



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kip Harkness

SUBJECT: See Below

DATE: March 3, 2025

Approved 	Date: 3/14/25
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COUNCIL DISTRICT: Citywide

SUBJECT: San José Municipal Electric Utility Exploration

RECOMMENDATION

- (a) Accept the results of the municipal electric utility exploration studies and the outcome of staff’s evaluation of the desirability and viability of the City establishing a municipal electric utility.
- (b) Adopt a resolution authorizing the City Manager or her designee to negotiate and execute the PG&E City of San José Implementation Agreement, including funding for key positions and consultant support.
- (c) Authorize the City Manager or her designee to continue efforts to evaluate a municipal electric utility if PG&E does not meet the terms and performance outlined in the Implementation Agreement.

SUMMARY AND OUTCOME

Reliable electricity is central to San José’s economic vitality. With ever-rising interest in energy-intensive industries such as data centers, advanced manufacturing, and emerging artificial intelligence applications, a robust electric grid with certainty on the speed of interconnection is essential for continued economic growth. Modernizing transmission and distribution capacity—whether through improved investor-owned utility service or a City-operated municipal utility—can unlock new development opportunities and solidify San José’s position as a premier location for innovation.

Over the past 18 months, City staff conducted an in-depth exploration of establishing a limited municipal electric utility—“San José Power”—to serve high-demand areas such as Downtown and North San José. Pursuant to City Council direction, staff focused on evaluating the viability and desirability of standing up San José Power. Analyses conducted by NewGen Strategies, Mercer, and Worley, acting as consultants to the City, highlight the potential benefits and risks of establishing a new municipal electric

utility called San José Power. Their findings indicate that while a new utility could offer lower rates and more customized energy solutions in targeted areas, this approach would carry substantial staffing, financial, and operational responsibilities for the City. Additionally, the City would need to sustain a positive working relationship with Pacific Gas and Electric (PG&E), which will remain the distribution provider for most San José customers.

San José Power Bottom Line - The City has a viable opportunity to start up San José Power and service limited areas of North San Jose at a lower cost to those customers than PG&E.

In parallel, the City and PG&E staff-initiated discussions to develop a partnership approach that would expedite grid upgrades, streamline interconnections, and expand capacity for major new developments. These discussions resulted in the City Council's approval of a non-binding cooperation agreement to increase the certainty and speed of interconnecting large-load customers. Currently, staff is negotiating with PG&E on a subsequent binding implementation agreement. If approved, such an agreement would include PG&E-funded City positions to facilitate project coordination, process improvements, and establish clear performance metrics to ensure that new and existing large-load customers in Downtown and North San José receive timely and reliable electric service.

Enhanced PG&E Collaboration Bottom Line – The execution of the cooperation agreement and the negotiation of an implementation agreement represent a significant shift in PG&E's approach and commitment to its customers in San José. If the intent of these agreements can be realized, there is tremendous potential to drive economic development at scale over the next several years in both Downtown and North San José.

Based on these considerations, staff recommends that the City prioritize finalizing and executing an implementation agreement with PG&E, under which the City would pause further development of San José Power so long as PG&E meets its performance obligations. This approach limits risk to the City, leverages PG&E's existing infrastructure and workforce, and accelerates the upgrade and expansion of electric service in North San José and Downtown San José in particular. Should PG&E fail to fulfill its obligations, the City retains the option to resume efforts to launch a municipal electric utility, focused initially on serving critical infrastructure and large-load economic development projects in San José.

Evaluation Bottom Line—Given PG&E's commitments to increasing capacity and speed of interconnection, the vast extent of PG&E's service area, the demonstrated demand for interconnection of large load customers that could not be served by San José Power, and the inherent risks in starting up a new line of business, the City should focus on scaling a partnership approach with PG&E.

BACKGROUND

On October 3, 2023 City Council directed the City Manager to explore the feasibility of establishing San José Power as a municipal electric utility in limited areas of the City¹. The City Council directed staff to consider four key questions as a guide to the exploratory phase as follows:

If the City were to provide municipal utility electric service in limited areas of the city, could that be done in a way that would:

1. Reduce electricity energy costs?
2. Would you allow the development of more innovative and energy-efficient buildings, such as those envisioned in the planned Downtown West development?
3. Increase the electrical resilience of the City of San José and our critical infrastructure for both climate change and emergency response.
4. Enable us to attract and retain the skilled and trained talent required to perform this work effectively and reliably.

Early assessments of the viability of a municipal electric utility have focused on North San José and Downtown San José, where the City filed interconnection requests for up to 500 megawatts (MW) of power through new high-voltage transmission lines approved by the California Independent System Operator (CAISO)².

In parallel, the City has engaged with multiple stakeholders, including the International Brotherhood of Electrical Workers and PG&E. These collaborations aim to ensure that a municipal utility—if pursued—would effectively integrate with existing grid operations and workforce expertise. Because the City is evaluating municipal service for a small geographic area of the City, PG&E remains a critical partner citywide, and a recently executed cooperation agreement underscores the importance of coordination on electrical infrastructure.

The Role of Electrical Infrastructure in San José's Economic Development

Reliable electricity is central to San José's economic vitality. With ever-rising interest in energy-intensive industries such as data centers, advanced manufacturing, and emerging artificial intelligence applications, a robust electrical grid with certainty on the

¹ Link to Memorandum: <https://sanjose.legistar.com/View.ashx?M=F&ID=12306654&GUID=E24163C3-6088-47E8-9D22-F41442B874FE>; link to Agenda language: <https://sanjose.legistar.com/LegislationDetail.aspx?ID=6356076&GUID=78ABC245-FB87-46DD-B22D-9352F973EC9D&Options=&Search=>

² On March 27, 2023 CAISO released the results of their selection process and announced LS Power as the winning bidder for two new high-voltage transmission lines coming into San José (<https://stakeholdercenter.caiso.com/InitiativeDocuments/Metcalf-San-Jose-B-HVDC-Project-Project-Sponsor-Selection-Report.pdf>; <https://stakeholdercenter.caiso.com/InitiativeDocuments/Newark-NRS-HVDC-Project-Project-Sponsor-Selection-Report.pdf>)

speed of interconnection is essential for continued economic growth. In parallel, decarbonization initiatives and building electrification are reshaping industrial and commercial power demands and requiring significant new investments in the transmission and distribution of electricity.

Modernizing transmission and distribution capacity—whether through improved investor-owned utility service or a City-operated municipal utility—can unlock new development opportunities and solidify San José’s position as a premier location for innovation. Specifically, having clear terms on certainty of power and timeliness of interconnections could help the City streamline project timelines for developers, secure cost-competitive rates, and advance resilience measures, all of which serve as catalysts for continued economic growth.

Moreover, attracting large-load customers such as data centers and advanced manufacturing typically has a driving role in economic development. Large-load development provides high-quality jobs during construction and operation and provides significant ongoing General Fund revenues without, in many cases, a significant increase in demand for City services.

As an example, a new 99-megawatt data center fully ramped up and running would provide an estimated \$3.5 to \$6.4 million annually in new property tax and utility user tax and require few, if any, additional City services. An estimated 500 to 800 megawatts of large-load projects are currently in planning stages in San José. An additional up to 1,000 MW of load is foreseeable for the future development of the 159 acres of economic development land south of the Regional Wastewater Facility. If all this load materializes, the City’s energy demand could nearly triple. The City’s current average load is roughly 1000 MW, with a potential increase to 2,800 MW given the projected numbers above.

ANALYSIS

The City and surrounding region are experiencing rapid growth in industries requiring significant electric capacity, such as data centers and advanced manufacturing, driven in part by the phenomenal rise in the demand for cloud storage of data and compute power for applications such as video gaming, cryptocurrency, machine learning, and artificial intelligence. Concurrently, the City has ambitious decarbonization goals aligned with its Climate Smart San José initiative, which aims to reduce greenhouse gas emissions and transition to 100% clean energy.

Currently, the electric infrastructure in North San José and Downtown San José faces capacity limitations and interconnection delays that pose a challenge to accommodating this growth while meeting sustainability targets. The availability of reliable, affordable, clean energy infrastructure is critical to attracting businesses, supporting economic development, and fostering innovation in these key areas.

San José Power Opportunity

Pursuant to City Council’s October 2023 directive, staff has San José Power”—to deliver service in limited parts of the city, particularly North San José and Downtown. Under this model, the City would leverage newly approved high-voltage transmission lines from the CAISO to facilitate a potential 250 MW of capacity in each area for a total of up to 500 MW³. The principal objective of the evaluation was to develop a business case that could offer timely power delivery at competitive prices to spur economic growth and advance energy resilience.

After a competitive process the City selected NewGen Strategies, Mercer, and Worley as consultants to provide specialized expertise and conduct in-depth analyses in the development and evaluation of a business case for a potential new municipal electric utility. The scope, key findings, and conclusion of each consultancy are outlined below.

1. NewGen Strategies:

- **Selection and Scope:** Hired through a competitive bidding process to develop the business case and pro forma analysis for “San José Power.”
- **Key Findings:** NewGen evaluated capital infrastructure costs, operations, and maintenance (including administrative) expenses, and power supply costs. They then compared these estimates to the anticipated future PG&E rates.
- **Conclusion:** According to NewGen’s projections, electricity rates for San José Power could be 14% to 26% lower than PG&E’s rates, highlighting a potential cost advantage for customers.

2. Mercer:

- **Selection and Scope:** Commissioned jointly by the City’s Human Resources Department and the Energy Department to conduct a Staffing Analysis for the prospective build-out of a new municipal electric utility.
- **Key Findings:** Mercer identified key positions crucial to operating a municipal utility and benchmarked the salaries for each, comparing local government pay scales and certain classifications within PG&E (particularly for line workers).
- **Conclusion:** The study revealed that the benchmarked salary ranges exceed those within the City of San José’s current pay plan for comparable roles. This indicates potential challenges in hiring and retaining specialized talent.

3. Worley:

- **Selection and Scope:** Worley Consulting was brought on to offer electrical engineering expertise during the technical evaluation phase of San José Power.

³ On September 19, 2024, CAISO published an update to their 2024-2025 Transmission Plan and is proposing to double the amount of power LS Power is building from 1000 MW to 2000 MW in the San José area. (<https://stakeholdercenter.caiso.com/InitiativeDocuments/Presentation-2024-2025-Transmission-Planning-Process-Sep-23-2024.pdf>).

- **Key Findings:** Worley prepared the interconnection application, in collaboration with LS Power, to better understand the costs of connecting to the upcoming transmission line. These insights also fed into the broader business case analysis, ensuring the City had accurate data on potential infrastructure and interconnection expenditures. Worley also assessed the initial routing and placement of the electrical infrastructure and helped staff identify the best site for capital construction.
- **Conclusion:** Worley's analysis concluded that connecting to the transmission is feasible and offered approaches to facilitate interconnection.

Together with in-house expertise, these consultant engagements provided the City with critical insights into financial viability, staffing implications, and technical considerations for launching a new municipal electric utility. Over the months of developing the business case and Worley's technical analysis, staff determined that the ideal service area was in North San José on land adjacent to or on the Regional Wastewater Facility. This area has a number of aspects that make it an ideal location, it is (has);

- Envisioned and entitled to the build-out of manufacturing, data centers, and similar large-load customers,
- Immediately adjacent to the new transmission lines,
- A large amount of land is available for development or redevelopment, including the 159 acres of economic development land on the Regional Wastewater Facility.
- Home to significant critical infrastructure, including the Regional Wastewater Facility and associated water facilities.

Based on these factors, staff narrowed the geographic scope of the business case to focus on North San Jose for the initial phases of buildout.

The business case developed focused on a developer-financed infrastructure approach to limit financial risks to the City by shifting the initial capital outlay to private development partners. Staff worked with several potential partner developers to explore and evaluate this approach. Staff concluded that this approach is viable in North San José in that a resulting municipal electric utility could provide reliable service at lower cost than PG&E. The limited geography of the service area and the high value of the initial customer, coupled with their ability to finance infrastructure up front, significantly reduces risk for the City.

A successful start-up of San José Power would entail considerable effort on the part of the City administration over several years to set up a completely new line of business. This would require the swift onboarding of a highly skilled team to design and build the utility and rapid build-out of the necessary support functions. This effort would rely on significant support from the City Attorney's Office, the City Manager's Budget Office, the Finance Department, the Energy Department and the Public Works Department in

particular, with an ongoing high level of leadership and engagement from the City Manager's Office. The recommended approach would start with a small, highly skilled staff team and contract with the Energy Department for many of the services related to Energy Procurement, Regulatory Compliance, and Customer Billing.

San José Power Bottom Line - The City has a viable opportunity to start up San José Power and service limited areas of North San Jose at a lower cost to those customers than PG&E.

PG&E Partnership Opportunity

Over the past year and a half, in parallel with exploring a potential municipal electric utility, the City has engaged PG&E in increasingly extensive collaboration regarding the future of electric infrastructure, driven by the common desire to support economic growth, meet increasing electricity demand, and advance decarbonization goals. This has included establishing regular coordination with PG&E on topics including:

- Emergency Response and Preparedness,
- Electrical Connection to Development/Permitting,
- Resilience and Innovation,
- PG&E Distribution Infrastructure; and
- PG&E Load Forecasting/Future Planning.

This coordination has resulted in improved outcomes and a deepening interest in a more formal partnership. The City also engaged in regular meetings with the International Brotherhood of Electrical Workers to understand their perspective and to keep them informed on City efforts.

Staff recognized that under any circumstances, PG&E's existing grid remains foundational for the vast majority of customers citywide. Consequently, City staff and PG&E negotiated a cooperation agreement to drive upgrading and expanding electrical infrastructure in North San José and Downtown and ensure certainty and increased speed of interconnection for large-load electrical customers. The City entered into a non-binding cooperation agreement with PG&E following the direction given at the March 4, 2025 City Council meeting.

The cooperation agreement focuses primarily on North San José and Downtown with the following key provisions of the agreement:

- Funding for a City team to accelerate work and improve coordination,
- Commitment to joint planning, and exploring options for financing, and development of new electric infrastructure,
- Commitment to define milestones for interconnection of large load customers,
- Process improvements and innovations in design and delivery of infrastructure,

- Workforce development initiatives and community engagement through a PG&E demonstration facility, and
- The commitment to cooperate on negotiating more detailed implementation agreement(s), which will include greater detail on all issues above including an approach to joint planning, load forecasting, transmission and distribution capital projects and budget teams, funding of staff, workforce development, and design and process improvements.

At the same meeting, the City Council also directed the City Manager to negotiate a more detailed and binding implementation agreement with PG&E that would put into action the principles outlined in the cooperation agreement. To achieve the agreement's vision, PG&E will need to invest significant time and resources. PG&E has indicated that the full magnitude of this investment will only be made with the understanding and certainty that PG&E continues to be the City's provider of energy delivery services. Provided that PG&E meets the milestones and performance obligations outlined in the subsequent implementation agreement(s), the City would pause efforts to further develop a municipal electric utility. One caveat to this is that under any agreement, the City would continue to have the right to pursue providing electrical generation and distribution to critical infrastructure (e.g., the co-generation facility for the Regional Wastewater Facility and other City load). The City may have additional exceptions or carve-outs that will be negotiated as part of the implementation agreement.

Enhanced PG&E Collaboration Bottom Line - The execution of the cooperation agreement and the negotiation of an implementation agreement represent a significant shift in PG&E's approach and commitment to its customers in San José. If the intent of these agreements can be realized, there is tremendous potential to drive economic development at scale over the next several years in both North San José and Downtown.

Evaluation of Options – San José Power and PG&E Collaboration

To fulfill City Council direction and position San José for future growth, staff evaluated the two options against the same criteria. The two options are:

- San José Power – A developer/customer-driven model in a North San José initial service territory where the City manages the distribution infrastructure for targeted areas, financed largely by private partners.
- Enhanced PG&E Collaboration – Continued reliance on PG&E's system for most of the City's electric needs, with a negotiated agreement driving expedited improvements and capacity expansions in priority areas of the City.

Staff's initial evaluation of San José Power answered the four key questions raised at City Council in October 2023.

If the City were to provide municipal utility for electric service in limited areas of the city, could that be done in a way that would:

1. *Reduce electricity energy costs?*

Yes, for the small number of customers using the system. Based on the results of the Business Case developed by NewGen, San José Power could offer rate savings of at least between 14-26% compared to PG&E.

2. *Allow the development of more innovative and energy efficient buildings such as that envisioned in the planned Downtown West development?*

Yes, for the small number of customers using the system. In starting a municipal electric utility from scratch, the City's Electric Service Requirements and Standards could be developed to reflect the most current and innovative approaches to energy infrastructure and thereby ensure that projects connected by San José Power can incorporate advanced renewable energy systems, achieve higher energy efficiency standards, and serve as innovative models for sustainable urban development.

3. *Increase the electrical resilience of the City of San José and our critical infrastructure for both climate change and emergency response?*

Likely, yes, for a subset of critical infrastructure. Powering critical infrastructure such as the Regional Wastewater Facility or San José Airport through a municipal electric utility would allow the City to nimbly design, upgrade or construct and operate the electrical distribution network needed to secure reliable and resilience electrical infrastructure without the limitations of investor-owned utilities' regulatory processes, external shareholder pressures, and long wait times for infrastructure upgrades, thereby enabling more flexible and rapid improvements to meet the City's resiliency needs.

4. *Enable us to attract and retain the skilled and trained talent required to perform this work effectively and reliably?*

Uncertain. According to the Mercer Staffing Study, the salaries offered by nearby jurisdictions for key roles—such as a General Manager, Chief Electrical Engineer, and a new High-Voltage Line Worker classification—exceed the City's current pay range for these or similar positions. This could pose challenges in attracting and retaining critical positions required to establish a new municipal electric utility at a competitive salary level without potential changes to the City's current salary structure.

As staff evaluated these two options further and developed eight criteria to compare the two approaches against the status quo (see Figure 1 below). These key criteria are:

- A. Certainty of Power
- B. Speed of Interconnection
- C. Customer Electricity Rates (Cost)

- D. Resilience
- E. Innovation/Design
- F. Emergency Preparedness and Response
- G. PG&E/City Relationship
- H. Risk to the City
- I. City Level of Effort

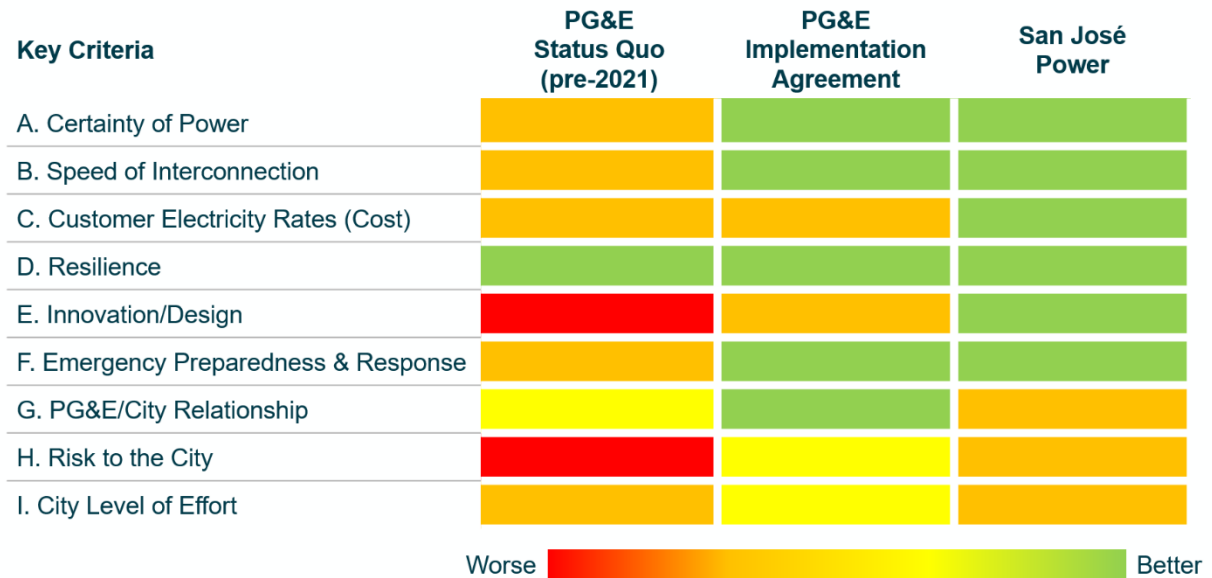


Figure 1: Key Considerations and Tradeoffs between PG&E Partnership and San José Power

Among the eight key criteria shown above, four stand out as especially significant.

Customer Electricity Rates (Cost). While rates under a newly created “San José Power” could be lower than PG&E’s, the practical benefits would be limited to a small number of customers in the initial North San José service area. Although reduced rates might attract additional development, feedback from prospective developers indicates that reliable power and faster interconnections are at least as important as lower costs.

Maintaining a Strong Relationship with PG&E. Because PG&E would continue to serve the vast majority of the City, establishing “San José Power” could strain the partnership with PG&E. The City must consider the interests of all residents and the progress it has already made in building a positive working relationship with PG&E. This alone should not be a criterion for deciding against starting a municipal electric utility, as any Investor-Owned Utility will invariably oppose new entrants into the market and in its service area.

Risk to the City is higher with the San José Power approach. While the developer financed approach seeks to minimize risk, the reality is that any start-up of a new electric utility would face risks in the initial design and construction of the system and, especially related to ongoing operations. This risk could be partially mitigated by the

onboarding of a highly skilled team; however, there are significant limitations in the City's ability to attract and retain the specialized staff needed to launch and operate a new line of municipal business. Taking on a utility means the City alone shoulders the responsibility for its success. While there is still some risk in partnering with PG&E—namely, if PG&E does not fulfill its obligations—it remains a lower risk compared to launching an entirely new operation.

City Level of Effort required for creating and managing a new utility would be substantial, especially while City leadership and staff must also address urgent priorities such as homelessness and public safety. Although building a municipal utility is possible, relying on an established, fully operational utility like PG&E could reduce the City's workload and allow it to focus resources and attention on other critical issues.

Staff's evaluation demonstrates that both options can partially address the City's core objectives (cost, reliability, and resilience), with trade-offs in terms of financial and operational risk.

Evaluation Bottom Line - Given PG&E's commitments to increasing capacity and speed of interconnection, the vast extent of PG&E's service area and the demonstrated demand for interconnection of large load customers that could not be served by San José Power coupled with the inherent risks in starting up a new line of business the City should focus on scaling a partnership approach with PG&E. This partnership approach should be given ample opportunity to succeed but should also be backed up by the City's willingness to stand up San José Power to serve the Regional Wastewater Facility and 159 acres of economic development land, or other areas, if PG&E fails to meet its obligations.

Recommended Path Forward: Implementation Agreement with PG&E

It is staff's recommendation that the City negotiate and execute a binding implementation agreement with PG&E for certainty on speed of interconnection and availability of power and pause efforts to launch San José Power. If PG&E is not able to meet the performance obligations in the implementation agreement, the City's fallback should be to continue pursuing the municipal electric utility.

As a reminder, San José Clean Energy would continue to be the default energy generation provider in the City. As PG&E's energy distribution load increases, so does San José Clean Energy's energy generation load. For SJCE customers that means cleaner, affordable energy, and participation in SJCE programs to assist with building electrification, electric vehicles and other clean energy programs.

On March 4, 2025, the City Council provided direction to incorporate key deal points into the implementation agreement with PG&E. Working with PG&E, all deal points have been incorporated into the draft agreement, and staff are close to finalizing the agreement. The agreement focuses on large-load customers in North San José and

Downtown and also includes improvements in service delivery for customers across the City. Key elements of the implementation agreement include a commitment to joint planning and economic development, building and funding a city team, an approach for driving delivery, process and design improvements, and increased workforce development opportunities.

Joint Planning and Economic Development

The implementation agreement will facilitate a more collaborative, agile approach to utility planning and construction. By promoting early stakeholder consultation, advanced design coordination, and expedited timelines, both PG&E and the City would seek to reduce or eliminate the hurdles that have historically prolonged essential infrastructure work. The agreement is premised on a joint approach to electrical infrastructure planning and economic development where PG&E provides information transparently to the City on load forecast and capital plans, and both parties work together to attract and retain the large load customers who will drive economic development.

Building and Funding a Team

The agreement establishes and funds a dedicated City Energy Development Team required to drive large-scale electric infrastructure projects. Under this framework, PG&E would provide funding and/or other resource support for City positions tasked with accelerating project reviews, coordinating permitting, and streamlining development. These specialized staff will enable the City to more effectively plan and oversee infrastructure expansion, ensure timely progress, and manage the complex regulatory processes associated with major grid enhancements. Two positions in the City Manager's Office of Economic Development and Cultural Affairs will lead the partnership to success and monitor and track PG&E's performance obligations and milestones. The remaining four positions will reside in Public Works Department – Development Services and Engineering Services Divisions, to drive delivery in the field and facilitate permit streamlining.

Approach for Driving Delivery – Transparency, Accountability, and Objectives as Measured by Key Results

Clear performance benchmarks and timely reporting are required to help drive delivery for large-load customers. Measures such as interconnection timelines and on-schedule electrical upgrades, as well as performance obligations such as availability of required power, will be tracked through monthly coordination meetings and semi-annual progress reports. When goals are not being met or delays occur, an escalation mechanism will ensure issues are quickly surfaced, analyzed, and resolved. This results-driven framework is intended to support the timely completion of PG&E's projects and maintain the high level of transparency

needed to inform stakeholders about ongoing progress. The implementation agreement also outlines a cure period if results are not met, and the City would have the option to resume exploring San Jose Power if PG&E is not able to meet the performance obligations after the cure period.

Process and Design Improvements – New Ways of Doing Business

The agreement will allow a dedicated focus on process improvements for large-load customers and a pilot process to review if expanding the annual permit for city-wide customers is mutually beneficial. The teams collectively have identified hundreds of potential improvements and will focus on a shorter list with the highest potential to improve service for the least amount of investment. Potential innovations include a shared permit status dashboard across all PG&E business units, a weekly PG&E permit priority list, a 5-week PG&E construction forecast listing, co-location of utility and City review staff, improved process for joint trenching, and piloting and standardized equipment specifications for new distribution projects.

Workforce Development

PG&E and the City have committed to addressing the critical need for a skilled and highly qualified electrical workforce. This includes collaborative efforts with the International Brotherhood of Electrical Workers to develop training programs, apprenticeships, and skill-building initiatives for emerging technologies such as building electrification, grid-scale battery storage and microgrids. PG&E's planned demonstration facility—envisioned at its 111 Almaden Boulevard location—will serve as a hub for showing how next-generation power systems work and for engaging students, jobseekers, and local businesses in career pathways within the expanding clean energy sector. Additionally, work2future, which has a long-standing partnership with PG&E Power Pathways will collaborate with the International Brotherhood of Electrical Workers and PG&E to develop customized training and career awareness programs for youth and adults.

Best Alternative to a Negotiated Agreement

If the implementation agreement cannot be finalized or over time does not achieve the intended performance objectives, the City retains the option of standing up a municipal electric utility to ensure the timely delivery of electricity to support economic development and service needs for a portion of the City. By preserving the right to launch a municipal utility effort, the City maintains critical leverage to incentivize success.

EVALUATION AND FOLLOW-UP

Progress updates on milestones and implementation will be provided as needed through informational memorandums or reports to the City Council or the Transportation and Environment Committee.

COST SUMMARY/IMPLICATIONS

The implementation agreement will include funding for a City Energy Development Team funded by PG&E to coordinate and accelerate large load projects, consisting of:

- a) At least two City positions associated with economic development and oversight.
- b) At least four positions within Public Works Department funded by upfront fees paid for by and credited back to PG&E as projects progress, ensuring a dedicated team with the right non-personal equipment and ability to focus on large-load projects.
- c) Funding for innovation and process improvements, including collaboration with innovation partners to streamline permitting, joint trenching, and digital tracking.
- d) Funding for as-needed consultant support for technical, legal, or subject matter expertise.

The positions and consultant costs would be brought forward as part of the 2025-2026 proposed budget process, either as a proposal or Manager's Budget Addendum, and/or advanced earlier in alignment with funding from PG&E.

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, the Energy Department, and the Public Works Department.

PUBLIC OUTREACH

This memorandum will be posted on the City's Council Agenda website for the March 21, 2025 City Council Special Meeting. Outreach to community stakeholders and industry representatives has been conducted to inform this work.

COMMISSION RECOMMENDATION AND INPUT

No commission recommendation or input is associated with this action.

HONORABLE MAYOR AND CITY COUNCIL
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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/
Kip Harkness
Deputy City Manager

For questions, please contact Erica Garaffo, Assistant to the City Manager, Lead Resilience Strategist, City Manager's Office at erica.garaffo@sanjoseca.gov