



**“Power San Diego” Citizens’ Initiative to Municipalize City of San Diego**  
**Electric and Gas Utilities**

*February 2024*

**SDCTA Position:**

**OPPOSE**

**Rationale for Position:**

A transition from San Diego Gas & Electric’s transmission and distribution responsibilities and San Diego Community Power’s procurement responsibilities to a city of San Diego-only municipal utility would be expensive and fraught with legal challenges. Furthermore, it would only exacerbate and not mitigate the already highly regressive nature of electricity rates. While the Association acknowledges that our rates in electricity and gas are very high, the structural changes proposed within this citizens’ initiative would likely add upward pressure on rates and not make a meaningful difference in achieving climate goals by the city.

**Title:** “Power San Diego”

**Type:** Citizens’ Initiative

**Vote:** Potentially November 2024

**Status:** Circulating as of 7 February 2024

**Issue:** Electric and Gas Utilities in the City of San Diego

**Description:** As noted in the petition, “REPLACING SDGE WITH NOT-FOR-PROFIT MUNICIPAL [*sic*] ELECTRIC DISTRIBUTION UTILITY

**Fiscal Impact:** Minimally \$6 billion

**Background**

A group of citizens called “Power San Diego” chaired by San Diegan Bill Powers have begun circulation of a petition to replace the current investor-owned electric and gas utility, San Diego Gas & Electric (SDGE), with a municipal utility. The petition is included in Appendix A.

The proponents cite SDGE’s very high rates, which have been the highest in the country for a number of years (though they were recently bumped to second in the state, as Pacific Gas & Electric in Northern California now has the highest rates), and their for-profit motive, seen by the proponents as exploitative, as the reasons to make this change. The proponents believe that this shift would ultimately lower rates and be more equitable over time.

Since the turn of the century, significant changes have been made in electric and gas utilities across the state -- though the last time a major metropolitan area municipalized their electric and gas utility was with the establishment of the Sacramento Municipal Utility District (SMUD) in



the 1940s. These changes over the last quarter century include significant deregulation, the separation of energy generation from energy transmission and distribution, the adoption of renewable energy portfolio mandates, the authorities to establish community choice aggregators, and significant changes in investor-owned utility rate structures (e.g., establishment of low-income programs, the evolution of “net energy metering” with solar, etc.).

Recently in San Diego County, multiple community choice aggregators were established and assumed from SDGE energy procurement duties, and they have consolidated into two main public entities. The Clean Energy Alliance includes the cities of Carlsbad, Del Mar, Solana Beach (who started San Diego County’s first CCA called the Solana Energy Alliance), Escondido, and San Marcos, which will expand to take over energy procurement for ratepayers in Oceanside and Vista in 2024. San Diego Community Power buys power for the ratepayers in the cities of San Diego, Chula Vista, Encinitas, Imperial Beach, La Mesa, National City, and the unincorporated parts of San Diego County. Even with CCAs, SDGE is still responsible for transmission and distribution, and the establishment of CCAs in San Diego County gave ratepayers only a choice in selecting which agency, the investor-owned utility whose rates are regulated by the California Public Utilities Commission or a CCA whose rates are wholly set by its board of local elected leaders, to do energy purchasing on their behalf.

Of note, the Association OPPOSED the establishment of community choice aggregators in San Diego County. Besides numerous governance concerns, including the possibility that rates could be set to create alternate revenue sources for member agencies, the Association opposed the CCA establishment because we were not convinced they would be able to lower rates while simultaneously increasing renewable usage. Fundamentally, purchasing a more expensive commodity (renewables, because they are still coming online and remain inadequate to supply all needs at all times of the day, are still more expensive than traditional sources of power like coal and natural gas) cannot lower rates, especially for organizations just getting started with no reserve cash and limited ability to go to the market to get cash, unlike an investor-owned utility. In fact, the Solana Energy Alliance was a winner in 2022 of the Association’s “Golden Fleece Award” for raising rates to higher than SDGE’s rates to account for administration and setup costs.

SDGE was restricted by statute from taking any position on or advocating for or against the establishment of community choice aggregators, though their electrical employee union also opposed CCA establishment.

Also important to note is that the Association SUPPORTED a change in net energy metering rate structures colloquially known as “NEM 3.0.” Along with the ratepayer advocates office, the Natural Resources Defense Council, scholars from UC Berkeley’s Center for Energy, and others, the Association was concerned about the highly regressive nature of legacy NEM 1.0 and NEM



2.0 rates. Multiple independent research studies indicated that a second-order impact of NEM 1.0 and NEM 2.0 was that lower-income households, who often could not afford the installation of solar energy panels and batteries, assumed disproportionate shares of paying for infrastructure maintenance and development since solar customers were overcompensated for their daytime generation.

### **Governance Impact**

If passed, SDGE would very likely engage in significant legal challenges, as this is an existential matter for them -- they would lose nearly half of their customer base. When the Sacramento area municipalized its utility and uncoupled from Pacific Gas & Electric (PG&E), the legal activity took approximately fifteen years to resolve. In Sacramento's municipalization, PG&E lost much fewer than half their customers, as their service area also included and still includes the San Francisco Bay Area.

Of note, this petition is only applicable within the city limits of San Diego, and there would be significant technical challenges uncoupling electric distribution within the city limits from those assets outside the city limits.

Finally, it is highly unlikely that a structural change of this magnitude will make a greater impact in the city of San Diego reaching its climate goals than what already is feasible with SDGE and San Diego Community Power. Fundamentally, energy storage (i.e., batteries at scale) and the maturation of the market of renewable energy generation are the limiting factors in non-transportation greenhouse gas reduction. The situation would be different if more nuclear energy were online, and, ironically, the same advocates against "dirty" energy sources like coal and natural gas are also adamantly opposed to nuclear energy.

### **Fiscal Impact**

#### *City of San Diego taxpayers*

The latest estimate from a study commissioned by the City of San Diego is that within the city limits, the value of SDGE's assets, which a future municipal utility would have to purchase, is \$6 billion. The city's balance sheet does not support an outright purchase, so even if it is only \$6 billion, an asset purchase would also have borrowing costs that would have to be financed through the municipal utility's future rates. Using simple math and assuming there are approximately 515,475 households within the city limits, that is an obligation of \$11,640 plus borrowing costs for each city of San Diego household just for the establishment of a municipal utility. Further assuming a 3% rate for 30-year borrowing and no initial cash from the city to



purchase SDGE assets, that is approximately \$50 per month per household just to finance the transition.

In theory, it's possible that the city could exercise eminent domain to acquire those assets, though that seems fraught with legal challenges brought by SDGE. Whether it did that or not and with the high likelihood of significant legal activity, then San Diego taxpayers would have to finance the city's legal work. This is relatively minor, however, compared to the asset purchasing if eminent domain is not how a future municipal utility would acquire the assets.

### *San Diego Community Power Ratepayers*

Finally, the Association notes that despite its opposition to the establishment of community choice aggregators, the establishment of a municipal utility in the city of San Diego would have a significant impact on the ratepayers of Chula Vista, Encinitas, Imperial Beach, La Mesa, National City, and the unincorporated parts of San Diego County. In the language of the petition, Power San Diego would purchase power from San Diego Community Power (SDCP) at wholesale rates, and this significantly reduces the market power of SDCP and the size of the rate base from which SDCP would procure power through longer-term contracts and finance investment in renewable generation. The remaining rate base would have diminished market power in energy procurement, i.e., likely higher rates, and any further long-term procurement contracts would have fewer ratepayers to back them, thus raising borrowing costs for SDCP. Notably the language of the petition does not contain a minimum purchase, and Power San Diego would be incentivized to purchase directly from another generator to avoid pass-through costs at SDCP.

### **Proponents/Arguments**

There are a significant number of proponents whose argument is that the establishment of a municipal utility, which would be not-for-profit, will result in greener energy usage and lower rates.

- Genevieve Jones-Wright, currently candidate for mayor against incumbent Todd Gloria
- Cody Petterson, SD Unified board
- Carl Wood, former California Public Utilities Commissioner (CPUC)
- Loretta Lynch, former CPUC president
- Dianne Jacob, former San Diego County supervisor
- Marti Emerald, former City of San Diego councilmember
- Lori Saldana, former California State Assemblymember
- SD350
- Sustainable Ramona



- HES Solar
- BikeSD
- California Alliance for Community Energy
- Hammond Climate Solutions Foundation
- San Diego County Democrats for Environmental Action
- Green New Deal at UC San Diego
- Third Act SoCal
- California Climate Voters
- Business for Good San Diego
- Activist San Diego Networking for Social Justice
- CRS Moore Group Advantage
- IGC

### **Opponents/Arguments**

There are also a number of opponents to this proposal. They argue this will not lower rates.

- San Diego Gas & Electric
- International Brotherhood of Electrical Workers Local 465
- San Diego Regional Chamber of Commerce



**Appendix A – Starts on next page...**