



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Lori Mitchell

SUBJECT: SEE BELOW

DATE: August 14, 2023

Approved

Date

8/14/2023

SUPPLEMENTAL

SUBJECT: ORDINANCE AMENDING TITLES 2, 4, AND 26 AND ADDING TITLE 28 TO THE SAN JOSE MUNICIPAL CODE TO ESTABLISH A MUNICIPAL UTILITY FOR ELECTRIC SERVICE

REASON FOR SUPPLEMENTAL

The purpose of the supplemental memorandum is to provide additional background and information from the meeting held on August 10, 2023 between City of San José staff and Pacific Gas and Electric (PG&E) representatives, and the August 14, 2023 meeting between City staff and International Brotherhood of Electrical Workers (IBEW).

RECOMMENDATION

Staff recommends deferring item 6.1 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 to the October 3, 2023 City Council meeting to provide staff the opportunity to engage more deeply with PG&E and IBEW.

BACKGROUND

On September 14, 2022, the Rules and Open Government Committee directed the City Manager to have staff meet with the technical staff of PG&E to:

- Identify and discuss critical local power distribution needs in San José; and
- Ensure that PG&E prioritizes those needs in its pending replacement and repair plan for the coming year.

Between September 2022 and May 2023, the City staff met four times with PG&E management and technical staff to review the causes of power failure that affected two hospitals and nearly 100,000 residents and improve Emergency Management understanding and coordination. (Attachment I – City Council Information Memorandum: PG&E Outages and Infrastructure Repair Update). In addition, since then City staff has met with PG&E staff and attended workshops or presentations hosted by PG&E eight additional times. In total staff has met 12 times with PG&E to improve our ability to respond to emergencies and disasters more effectively. There have been significant improvements in understanding and coordination related to Emergency Management because of these meetings.

In parallel since June, City staff have been seeking to meet with PG&E staff to begin to explore areas of mutual interest around topics such as interconnections, load planning, and improvements to the distribution system.

On August 9, 2023, following further direction from the Rules and Open Government Committee, Councilmembers expressed a desire for staff to meet with PG&E to discuss the proposed City Council action on Title 28. Additional outreach was done with IBEW 1245 and Local 332. City staff was able to meet with both PG&E and IBEW representatives to review the proposal (Attachment II - City of San José and PG&E Meeting Agenda and Attachment III - City of San José and IBEW Meeting Agenda).

ANALYSIS

On August 10, 2023, City staff met with PG&E representatives to exchange information and better understand PG&E's concerns. On August 14, 2023, City staff met with IBEW representatives to understand IBEW's concerns and perspective.

PG&E Meeting -Some key topics that were covered in the PG&E meeting included:

- PG&E allocation of resources (wildfire mitigation, transmission and distribution infrastructure and interconnection);
- Opportunity that filing an application with LS Power provides to the City with respect to data gathering, and further analysis;
- Importance of energy reliability, affordability and resilience to San Jose residents and businesses;
- Discussion of potentially having PG&E staff a position at San José City Hall to troubleshoot development interconnection delays, address infrastructure needs, and other issues; and
- Acknowledgement of PG&E and City collaboration that has occurred over the course of this year, and commitment to deeper collaboration and exchange of information, identification of problems and opportunities to partner on -- including follow up meetings on Title 28.

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During the conversation, PG&E shared how they were already in the process of bringing down financing costs, paying all of its bills since coming out of bankruptcy, and working hard to ensure there is sufficient power for San José. They also indicated that PG&E is deploying new technology to mitigate wildfire risk. In addition, PG&E stated that they have brought many projects on-line in San José, despite challenges.

The City and PG&E must be long-term partners in the work of the ongoing transformation of our electrical infrastructure. The City needs PG&E to be successful in improving its processes and infrastructure to meet the growing demand, and believes there are many ways we can collaborate with them to improve emergency management, interconnections, and the distribution system.

IBEW Meeting - Some key topics that were covered in the IBEW meeting included:

- IBEW's concerns about not having been involved prior to this point, and not being notified before the item was drafted and posted;
- IBEW concerns about its members and that benefits from employers are not portable and that any change of service areas could have adverse effects on its members benefits;
- IBEW's deep knowledge of the complexity and difficulty of starting a new electric utility and its desire to be consulted and involved in a meaningful way; and
- IBEW's sentiments that a delay in application to LS Power would not adversely impact the work and that the City of San Jose would benefit from IBEW's perspective.

As a result of these frank and informative discussions with PG&E and IBEW, staff recommends deferring action on Title 28 and interconnection applications until the October 3, 2023, meeting of City Council. The purpose of this delay would be to provide staff the opportunity to engage more deeply with both PG&E and IBEW. Staff would expect to meet regularly and at a high level with both PG&E and IBEW and provide an updated staff memorandum detailing issues discussed, key interests and concerns, and any recommended changes as a result.

It is important to remember that the work is exploratory, and only contemplates the possibility of powering key city infrastructure. The once in a generation power infrastructure opportunity that California Independent System Operator and LS Power afford, could provide San José residents and businesses, more capacity, reliability, resiliency, and do so at potentially a lower cost. Staff believes we have a responsibility to explore options to lower costs, add more capacity, and improve reliability for residents and businesses is worth the exploration. By including PG&E and IBEW in this exploration at this early stage we can better evaluate the opportunities for the City and make a recommendation that best meets the City's interests.

EVALUATION AND FOLLOW-UP

City Staff is committed to collaborate moving forward. The City Manager's Office will request recurring meetings with PG&E and IBEW to coordinate on Title 28 and other issues of mutual

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interest. City staff also recommend partnering with IBEW 1245 and Local 332 to explore opportunities and ensure workforce issues are addressed.

In June and July, staff took Title 28 to the Community Energy Advisory Commission to review the proposal, which they supported. Staff is committed to greater public outreach as we move forward with this exploration. Staff recognizes the importance of community engagement on Title 28, and as staff continues to explore this opportunity, and gather more data and conduct further analysis, we are committed to engaging stakeholders, and members of the community. Staff will do more community engagement after submitting the application and understanding the costs, risks, and benefits in greater detail.

Staff believes the risks associated with a delay in this filing are outweighed by the benefits of a deeper understanding of stakeholders concerns and an opportunity to collaboratively explore the options.

COORDINATION

This memorandum has been coordinated with the City Attorney's Office, City Manager's Budget Office, and Economic Development and Cultural Affairs.

/s/

LORI MITCHELL

Director, Community Energy

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

ATTACHMENT I – City Council Information Memorandum: PG&E Outages and Infrastructure Repair Update

ATTACHMENT II – City of San José and PG&E Meeting Agenda

ATTACHMENT III - City of San José and IBEW Meeting Agenda

Attachment I - City Council Information Memorandum: Pacific Gas and Electric Outages and Infrastructure Repair Update



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Raymond Riordan
Director

SUBJECT: PACIFIC GAS AND ELECTRIC
OUTAGES AND INFRASTRUCTURE
REPAIR UPDATE

DATE: May 23, 2023

Approved

Date

5/28/23

INFORMATION

Ensuring the public safety of our residents and continuity of essential services remain a high priority during power outages.

This memorandum provides an update on the progress made in the City's coordination with Pacific Gas and Electric (PG&E) and understanding the complexities of the electrical grid, following the longest cycle of power outages last year during the heat wave of September 2 – 9, 2022.

BACKGROUND

On September 14, 2022, the Joint Meeting for the Rules and Open Government Committee directed the City Manager to have staff meet with the technical staff of PG&E to:

- Identify and discuss critical local power distribution needs in San José, and
- Ensure that PG&E prioritizes those needs in its pending replacement and repair plan for the coming year.

If action was not taken to adequately respond, the City Manager is to work with the City Attorney's Office to identify appropriate legal action options.

ACTIONS

Since September 2022, the City of San José staff have met four times with PG&E management and technical staff to review the causes of power failure that affected two hospitals and nearly 100,000 residents. The goals of these sessions have been to:

1. Reinforce the importance of the City of San José to PG&E.
2. Reinforce a positive relationship between the City and PG&E in planning and response to emergencies.
3. Improve customer satisfaction with residents who have been impacted by the repeated outages; and

4. Foster discussions around investments needed to ensure greater service reliability.

Both parties made progress in these four areas, with room for additional enhancements. City management reached out mid-September to set expectations and identify specific time to work through the myriad of issues related to the outages at the time.

1. Reinforce the importance of the City of San José to PG&E.

As the largest customer in the PG&E territory, PG&E has been responsive. Vice President for the South Bay and Central Coast from PG&E, Teresa Alvarado, responded to Kip Harkness, Deputy City Manager from San José. Both assembled teams to review the outages, response operations, infrastructure condition, and coordination and communications with the City.

The PG&E representatives and City leadership have met formally four times to understand the response operations deployed by PG&E, understand the new infrastructure designed to reduce potential to ignite fires, and the sensitivity of the designed [Enhanced Powerline Safety Settings](#). In brief, PG&E installed switches that trigger when interrupted by branches hitting the powerlines. Rather than spark and potentially cause fires, the switches turn off the powerlines in a specified area. Deployment of the [Enhanced Powerline Safety Settings](#) systems has reduced reportable ignition events by roughly 75% throughout PG&E's system. While designed to enhance safety, the EPSS sensitivity resulted in power outages unnecessarily affecting some urban areas, specifically on a line that was connected into parts of Almaden Valley. PG&E committed to investigate how to adjust the [Enhanced Powerline Safety Settings](#) to reduce the outages. PG&E is to return to the City to discuss how the system has been modified to not trigger as frequent and extended outages.

2. Reinforce a positive relationship between the City and PG&E in planning and response to emergencies.

The frequency of meetings has resulted in improved responsiveness and understanding of the electrical system and the critical operations of the City. The improved understanding and coordination were noticed in the response to the January storms. PG&E developed new response plans based on the improved technological investments in meteorological forecasting abilities and system responsiveness. During the height of response to the nine Atmospheric Rivers that battered the Bay Area in January, PG&E was able to minimize the duration of outages in the City to less than 24 hours. It should be noted that this issue is not localized to San Jose. PG&E remains in the fourth quartile of all US utilities for both frequency and duration of distribution outages.

Using mutual aid and calling in resources from as far as the Canadian border to the north and as far as Florida from the east and utilities in between, PG&E had additional crews ready to help reduce the weather impacts. The longest outages were due to washed out

roads which the heavy equipment could not pass, which were limited. The increased capabilities of the response crews were able to mostly maintain power needs throughout San Jose.

To continue this relationship, PG&E has invited the City to participate in training and exercises from January through August, including seismic, Public Safety Power Shutoff, and fire scenarios to improve our coordination during future emergencies. These exercises and trainings benefit both the City employees as well as PG&E to enhance capabilities on both sides of the response teams.

3. Improve customer satisfaction with residents who have been impacted by the repeated outages.

In response to the September outages, PG&E reached out to City Councilmembers whose districts were affected to hold community workshops to explain the cause of the outages, communicate with residents, and enhance understanding of those with medical devices that require electrical power. PG&E improved their notification of customers who require assistance with community nonprofit agencies to support alternate power sources when outages occur. PG&E also communicated with the City Emergency Operations Center and the Emergency Public Information Officer team.

The upcoming exercises planned by PG&E will include crisis communications to enhance communications with San José residents on what to expect when emergencies occur, and power is disabled. Residents were also informed on how to collect reimbursement for loss of food and other necessities.

4. Foster discussions around investments needed to ensure greater service reliability.

During the four workshops with PG&E, both the City and PG&E discussed the need to dramatically increase investments to ensure reliability. This is the hardest and most complex need in the improving relationship with PG&E. Over the next year additional discussions will take place on how to improve the reliability of the electrical grid. Further joint meetings will focus on topics such as improved load forecasting that looks at a longer time horizon and considers the realities of future planned development and climate change and exploring opportunities for partnerships in accelerating the build out of critical electrical infrastructure. PG&E's request for funding through 2026 for transmission and distribution capital investment in their California Public Utilities Commission General Rate Case is not sufficient to finance currently approved projects much less support new initiatives. The reality is that PG&E's electrical distribution infrastructure in San Jose is aging, designed for a cooler climate, and inadequate to meet the load that will be required as we transition to renewable energy and electric vehicles. The City must find a path to ensuring that San Jose has the safe, reliable, modern, at scale electrical grid that our community needs and deserves.

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May 23, 2023

Subject: Pacific Gas & Electric Outages and Infrastructure Repair Update

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/s/

Raymond Riordan

Director, City Manager's Office of Emergency
Management

For questions, please contact Raymond Riordan, Director of Emergency Management at (408) 794-7050.



Attachment II - City of San José and PG&E Meeting Agenda



MEETING AGENDA

2:30p.m. – 3p.m.

August 14, 2023

Zoom Information Below

Zoom: <https://zoom.us/j/94468075591>

1. Intros
2. Project delays/challenges
3. Title 28 overview
4. Stakeholder Engagement
5. Discussion
6. Next steps

Attendees:

Kip Harkness, Deputy City Manager

Nanci Klein, Director of Economic Development

Lori Mitchell, Director of Community Energy

Jim Caldwell, Deputy Director of Community Energy

Hunter Stern, Assistant Business Manager, IBEW 1245

Jean Cohen, Executive Director, South Bay Labor Council,

Representative(s) of IBEW Local 332

Attachment III - City of San José and IBEW Meeting Agenda



MEETING AGENDA

1p.m. – 2p.m.

August 10, 2023

Zoom Information Below

Zoom: <https://zoom.us/j/94468075591>

1. Intros
2. Project delays/challenges
3. Title 28 overview
4. Stakeholder Engagement
5. Discussion
6. Next steps

Attendees:

Kip Harkness, Deputy City Manager

Nanci Klein, Director of Economic Development

Lori Mitchell, Director of Community Energy

Jim Caldwell, Deputy Director of Community Energy

Anna Brooks, Senior Director PG&E

Christina Ramos, Local Government Affairs, PG&E

Scott Green, Government Affairs, Community Energy