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City Leaders Mislead: Public Power Worth Tens of Billions More

A key report meant to inform the City Council following its approval of a multi-billion dollar franchise agreement with San Diego Gas & Electric drastically understated the value of the alternative to that agreement, namely, shifting to a non-profit public utility.

While the flawed report noted that the city would save up to $15 billion by replacing SDGE with a non-profit utility, the savings should have been estimated at more than five times that amount, with $90 billion or more in savings in the coming decades from taking profit out of the local utility business.

A study commissioned by **Public Power San Diego** released today identifies errors in the report and the savings achievable with a non-profit utility. For utility customers, bills would be much lower with a non-profit utility than the council members have been told by their consultant.

“The city council has been seriously misinformed,” said Bill Powers, an engineer and member of **Public Power San Diego’s** board of directors.

“Saving more than $90 billion shifts public power from something that would make sense in the long run to a no-brainer that San Diego should be pursuing immediately.”

The prospect of forming a non-profit public utility remains an alternative to doing business with SDG&E. The franchise agreement enables SDGE’s business by allowing the utility to use city streets for its lines and equipment. The City Council approved a new 20-year franchise agreement with SDGE in 2021.

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Under the city's charter, San Diego has the right to cancel the franchise agreement at any time to form a non-profit public electric utility. The right can be exercised through a majority council vote.

SDGE typically charges electric rates that are among the highest - if not the highest - in the nation. Non-profit electric utilities, which more than 40 cities in California already have, all charge significantly lower rates.

Powers and Mark Hughes, who is also an engineer and member of PPSD's board, discovered errors in the report to the city after examining the datasets and financial "models" used by the consultant to prepare its study.

The engineers requested the underlying data for the public power study, which the city resisted providing until Powers successfully sued the city under the Public Records Act.

The most serious error in the consultant's report was the assumption that SDGE's annual rate increases will fall to an average 3 percent in the decades following 2027. That assumption contradicts SDGE's history of rate hikes, which have been rising at an average greater than 8 percent since 2017.

The utility has also repeatedly told investors it plans to invest billions more in its system, including almost $13 billion before the end of this decade, which would typically require additional revenue raised through utility bill increases.

"Using the consultant's model, we corrected the unrealistic long-term projection of 3 percent yearly rate hikes to a realistic 7 percent, in line with the guidance SDGE has provided to investors," said Powers.

"The result was dramatic. Plugging realistic rate increases into the consultant's model, the city's savings from a non-profit utility over three decades soars from $15 billion to more than $90 billion! That translates to dramatically bigger bill savings for utility customers."

In a region struggling to lower its cost of living, Powers added, utility bill savings on that scale make non-profit public power a compelling option.

"I can think of no factual basis for the city's consultant to low-ball the expected future rate hikes to that degree," Power said. "I have to suspect there was political pressure to weaken the case for non-profit public power."

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Powers and Hughes also found additional errors in the consultant's report.

Notably, the consultants for the city inflated estimates of the purchase price that would be paid to SDGE for its assets in the transition to public power. The consultant erroneously assumed the city needed to purchase long distance power lines – known as transmission assets in industry jargon - from SDGE, which would add significant cost to shifting to non-profit public power.

"The proposed non-profit utility for San Diego will be contained within the city's limits, so there's no need to purchase those transmission lines," said Powers.

"Even the flawed report made a strong case for replacing SDGE with a non-profit utility. Using an accurate growth estimate for SDGE's rates presents an overwhelming case for moving to non-profit public power as soon as possible."

Public Power San Diego aims to educate the public about how a non-profit utility would slash electric utility bills by removing profit from the utility business, trimming executive salaries and emphasizing locally generated clean energy.

Support for the **Public Power San Diego** campaign comes from utility customers, union supporters and energy experts, as well as environmental and community groups.

PPSD encourages utility customers in the city to visit its website – publicpowersd.org – and learn how to build the movement to bring lower rates and clean, renewable power to San Diego.

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