

November 28, 1989

REPORT TO THE HONORABLE
MAYOR AND CITY COUNCIL
PROPOSED MERGER OF SAN DIEGO GAS & ELECTRIC COMPANY
AND SOUTHERN CALIFORNIA EDISON COMPANY.

You have received oral and written information from proponents and opponents regarding the proposed San Diego Gas & Electric-Southern California Edison merger at special meetings of the Committee of the Whole on September 14, October 12, October 18, November 2, November 15, and November 30, 1989.

With this report you will find draft Resolutions No. R-90-846 and No. R-90-845 which, depending on your view of the information presented at the Committee meetings, reflect a position you may wish to express formally at the November 30 special meeting of the City Council called for that purpose.

DRAFT RESOLUTION IN OPPOSITION

Adoption of the first draft resolution, No. R-90-846 (attached as Enclosure (1)), memorializes the City Council's opposition to the proposed merger based on the testimony and information received by the Committee. A synopsis of testimony, set forth on pages 2 and 3 of the draft resolution, indicates that:

1. The environmentally adverse consequences of the proposed merger have yet to be completely examined and reported upon;
2. Rate reductions promised by Southern California Edison Company (SCE) and San Diego Gas & Electric Company (SDG&E) as a result of the proposed merger will not occur;
3. There may be a negative impact on the City's bond rating caused by the potential loss of nontaxable status for the Industrial Development Bonds issued by the City on behalf of SDG&E;
4. San Diego's future energy needs will be provided by a corporation headquartered in a remote city if the proposed merger is consummated;
5. There will be a loss of San Diego-based jobs with the proposed new corporation because of the proposed merger;
6. There will be a loss of business given to local vendors because of the proposed merger;
7. There are unresolved questions about the purchase of power by SCE from its own subsidiary, Mission Energy, and the effect that noncompetitive purchasing and pricing may eventually

have on consumer rates because of the proposed merger;

8. The proposed merger will be anticompetitive and may violate the antitrust laws of the United States.

The first draft resolution concludes with a finding that the proposed merger is not in the best interests of the citizens, taxpayers and ratepayers of the City of San Diego. It requests the City Attorney to express these views, take whatever action is necessary to make the City's opposition known to appropriate state and federal regulatory, judicial and legislative bodies and represent the City accordingly in the proceedings before the California Public Utilities Commission and the Federal Energy Regulatory Commission.

Finally, it requests the City Attorney to take appropriate legal action to determine the City's rights under the franchises and enforce the provisions of the franchises in strict accordance with their terms.

DRAFT RESOLUTION OF APPROVAL

Adoption of the second draft resolution, No. R-90-845 (Enclosure (2)), would memorialize the City Council's approval of the proposed merger based on a finding that it is in the best interests of the citizens, taxpayers and ratepayers of the City of San Diego. It further requests the City Attorney to take action consistent with that determination.

RECOMMENDATION

Based on the record before you, I recommend you adopt the first draft resolution (No. R-90-846), which opposes the merger.

Respectfully submitted,

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City Attorney

CMF:WLP:wk(x043.1)

Enclosures

RC-89-52