CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: Lori Mitchell

SUBJECT: **Amendment to the San José Clean Energy Green Transportation Program**

DATE: August 4, 2025

Approved

Date: 8/11/25

COUNCIL DISTRICT: Citywide

RECOMMENDATION

Adopt a resolution amending the San José Clean Energy Green Transportation Program to:

(a) Include the offering of PG&E's Net Billing Tariff for commercial customers to eligible Green Transportation Program participants, effective upon PG&E's implementation of the Net Billing Tariff for commercial customers in 2026; and
(b) Beginning no later than November 1, 2025, and continuing until PG&E's Net Billing Tariff becomes available to commercial customers (anticipated in April 2026), offer interim export compensation of six cents per kilowatt-hour ($0.06/kWh) for surplus electricity generated by eligible Green Transportation Program participants through regenerative braking.

SUMMARY AND OUTCOME

Approval of this action will allow San José Clean Energy (SJCE) to offer the Net Billing Tariff (NBT) to Green Transportation Program participants in advance of the tariff becoming available to commercial customers by PG&E. PG&E is expected to implement this in April 2026. Beginning no later than November 1, 2025, and continuing until PG&E makes the NBT available to commercial customers in April 2026, this tariff enables public transportation agencies and other eligible customers to benefit from clean on-site generation, while receiving financial compensation for exported electricity, including energy generated from regenerative braking.

BACKGROUND

The City Council approved the Green Transportation Program on May 14, 2024, to provide public transportation traction power customers, such as VTA and Caltrain, with 100% emissions-free electricity at a discounted rate. The program supports the Climate Smart San José plan and San José's goal of carbon neutrality by 2030. Furthermore, 100% emissions-free electricity allows those customers to obtain Low Carbon Fuel Standard credits by claiming lower carbon intensity for their traction power.[1] This effectively reduces operating costs for these customers.

In 2022, the California Public Utilities Commission adopted Decision 22-12-056, establishing the NBT as the successor to the Net Energy Metering 2.0 program for solar customers. NBT is already in effect for residential customers and is scheduled to be extended to commercial customers by PG&E in 2026. SJCE will mirror PG&E's timeline and tariff offering to ensure consistency and fairness for customers across its service area.

The Caltrain Electrification Project, part of the Caltrain Modernization Program, aimed to modernize the commuter rail line between San Francisco and San José, focusing on electrification and improved service. This included: electrifying the 51-mile corridor using an overhead catenary system, replacing diesel-powered trains with electrified trains. Regenerative braking is a key feature of the new electric trains, returning some energy to the grid during deceleration, enhancing efficiency, and reducing the carbon footprint.

The City has been a strong supporter of Caltrain's efforts to electrify its fleet, including initial support for Caltrain's pursuit of federal funding for its electrification project. In the fall of 2024, Caltrain staff expressed an interest in obtaining energy export credit for the energy they are returning to the grid through regenerative braking and have expressed to City staff their desire to have SJCE provide that as an offering.

While NBT has been available to SJCE customers since its implementation, the Green Transportation Program did not previously specify the option for participants to combine this tariff with their participation. This memorandum formalizes that eligibility.

ANALYSIS

The addition of NBT to the Green Transportation Program—effective when PG&E implements the commercial NBT in early spring 2026—provides the following benefits listed below.

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[1] The California Air Resources Board Low Carbon Fuel Standard program is a regulatory framework aimed at reducing greenhouse gas emissions from transportation fuels by incentivizing the adoption of low carbon alternatives. It assigns carbon intensity scores to different fuels, encouraging the use of cleaner options and promoting innovation in the transportation sector.

- **Promotes Clean Energy Integration**: Allows eligible customers to install on-site solar and energy storage systems, reducing reliance on grid power and encouraging local renewable generation.
- **Delivers Financial Incentives**: Participating customers will receive export compensation based on hourly avoided cost values, improving the return on investment for solar and storage projects.
- **Improves Grid Resilience**: Encourages load-shifting and peak demand reduction through storage deployment, supporting system-wide reliability.
- **Maintains Competitive Parity**: Aligns SJCE's tariff offering with PG&E's to retain and attract customers interested in clean transportation electrification and distributed generation.

Implementation of NBT will follow the same rules, rates, and eligibility requirements defined by the California Public Utilities Commission and adopted by PG&E. SJCE will coordinate with its data manager and PG&E to ensure timely and accurate administration. Starting no later than November 1, 2025 eligible Green Transportation participants will receive interim export compensation at the rate of six cents per kilowatt-hour ($0.06/kWh) for surplus energy generated through regenerative braking. When the PG&E NBT becomes available to commercial customers in 2026, the applicable vintage export rate will replace interim export compensation.

More details on the program's specifics can be found in Attachment A and in Attachment B.

EVALUATION AND FOLLOW-UP

SJCE staff will monitor participation in the updated Green Transportation Program and track adoption of commercial NBT 2026. Green Transportation Program performance will be reported to the City Council during annual rate-setting processes.

COST SUMMARY/IMPLICATIONS

Offering NBT and interim export compensation is not expected to impose additional direct costs to SJCE, but export compensation may modestly reduce net revenues from customers participating in the Green Transportation Program. These impacts will be evaluated annually based on participation and load trends. Projected revenue impacts, inclusive of Low Carbon Fuel Standard Reporting, of the Green Transportation Program are estimated below:

Fiscal Year 2024-2025 (Actual)	**Fiscal Year 2025-2026**	**Fiscal Year 2026-2027**
$307,500	$410,000	$410,000

COORDINATION

This memorandum has been coordinated with the City Attorney's Office, the City Manager's Budget Office, and the City Manager's Office of Economic Development and Cultural Affairs.

PUBLIC OUTREACH

This memorandum will be posted on the City's Council Agenda website for the August 26, 2025 City Council meeting.

COMMISSION RECOMMENDATION AND INPUT

No commission recommendation or input is associated with this action.

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

The principal author of this memorandum is Lina Williams, Deputy Director, Account Services, Marketing and Communications, Energy Department. For questions, please contact lina.williams@sanjoseca.gov or (408) 534-2933.

ATTACHMENTS:

Attachment A – Green Transportation Program Customer Attestation SJCE_Form240827
Attachment B – SJCE Green Transportation Program

Green Transportation Attestation

Please fill out all sections before signing.

Entity Name ("Participant"):

Participating PG&E Account Number:

Service Location Zip Code:

Participant attests that it meets all eligibility requirements as set forth below to enroll in the Green Transportation Program:

- Participant is an existing SJCE customer with all accounts current and in good standing;
- Participant has an active account(s) served by SJCE; and
- Participating account(s) serve(s) public transportation traction power facilities.

Participant agrees that it shall maintain all eligibility requirements. Participant's failure to maintain all eligibility requirements shall result in the termination of Participant's enrollment in the Green Transportation Program and risk forfeiting any discounts or credits associated with the program. If, at any time, Participant fails to meet any of the above eligibility requirements, Participant shall deliver SJCE written notice by emailing BusinessRequests@sanjoseca.gov.

Below signature certifies agreement to the Green Transportation Attestation above.

____
Signature

____
Name

____
Title

____
Date

San José Clean Energy Green Transportation Program
Updated: August 26, 2025

San José Clean Energy (SJCE) offers the Green Transportation Program to support public transit serving traction power accounts with clean, renewable electricity that enables participation in California's Low Carbon Fuel Standard (LCFS) program. This **Green Transportation Program** provides 100% emissions-free electricity that qualifies as Portfolio Content Category 1 (PCC1) under California's Renewable Portfolio Standard (RPS), at a reduced rate of one-half cent per kilowatt-hour ($0.005/kWh) above SJCE's GreenSource rates, in order to further its decarbonization goals. This update to the existing program will also support compensation for surplus electricity delivered back to the grid under the Net Billing Tariff from regenerative braking systems.

Eligibility:

This offering is available to public transit agencies receiving electric service from SJCE. Eligibility is limited to electric meters dedicated exclusively to transportation-related electric loads. Participating agencies must also be certified as Fuel Reporting Entities under the LCFS program administered by the California Air Resources Board (CARB), enabling them to generate LCFS credits.

Rates:

Customers will be charged at their otherwise applicable SJCE rate schedule for all electricity imported from the grid. Still, they will receive the TotalGreen product at a reduced rate of half a cent per kilowatt-hour ($0.005/kWh) above SJCE's GreenSource rates.

LCFS Reporting:

To meet the LCFS reporting requirements of participating agencies, SJCE will reconcile the aggregate electricity quantities with the agencies on a quarterly basis. Renewable Energy Certificates (RECs) corresponding to the agreed upon electricity quantities will be retired in LCFS-specific WREGIS sub-account maintained by SJCE. SJCE will deliver the WREGIS report to the participating agencies to demonstrate REC retirement for LCFS.

Export Compensation – Regenerative Braking and NBT:

<u>Export Credit for Regenerative Braking (Interim)</u>

Beginning no later than November 1, 2025, and continuing until PG&E's Net Billing Tariff becomes available to commercial customers (anticipated in April 2026), SJCE will offer an interim export compensation of six cents per kilowatt-hour (**$0.06/kWh)** for surplus electricity generated through regenerative braking.

- This compensation applies only to regenerative braking energy exported to the grid and metered by PG&E under an appropriate export-eligible interconnection agreement.
- There will be no true-up of this interim export rate.

Net Billing Tariff-Based Compensation (Future Implementation)

Upon the availability of PG&E's Net Billing Tariff for commercial customers (anticipated in April 2026), participating Green Transportation Program accounts with surplus generation, such as from regenerative braking or on-site solar systems, will be eligible for export compensation.

- Exported electricity must be metered by PG&E and delivered to SJCE under a valid PG&E export-eligible interconnection agreement.

Compensation for exports will be based on PG&E’s Net Billing Tariff applicable vintage rate.