

RESOLUTION NO. \_\_\_\_\_

**A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN JOSE (1) APPROVING TWO PORTFOLIOS TO BE SUBMITTED TO THE CALIFORNIA PUBLIC UTILITIES COMMISSION AS PART OF THE 2020 INTEGRATED RESOURCE PLAN; (2) AMENDING RESOLUTION NO. 78711 REGARDING INTEGRATED RESOURCE PLAN CRITERIA; (3) AUTHORIZING THE DIRECTOR OF COMMUNITY ENERGY TO FINALIZE, APPROVE, AND SUBMIT THE 2020 INTEGRATED RESOURCE PLAN; (4) INCREASING THE AUTHORITY GRANTED TO THE DIRECTOR OF COMMUNITY ENERGY OR HER DESIGNEE FOR THE PROCUREMENT OF LONG-TERM RENEWABLE ENERGY AND SHORT- AND MEDIUM-TERM POWER SUPPLY PRODUCTS, OTHER THAN RESOURCE ADEQUACY PRODUCTS; AND (5) AMENDING RESOLUTION NO. 79109 TO AUTHORIZE THE DIRECTOR OF COMMUNITY ENERGY TO MORE FLEXIBLY ALLOCATE FUNDS TO PROCURE ENERGY AND SHORT-TERM RENEWABLE ENERGY CREDITS**

**WHEREAS**, the California Public Utilities Commission (“CPUC”) requires all Load Serving Entities (“LSEs”), which are Investor Owned Utilities, Community Choice Aggregators, and other Energy Service Providers, to prepare and submit an Integrated Resource Plan (“IRP”) to the CPUC every two years; and

**WHEREAS**, the IRP is a long-term planning tool to meet forecasted energy demand using both supply and demand side resources to ensure reliable electric service to customers in the most cost-effective way, and the CPUC’s IRP proceeding and compliance requirements are intended to ensure that LSEs meet targets that allow the electricity sector to contribute to California’s economy-wide greenhouse gas (“GHG”) emissions reduction goals; and

**WHEREAS**, on June 26, 2018, the San José City Council (“Council”) adopted Resolution No. 78711 approving the criteria for the San José Clean Energy (“SJCE”) 2018 IRP and directed SJCE to present an IRP to the Council for approval in March of every second year; and

**WHEREAS**, on April 7, 2020, the Council adopted Resolution No. 79465 amending Subsection B of Resolution No. 78711 to require approval of the IRP on a date prior to submitting the IRP to the CPUC, in response to the CPUC's delay in finalizing requirements and extension of the deadline for submission of IRPs for the 2020 compliance year to September 1, 2020; and

**WHEREAS**, the electric sector currently emits 60 million metric tons ("MMT") of carbon per year, and the CPUC is requiring LSEs to present two IRP plans: one that would achieve the LSE's proportional share of emissions assuming the electric sector will reduce emissions to 46 MMT in 2030, and a second plan that would achieve no more than the LSE's proportional share of emissions assuming the electric sector will reduce emissions to 38 MMT in 2030; and

**WHEREAS**, LSEs can present either the 46 MMT or the 38 MMT as their Preferred Plan; that is, the plan they intend to implement, and if an LSE submits a Preferred Plan that is more aggressive than the 38 MMT case, the LSE must explain how it will ensure reliability given the larger proportion of renewables, and hence the more flexible resources that are needed to meet evening demand; and

**WHEREAS**, SJCE developed its 2020 IRP jointly with Peninsula Clean Energy ("PCE"), Clean Power Alliance ("CPA"), and East Bay Community Energy ("EBCE"), and developed four portfolios consistent with the following: 1) meet its proportional share of the 46 MMT target, 2) meet its proportional share of a 38 MMT target, 3) meet its proportional share of a 30 MMT target, and 4) achieve Climate Smart San José's ("Climate Smart") goal of offering carbon neutral power starting in 2021; and

**WHEREAS**, to develop their 2020 IRPs, SJCE, PCE, EBCE, and CPA retained Siemens to complete risk analysis and production cost modeling, which involves using

an hourly assessment of load and resources to identify the resources each LSE must add to meet its load and its regulatory and policy objectives in the most cost-effective way over the period studied; the CPUC does not require LSEs to use production cost modeling to prepare their IRPs, but it is generally considered a standard tool for utility planning; and

**WHEREAS**, consistent with CPUC requirements, SJCE directed Siemens to prepare portfolios to achieve SJCE's proportional share of two emissions cases: 46 MMT by 2030 and 38 MMT by 2030, and directed Siemens to create portfolios that achieve: 1) the Climate Smart goal of offering carbon neutral power by 2021; and 2) SJCE's proportional share of a 30 MMT of carbon emissions by 2030 case; and

**WHEREAS**, SJCE proposes to file the required 46 MMT and 38 MMT portfolios with the CPUC and to indicate that the 38 MMT portfolio is its preferred case, with the 30 MMT and carbon-neutral by 2021 portfolios as stretch goals; and

**WHEREAS**, SJCE recommends amending the 2018 IRP criteria by deleting the requirement that the base power mix be 100 percent GHG-free in 2021 as this is inconsistent with the two required portfolios, is not required by the CPUC, and including it increases the risk that SJCE is assessed penalties for non-compliance; and

**WHEREAS**, amending the 2018 IRP criteria approved in Resolution No. 78711, approving the 2020 IRP Criteria and portfolios, and authorizing the Director of Community Energy ("Director") to file the 2020 IRP with the CPUC will enable SJCE to meet its 2020 IRP compliance obligation; and

**WHEREAS**, SJCE implements prudent portfolio management to manage regulatory and economic risks and will need to add new renewables at a measured pace to ensure SJCE's portfolio is cost-effective and does not result in excess supply; and

**WHEREAS**, the IRP modeling shows that to reduce emissions to the 38 MMT level, SJCE should add additional renewable resources by 2030 as follows: 100 megawatt (“MW”) of wind, 320 MW of solar, and 200 MW of battery storage; and

**WHEREAS**, to continue to make progress towards this goal, while also balancing the need to add renewables at a measured pace, SJCE recommends an increase in the procurement authority of the Director, allowing SJCE to add: 1) long-term contracts for another 140 MW of renewables (40 MW for a contract under negotiation and 100 MW for additional resources) paired with 50 MW of battery storage, and 2) medium-term energy contracts to continue to build SJCE’s portfolio and take advantage of attractive forward pricing; and

**WHEREAS**, Section 26.50.020 of the San José Municipal Code states that the City may enter into contracts to procure power products for a term up to 25 years; and

**WHEREAS**, Section 26.50.050 of the San José Municipal Code requires the Director to submit a Risk Management Policy to the Council, and on May 1, 2018, the Council approved the Energy Risk Management Policy, which created a Risk Oversight Committee (“ROC”) responsible for overseeing compliance with the Energy Risk Management Policy; and

**WHEREAS**, the Energy Risk Management Policy and associated Energy Risk Management Regulations set forth a risk control structure and procurement requirements that apply to SJCE procurement activities and establish requirements for the competitive procurement of power products; and

**WHEREAS**, on June 4, 2019, the Council authorized the Director to negotiate and execute long-term Power Purchase Agreements for new renewable projects in an

amount not to exceed \$50,000,000 annually and \$1,080,000,000 in aggregate from 2020 through 2043; and

**WHEREAS**, on April 7, 2020, City Council adopted a resolution that increased the authority of the Director or her designee for the procurement of Resource Adequacy products by \$76,200,000, from \$461,800,000 to an amount not to exceed \$538,000,000 in aggregate, in calendar years 2021 through 2043, and increased the authority for procurement of power supply products, other than Resource Adequacy products, by \$393,300,000, from \$690,000,000 to an amount not to exceed \$1,083,300,000 million in aggregate, in calendar years 2020 through 2026; and

**WHEREAS**, SJCE generally assesses the additional authority needed to remain in compliance with the Risk Management Regulation Coverage Thresholds at the beginning of the year and requests authority for any necessary additional procurement in the spring; however, increasing the Director's long-term procurement authority at this time is recommended because the COVID-19 pandemic has somewhat depressed power prices and SJCE seeks to take advantage of this condition in fall 2020; and

**WHEREAS**, SJCE seeks an increase in the Director's authority to enter into long-term contracts with renewables and storage by \$500,000,000 to \$1,500,000,000 in aggregate from 2024 through 2043, with any such agreements to include the key terms listed in Attachment 3 to the Memorandum to Council dated August 3, 2020, with modifications developed in coordination with the City Attorney, and subject to approval of the full final agreements by the ROC; and

**WHEREAS**, this additional authority, coupled with the authority the Director has already obtained, would allow SJCE to add another 325 MW of renewables and 50 MW of co-located battery storage; and

**WHEREAS**, SJCE also desires to enter into some short- and medium-term contracts to take advantage of energy prices that have been depressed by the economic slowdown occasioned by COVID-19 and to have some cost certainty over the medium-term, consistent with the Risk Management Regulations and with prudent industry practice to layer in short and medium-term contracts; and

**WHEREAS**, SJCE also seeks an increase in the Director's authority to procure short- and medium-term power supply products, other than Resource Adequacy, to an amount not to exceed \$275,000,000 in aggregate for calendar years 2024 through 2032, which correspond to an additional \$212,000,000 from the previously authorized \$63,000,000 for this period; and

**WHEREAS**, on June 4, 2019, the Council adopted Resolution 79109, authorizing expenditures pursuant to long-term renewable contracts in an amount not to exceed \$50,000,000 annually and \$1,080,000,000 from Calendar Years 2020 through 2043; and

**WHEREAS**, SJCE has been unable to identify cost-competitive long-term agreements commencing service before the end of 2021 and now desires to more flexibly allocate \$130,000,000 of the funds previously authorized for 2021-2023 to procure energy and short-term Renewable Energy Credits to meet its energy and renewable requirements for the years 2021 through 2023; and

**WHEREAS**, approving these changes in the Director's procurement authority will allow SJCE to procure power supply needs in line with approved Risk Management Regulations to meet: (1) SJCE's entire anticipated power needs in 2021 (fiscal years 2020-2021 through 2021-2022); (2) 80 percent of SJCE's anticipated power needs in 2022 and 2023 (fiscal years 2021-2022 through 2023-2024); and (3) 20 percent of SJCE's anticipated power needs in 2024 through 2032 (fiscal years 2023-2024 through

2032-2033); the requested authority will also allow SJCE to enter into a further long-term agreement for 225 MW currently under negotiation, and to add an additional 100 MW of renewables and 50 MW of storage, for a total of approximately 600 MW of renewables and associated storage, consistent with SJCE's 2020 IRP and Energy Risk Management Policy and Regulations;

**NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SAN JOSE THAT:**

- A. The City Council hereby approves two portfolios to be submitted to the California Public Utilities Commission as part of the 2020 Integrated Resource Plan as follows:
  - 1. Portfolio resulting in 46 million metric tons of carbon emissions from the electric system by 2030.
  - 2. Portfolio resulting in 38 million metric tons of carbon emissions from the electric system by 2030 as the preferred portfolio.
  
- B. Subsection A of Resolution No. 78711 is hereby amended to modify the criteria for the 2018 Integrated Resource Plan approved by City Council, and approve 2020 Integrated Resource Plan criteria that prioritize building additional renewable resources to meet state and local low-carbon goals and California Public Utilities Commission regulatory requirements, as described in the memorandum to City Council from the Director of Community Energy dated August 3, 2020.
  
- C. The Director of Community Energy is hereby authorized to use the findings from the Integrated Resource Plan modeling analysis to finalize, approve, and submit

to the California Public Utilities Commission the 2020 Integrated Resource Plan; provided that such final plan reflects the criteria and includes the two portfolios approved by City Council herein; and provided further that the Director will submit the final 2020 Integrated Resource Plan to City Council pursuant to an information memorandum within ten days of filing the plan with the California Public Utilities Commission.

D. Subject to the Energy Risk Management Policy, the appropriation of funds, and Risk Oversight Committee approval of all contracts with a duration of five years or more, the City Council hereby increases the authority granted to the Director of Community Energy or her designee for the procurement of:

1. Long-term renewable energy by \$500,000,000 for a total not to exceed amount of \$1,500,000,000 in aggregate in Calendar Years 2024 through 2043; and
2. Short- and medium-term power supply products, other than Resource Adequacy products, by \$212,000,000 to an amount not to exceed \$275,000,000 in aggregate in Calendar Years 2024 through 2032.

E. Section 2 of Resolution No. 79109 is hereby amended to authorize the Director of Community Energy or her designee to use \$130,000,000 previously authorized for long-term power supply contracts for the Calendar Years 2021 through 2023 for either long-term or short-term power supply products other than Resource Adequacy; provided that, energy procurement shall not exceed the coverage ratios established in the Risk Management Regulations; to read as follows:

- “2. The Director of Community Energy or her designee is hereby authorized to negotiate and execute long-term Power Purchase Agreements for renewable projects, including the key terms listed in Attachment 1 to the Memorandum from the Director dated May 22,



2019, with modifications, as appropriate, in consultation with the City Attorney and approval of the full final agreements by the Risk Oversight Committee, in an amount not to exceed \$50,000,000 annually and \$1,080,000,000 in aggregate from 2020 through 2043, subject to the Energy Risk Management Policy and the appropriation of funds; provided that the Director of Community Energy or her designee may allocate an amount not to exceed \$130,000,000 from 2021 through 2023 for either long-term or short-term power supply products, other than Resource Adequacy, subject to the coverage ratios established in the Risk Management Regulations.”

ADOPTED this \_\_\_\_\_ day of \_\_\_\_\_, 2020, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

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SAM LICCARDO  
Mayor

ATTEST:

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TONI J. TABER, CMC  
City Clerk