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SAN DIEGO'S GAS AND ELECTRIC FRANCHISE FEES: A STEADY SOURCE OF INCOME FOR THE CITY



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Explaining the numbers

The City of San Diego requires the payment of franchise fees for the use of the City's streets to provide gas & electric services to SDG&E's customers. The California Public Utilities Commission (CPUC) must approve fees charged to customers on their utility bills.

Under the existing agreements with SDG&E, the City of San Diego requires the payment of franchise fees. The electric and gas franchise fees that SDG&E remits to the City are respectively 600% and 150%, more than the typical franchise fee received by most cities for similar agreements. These additional fees are collected as part of surcharges on customer bills called Franchise Fee Differentials. The Franchise Fee Differentials amount to an additional 5.78% for electric and 1.03% for gas on customers' bills, and are paid directly to the City. The CPUC approved the Franchise Fee Differentials as part of the existing agreements.

~\$30M

Annual revenue the City receives through base franchise fees

~\$104.1M

Annual revenue the City receives via surcharges known as Franchise Fee Differentials (they amount to ~\$9 extra per month for the average residential customer)

This means the City would stop receiving ~\$100M per year in franchise fee differentials because...

SDG&E's existing gas & electric franchises with the City expire on June 1, 2021.

Unless new franchise agreements between SDG&E and the City are in effect before then, SDG&E will no longer be authorized to continue charging customers the Franchise Fee Differentials.

Going forward, SDG&E would only continue to pay base franchise fees to the City equal to the average franchise rate in our service territory, as collected in customer rates (~\$30M a year).



IMPORTANT

Upon expiration of the existing franchise agreements, the City cannot unilaterally direct SDG&E to continue collecting the Franchise Fee Differentials. If the City wants to continue receiving this key revenue stream without having new franchise agreements in place, it must obtain separate approval from the California Public Utilities Commission (CPUC). There is no guarantee that the CPUC will re-approve them.

SDG&E stands ready to fairly and openly compete for new gas and electric franchise agreements



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