



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Lori Mitchell
Jim Shannon

SUBJECT: SEE BELOW

DATE: April 4, 2022

Approved

Date

4/7/2022

COUNCIL DISTRICT: 3

SUBJECT: ADDITIONAL FUNDING FOR STUDYING THE POTENTIAL OF SAN JOSE ELECTRIC SERVICE TO DOWNTOWN WEST

RECOMMENDATION

Adopt the following 2021-2022 Funding Sources Resolution and Appropriation Ordinance Amendments in the General Fund:

- (a) Increase the estimate for Other Revenue by \$300,000; and
- (b) Increase the Diridon Station Area Development Planning – Electric Microgrid City-Wide Expenses appropriation to the Community Energy Department by \$300,000.

OUTCOME

Approval of the recommended action would allow staff to continue evaluating, in coordination with Google, Inc., the option for the City of San José (City) to provide electric service to the Downtown West Mixed-Use Project (Development) pending future City Council consideration and approvals.

BACKGROUND

On May 21, 2019, City Council approved delegating authority to the City Manager or designee to negotiate and execute amendments to the Funding and Service Reimbursement Agreement with Google, Inc. to pay for additional funding and reimbursement for services associated with planning for development in the Diridon Station/Downtown West area.

On August 29, 2019, a City Council Study Session was held to discuss general options to improve the resilience, reliability, efficiency, and cost of electric service in the Diridon Station area of downtown including the possibility of providing City electric service.

On February 25, 2020, City Council authorized the City Manager to file a Wholesale Transmission Service Interconnection Application to Pacific Gas and Electric Company to begin exploration of the option to provide City electrical service to the Development.

On March 25, 2021, a City Council Study Session was held to discuss three options for operating a district systems microgrid to provide electric service to the Development. The three options are 1) City provided electric service, 2) investor-owned utility service, or 3) privately provided service by Google, Inc.

On May 25, 2021, City Council also certified the Environmental Impact Report and approved the entitlements for Google, Inc.'s Development. The action included a Supplemental Memorandum regarding the initial legal, regulatory, and economic feasibility and the potential benefits and risks of City-provided electric service to the Development.

ANALYSIS

Google, Inc. agreed to provide the Department of Community Energy Department with \$300,000 in additional funding under the reimbursement agreement to cover staff time and finalize materials that support the next phase of additional technical and legal analysis and other activities associated with providing electric service to downtown west. This additional amount will cover the costs of various staff as needed and available through June 30, 2022, and the costs of consultants to complete the assigned work tasks. Additional work to be performed in this next phase includes negotiating a business agreement, and a framework for utility rules and regulations and rate tariffs. The business agreement will include funding and reimbursement terms to continue the investigation phase to provide electric service to the Development.

CONCLUSION

Under City Council direction, staff have continued to work with the Developer to evaluate and advance the option of City-provided electric service to the Development. Adopting the appropriation would allow staff to continue evaluating the City service option.

EVALUATION AND FOLLOW-UP

No further follow-up with the City Council related to the Development is anticipated at this time.

CLIMATE SMART SAN JOSE

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

PUBLIC OUTREACH

The memorandum will be posted on the City Council's Agenda website for the April 19, 2022 City Council Meeting.

COORDINATION

This memorandum was coordinated with the City Attorney's Office and the Office of Economic Development and Cultural Affairs.

COMMISSION RECOMMENDATION/INPUT

No commission recommendation or input is associated with this action.

FISCAL/POLICY ALIGNMENT

This recommendation supports the City Council's goals and direction to improve energy resiliency.

COST SUMMARY/IMPLICATIONS

Prior to this recommended action, the City received \$1,022,500 from Google, Inc. to evaluate the potential for the City to provide electric service to the Diridon Station Area, of which \$482,500 was recognized in 2021-2022 as part of City Council's approval of the 2020-2021 Annual Report. The action recommended in this memorandum recognizes an additional payment of \$300,000, increasing the Diridon Station Area Development Planning – Electric Microgrid City-Wide Expenses appropriation from \$482,500 to \$782,500.

April 4, 2022

Subject: Additional Funding for Studying the Potential of San José Electric Service to Downtown West

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BUDGET REFERENCE

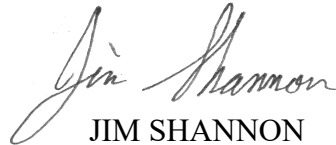
The table below identifies the fund and appropriation referenced in this memorandum.

Fund #	Appn #	Appn Name	Total Appn	Rec. Budget Action	2021-2022 Adopted Operating Budget Page	Last Budget Action (Date, Ord. No.)
001	R130	Other Revenue	\$327,329,265	\$300,000	N/A	3/1/2022, 80399
001	213M	Diridon Station Area Development Planning – Electric Microgrid	\$482,500	\$300,000	N/A	10/19/2021, 30682

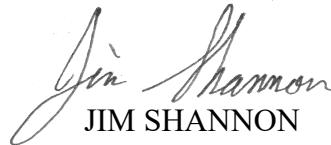
CEQA

Not a Project, File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.

/s/
LORI MITCHELL
Director of Community Energy


JIM SHANNON
Budget Director

I hereby certify that there will be available for appropriation in the General Fund in the Fiscal Year 2021-2022 moneys more than those heretofore appropriated there from, said excess being at least \$300,000.


JIM SHANNON
Budget Director

For questions, please contact Lori Mitchell, Director of Community Energy, at (408) 535-4800.