



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Lori Mitchell
Jim Shannon

**SUBJECT: COMMUNITY ENERGY
DEPARTMENT
STAFFING ADDITIONS**

DATE: January 26, 2021

Approved:

Date:

01/28/21

RECOMMENDATION

Approve the following additions to the Community Energy Department staffing in Fiscal Year 2020-2021:

<u>Job Classification</u>	<u>FTE</u>
Principal Power Resources Specialist	1.0
Power Resources Specialist I/II	1.0

OUTCOME

Approval of the recommended staffing additions will allow the Community Energy Department (“CED”) to continue to grow and improve the operations of the City’s Community Choice Energy Program, San José Clean Energy (“SJCE”). The addition of the Principal Power Resources Specialist and Power Resources Specialist I/II full-time equivalent (FTE) positions are essential to ensuring that CED can meet ongoing business and regulatory challenges and improve power procurement risk management.

BACKGROUND

On August 29, 2017, the San José City Council approved the SJCE Implementation Plan. This plan included a funding strategy for the program considering the cost of energy and operating and administrative costs and a staffing plan. On January 30, 2018, the CED presented to City Council a status report with an updated SJCE staffing plan and proposed organizational chart. CED noted that after start-up, additional positions would be needed to support operations and that longer-term operating Community Choice Aggregation (“CCA”) programs such as Marin Clean Energy and CleanPowerSF both have over 50 positions.

SJCE commenced start-up operations serving City accounts on September 1, 2018 and commenced service to the bulk of San José residents and businesses on February 1, 2019. In early 2021, SJCE expects to complete its roll out to all customers in San José by commencing service to a final group of net energy metered customers.

CED currently has 29 authorized positions, as reflected in the 2020-2021 Adopted Operating Budget. As the department has continued to expand operations and progress to becoming a fully operational CCA, SJCE has identified the need for two additional positions as described in this memorandum.

ANALYSIS

Since SJCE launched initial operations in September 2018, SJCE has continued to refine its staffing plan. In the startup phase SJCE conducted complex planning, analysis and tracking with the use of consultant support. As SJCE continues to mature, additional professional staff and more advanced technological tools are needed to support full operations. This will help ensure SJCE can retain an efficient cost structure and allow for more sophisticated planning, analysis, risk oversight, and management.

SJCE now serves over 300,000 customer accounts. It has hundreds of power purchase agreements and four long-term agreements with renewable resources slated to commence operations in 2022 and 2023. The number of power purchase agreements has continued to grow and are now approaching \$2 billion in total value. In addition to customer growth, SJCE has also experienced increased costs over the last few summers related to heat waves and resource adequacy. It is clear that additional analytical expertise is necessary to support the procurement of more complex transactions to reduce these costs, support the procurement of resource adequacy, and oversee integrated resource planning.

SJCE also faces ongoing regulatory challenges including continued growth of the Power Charge Indifference Adjustment (“PCIA”), which accounts for Pacific Gas and Electric Company’s (“PG&E) above market costs. In addition, the California Public Utilities Commission is requiring increasingly extensive and detailed planning, analysis and information in Integrated Resource Plans filed every other year, Renewable Portfolio Standard Procurement Plans filed annually, and multiple data requests associated with these plans, as well as directing additional procurement.

SJCE requires additional analytical capability to meet these increasingly complex requirements, support adequate risk management, and reliably and cost-effectively integrate a growing proportion of renewable resources into its portfolio, while maintaining system reliability, and retaining customers. While it is the City’s good budgetary practice to make permanent staffing adjustments as part of the Proposed Budget Process, the Administration is bringing forward the staffing additions to SJCE’s power supply and risk management teams now to meet these expanded operational requirements. If these additions were to wait until the Proposed Budget process, with the incumbents not likely to start until the summer months, SJCE will be under-

resourced for a longer period and at risk for not meeting its compliance obligations, and have a limited ability to support more complex energy transactions to reduce power supply costs, including the difficult RA transactions that are required to be procured before the end of October 2021.

Staffing Additions

CED is requesting the following two permanent positions: 1.0 FTE Principal Power Resources Specialist and 1.0 FTE Power Resources Specialist I/II.

Principal Power Resources Specialist

The new Principal Power Resources Specialist on the Power Resources team would report to the Deputy Director of Power Resources. The Power Resources unit is responsible for procurement of all power supply products for SJCE. The new position is needed to support the continued growth of SJCE and to meet increasing business and regulatory requirements. SJCE will soon issue a solicitation for an energy trading and risk management (“ETRM”) software system, and the new position will support implementation and ongoing use of this asset. SJCE is seeking to augment staff and improve its tools to provide for improved and more sophisticated planning, analysis, and procurement in order to more cost-effectively meet the needs of SJCE’s load and to manage and complement the renewable resources SJCE has contracted for as these come on line in 2022 and 2023.

Specific responsibilities will include:

- Leading compliance with key evolving regulatory requirements including preparation of Integrated Resource Plans and Renewable Portfolio Standard Procurement Plans.
- Ensuring compliance with related medium and long-term procurement requirements, as well as analysis and compliance with changing resource adequacy requirements.
- Support refinement of SJCE’s procurement strategy, including securing more complex dispatchable products. Dispatchable products generate energy as needed to meet load fluctuations and are important to address SJCE’s weather related load changes. Some options include battery storage, renewable fuels, natural gas, and demand response.
- Support ongoing procurement of standard products including energy, resource adequacy, and renewable power products.

Power Resources Specialist I/II

The Power Resources Specialist I/II on the Risk Management, Contracts and Administrative Services Division will report to the Division Manager and support risk management and power contract oversight. The Risk Management, Contracts and Administrative Services Division operates as the “Middle Office” for SJCE and is responsible for providing independent oversight of the risks assumed in the course of transacting for energy products and services as well as ensuring compliance with adopted risk management policies and procedures. The Middle Office serves as secretary to the Risk Oversight Committee (“ROC”), developing ROC agendas, taking and compiling meeting minutes and distributing meeting materials. The Middle Office is

responsible for preparing regular risk management reports. The Contracts unit of the Risk Management, Contracts and Administrative Services Division provides strategic support to facilitate the development and execution of various non-energy contracts, tracks signed energy contracts, and manages the invoicing process.

As the department continues to grow and procure energy, the Risk Management, Contracts and Administrative Services Division requires additional technical expertise to provide adequate risk management oversight for power procurement. The current staffing contingent in the Division requires additional energy industry expertise to adequately support the critical risk management functions as SJCE continues to grow.

Specific responsibilities will include:

- Providing quality assurance for complex energy-specific contracts.
- Overseeing California Independent System Operator (CAISO) settlement functions, and ensuring contracts perform as expected.
- Verifying that power supply agreements are authorized and executed appropriately and resolving contracting issues.
- Improving risk management analysis for medium- and long-term contracts.
- Mark-to-market analysis.
- Preparing reports for the power contracts portfolio.

CONCLUSION

Staff recommends approval of two additions to the San José Community Energy Department staffing in Fiscal Year 2020-2021, both as permanent full-time positions:

- a Principal Power Resources Specialist to be added to the Power Resources team; and
- a Power Resources Specialist I/II to be added to the Risk Management, Contracts and Administrative Services Division.

These actions are needed to continue to grow and improve the operations of SJCE and to ensure that CED can meet ongoing business and regulatory challenges and improve power procurement risk management.

EVALUATION AND FOLLOW-UP

No further follow-up with the City Council related to this memorandum is anticipated.

CLIMATE SMART SAN JOSÉ

The recommendation in this memorandum aligns with one or more Climate Smart San José energy, water, or mobility goals.

COST SUMMARY/IMPLICATIONS

The estimated cost for the positions in the current fiscal year is approximately \$150,000, which will be absorbed within the Community Energy Department's Personal Services appropriation in the San José Clean Energy Operating Fund, which is currently \$5.8 million. The ongoing costs for these positions of approximately \$450,000 will be included in the development of the 2021-2022 Proposed Operating Budget.

All CED costs are funded in the San José Clean Energy Fund. CED makes investments and operational decisions in consideration of current and future cash flows and balances. CED anticipates that it will continue to meet its financial obligations, including maintaining a \$20,000,000 operating reserve.

PUBLIC OUTREACH

This memorandum will be posted on the City's Council Agenda website for the February 9, 2021 City Council meeting.

COORDINATION

This memorandum was coordinated with the City Attorney's Office and the Human Resources Department.

COMMISSION RECOMMENDATION/INPUT

This item does not have any input from a board or commission.

FISCAL/POLICY ALIGNMENT

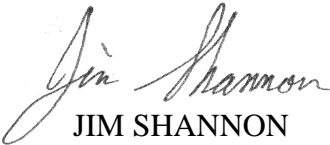
The recommended actions support the City's 2017 Green Vision (Goals 2 and 3) and the Envision San José 2040 General Plan (Goal MS-2 and Appendix 8: GHD Reduction Strategy)

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CEQA

Not a Project, File No. PP18-010, City Organizational and Administrative Activities resulting in no changes to the physical environment.

/s/
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Director of Community Energy


JIM SHANNON
Budget Director

For questions, please contact Lori Mitchell, Director of Community Energy, at (408) 535-4880.