New Report Finds Higher Energy Costs in San Diego Region Threaten Businesses, Households and Economic Competitiveness

National University System Report Calls for Policymakers to Take a "Pause" on Creating New Energy Policies in Order to Evaluate Costs and Impacts

March 17, 2015, Sacramento, CA – A report released today from the National University System Institute for Policy Research (NUSIPR) found that California's lack of strategic coordination on energy policies is increasing energy costs in San Diego, hurting key industries, and burdening residents who are struggling to balance household budgets. The report entitled *San Diego: Energy, the Economy and the Call for Pause* encouraged policymakers to understand how energy policies impact costs, and consider whether the new mandates are fostering a more sustainable, cost-effective energy system.

"Rising energy costs are impacting San Diego from many different angles," said Erik Bruvold, President of NUSIPR and author of the report. "Businesses must pay higher costs, which discourages investment; schools are diverting their limited resources to accommodate the rapid increase in their energy bills; and families are having to pay more for energy on top of already high housing costs, while real household income levels are flat or declining."

According to the report, San Diegans already pay some of the highest electricity costs in the nation. Between 2000 and 2012 residential costs averaged 12% more per kilowatt hour for San Diego Gas & Electric customers than for customers of California's other two investor-owned utilities. As of February 17, 2015, the statewide average price of a gallon of regular unleaded gasoline in California was 19.2% higher than the national average. San Diego's gas prices have traditionally run slightly higher than the state average.

There are many factors that uniquely impact San Diego's energy landscape including among others the location and availability of renewable resources, the lack of access to major hydropower, the closure of San Onofre Nuclear Generating Station, permitting challenges for large infrastructure projects, preserving grid reliability as rooftop solar installations have become more popular, and a smaller customer base across which to spread out the costs of mandates and subsidies. State policies combined with regional characteristics have led to energy prices increasing much faster than other areas.

"The San Diego region has a particular interest in seeing policymakers develop a more coordinated and strategic approach to state energy policies," said Rorie Johnston, President, Escondido Chamber of Commerce. "The research shows that San Diegans pay significantly more for electricity than do residents and businesses in regions with which San Diego competes for investment and economic development. If we continue to pay more for energy than other regions, we will lose our economic competitiveness and our growth will be limited."

On average, San Diego customers use less energy than many other places in the country due to the temperate climate. However, since 1990, more than 200,000 San Diegans have moved into areas where high temperatures reach or exceed 80 degrees more than 180 days per year requiring more energy to cool their homes. If this trend continues with population growth, it is likely that the region will see per capita energy use increase, especially in areas more distant from the coast, and that will come with higher bills.

"The evidence is clear that current policies are rapidly increasing energy costs," said Rob Lapsley, President, California Business Roundtable. "This is a major impact on San Diegans who are struggling to make ends meet and costs will continue to increase under next generation policies."

The increasing two-tiered nature of the San Diego economy is one of the main reasons why it is important to get energy policy right. While energy costs have generally tracked with income, recent rate requests and the impact of policies such as the Renewable Portfolio Standard could push prices higher faster than median income growth. This is especially true for lower income San Diegans who have seen a decline in their real incomes over the past 10 years.

Energy susceptible business industries – often those that provide good middle class jobs – are under stress and will be impacted by the rising costs. Between 2006 and 2010 the region lost nearly 37,000 construction jobs, dropping from a peak of 92,000 to a low of 55,517. While there has been some recovery, these are key jobs in the opportunity economy lost to the region.

"While our region benefits from the good jobs in our vibrant clean tech industry, it is important to remember how we pay for it," said Jerry Sanders, President and CEO, San Diego Regional Chamber of Commerce. "Stable and affordable energy rates are necessary for those that are living paycheck-to-paycheck, and essential for ensuring diverse economic growth."

A copy of the report is available at CAREaboutEnergy.org/research/

Californians for Affordable & Reliable Energy *is a non-partisan coalition advocating for a comprehensive state energy plan on fuels and electricity that prioritizes affordability, reliability and adequate supply. For more information please visit CAREaboutEnergy.org or connect with the coalition on twitter @CAREaboutEnergy.*

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