



Memorandum

TO: CITY COUNCIL **FROM:** Mayor Matt Mahan
SUBJECT: SEE BELOW **DATE:** October 2, 2023

APPROVED: *Matt Mahan*

SUBJECT: Ordinance Amending Titles 2, 4, and 26 and Adding Title 28 to the San José Municipal Code to Establish a Municipal Utility for Electric Service.

RECOMMENDATION

1. Approve the staff recommendation.
2. Direct the City Manager to bring back the following when returning to council with their analysis of a potential municipalized utility:
 - a. Study whether a municipal utility could provide greater speed, certainty, and transparency around timelines for energizing buildings.
 - b. Study the economic impact with a side-by-side cost benefit analysis for both business and residential customers.
 - c. Study the risks and other challenges of operating a municipal utility, including economies of scale compared to PG&E.

DISCUSSION

San José’s future economic competitiveness relies on our ability to provide energization for new jobs and housing. From the creation of much needed affordable housing to leveraging federal CHIPS Act funding for the creation of high-paying local manufacturing jobs, the common denominator is the need for energy that is affordable and reliable. In addition to our own priorities, the state has mandated that all new car sales after 2035 must be zero emission vehicles, meaning an increasing demand on the electric grid, presenting several new challenges and opportunities.

The purpose of this memo is to establish guardrails and a north star for staff’s efforts in bringing forth a future recommendation on a potential municipal utility known as San José Power. We must focus on studying the true costs and benefits of pursuing a municipal utility so both decision makers and the public clearly understand the risks and opportunities of this undertaking.

Before undertaking any obligations to establish a municipal utility in San José, we must analyze whether we can materially improve the service, cost, and transparency for residents and

businesses in San Jose. If we cannot achieve these goals, then the case for a municipal utility falls flat.