSORS AND ASSIGNS, THE FRANCHISE (1) TO USE, FOR TRANSMITTING AND DISTRIBUTING ELECTRICITY SUITED FOR LIGHTING BUT FOR USE BY CONSUMERS FOR ANY AND ALL LAWFUL PURPOSES OTHER THAN LIGHTING, ALL POLES, WIRES, CONDUITS AND APPURTENANCES WHICH ARE NOW OR MAY HEREAFTER BE LAWFULLY PLACED AND MAINTAINED IN THE STREETS WITHIN THE CITY OF SAN DIEGO UNDER THAT CERTAIN FRANCHISE OF GRANTER ACQUIRED PURSUANT TO SECTION 13 OF ARTICLE XI OF THE CONSTITUTION OF THE STATE OF CALIFORNIA, AS SAID SECTION EXISTED PRIOR TO ITS AMENDMENT ON OCTOBER 10, 1911, (2) TO CONSTRUCT, MAINTAIN AND USE IN SAID STREETS ALL POLES, WIRES, CONDUITS AND APPURTENANCES WHEREVER AND WHENEVER SAID CONSTITUTIONAL FRANCHISE IS NOT NOW NOR SHALL HEREAFTER BE AVAILABLE THEREFOR, NECESSARY TO TRANSMIT AND DISTRIBUTE ELECTRICITY SUITED FOR, AND FOR USE BY CONSUMERS FOR, ANY AND ALL LAWFUL PURPOSES, AND (3) TO UTILIZE SAID POLES, WIRES, CONDUITS AND APPURTENANCES IN SAID STREETS FOR TRANSMITTING ELECTRICITY FOR USE OUTSIDE THE BOUNDARIES OF THE CITY FOR ANY AND ALL LAWFUL PURPOSES, AND PROVIDING THE TERMS AND CONDITIONS OF THE FRANCHISE SO GRANTED.

BY IT ORDAINED, by the Council of The City of San Diego

1970 Franchise Fee Agreement

ATTACHMENT 1
CORRECTED COPY

(O-2002-49) Cor. Copy
01/28/02

ORDINANCE NUMBER O 19030 (NEW SERIES)
ADOPTED ON JAN 28 2002

WHEREAS, San Diego Gas and Electric Company [SDG&E] was granted a franchise to transmit and distribute electricity by the City of San Diego [City] effective January 17, 1971 for a period of fifty years (Ordinance No. O-10466, adopted December 17, 1970) [Electric Franchise]; and

WHEREAS, Section 4 of said Electric Franchise provides that during the first thirty years of the Electric Franchise term, SDG&E shall pay three percent of gross receipts as compensation for the right to use City rights-of-way, for such purposes [Franchise Fee]; and

WHEREAS, Section 4 of said Electric Franchise further provides that the City and SDG&E shall establish the Franchise Fee for the last twenty years by good faith negotiations or binding arbitration; and

WHEREAS, as a result of public hearings and good faith negotiations, SDG&E and the

2002 Utility Undergrounding Amendment

Utility Undergrounding Program

1970 Franchise required SDG&E to budget 4.5% of its electric revenue to underground overhead lines

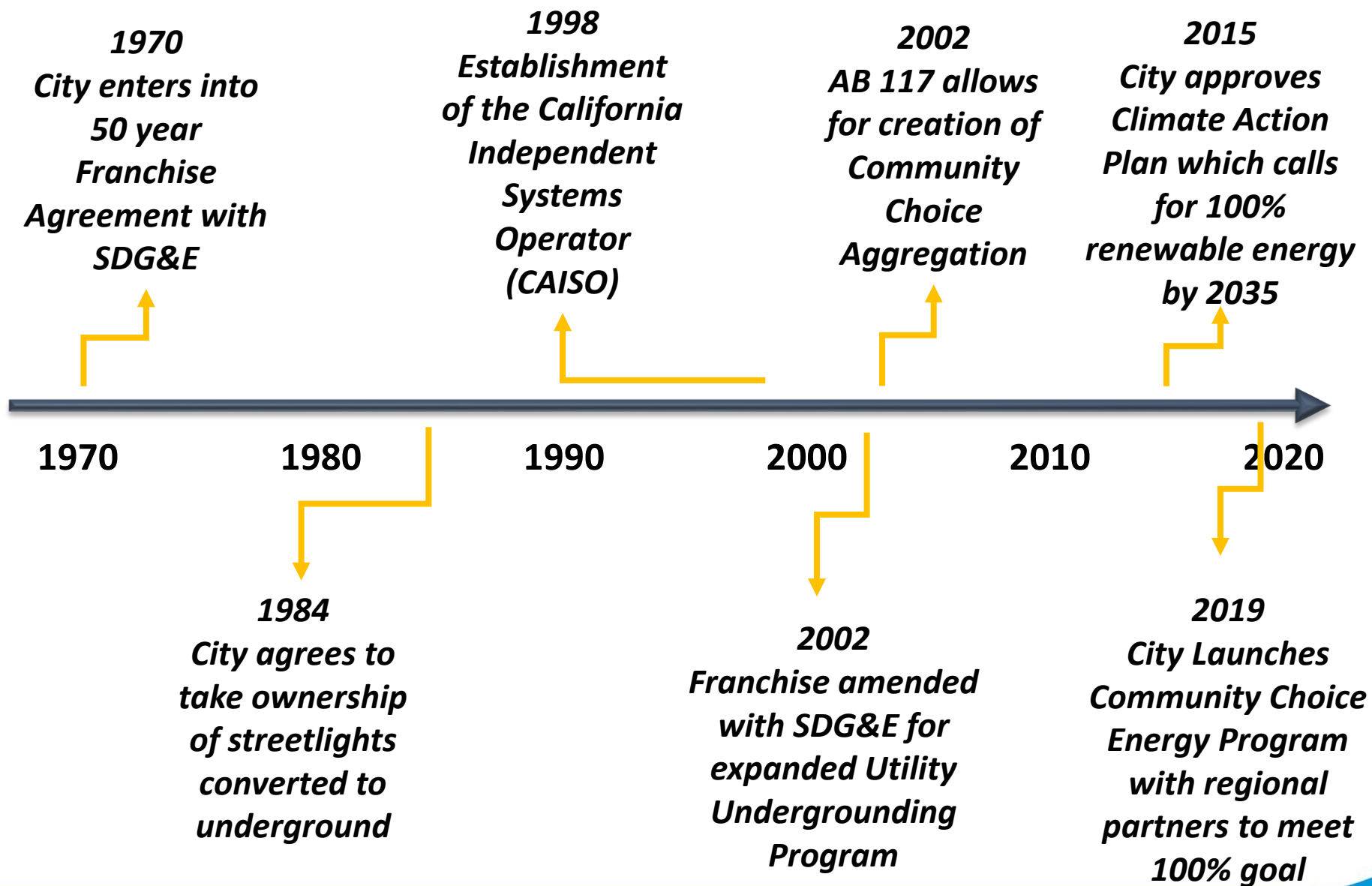
2002 CPUC Resolution authorized municipal undergrounding surcharge of 3.53% on electric bills

Municipal undergrounding surcharges generate approximately \$60 million annually

437 miles of undergrounding have been completed to date, and about 1,230 miles of undergrounding remain



San Diego's Energy History



Current Franchise for Electricity & Gas

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
- Duty to provide gas and electric service
- SDG&E responsible for costs associated with conflicts in PROW
- SDG&E responsible for coordination of work and installations in PROW
 - Governed by Manual of Administrative Practice
- Early termination option for the City allows for City purchase of SDG&E assets and municipalization

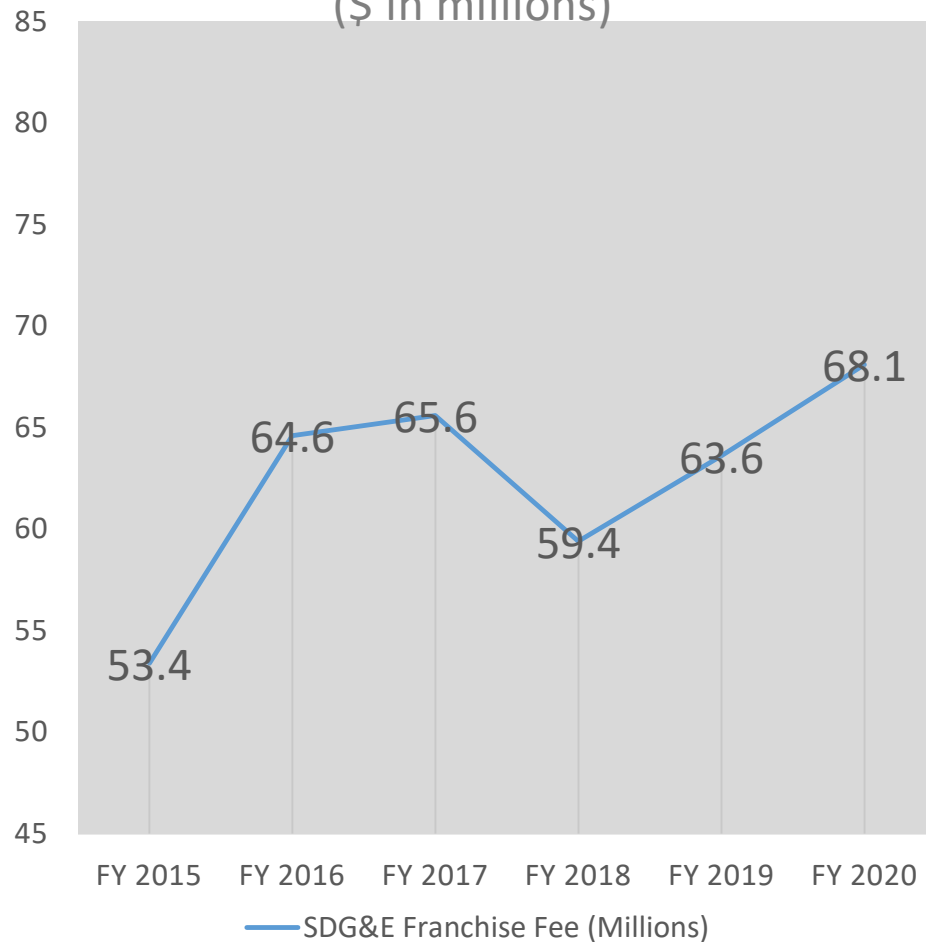
How does this compare?

- 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%
- The franchise fees paid to the City of San Diego are higher than any other California city.

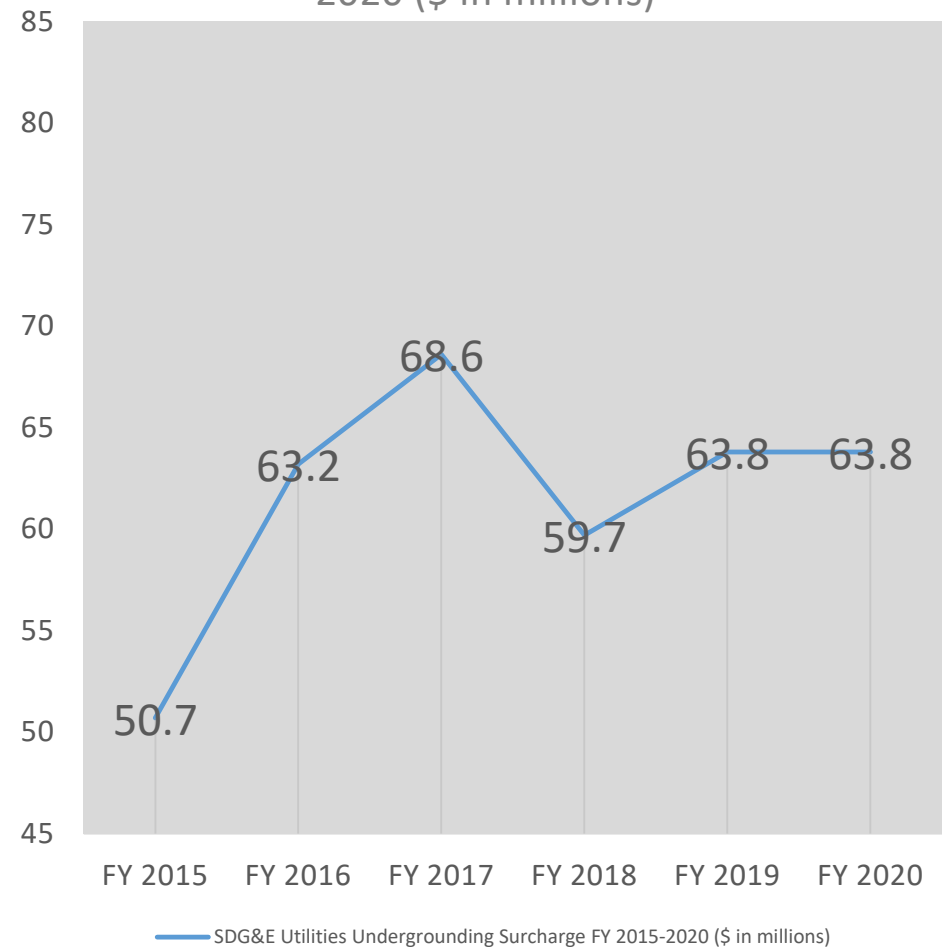


SDG&E Franchise Fees In the Budget

SDG&E Franchise Fee FY 2015 -2020
(\$ in millions)



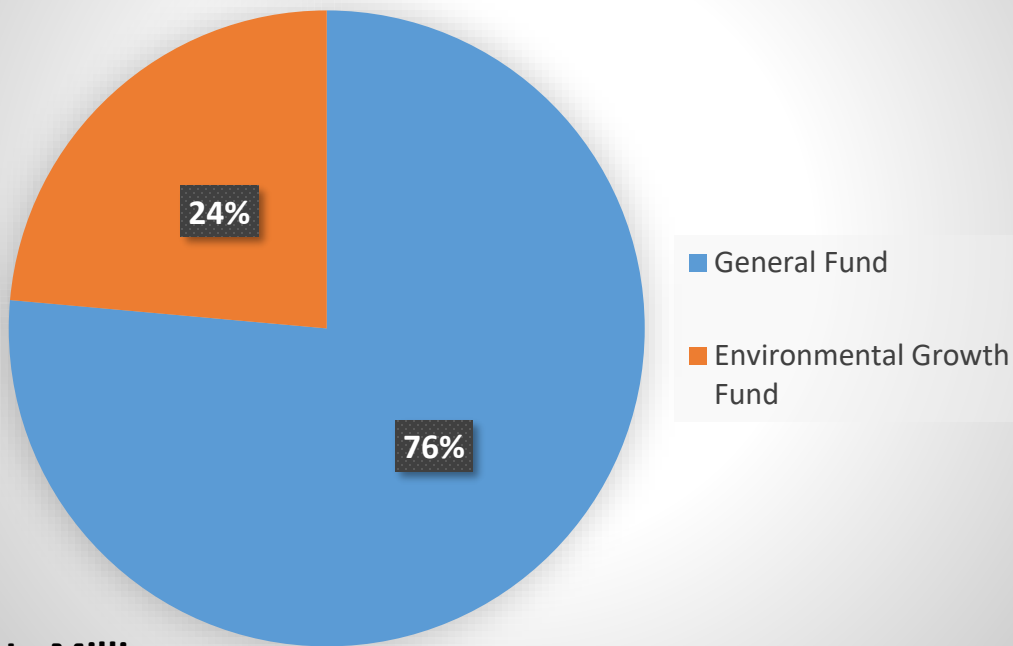
SDG&E Undergrounding Surcharge FY 2015 -2020 (\$ in millions)



Source: https://www.sandiego.gov/sites/default/files/fy20ab_v1generalfundrevenues.pdf, FY 2015-2020 Budgets

Fee Breakdown

SDG&E Franchise Fee Breakdown FY 2020



In Millions:

- General Fund: \$51.1
- Environmental Growth Fund (EGF): \$17

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

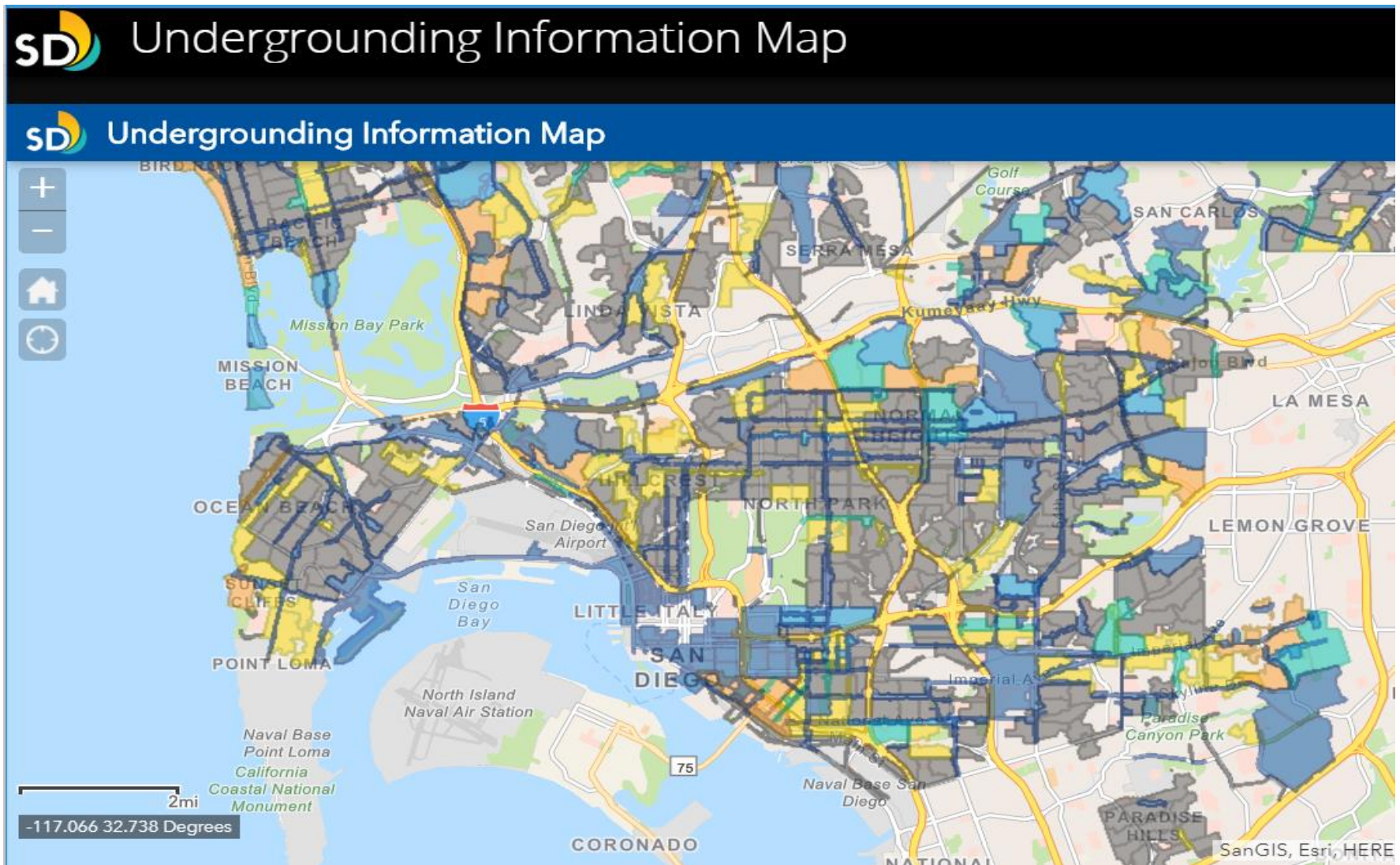
Examples of projects that receive EGF funding:

- El Cuervo Adobe Improvements
- Los Penasquitos Canyon Trail Restoration
- Museum of Man Seismic Retrofit
- California Tower Seismic Retrofit
- Chollas Lake Playground Improvements
- Kumeyaay Lake Dredging

Source: https://www.sandiego.gov/sites/default/files/fy20ab_v1generalfundrevenues.pdf



Utility Undergrounding Projects



Looking Forward

What are the possibilities for a new franchise?

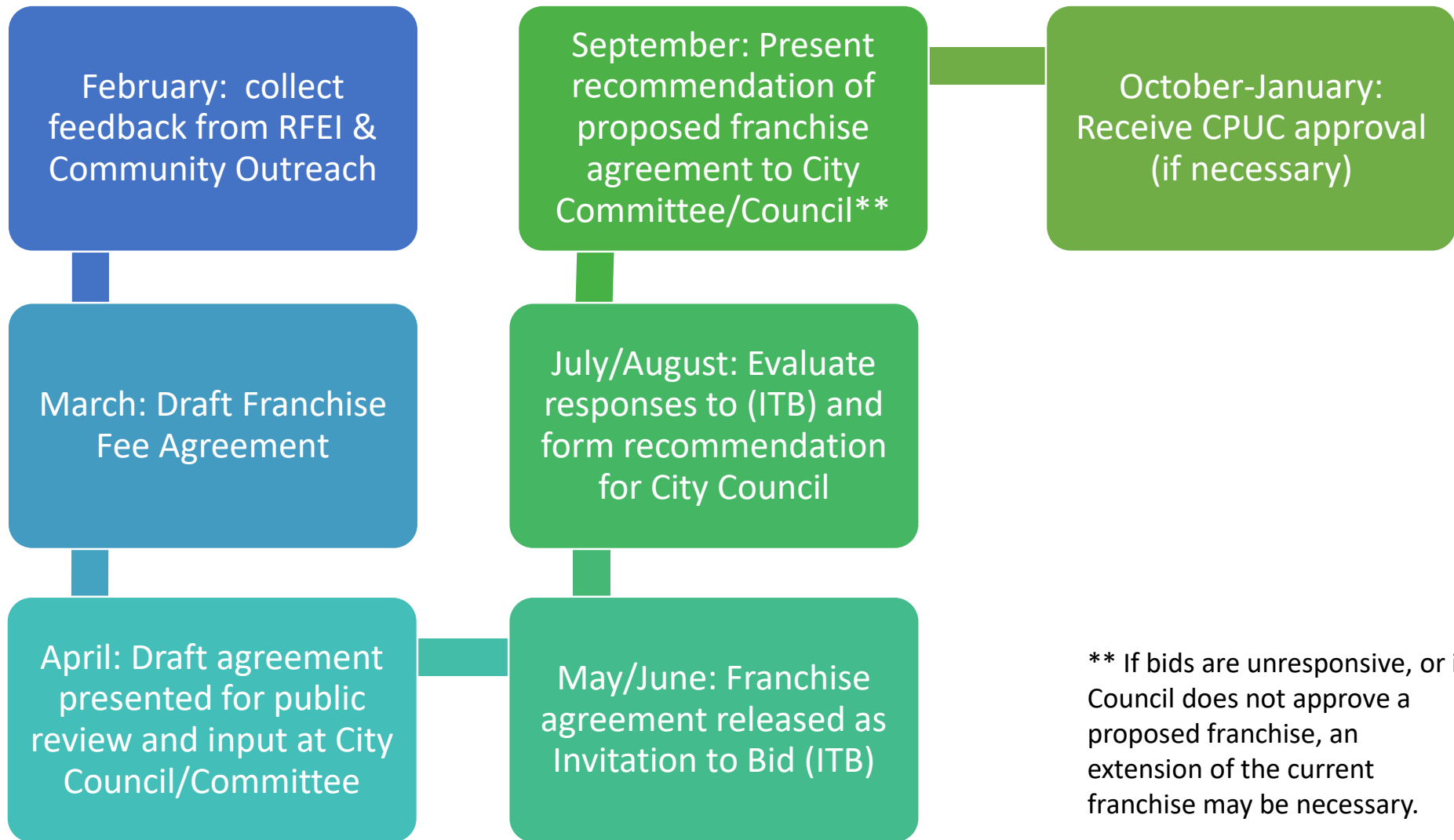
We are currently assessing other franchises and receiving feedback from interested stakeholders to develop a matrix of potential options for consideration.

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-sdgc-sign-10-year-utility-contract-2004oct13-story.html>

Projected Timeline





Continued Engagement

We encourage you to continue to stay engaged through this process. Please reach out to your elected officials to share your thoughts.

Council District 1 - Barbara Bry	619-236-6611	barbarabry@san Diego.gov
Council District 2 - Jennifer Campbell	619-236-6622	jennifercampbell@san Diego.gov
Council District 3 - Chris Ward	619-236-6633	christopherward@san Diego.gov
Council District 4 - Monica Montgomery	619-236-6644	monicamontgomery@san Diego.gov
Council District 5 - Mark Kersey	619-236-6655	markkersey@san Diego.gov
Council District 6 - Chris Cate	619-236-6616	chriscate@san Diego.gov
Council District 7 - Scott Sherman	619-236-6677	scottsherman@san Diego.gov
Council District 8 - Vivian Moreno	619-236-6688	vivianmoreno@san Diego.gov
Council District 9 - Georgette Gomez	619-236-6699	georgettegomez@san Diego.gov
Mayor Kevin L. Faulconer	619-236-6330	kevinfaulconer@san Diego.gov

Energy Past – Present – Future



San Onofre Nuclear Power Plant



Encina Power Plant



Otay Mesa Generating Project



NRG Solar Borrego

Energy Past – Present – Future



USVA Rooftop Solar



Vanadium Redox Flow Battery



UCSD Microgrid



Thank you!

Questions & Answers

For any additional questions please feel free to reach out to Lee Friedman at lfriedman@saniego.gov



Appendix

Additional Information: Regulatory

- **Energy Policy Act 1992 (federal)**
 - Removed barriers to competition in wholesale generation
- **Establishment of Independent System Operator in 1998 (state)**
 - CAISO operates grid to provide fair and open transmission
- **Electrical Restructuring: Aggregation 2002 (state)**
 - Allowed for the formation of Community Choice Aggregation districts in the State of California
- **100% Clean Energy SB 100 2018 (state)**
 - Sets a state target of 100 percent carbon-free electricity by 2045

Additional Information: Franchise Fee Structure

Term: 50 Years

1970 Franchise Fee for Electric Services 3%

- 1.1% base franchise payment
- 1.9% CPUC approved differential surcharge

1970 Franchise Fee for Gas Services 3%

- 2.0% base gas payment
- 1.0% gas differential surcharge

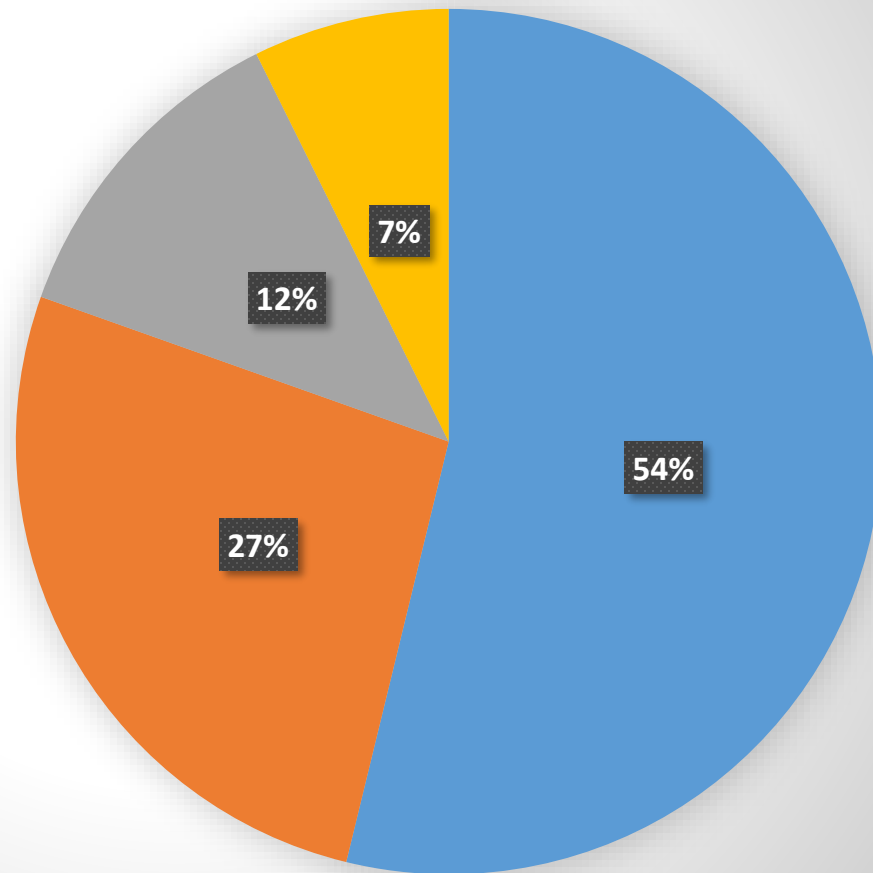
2002 Utility Undergrounding & Differential Amendment

- 3.53% CPUC approved charge on gross receipts
- Additional 0.35% franchise fee differential surcharge for electric service

Additional Information: Budget

City of SD Revenue FY 2020 (Major Funds Only)

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

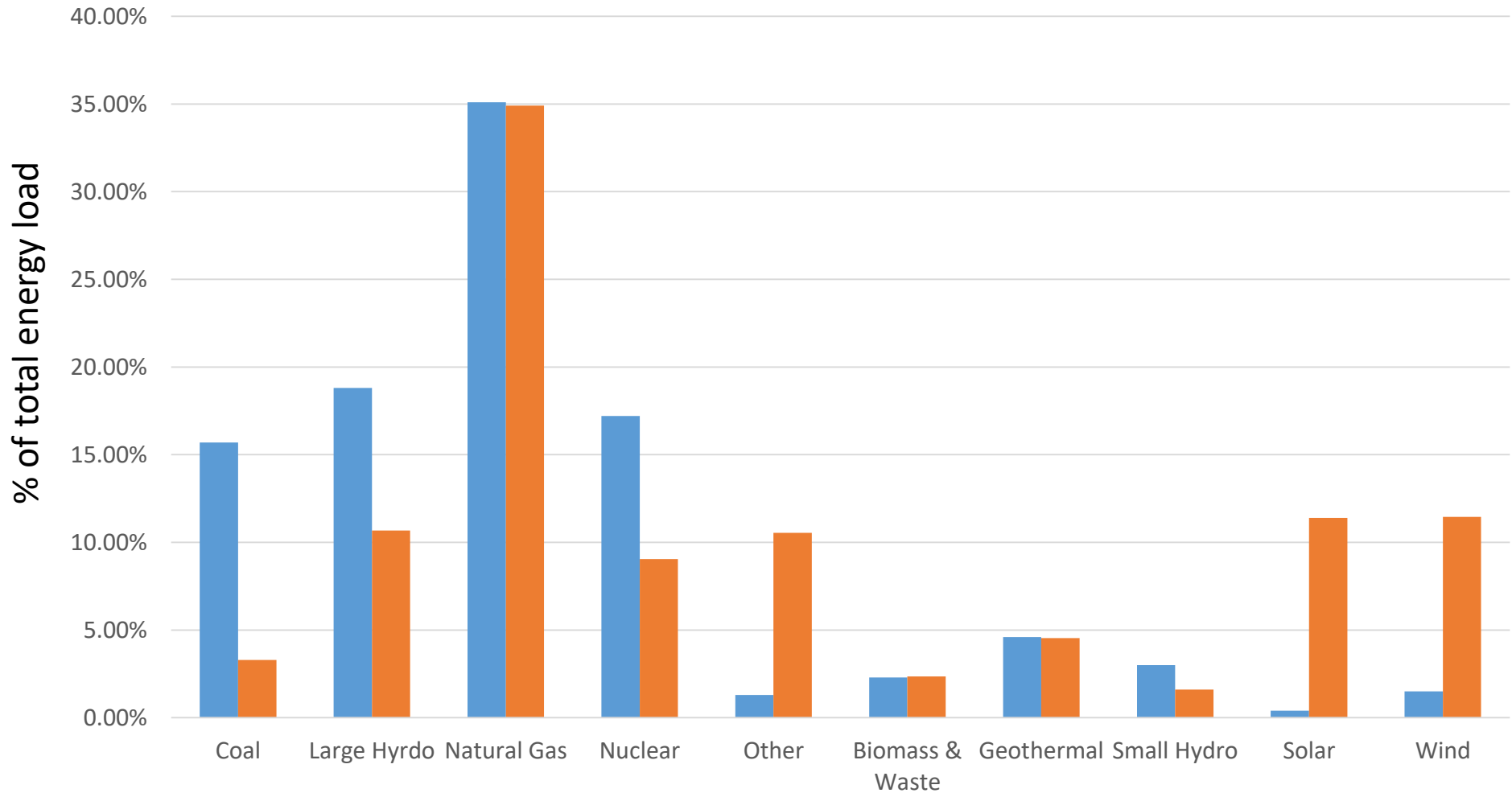


In Millions:

- **Property Tax: \$601.9**
- **Sales Tax: \$297.9**
- **Transit Occupancy Tax: \$136.9**
- **Franchise Fees: \$82**

Additional Information: Electric Generation

California Electric Generation



Source:

https://ww2.energy.ca.gov/almanac/electricity_data/total_system_power.html

■ 2000 ■ 2018