February 21, 2020

Mayor Kevin Faulconer and Members of the San Diego City Council
202 C Street
San Diego, CA 92101
[Distributed Electronically]

Dear Mayor Faulconer and San Diego City Councilmembers,

The San Diego County Taxpayers Association requests the San Diego City Council focus on taxpayer and ratepayer protections when awarding a franchise agreement for the electric and gas distribution infrastructure in the City of San Diego. The current agreement is soon set to expire and without a long-term commitment an agreement would offer, delivery of electricity and gas to millions of San Diegans is at risk. As San Diego's most trusted taxpayer advocate, we are concerned that such uncertainty could create significant burdens for our City and utility customers in the future.

The Association strongly believes any agreement enacted must achieve the goals of providing safe and reliable distribution of electricity and gas to City of San Diego customers. Since utility users are responsible to pay fees incurred on their bills, we must be mindful of charges and expenditures. No matter what fee structure is imposed, the ratepayer and taxpayer will be paying the fee. We have a responsibility to protect those San Diegans paying the fees and ensure responsible spending of fees collected by the City. All information should be presented in a manner that fosters understanding of the agreement's true costs and benefits for taxpayers and ratepayers.

While the possibility of the City taking over the utility infrastructure may be considered, it would be a significant, added cost to the City's portfolio. To take on such a huge liability would not be in the best interest of taxpayers, as the City would be responsible for financing the cost of taking on the additional infrastructure. After the City concluded its thorough assessment of current conditions of its facilities, it must be noted that there is a $2 billion existing gap in funding to completely restore City assets. The cost of taking over the utility infrastructure, as well as long-term maintenance costs are not in the best interest of City of San Diego taxpayers.

In order to provide protections for taxpayers and ratepayers, we believe the franchise agreement should include the following provisions:

- We must consider the consequences of interruption of fee collection should this process become very long or delayed. Should there be a gap in the agreement between the current provider and future provider, fees must be collected to not disrupt general fund revenues or bond payments. Should there be significant differences in fee structure, a CPUC hearing may be triggered, potentially delaying the agreement. These potential delays must be taken into consideration.
- Undergrounding funds and programs must be maintained and there should not be any lapse for current and future undergrounding projects.

2508 Historic Decatur Road #220 • San Diego, CA 92106
info@sdcta.org • (619) 234-6423 • www.sdcta.org

SAN DIEGO COUNTY TAXPAYERS ASSOCIATION

- Franchise agreement should be for a minimum amount of time providing stability for financing for any potential franchisee. Terms of the agreement should align with the City's Climate Action Plan. If the franchisee meets performance standards and milestones according to the Climate Action Plan, the agreement should extend automatically for additional ten years. Maintaining a reliable system and adhering to Climate Action Plan goals should be a top priority.
- Franchise fees should not exceed current percentage of 3% of funds collected which is highest in the State of California.

In 2018, the City of San Diego collected nearly $65 million in franchise fees from San Diego ratepayers which went into the General Fund. We owe it to San Diego taxpayers and ratepayers to demonstrate how those funds are spent. Spending plans and performance outcomes should be tracked consistently in order to demonstrate appropriate spending of taxpayer and ratepayer funds.

The goal of the San Diego County Taxpayers Association is to continue to monitor and evaluate the franchise agreement as it moves forward to ensure best protections for San Diego's residents.

We appreciate you taking the time to consider our concerns, and if you have any questions please contact us at any time.

Sincerely,

Haney Hong,
President and CEO