

# City Council Special Meeting: San José Municipal Electric Utility Exploration

March 21, 2025



# TODAY'S AGENDA

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1. Background and Overview – The Role of Electrical Infrastructure in San José's Economic Development
2. San José Power Opportunity
3. PG&E Partnership Opportunity
4. Evaluation of Options
5. Recommended Path Forward (Implementation Agreement with PG&E) and Key Deal Points
  - a. Joint Planning and Economic Development
  - b. Building the Team
  - c. Driving Delivery – Transparency, Accountability, and Objectives as Measured by Key Results
  - d. New Ways of Doing Business – Process and Design Improvements
  - e. Workforce Development
6. Best Alternative to a Negotiated Agreement
7. Conclusion

# TIMELINE

## 2021-2023

Improving Emergency Management response and coordination, especially in response to Power Safety Shutoff and weather events

## 2023

Establishing recurring monthly meetings to coordinate:

- Emergency Response and Preparedness,
- Electrical Connection to Development/Permitting,
- Resilience and Innovation,
- PG&E Distribution Infrastructure,
- PG&E Load Forecasting/Future Planning

Coordinating with IBEW

## 2024

## 2025

- Execution of Cooperation Agreement
- Negotiating Implementation Agreement for terms on speed, certainty, and accountability of interconnections

## Strengthening PG&E Partnership

- Initial discussions on municipal electric utility feasibility.
- Evaluation of existing city energy programs and regulatory landscape.
- Lessons learned from past efforts, including Downtown West (2021).

- October 3, 2023: Council adopted Municipal Code changes and directed staff to explore standing up a municipal energy utility and keep engaging with IBEW/PG&E

## Exploring Municipal Electric Utility (San José Power)

- Partner engagement to assess governance, financial, and operational structures.
- Refinement of key questions: cost savings, innovation, resilience, and workforce.
- Public and stakeholder outreach to assess support and feasibility.

- Development of a business case, staffing model, and financing approach for San Jose Power.
- Honing PG&E Partnership Agreement (alternative to San José Power)

# BACKGROUND

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**October 3, 2023 City Council directed staff to explore the feasibility of San José Power, and answer these four key questions...**

If the City were to provide municipal utility for electric service in limited areas of the city, could that be done in a way that would:

- 1. Reduce electricity energy costs?*
- 2. Allow the development of more innovative and energy efficient buildings such as that envisioned in the planned Downtown West development?*
- 3. Increase the electrical resilience of the City of San José and our critical infrastructure for both climate change and emergency response?*
- 4. Enable us to attract and retain the skilled and trained talent required to perform this work effectively and reliably?*

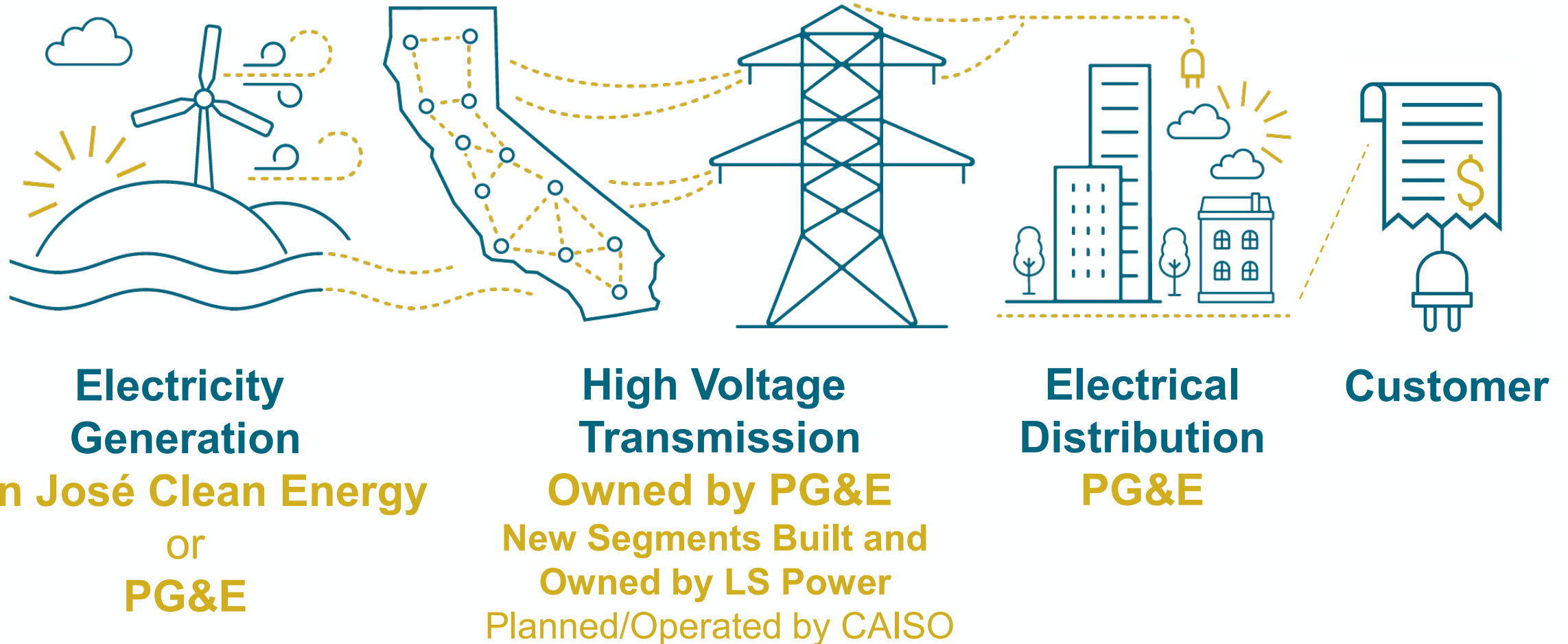
# BACKGROUND

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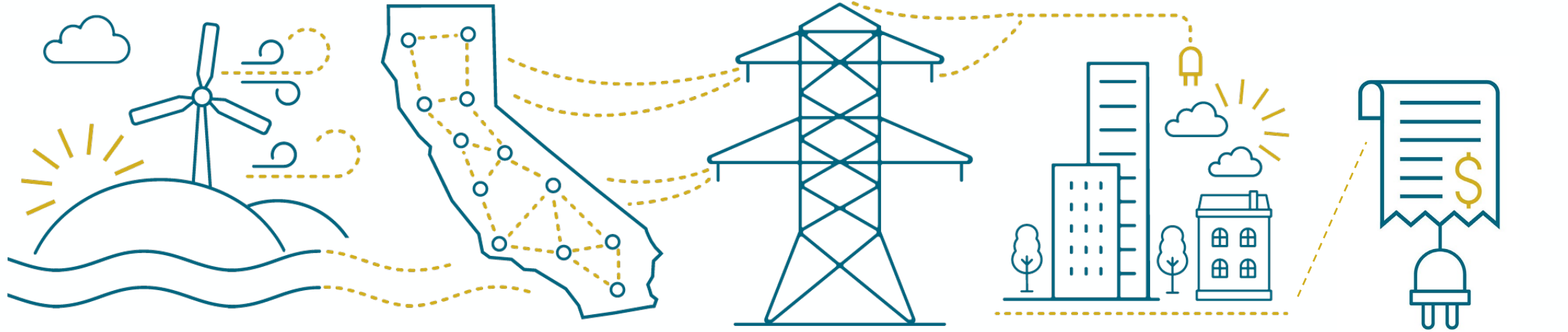
**On March 4, 2025, City Council directed staff to enter into a non-binding cooperation agreement with PG&E focusing on...**

- 1. Funding for a City team to accelerate work and improve coordination,*
- 2. Commitment to joint planning, and exploring options for financing, and development of new electric infrastructure,*
- 3. Commitment to define milestones for interconnection of large load customers,*
- 4. Process improvements and innovations in design and delivery of infrastructure,*
- 5. Workforce development initiatives and community engagement through a PG&E demonstration facility, and*
- 6. 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.*

# EXISTING SYSTEM



# POTENTIAL CITY ROLE



**Electricity  
Generation**

**San José Clean Energy  
or  
PG&E**

or  
**San José Power**

**High Voltage  
Transmission**

**New Segments Built and  
Owned by LS Power  
Planned/Operated by CAISO**

**Electrical  
Distribution**

**PG&E  
and**

**San José Power**

For limited new  
development &  
key City Facilities

**Customer**

# THE ROLE OF ELECTRICAL INFRASTRUCTURE IN SAN JOSÉ'S ECONOMIC DEVELOPMENT

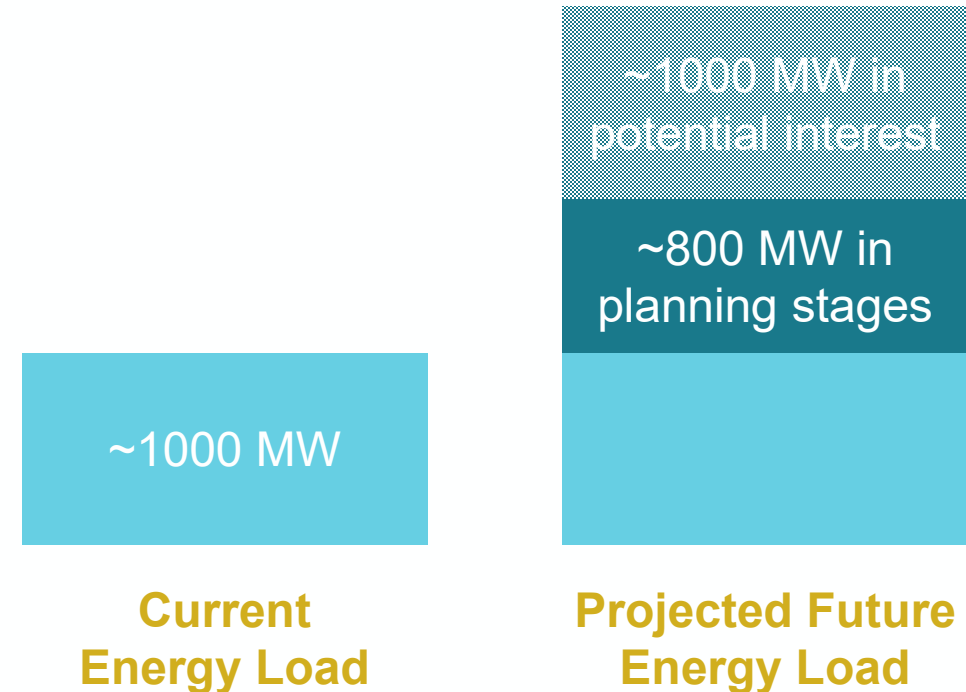
**A reliable electricity supply underpins San José's growth**

Rising interest in:

- Energy-intensive industries such as data centers, advanced manufacturing, and emerging artificial intelligence applications
- Ambitious decarbonization goals and building electrification aligned with City's Climate Smart San José initiative

Requires:

- Modernizing transmission and distribution capacity





# FISCAL IMPACT OF DATA CENTERS

## Estimated City annual General Fund revenue from Data Centers (per MW)

Note: Revenue estimates are for a fully ramped-up data center, which could take up to 5 years from project completion.

		per MW	50 MW Data Center	75 MW Data Center	99 MW Data Center
Low Estimate	Utility Taxes	\$ 29,000	\$ 1,450,000	\$ 2,175,000	\$ 2,871,000
	Property Taxes	\$ 6,890	\$ 344,500	\$ 516,750	\$ 682,110
	<b>ANNUALLY</b>	\$ 35,890	\$ 1,794,500	\$ 2,691,750	\$ 3,553,110
High Estimate	Utility Taxes	\$ 50,000	\$ 2,500,000	\$ 3,750,000	\$ 4,950,000
	Property Taxes	\$ 14,950	\$ 747,500	\$ 1,121,250	\$ 1,480,050
	<b>ANNUALLY</b>	\$ 64,950	\$ 3,247,500	\$ 4,871,250	\$ 6,430,050

# SAN JOSÉ POWER OPPORTUNITY

The proposed electric utility could deliver service in limited areas of the City, connecting to one or both of the two new LS Power Transmission Lines:

- Transmission Line #1 (North San José): High voltage AC line running from Fremont to Santa Clara past Regional Wastewater Facility.
- Transmission Line #2 (Downtown San José): High voltage DC line running from Coyote Valley to Downtown San José.

Staff evaluated the feasibility and desirability of standing up this new City utility.



# SAN JOSÉ POWER OPPORTUNITY

## BUSINESS CASE

### NewGen Strategies

- Developed a Business Case and Proforma
- Evaluated projected San José Power costs and compared to PG&E
- San José Power could be at least 14% to 26% lower than PG&E's rates

## STAFFING ANALYSIS

### Mercer

- Staffing Analysis for build out of San José Power
- Identified key positions and benchmarked salaries
- Salary ranges exceed those within the City of San José's current pay plan

## TECHNICAL FEASIBILITY

### Worley

- Provided electrical engineering expertise for technical evaluation
- Prepared the Interconnection Application to LS Power Transmission Lines
- Concluded that connecting to the transmission is feasible and offered approaches to ease interconnection

# SAN JOSE POWER – BUSINESS CASE MODELING

## SJ Power Service Offering:

- Large Industrial Rate: 10,000 kilo-watts (kW) or more
- Full service:
  - Power supply
  - Delivery at transmission voltage (69 kilovolts or higher)

## SJ Power Operations:

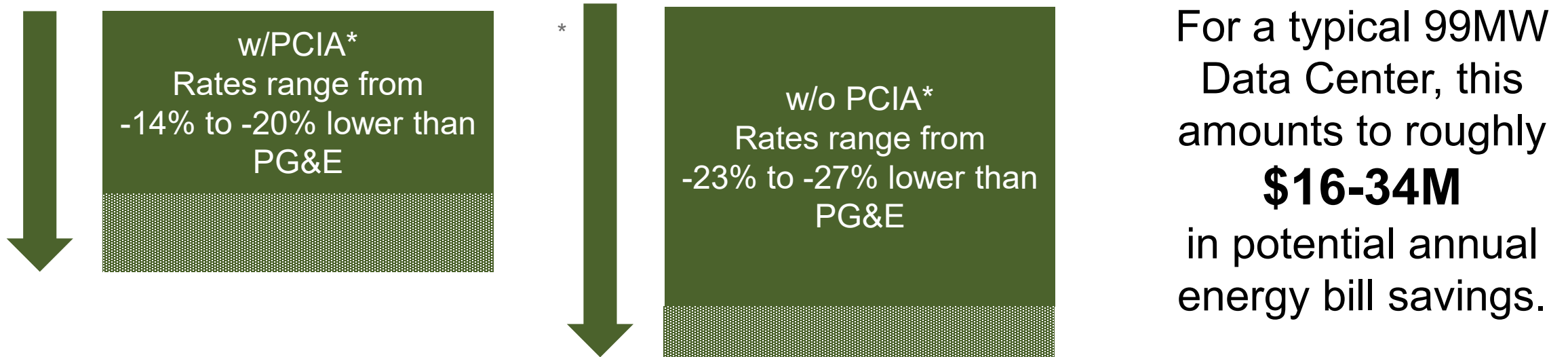
- Own, operate, and maintain electric delivery infrastructure connected to California Independent System Operator (CAISO)
- Utility executive team
- Purchase and deliver power to customer(s)

## Cost assumptions included in SJ Power financial feasibility analysis:

- Large customer(s) fund delivery infrastructure needed for interconnection to SJ Power assets
- SJ Power purchases power, energy, renewables, and CAISO network transmission for delivery
- Small initial team to manage operations
- City transfer applied
- PG&E non-bypassable charges or current power charge indifference adjustment (PCIA) applied (conservative assumption)

# SAN JOSÉ POWER BENCHMARK TO PG&E RATES

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\* The PCIA is a fee ensuring that customers who leave their original utility still pay their fair share of that utility's past sunk electricity costs.

# San José Power Potential Initial Service Area

San José/Santa  
Clara Regional  
Wastewater Facility

Water  
Purification  
Expansion

Proposed LS  
Power  
Transmission  
Line

**159 Acres Future Economic  
Development Lands**  
~1000MW of Potential  
New Load  
(\$30-60M in Projected Revenue)

# CITY IMPACT OF SAN JOSÉ POWER

New municipal electric utility with all startup costs paid for by private developer

Alternative to PG&E for Economic Development and local control for Critical City Infrastructure

Considerable effort on the part of the City to stand up new line of business

# ECONOMIC IMPACT OF SAN JOSÉ POWER

Lower Rates than PG&E

North San José Served (Regional Wastewater Facility, Purified Water, 159 Acres of Economic Dev land)

Catalyst to accelerate additional private development in North San José

**San José Power Bottom Line** - The City has a viable opportunity to start up San José Power and service limited areas of North San Jose at lower cost to those customers than PG&E

# PG&E PARTNERSHIP OPPORTUNITY

## Key Provisions In The Executed Cooperation Agreement With PG&E

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 speed and certainty of interconnection for large load customers (e.g. data centers, labs)

Process improvements to speed delivery and innovations in design and delivery of infrastructure

Workforce development initiatives and a PG&E demonstration facility

The commitment to cooperate on negotiating a more detailed Implementation Agreement 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



# EVALUATION OF OPTIONS

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## Answering the initial four key questions...

If the City were to provide municipal utility for electric service in limited areas of the city, could that be done in a way that would:

1. *Reduce electricity energy costs?* **YES, only for a small number of customers.**
2. *Allow the development of more innovative and energy efficient buildings such as that envisioned in the planned Downtown West development?* **YES, only for a small number of customers.**
3. *Increase the electrical resilience of the City of San José and our critical infrastructure for both climate change and emergency response?* **YES, for select infrastructure.**
4. *Enable us to attract and retain the skilled and trained talent required to perform this work effectively and reliably?* **UNCERTAIN.**

# KEY CONSIDERATIONS AND TRADEOFFS

## Key Criteria

A. Certainty of Power

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B. Speed of Interconnection

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C. Customer Electricity Rates (Cost)

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D. Resilience

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E. Innovation/Design

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F. Emergency Preparedness & Response

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G. PG&E/City Relationship

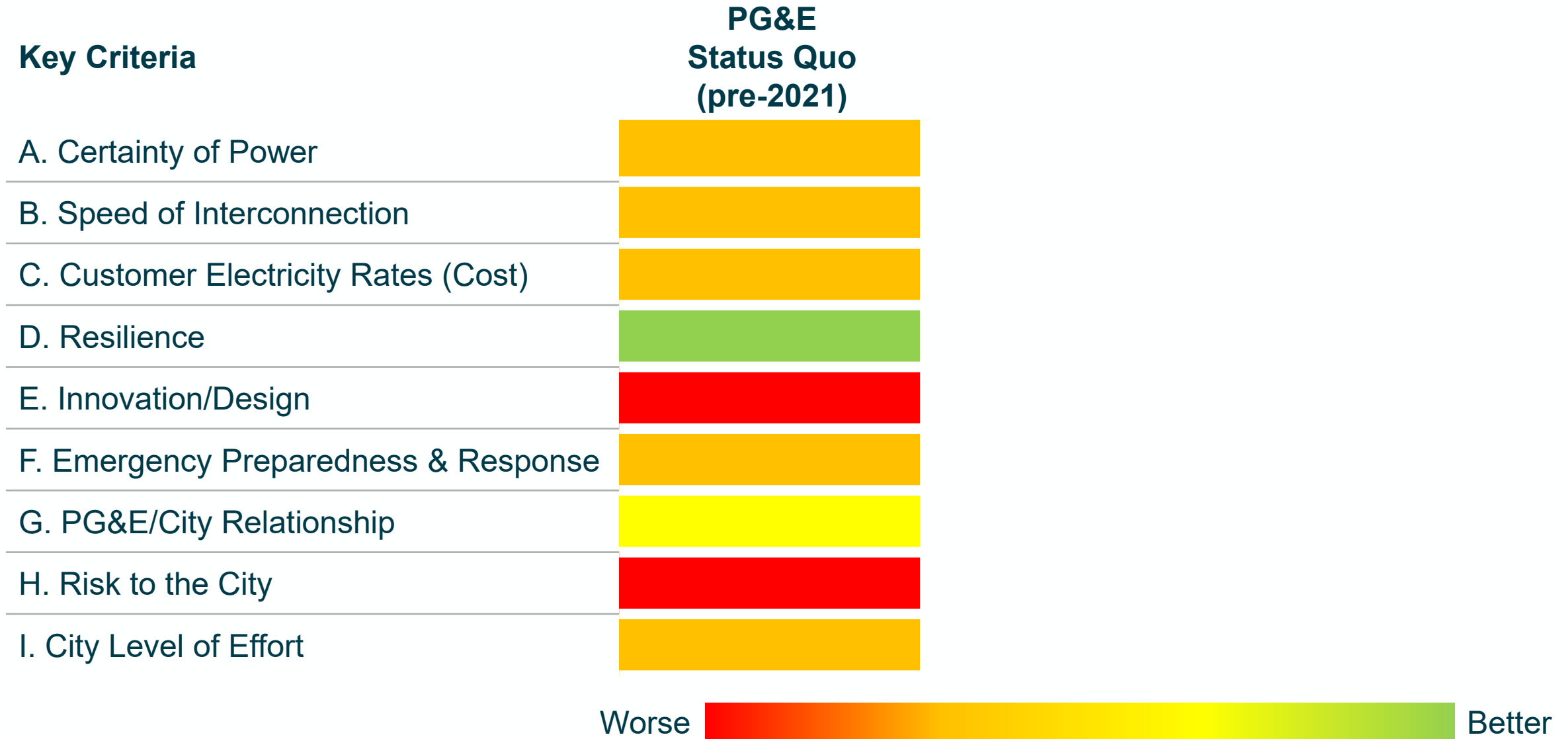
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H. Risk to the City

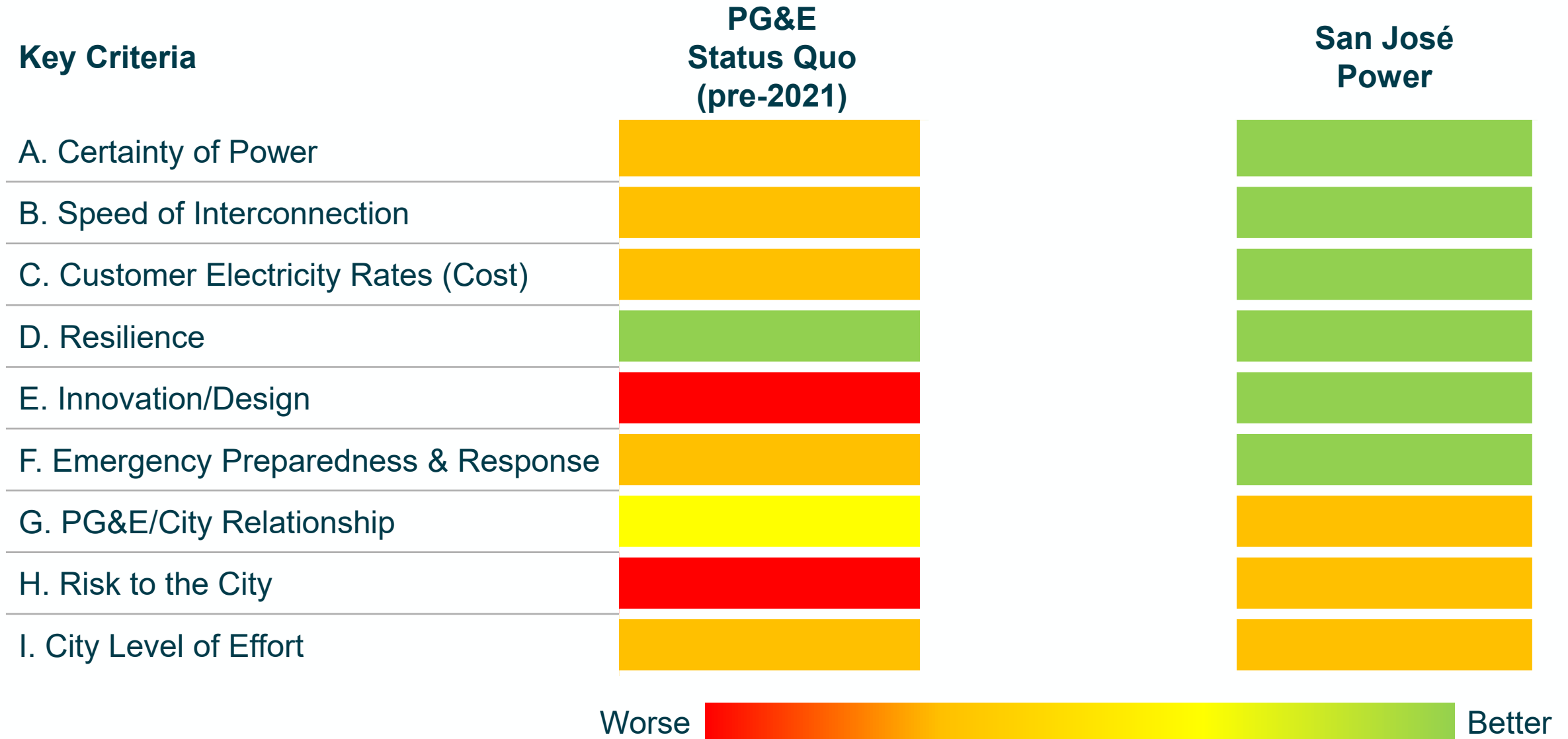
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I. City Level of Effort

# KEY CONSIDERATIONS AND TRADEOFFS



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Key Criteria	PG&E Status Quo (pre-2021)	PG&E Implementation Agreement	San José Power
A. Certainty of Power	Orange	Light Green	Light Green
B. Speed of Interconnection	Orange	Light Green	Light Green
C. Customer Electricity Rates (Cost)	Orange	Orange	Light Green
D. Resilience	Light Green	Light Green	Light Green
E. Innovation/Design	Red	Orange	Light Green
F. Emergency Preparedness & Response	Orange	Light Green	Light Green
G. PG&E/City Relationship	Yellow	Light Green	Orange
H. Risk to the City	Red	Yellow	Orange
I. City Level of Effort	Orange	Yellow	Orange

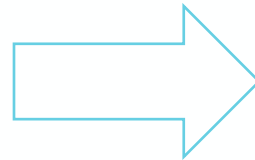
Worse  Better

# RECOMMENDED PATH FORWARD: IMPLEMENTATION AGREEMENT WITH PG&E

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## March 4 Council Directed 7 Deal Points:

1. A City Energy Development Team
2. Clear and enforceable Objectives and Key Results (OKRs) for large load interconnections.
3. Flexibility in Design and Delivery
4. Potential expansion of PG&E's annual permit
5. 250MW capacity in Phase 1 development of the Regional Wastewater Facility 159 Acres of economic lands
6. Deepened investment in San José-based workforce programs
7. An immediate surge of resources



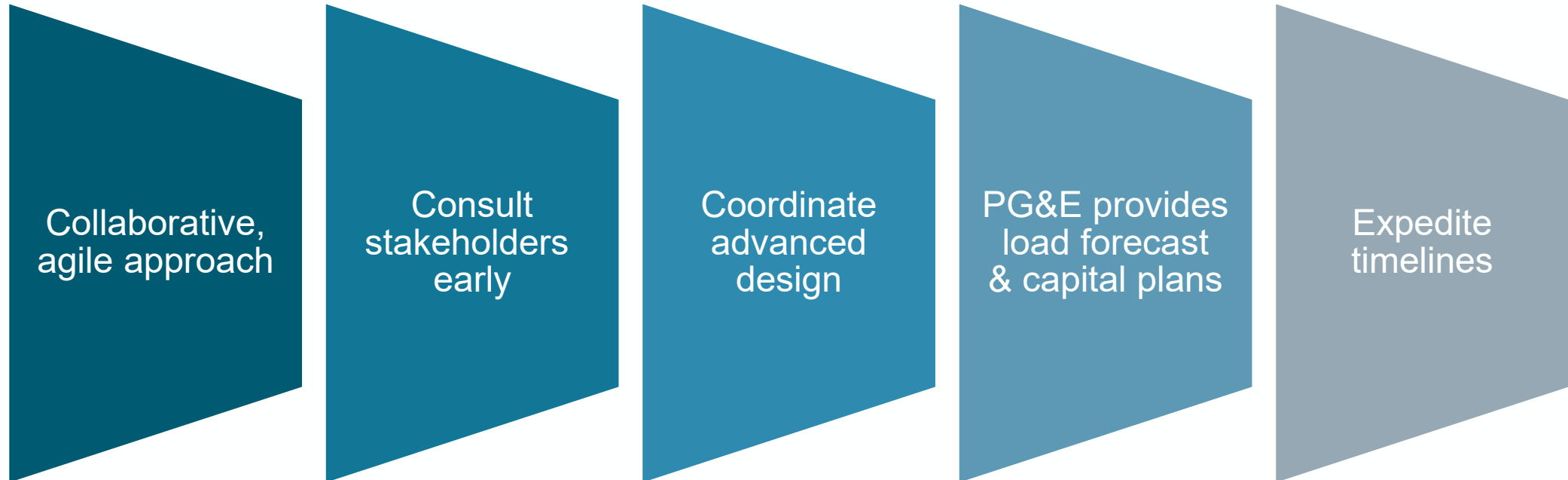
## Key elements in the Implementation Agreement:

- Joint Planning and Economic Development
- Building the Team
- Driving Delivery – Transparency, Accountability, and Objectives as Measured by Key Results
- New Ways of Doing Business – Process and Design Improvements
- Workforce Development

# JOINT PLANNING AND ECONOMIC DEVELOPMENT

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To attract and retain large load customers, PG&E and City will implement:



# JOINT PLANNING AND ECONOMIC DEVELOPMENT

## 159 Acres Economic Development Lands – south of the San José-Santa Clara Regional Wastewater Facility

- Facility owned land planned for industrial and R&D use
- City preparing Request for Qualification (RFQ) solicitation to secure master development partner
- ~1,000MW of potential demand in the long term
- \$30M-\$60M in potential revenue annually

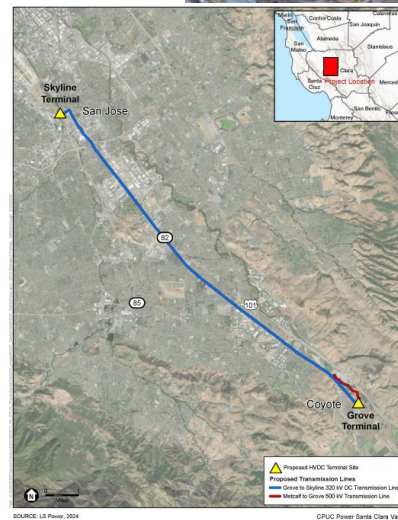
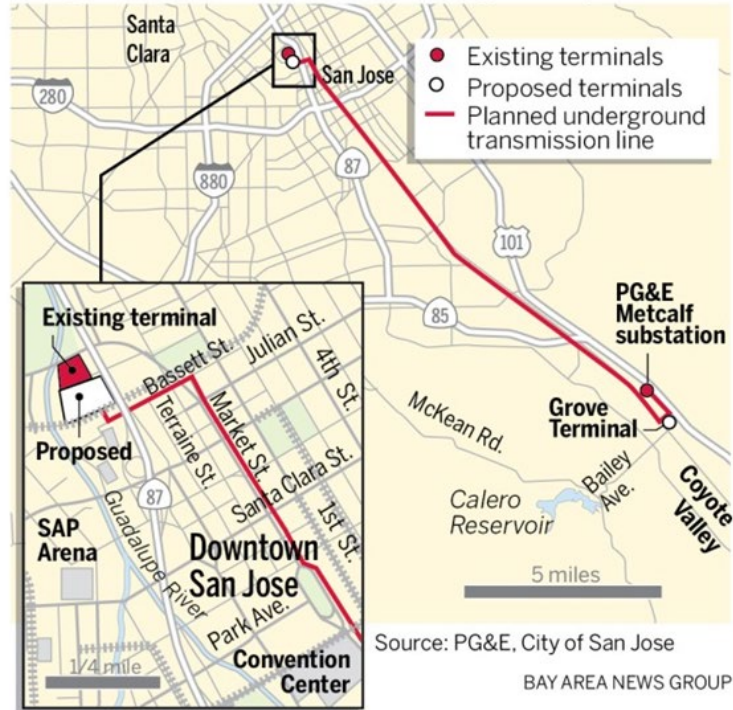




# PG&E and LS Power Transmission

## PROPOSED POWER LINE TO COYOTE VALLEY

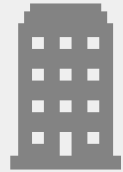
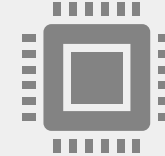
A New York company, LS Power, plans to build a 13-mile high voltage line from downtown San Jose to Coyote Valley.



# BUILDING THE TEAM



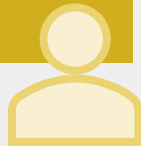
## Large Load Customers



## City Energy Development Team

### Economic Development:

Lead the partnership to success and monitor and track PG&E performance obligations and milestones



### Public Works:

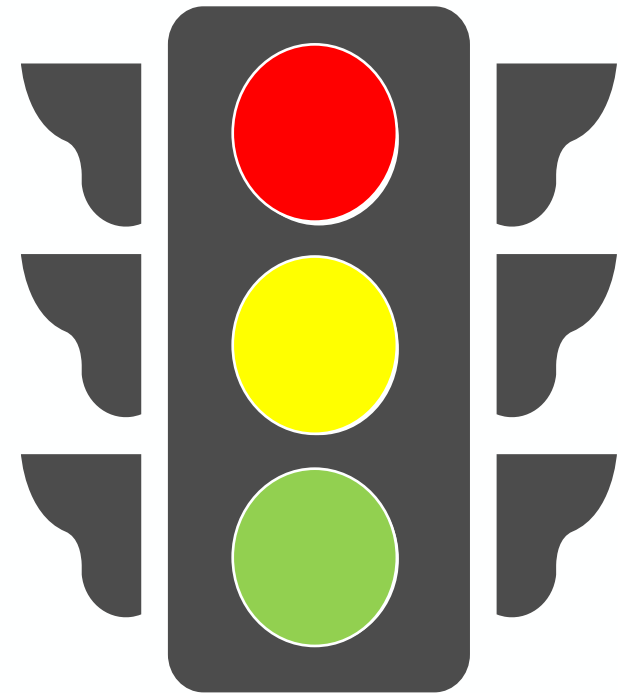
Drive delivery in the field and facilitate permit streamlining.



# DRIVING DELIVERY – TRANSPARENCY, ACCOUNTABILITY, AND OBJECTIVES AS MEASURED BY KEY RESULTS

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- Quarterly Objectives as Measured by Key Results (OKRs)
- Dashboards for:
  - Downtown San José,
  - North San José (w/ specific KRs for the 159 Acres of Economic Development Lands)
  - Citywide Metrics
- Monthly coordination meetings + 6-month progress report tracking on OKRs



# NEW WAYS OF DOING BUSINESS – PROCESS AND DESIGN IMPROVEMENTS

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- Permit status dashboard across all PG&E business units and City utility permit
- Weekly PG&E permit priority list
- 5-week PG&E construction forecast
- Co-location of utility and City review staff
- Piloting and standardized equipment specifications for new distribution projects



# WORKFORCE DEVELOPMENT

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**Committment to addressing the critical need for a skilled and highly qualified electrical workforce.**

- work2future serves a total of 2,000 clients annually; 85% are placed in high-wage, high-growth jobs; 65% have two or more barriers to employment.
- Partnership with PG&E Power Pathways, serving up to 50 clients annually with 90% placement rate and earning \$35 per hour.
- Collaborate with IBEW and PG&E to develop customized training and career awareness programs.

# RECOMMENDED PATH FORWARD: IMPLEMENTATION AGREEMENT WITH PG&E

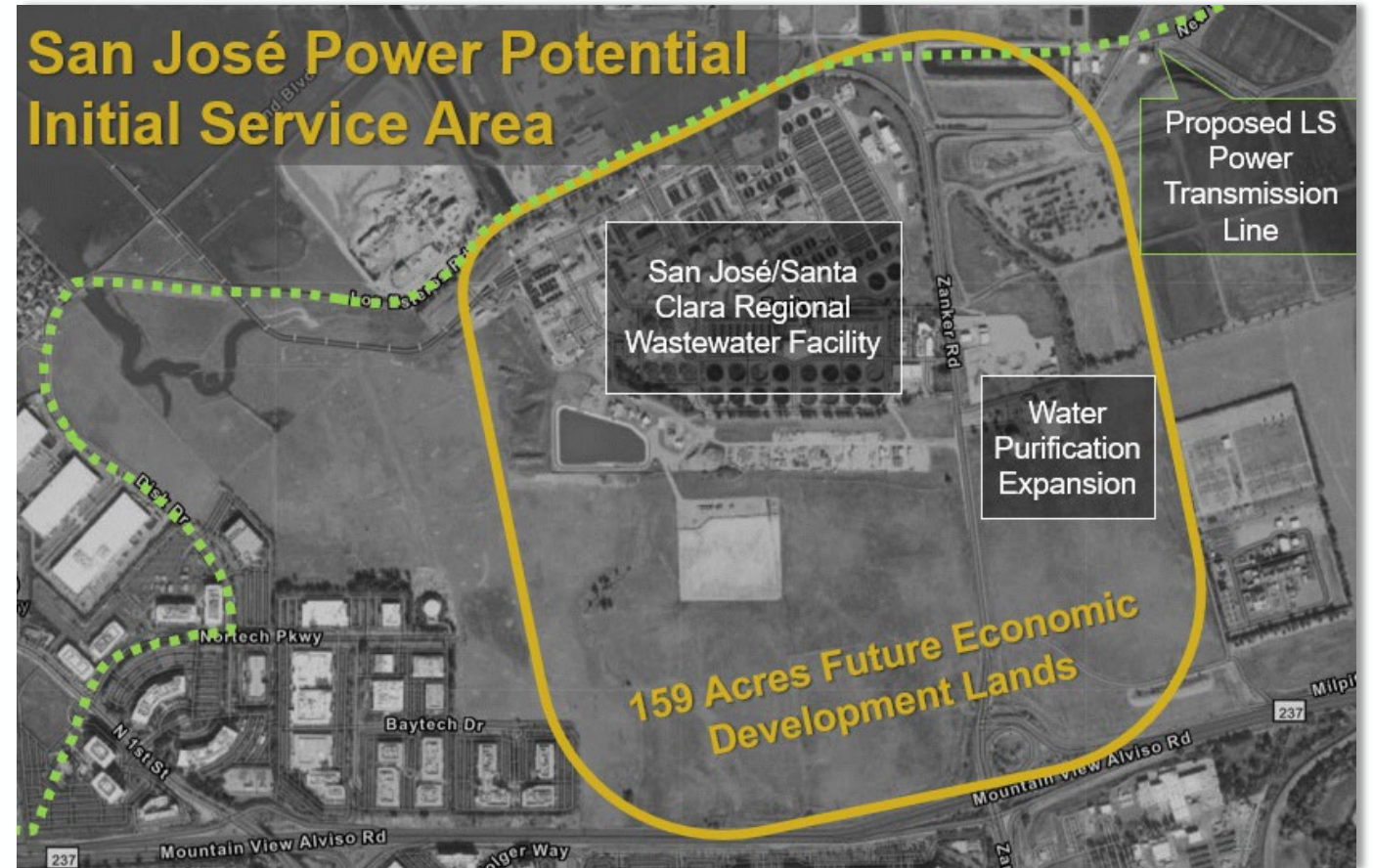
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## Key elements in the Implementation Agreement:

- Joint Planning and Economic Development
- Building the Team
- Driving Delivery – Transparency, Accountability, and Objectives as Measured by Key Results
- New Ways of Doing Business – Process and Design Improvements
- Workforce Development

# BEST ALTERNATIVE TO A NEGOTIATED AGREEMENT (BATNA)

- Retain the option to stand up San José Power should PG&E not achieve the performance obligations in the Implementation Agreement



# RECOMMENDATION

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- a) Accept the results of the municipal electric utility exploration studies and the outcome of staff's evaluation of the desirability and viability of the City establishing a municipal electric utility.
- b) Adopt a resolution authorizing the City Manager or her designee to negotiate and execute the PG&E City of San José Implementation Agreement, including funding for key positions and consultant support.
- c) Authorize the City Manager or her designee to continue efforts to evaluate a municipal electric utility if PG&E does not meet the terms and performance outlined in the Implementation Agreement.



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