

RESOLUTION NO.

**A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN JOSE AMENDING SAN JOSE CLEAN ENERGY'S RATE-SETTING METHODOLOGY AND SERVICE OPTIONS**

**WHEREAS**, the City Council of the City of San José ("City") unanimously approved the formation of San José Clean Energy ("SJCE") in May 2017, and SJCE launched service to most San José businesses and residents in February 2019; and

**WHEREAS**, on November 7, 2017, the City Council approved an ordinance to add Title 26 to the San José Municipal Code that provides procedures for the operation and management of SJCE, whereby SJCE may provide any rate designs or programs as approved by the City Council; and

**WHEREAS**, on November 6, 2018, the City Council authorized SJCE to set rates for the default GreenSource product to be one percent below Pacific Gas and Electric Company's ("PG&E") generation rates, after accounting for the franchise fees and the Power Charge Indifference Adjustment ("PCIA") across all rate classes for 2019; and

**WHEREAS**, on April 16, 2019, the City Council approved enrolling non-City small commercial customers in June 2019; and

**WHEREAS**, on December 10, 2019, the City Council authorized SJCE to establish a power mix of at least 86 percent carbon-free energy with at least 45 percent renewable energy for the GreenSource product starting January 1, 2020; and

**WHEREAS**, on November 17, 2020, the City Council authorized SJCE to establish a power mix of between 53 and 92 percent carbon-free energy with at least 40 percent renewable energy for the GreenSource product starting January 1, 2021 and to set GreenSource rates at 0.25 percent below PG&E's generation rates, after accounting for

all PG&E added fees, including the PCIA and Franchise Fee Surcharge, across all rate classes; and

**WHEREAS**, on May 11, 2021, the City Council authorized SJCE to establish a new low-cost service called GreenValue with rates set at parity with PG&E and a power mix of at least 36 percent renewable energy and 80 percent carbon-free energy, and approved SJCE to establish the SJ Cares program, which allows California Alternate Rates for Electricity (“CARE”) and Family Electric Rate Assistance (“FERA”) customers enrolled in GreenSource service to pay GreenValue rates; and

**WHEREAS**, on June 22, 2021, the City Council authorized the City of San José Financing Authority to issue no more than \$95 million in Commercial Paper Notes to SJCE to finance power purchases and other operating costs; and

**WHEREAS**, on December 14, 2021, the City Council authorized SJCE to amend its rate and service options, beginning January 1, 2022, according to Plan A, as described in the Memorandum from the Director of the Community Energy Department, dated November 29, 2021, if there was no delay in PG&E’s rate-setting process, or Plan B, as described in the Memorandum from the Director of the Community Energy Department, dated November 29, 2021, if there was a delay in PG&E’s rate-setting process; and

**WHEREAS**, on January 1, 2022, SJCE implemented Plan B due to delays in PG&E’s rate-setting process, and on March 1, 2022, SJCE adopted Plan A once PG&E’s rate and PCIA changes became effective; and

**WHEREAS**, on June 28, 2022, the City Council authorized SJCE to modify Plan A of the 2022 rates in response to the June 1, 2022 rate changes by PG&E; and

**WHEREAS**, SJCE has four rate structures, GreenValue, GreenSource, TotalGreen and SJ Cares Program, that are impacted by PG&E rate changes and PCIA rates; and

**WHEREAS**, the PG&E 2023 Energy Resource Recovery Account Forecast filings to the California Public Utilities Commission (“CPUC”) point toward a potential decrease of less than one percent in bundled generation charges compared to 2022; and

**WHEREAS**, the CPUC will vote on PG&E’s rate changes before the end of December 2022 and the new rates will be effective on January 1, 2023; and

**WHEREAS**, all California electric customers pay the PCIA fee to cover above market generation costs of investor-owned utilities, and SJCE customers only pay for those above market costs attributable to generation acquired prior to being enrolled in SJCE; and

**WHEREAS**, PG&E’s PCIA fees have risen over 900% between 2013 and 2021. For the average residential customer in San José using 427 kWh per month, PCIA fees doubled from \$9.09 per month in 2018 to \$18.58 per month in 2021. In 2022, the PCIA decreased by 55 percent relative to 2021 and returned to approximately \$8 per month; and

**WHEREAS**, SJCE has set its rates in relation to PG&E’s standard generation rates, inclusive of PG&E added fees (i.e., the PCIA and the Franchise Fee Surcharge), since 2019, but staff has modified the rate calculation methodology that SJCE utilizes to a cost-of-service methodology to establish rates, as described in the Memorandum from the Director of the Community Energy Department, dated November 14, 2022, since this is an industry-accepted framework that will allow SJCE to design rates that reflect local priorities, build operating reserves for resiliency, provide more consistency and transparency for customers, and will result in fewer rate changes each year; and

**WHEREAS**, staff recommends that the City adopt rates according to the rate schedules outlined in Attachments A, B, and C of the Memorandum from the Director of the Community Energy Department, dated November 14, 2022, maintaining the renewable energy content of GreenSource at 60 percent renewable, continuing to set rates for TotalGreen at \$0.005 or \$0.01 per kilowatt-hour above GreenSource, depending on rate class, and increasing the discount for its SJ Cares program to ten percent in 2023 to mitigate energy burdens for San José residents with the lowest incomes, and staff further recommends that the City suspend GreenValue service and transfer customers from GreenValue to GreenSource service since GreenSource will cost less in 2023 and be less expensive than PG&E's generation service; and

**WHEREAS**, the City desires to amend SJCE's rate-setting methodology and service options to further reduce greenhouse gas emissions, promote equity, address customer cost concerns, and strengthen SJCE's financial resiliency;

**NOW, THEREFORE**, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SAN JOSE THAT:

The City amends San José Clean Energy's rate-setting methodology and service options as follows:

1. Maintaining the renewable energy content of GreenSource at 60 percent renewable and setting rates, inclusive of the Power Charge Indifference Adjustment and Franchise Fee Surcharge, according to the rate schedule in Attachment A to the staff memorandum, effective the later of January 1, 2023, or when Pacific Gas & Electric Company's 2023 generation rates and Power Charge Indifference Adjustment rate become effective;

2. Suspending GreenValue service and transferring customers from GreenValue to GreenSource service, effective the later of January 1, 2023, or when Pacific Gas & Electric Company's 2023 generation rates and Power Charge Indifference Adjustment rate become effective;
3. Continuing to set rates for TotalGreen at \$0.005 or \$0.01 per kilowatt-hour above GreenSource, depending on rate class, according to the rate schedule in Attachment B to the staff memorandum, effective the later of January 1, 2023, or when Pacific Gas & Electric Company's 2023 generation rates and Power Charge Indifference Adjustment rate become effective; and
4. Amending the discount for the SJ Cares program, which is open to California Alternate Rates for Energy (CARE) and Family Electric Rate Assistance (FERA) customers, to 10 percent below GreenSource rates while continuing to provide SJ Cares customers with GreenSource renewable content, according to the rate schedule in Attachment C to the staff memorandum, effective the later of January 1, 2023, or when Pacific Gas & Electric Company's 2023 generation rates and Power Charge Indifference Adjustment rate become effective.

ADOPTED this \_\_\_\_\_ day of \_\_\_\_\_, 2022, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

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SAM LICCARDO  
Mayor

ATTEST:

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TONI J. TABER, CMC  
City Clerk