



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Lori Mitchell

**SUBJECT: LONG-TERM RENEWABLE  
ENERGY AGREEMENT WITH  
PACIFIC GAS AND ELECTRIC  
COMPANY**

**DATE:** August 18, 2023

Approved

Date

8/29/23

## **RECOMMENDATION**

Adopt a resolution authorizing the Director of the Community Energy Department or the Director's designee to negotiate and execute a long-term agreement with Pacific Gas and Electric Company to buy renewable energy for a term of no more than 20 years, from 2023 through 2043, in an estimated amount of \$10,000,000 annually and not to exceed \$150,000,000 in aggregate, to be paid solely from the San José Clean Energy Operating Fund and subject to the annual appropriation of funds; and repealing Resolution No. RES2023-154.

## **SUMMARY AND OUTCOME**

This memorandum requests adoption of a resolution to change the annual not-to-exceed amount to an estimate and adjust it from \$7,500,000 to \$10,000,000. This change makes the resolution consistent with the agreement without increasing the total not-to-exceed amount. This agreement will contribute towards the Community Energy Department achieving the City of San José's clean power goals and complying with the California Renewable Portfolio Standard program in calendar years 2023 through 2043.

## **BACKGROUND**

May 16, 2023, City Council adopted Resolution No. RES2023-154<sup>1</sup> authorizing the Director of the Community Energy Department or the Director's designee to negotiate and execute a long-term agreement with Pacific Gas and Electric Company (PG&E) to buy renewable energy for a term of no more than 20 years, from 2023 through 2043, in an amount not to exceed \$7,500,000

<sup>1</sup> [Resolution No. RES2023-154 Execute and Negotiate Long-Term Agreement with Pacific Gas and Electric](#)

annually and \$150,000,000 in aggregate, to be paid solely from the San José Clean Energy Operating Fund and subject to the annual appropriation of funds.

On May 22, 2023, Community Energy Department executed the long-term agreement with PG&E to purchase renewable energy. It was discovered that the annual not-to-exceed language in Resolution No. RES2023-154 did not align with the variability of the executed agreement.

On August 3, 2023, Community Energy Department's Risk Oversight Committee approved making a recommendation to City Council to provide the necessary authority to buy variable annual amounts without exceeding the total not-to-exceed amount. The correction changes the annual not-to-exceed amount to an estimate and adjust it from \$7,500,000 to \$10,000,000.

### **ANALYSIS**

The energy deliveries under this contract come from a slice of PG&E's renewable energy portfolio and are not guaranteed. Actual deliveries will be known at the end of each year, and the deliveries will decline over time as contracts in PG&E's renewable portfolio expire. Based on PG&E's forecasted deliveries, the annual expected total cost in 2025 is approximately \$9.8 million while the annual expected total cost in 2041 is under \$1 million. The resolution will correct the language from an annual not-to-exceed amount to an annual estimate and will provide flexibility consistent with the terms of the agreement while maintaining the total not-to-exceed amount.

### **EVALUATION AND FOLLOW-UP**

No additional follow-up is expected at this time.

### **COST SUMMARY/IMPLICATIONS**

The resolution will not change the total aggregated expenditure for the contract. The purchase of renewable energy per this agreement is funded by the San José Clean Energy Fund (Fund 501) Cost of Energy appropriation. Total funding of \$421.5 million is currently allocated in 2023-2024; if needed, a recommendation to increase this appropriation may be brought forward for City Council consideration in a future budget process. Future funding for this agreement will be included in future budget processes and is subject to City Council-approved appropriation of funds.

### **COORDINATION**

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

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### **PUBLIC OUTREACH**

This memorandum will be posted on the City's Council Agenda website for the September 12, 2023 City Council meeting.

### **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/

LORI MITCHELL  
Director, Community Energy

For questions, please contact Lori Mitchell, Director of Community Energy, at (408) 535-4880.