

RESOLUTION NO.

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN JOSE INCREASING THE AUTHORITY OF THE DIRECTOR OF THE COMMUNITY ENERGY DEPARTMENT OR DESIGNEE TO NEGOTIATE AND EXECUTE SHORT- AND MEDIUM-TERM AGREEMENTS FOR THE PROCUREMENT OF POWER PRODUCTS FROM \$352,900,000 TO \$412,900,000 IN CALENDAR YEAR 2023 AND FROM \$337,300,000 TO \$427,300,000 IN CALENDAR YEAR 2024 TO BE PAID SOLELY FROM THE SAN JOSE CLEAN ENERGY OPERATING FUND

WHEREAS, on March 19, 2019, the Council of the City of San José (“City”) authorized the Director of the Community Energy Department (“Director”) or designee to negotiate and execute power supply contracts for energy, renewable energy, renewable energy credits, resource adequacy (“RA”), and low carbon power and attributes using the Edison Electric Institute (“EEI”) Agreement; and

WHEREAS, on June 4, 2019, the City Council authorized the Director or designee to negotiate and execute medium- to long-term contracts using the EEI Agreement for a term of up to twenty years to procure RA; and

WHEREAS, on October 18, 2022, the City Council increased the Director’s or designee’s procurement authority for calendar years 2023 through 2027 to \$352,900,000 in 2023, \$337,300,000 in 2024, \$321,600,000 in 2025, \$280,700,000 in 2026, and \$269,800,000 in 2027; and

WHEREAS, energy prices have continued to increase since October of 2022 as a result of many factors including extreme weather, low natural gas storage in the Pacific region of the United States, and the war between Russia and Ukraine limiting European gas supply and increasing demand on North American gas exports, and while California received substantial rain in late December 2022 and early January 2023, for the past

several years there has been low hydroelectric availability in California, and severe drought conditions have existed across the western United States limiting the supply of hydroelectric power; and

WHEREAS, coverage ratios are the amount of power that the Community Energy Department buys in the forward market to meet its load; and

WHEREAS, when prices are high, it is recommended to purchase more energy in the forward market to ensure customers are not exposed to short-term market disruptions and higher prices in the day-ahead and real-time markets; and

WHEREAS, California is currently experiencing a shortage of resource adequacy in the market due to new projects being delayed or failing to come online, natural gas and nuclear power plant retirements, and regulatory uncertainty, and RA prices have risen to historic highs; and

WHEREAS, on February 3, 2023, the City Manager's Risk Oversight Committee approved a coverage ratio of 125% for calendar years 2023 and 2024 and making a recommendation to the City Council to increase the authority granted to the Director or designee to negotiate and execute short- and medium-term agreements, subject to the Energy Risk Management Policy and the appropriation of funds, for the procurement of power supply products by \$150,000,000 from \$690,200,000 to an amount not to exceed \$840,200,000 in aggregate in calendar years 2023 through 2024; and

WHEREAS, the City desires to increase the authority of the Director or designee for the procurement of power products for 2023 through 2024 to meet recommended risk management coverage thresholds and regulatory requirements;

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

The authority granted to the Director of the Community Energy Department or designee to negotiate and execute short- and medium-term agreements for the procurement of power products is hereby increased from \$352,900,000 to \$412,900,000 in calendar year 2023 and from \$337,300,000 to \$427,300,000 in calendar year 2024 to be paid solely from the San José Clean Energy Operating Fund.

ADOPTED this _____ day of _____, 2023, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

MATT MAHAN
Mayor

ATTEST:

TONI J. TABER, CMC
City Clerk