



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Lori Mitchell

SUBJECT: San José Clean Energy
Customer Bill Credits

DATE: November 10, 2025

Approved

Date:

11/13/25

COUNCIL DISTRICT: Citywide

RECOMMENDATION

Adopt a resolution authorizing the Energy Department to issue bill credits to San José Clean Energy customers in an amount not to exceed \$25,000,000.

SUMMARY AND OUTCOME

In 2025, energy market prices were lower than forecasted due in part to a mild summer, resulting in San José Clean Energy (SJCE) accumulating substantial operating reserves. At the same time, the Power Charge Indifference Adjustment (PCIA) — a state-mandated fee collected by Pacific Gas & Electric Company (PG&E) that impacts customer bills — is expected to increase significantly beginning January 1, 2026. To ease the transition for customers and return excess reserves in a timely and equitable manner, staff recommends issuing bill credits totaling approximately \$25,000,000.

Under the proposal, all SJCE customers—excluding net energy metering customers who are net energy generators over the course of 12 months—would receive a bill credit. Residential customers will receive a flat credit of \$40 each, totaling approximately \$12.5 million. Non-residential customers will receive credits distributed proportionally based on usage, segmented across three customer classes (small, medium, and large commercial), totaling approximately \$12.5 million. The \$40 credit represents approximately 70% of an average residential customer's current monthly SJCE generation charges. Credits will be automatically applied to January 2026 bills, and SJCE's Rate Stabilization Reserve will be used to fund the credits.

BACKGROUND

SJCE maintains financial reserves in accordance with City Council Policy 01-24, San José Clean Energy Financial Reserves Policy, which was adopted by the City Council on December 6, 2022, and includes a target of 180 days of operating expenses. The policy was amended on August 13, 2024, to establish a Rate Stabilization Reserve and amended again on June 3, 2025, to revise the conditions under which contributions could be made to that reserve.

When the City Council approved SJCE rates for calendar year 2025 on February 25, 2025, staff noted that if SJCE operating costs were significantly below forecast, options such as customer bill credits would be brought forward for City Council consideration. Favorable energy market conditions—driven in part by a mild summer—resulted in lower-than-anticipated expenses, allowing SJCE to exceed its reserve targets.

Meanwhile, PG&E's most recent proposal¹ to the California Public Utilities Commission includes a significant increase in the PCIA, which is expected to raise customer costs beginning January 1, 2026. PCIA and PG&E generation rates will be finalized in late December 2025. SJCE staff plans to bring a rate adjustment proposal to City Council in February 2026, which would take effect March 1, 2026.

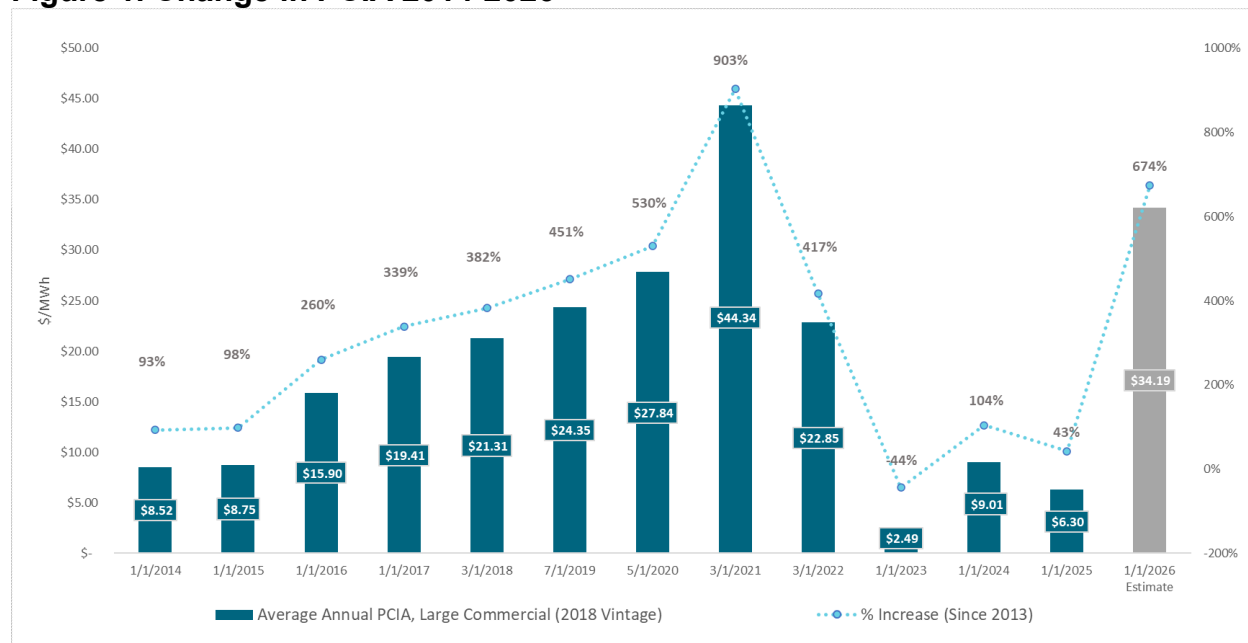
ANALYSIS

SJCE's strong financial performance in 2025 has enabled the proposed bill credits. Actual costs for energy, resource adequacy, and renewable energy attributes were lower than forecasted, largely due to a milder summer that reduced energy consumption and limited exposure to extreme market prices. As a result, SJCE's reserves have grown to approximately 236 days of operating expenses as of September 30, 2025. In addition, SJCE was able to contribute \$56 million to the Rate Stabilization Reserve in Fiscal Year 2024-2025, bringing the reserve's balance to \$106 million.

The proposed \$25 million in bill credits is designed to strike a balance between providing near-term customer relief and maintaining financial stability in light of future increases in PCIA. Issuing the credit now ensures that customers see a benefit on their January 2026 bills—typically a high-bill period—prior to the implementation of new rates in March 2026. As shown in Figure 1, significant increases in the PCIA are anticipated for 2026, potentially quadrupling from 2025 levels, and PG&E's generation rates are projected to decline. These changes will directly affect SJCE customers, making timely relief especially important.

¹ On November 6, 2025, PG&E filed its [Fall Update Errata](#) to its 2026 Energy Resource Recovery Account and Generation Non-bypassable Charges Forecast and Greenhouse Gas Forecast Revenue Return and Reconciliation Fall Testimony.

Figure 1. Change in PCIA 2014-2026



The credit structure shown in Table 1 reflects a balance of equity, simplicity, and operational feasibility. Residential customers will receive a flat \$40 credit, avoiding incentives for excessive energy consumption. Non-residential customers, whose energy usage can vary widely, will receive credits based on usage tiers—categorized into small, medium, and large commercial—rather than account-specific amounts, which would have been operationally infeasible to execute promptly.

Table 1. Distribution of Customer Bill Credits

Customer Type	Number of Customers	Bill Credit per Customer	Total Bill Credit
Residential	311,787	\$40	\$12,471,480
Small commercial ²	23,370	\$130	\$3,038,100
Medium commercial	2,513	\$1,080	\$2,714,040
Large commercial	1,799	\$3,760	\$6,764,240
Total	339,469		\$24,987,860

There is a total of 11,793 net energy metering customers—typically rooftop solar customers—who were net generators over the most recent true-up period (April 1, 2024 to March 31, 2025), are not receiving a credit. These customers already receive

² Small commercial includes customers on A-6, B-EV-1-S, NEM A-1-B, B-1, A-1-A, NEM B-1, A-1-B, B-1-ST, NEM A-6, NEM B-6, TC-1, B-6, SL-1, B-EV-2-S, NEM A-1-A rate schedules. Medium commercial includes customers on B-10-S, AG-A2-A, A-10-B-S, B-10-P, AG-A1-A, AG-1-A, AG-C-A, A-10-A-S, NEM B-10-S, NEM AG-A1-A, AG-B-A, NEM B-10-P, NEM A-10-B-S rate schedules. Large commercial includes customers on E-20-T, NEM B-19-R-P, NEM B-19-P, B-19-S, NEM B-20-R-P, B-19-P, NEM E-19-R-S, B-20-S, NEM E-19-S, B-20-T, B-20-P, NEM E-19-R-P, NEM B-19-S, E-20-P, NEM B-20-S, NEM E-19-P, S-B-T, NEM B-19-S-S, B-19-T, NEM B-20-P, NEM B-19-R-S, NEM E-20-R-P rate schedules.

compensation from SJCE for their net exported energy – 25% above PG&E's net surplus compensation rate.

Staff considered alternative approaches, discussed below. However, given the current financial standing, operational constraints, and the pending PCIA increase, the recommended approach provides an equitable, timely, and administratively feasible way to return value to customers while maintaining prudent reserve levels. After taking into account the issuance of the credits, SJCE is projected to retain approximately 264 days of operating expenses in reserve at the end of December 2025, in addition to maintaining \$81 million in the Rate Stabilization Reserve.

Policy Alternatives

Other options were considered including the following:

Alternative 1: Increase residential bill credit to \$55 per customer.

Pros: A \$55 bill credit would cover 98% of a typical residential monthly bill.

Cons: The total bill credit amount for residential customers would be \$17.8 million, and if non-residential customers received a similar amount, the total cost would be \$36.6 million.

Reason for not recommending: The anticipated increase in PCIA, combined with uncertainty in PG&E's 2026 rates and the hope for SJCE to offer rates competitive with PG&E, make it a prudent decision to preserve more of the Rate Stabilization Reserve at this time.

Alternative 2: No bill credit at this time. Wait for final PCIA and PG&E rates in late December, then set SJCE rates to collect \$25 million less from March 1, 2026, through December 31, 2026.

Pros: SJCE would have more complete information about PCIA and PG&E rates before making a decision to draw down reserves.

Cons: Customers will be paying much higher PCIA charges in January and February 2026, and they would not have the bill credit to help balance against the higher charges.

Reason for not recommending: Customers will benefit more from and appreciate the one-time bill credit in January 2026 more than if spread out in the form of lower rates throughout 2026.

EVALUATION AND FOLLOW-UP

Staff will report the total amount of the customer bill credits to City Council when bringing the 2026 SJCE Rates and Power Mix recommendation for City Council consideration in February 2026.

COORDINATION

This memorandum has been coordinated with the City Attorney's Office and the City Manager's Budget Office.

PUBLIC OUTREACH

This memorandum will be posted on the City's Council Agenda website for the December 2, 2025 City Council meeting.

COMMISSION RECOMMENDATION AND INPUT

The proposal was presented for comment to the City's Climate Advisory Commission (Commission) at its November 6, 2025, meeting. The Commission recommends that San José Clean Energy:

- Pursue a plan to reduce customer power costs in 2026 (versus 2025), beginning with a \$25 million bill credit and continuing with rate-setting as needed when further information is provided by PG&E at the end of 2025. The credit will be distributed across all customer classes, including a \$40 credit for a typical GreenSource residential customer.
- For 2026, increase the Renewable Portfolio Standard energy content of GreenSource to 64%, for an estimated \$1.7 million total.
- Allocate \$14 million toward decarbonization programs.

SJCE's strong reserve position enables this plan to proceed without compromising its financial integrity. In recognition of the urgent need to utilize all resources at the City's disposal to meet San José's climate goals, the City also set the intention for SJCE to use financial reserves to expand decarbonization programs in the coming years.

The Commission's ad hoc committee will continue to review SJCE reserve policy as well as the relative greenhouse gas reduction efficiency of various decarbonization programs and then may propose recommendations for guidelines on programs spending into future years. The Commission appreciates SJCE staff's collaboration with

the Commission's ad hoc committee, which has deepened the Commission's understanding of the factors driving this proposal and provided opportunities for meaningful Commission input, and looks forward to continuing this dialogue to explore ways to further expand greenhouse gas reduction investments while maintaining SJCE financial stability.

CEQA

Statutorily Exempt, File No. PP17-005, CEQA Guidelines Section 15273, Adjustment to Fees, Rates and Fares without changes to or expansion of services.

PUBLIC SUBSIDY REPORTING

This item does not include a public subsidy as defined in section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.

/s/
Lori Mitchell
Director, Energy Department

For questions, please contact Zach Struyk, Assistant Director, Energy Department, at zachary.struyk@sanjoseca.gov.