



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kip Harkness

SUBJECT: See Below

DATE: February 20, 2025

Approved

Date:

2/20/25

COUNCIL DISTRICT: Citywide

SUBJECT: Cooperation Agreement Between Pacific Gas and Electric and the City of San José for Electric Infrastructure Development

RECOMMENDATION

Adopt a resolution authorizing the City Manager or her designee to:

- (a) Negotiate and execute the non-binding Cooperation Agreement between Pacific Gas and Electric Company and the City of San José to support the timely development of electric transmission and distribution infrastructure necessary for economic growth and decarbonization goals in North San José and Downtown San José.
- (b) Negotiate a binding Implementation Agreement consistent with the Cooperation Agreement’s objectives that the parties expect will be brought before City Council in the spring of 2025.

SUMMARY AND OUTCOME

This cooperation agreement establishes a collaborative framework between the City and Pacific Gas and Electric Company (PG&E) to plan, finance, construct, and maintain electric infrastructure to meet the City's economic development and decarbonization goals. The agreement sets the foundation for joint efforts to attract businesses, support growth in new industries such as artificial intelligence, and align with the City's carbon neutrality objectives. The outcome includes clear milestones for infrastructure development and governance processes to ensure accountability and progress.

BACKGROUND

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 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 delays in interconnection 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. PG&E, as the operator of the existing electric grid in San José, is well positioned to collaborate with the City in the development and modernization of this infrastructure.

Over the past year, the City has engaged in extensive research and discussion regarding the future of its electric infrastructure, driven by the need 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 deepening interest in a more formal partnership. The City also engaged in regular meetings with the International Brotherhood of Electrical Workers (IBEW) to understand their perspective and to keep them informed on our efforts.

In parallel with these efforts with PG&E, the City has followed City Council direction and explored multiple options for meeting the City's electricity needs, including the potential development of a municipal electric utility. Staff will report out in more detail on the results of these explorations at a special meeting in March 2025. However, even if the City were to develop a municipal electric utility, the City would still rely on PG&E to provide and maintain the electrical distribution infrastructure for the vast majority of the City. As such, the City wants PG&E to be successful as its customers are also San José residents. So regardless of any decision the City may make regarding establishing a municipal electric utility, staff recommends formalizing our partnership with PG&E.

Pursuant to improving certainty and speed of interconnection and meeting economic development and climate goals, the City and PG&E have negotiated a non-binding cooperation agreement to formalize their long-term collaboration. This agreement outlines the roles and responsibilities of both parties to ensure the timely planning, construction, and operation of the necessary infrastructure to support economic and environmental objectives. By leveraging this collaboration, the City aims to enhance its competitiveness, achieve sustainability goals, and deliver benefits to its residents and businesses.

The agreement focuses primarily on North San Jose 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.
- 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.

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 primary 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 develop a municipal electric utility further. 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). The City may have additional exceptions or carve-outs that will be negotiated as part of the implementation agreement.

ANALYSIS

The cooperation agreement provides an initial framework for collaboration between PG&E and the City, focusing on the following key areas.

1. **Infrastructure Development:** PG&E will lead the planning, engineering, and construction of new electric transmission and distribution infrastructure in North San José and Downtown San José. This infrastructure will be designed to accommodate large industrial and commercial facilities while ensuring scalability for future demand. The agreement requires that PG&E will develop, in conjunction with the City, specific milestones and performance metrics to track progress.
2. **City Support:** The City will play a critical role by expediting the evaluation and processing of applications for rights-of-way, easements, zoning, and permits. Additionally, the City may provide land or other resources to facilitate the timely construction of infrastructure projects.
3. **Governance and Coordination:** A governance structure will be established with senior executive sponsors from both PG&E and the City to oversee the implementation of the agreement. Monthly coordination meetings and semi-annual planning sessions will ensure alignment on goals, timelines, and deliverables.
4. **Workforce Development and Community Engagement:** PG&E will invest in workforce development programs to increase the supply of skilled electrical workers in the region. The establishment of a demonstration facility (proposed to be at PG&E's 111 Almaden Boulevard location) to serve as an innovation hub, showcasing clean energy technologies and engaging the community in the transition to a sustainable future.
5. **Transparency and Accountability:** The agreement emphasizes transparency through regular progress reports and updates to City stakeholders. PG&E will provide measurable milestones and report on infrastructure development efforts, ensuring accountability and fostering trust.

By focusing on these areas, the Cooperation Agreement aligns with the City's broader goals of economic development, environmental sustainability, and community well-being. The collaboration with PG&E represents a significant step toward achieving these objectives and addressing the infrastructure challenges that could hinder future growth.

EVALUATION AND FOLLOW-UP

Progress updates on milestones and implementation will be provided through regular reports to either the City Council or the Transportation and Environment Committee. The implementation agreement, once negotiated, will be presented to the City Council for approval.

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COST SUMMARY/IMPLICATIONS

The Cooperation Agreement does not include funding. Funding for City staff and consultant costs will be detailed in subsequent implementation agreement(s).

COORDINATION

This memorandum was coordinated with the City Attorney's Office, City Manager's Budget Office, City Manager's Office of Economic Development and Cultural Affairs, Energy Department, and Public Works Department.

PUBLIC OUTREACH

This memorandum will be posted on the City's Council Agenda website for the March 4, 2025 City Council meeting. Outreach to community stakeholders and industry representatives has been conducted to inform the agreement's development.

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.



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.