



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kerrie Romanow

SUBJECT: SEE BELOW

DATE: November 16, 2020

Approved

Date

11/16/2020

SUPPLEMENTAL

**SUBJECT: NATURAL GAS INFRASTRUCTURE PROHIBITION ORDINANCE
EXEMPTIONS**

REASON FOR SUPPLEMENTAL

This supplemental memorandum provides additional information and clarification to the City Council regarding the allowed exemptions under the expanded gas infrastructure prohibition ordinance.

RECOMMENDATION

Staff recommends that City Council approve a fourth exemption category to the proposed ordinance, so the exemptions are as follows:

1. Hospitals;
2. Attached Accessory Dwelling Units;
3. Limited hardship exemptions through December 31, 2022 for:
 - a. establishments with Food Preparation Equipment and
 - b. industrial and manufacturing facilities; and
4. Facilities with a Distributed Energy Resource that meets Section 94203 of Title 17 California Code of Regulation requirements and are necessary for the public health, safety or economic welfare in the event of an electric grid outage, until December 31, 2023, or until low or zero carbon fuels are commercially available for the supply pipeline. The Director will report to Council no later than December 31, 2023 on low and zero carbon fuel availability.

ANALYSIS

Staff acknowledges concerns over the proposed expansion of the expanded gas infrastructure prohibition ordinance (Gas Ban) in light of the continued threat of Public Safety Power Shutdowns (PSPS), and the importance of uninterrupted power for many of our critical facilities and businesses. Questions have been raised about allowable exemptions under the proposed ordinance, and whether those could include natural gas-fueled distributed energy resources, such as fuel cells, until cleaner energy storage systems become available and are able to provide power in a potentially days-long PSPS scenario.

It should be noted that in adopting an expanded Gas Ban, while exempting certain continued gas uses, the City balances its Greenhouse Gas (GHG) reduction goals under Climate Smart San José against the need for energy and economic resiliency, and in doing so, there will be short term trade-offs to facilitate long term goals. This additional exemption enables San José facilities to have an additional power resource to protect the public health, safety or economic welfare in the event of an electric grid outage. These distributed energy systems have an expected life of 5 to 10 years and are cleaner than diesel generators. Additionally, there is active research and innovation to replace natural gas with a more GHG friendly fuel. Therefore, the proposed revisions require the Director to report back to Council no later than December 31, 2023 on the availability of low and zero carbon fuel alternatives.

Natural Gas-fed fuel cell systems typically have a higher pounds of CO₂ per megawatt-hour generated footprint than the same amount of natural gas-generated electricity provided by PG&E. These same systems, where employed as the primary, full-time source of electricity for a facility in San José, may also result in a loss of Utility Tax revenue and revenue loss for San José Clean Energy. Finally, fuel cell installations do not necessarily mean that back-up diesel generators, in certain building settings required by the Fire Code because they are not seismically vulnerable, as gas infrastructure can be, will be avoided.

/s/

KERRIE ROMANOW

Director, Environmental Services Department

For questions, please contact Ken Davies, Deputy Director, Environmental Services Department at (408) 975-2587.