



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Matt Loesch

SUBJECT: See Below

DATE: September 8, 2025

Approved

Date:

9/9/2025

COUNCIL DISTRICTS: 2, 3, 4, 6, 7, 10

SUBJECT: Franchise Agreement with LS Power Grid California, LLC for Electric Services for Public Rights-of-Way

RECOMMENDATION

Adopt a resolution:

- (a) Authorizing the City Manager, or her designee, to negotiate and execute a franchise agreement between the City of San José and LS Power Grid California, LLC for the purpose of transmitting electric service in the City's public rights-of-way;
- (b) Setting a public hearing for October 21, 2025, at 1:30 p.m., to hear any objections to the granting of the franchise; and
- (c) Directing the City Clerk to publish notice of the public hearing.

SUMMARY AND OUTCOME

Adoption of this resolution will enable the City Council to conduct a public hearing to consider objections to the City's intent to grant a franchise to LS Power Grid California, LLC (LS Power) for the installation and construction of electric interconnection and transmission facilities and appurtenances within the City's public rights-of-way on Monterey Road from the existing Pacific Gas & Electric (PG&E) San Jose B Substation to the existing PG&E Metcalf Substation and on Los Esteros Road from Zanker Road to Gold Street.

BACKGROUND

Electric transmission line upgrades are essential for ensuring a reliable and sufficient electricity supply for San José and the greater Bay Area. As San José transitions towards renewable energy sources of power, these upgrades are critical for efficiently integrating this variable power into the grid.

The California Independent System Operator selected LS Power to develop, construct, and own two high-voltage direct current transmission lines to meet electric reliability needs in the South Bay. The California Independent System Operator is a non-profit Independent System Operator serving California. It oversees the operation of California's bulk electric power system, transmission lines, and electricity market generated and transmitted by its member utilities.

The two high-voltage direct current transmission line projects are known as the Power Santa Clara Valley Project and the Power South Bay Project. The Power Santa Clara Valley Project, also known as the Metcalf – San Jose B High-Voltage Direct Current Project, will come from the south along Monterey Road to Downtown San José (see Attachment – Project Maps). The Skyline terminal in Downtown San José will include a 230 kilovolt (kV) switchgear and will interconnect to PG&E's existing San Jose B substation. The Grove terminal in south San José will include a 500 kV switchgear and will interconnect to PG&E's existing Metcalf substation via a new 500 kV underground transmission line, approximately one mile in length. A new 320 kV high-voltage direct current underground transmission line within Monterey Road, spanning approximately 13 miles, will connect the two terminals. Additionally, 10 x 32 x 12 feet concrete splice vaults will be placed approximately every 1,500 to 3,000 feet along the underground transmission line to facilitate installation of the underground cables.

The Power South Bay Project will come through the northern part of San José via approximately two miles of 230 kV alternating current overhead and underground transmission lines that cross the buffer lands of the San José-Santa Clara Regional Wastewater Facility and then run along Los Esteros Road from Zanker Road to Gold Street. The combined length of both projects in San José will be approximately 15 miles. Each project will strengthen the electrical grid by providing robust new connections within the City and surrounding areas, helping support policies like Climate Smart San José and future economic development.¹

¹ See April 15, 2024, Information Memorandum: Support Position for Power Santa Clara Valley and Power South Bay Projects

<https://www.sanjoseca.gov/home/showpublisheddocument/110590/638489407972900000>

ANALYSIS

Under Article XIII of the San José City Charter, the City Council is empowered to grant a franchise by ordinance to any person for the purpose of furnishing the City or its inhabitants with water, light, heat, and gas, etc., or any other public utility or service using or proposing to use any public street, way, alley or place in the City. Subject to the provisions of Article XIII of the San José City Charter, the City Council may grant a franchise pursuant to procedures prescribed by ordinance or by state law.

Chapter 15.32 of the San José Municipal Code sets forth the City's exclusive procedures applicable to the granting of gas and electric franchises by the City including the procedure by which the City may grant a franchise to construct or use poles, wires, conduits, and appurtenances for transmitting and distributing electricity.

As outlined in Chapter 15.32, Title 15 of the San José Municipal Code, the City Council may pass a resolution declaring its intention to grant the proposed franchise. The City Council must then consider any objections to the granting of the franchise at a public hearing, which shall be set for a fixed time not less than 10 days nor more than 25 days after the date of the adoption of said resolution.

If the City Council adopts the resolution on September 30, 2025, declaring its intention to grant the proposed franchise ordinance, the ordinance will be scheduled for public hearing and the City Council's final consideration on October 21, 2025.

In 2021, the Department of Public Works reviewed all franchise agreements spanning all utility types in the public right-of-way. A key finding is maximizing the franchise agreement process for mutual interests. For example, both parties want predictable franchise term lengths and do not want to increase costs for ratepayers. However, multi-decade terms reduce the ability to discuss shared interests and minimize the ability of a city to engage and secure partnership agreements to accomplish shared goals such as climate action, resiliency, and other programs.

Therefore, staff recommends a franchise term of 10 years that automatically renews for successive 10-year terms up to 40 years, to enable the City to discuss shared interests and engage and secure partnership agreements to accomplish shared goals such as climate action, resiliency, and other programs. The proposed franchise sets forth various requirements for construction, operation and maintenance of LS Power's project, including insurance, bonds and indemnification requirements.

In addition to the 10-year franchise term, a separate Memorandum of Understanding is also a best practice to secure performance and partnership agreements not directly linked to the franchise. The Memorandum of Understanding states a shared commitment between LS Power and the City of San José to remain open to partner on

innovative or pilot project opportunities that may arise in the next 10-year period such as piloting climate action technologies and accelerating climate resiliency options.

Construction is expected to begin in early 2026 and tentatively completed by 2028.

Through the encroachment permit process, LS Power will provide a Construction Impact Mitigation Plan and continue to coordinate with City staff to prevent construction impacts in Downtown San José and corresponding 2026 Sporting Events.

EVALUATION AND FOLLOW-UP

The City Council will conduct a public hearing at the October 21, 2025, City Council meeting to hear any objections to the City's intent to grant the franchise. Any interested person may make a written protest stating objections against the granting of the franchise. All protests shall be signed by the protestor and be mailed or delivered to the City Clerk at 200 E. Santa Clara Street, 14th floor, San José, CA 95113, no later than 12 p.m. on October 21, 2025. At the time set for hearing, the City Council shall hear all objections and pass upon all protests made and its decision shall be final and conclusive.

COST SUMMARY/IMPLICATIONS

LS Power will pay a franchise fee of 2.3% of revenue for the use of the public right-of-way to convey electrical transmission lines, with year one franchise payment expected to be approximately \$500,000 to \$750,000. The percentage mirrors the same 2.3% franchise fee rate the City grants to PG&E for its electrical franchise. Parties will settle on the highest total percentage that meets federal and state regulations without undue burden to maintain LS Power compliance as a transmission-only utility.

COORDINATION

This memorandum was coordinated with the City Attorney's Office, the City Manager's Budget Office, the City Manager's Office of Economic Development and Cultural Affairs, Energy Department, Environmental Services Department, Fire Department, and Planning, Building, and Code Enforcement Department.

PUBLIC OUTREACH

This memorandum will be posted on the City's Council Agenda website for the September 30, 2025 City Council meeting. The City Clerk will also be directed to publish notice of the public hearing for October 21, 2025.

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Page 5

COMMISSION RECOMMENDATION AND INPUT

No commission recommendation or input is associated with this action.

CEQA

Not a Project, File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.

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/
MATT LOESCH
Director of Public Works

For questions, please contact J. Guevara, Deputy Director of Public Works, at j.guevara@sanjoseca.gov or (408) 535-8300.

ATTACHMENT: Project Maps

Attachment – Project Maps

