



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Lori Mitchell
Jim Shannon

**SUBJECT: COMMUNITY ENERGY
DEPARTMENT STAFFING**

DATE: December 20, 2022

Approved 

Date 12/20/22

RECOMMENDATION

Approve the following staffing additions to the Community Energy Department in 2022-2023:

<u>Job Classification</u>	<u>Full-Time Equivalent</u>
Deputy Director U (Regulatory Compliance & Policy)	1.0
Senior Power Resources Specialist (Programs)	1.0
Power Resources Specialist I/II (Regulatory Compliance & Policy)	1.0
Power Resources Specialist I/II (Account Management, Marketing and Public Affairs)	1.0

OUTCOME

Approval of the recommended position additions will allow San José Clean Energy (SJCE) to better manage regulatory compliance and improve advocacy to reduce regulatory risk, and will also help SJCE to track and pursue funding opportunities for customer programs under new state and federal legislation, including the Inflation Reduction Act. Finally, the additional positions will improve customer service and help SJCE increase staffing levels to that of other comparable Community Choice Aggregators, which have 50-80 full-time equivalents (FTE). SJCE currently has 40 FTEs that include two positions dedicated to and funded by the developer of the Downtown West project.

BACKGROUND

On August 29, 2017, the City Council approved a resolution approving the initial staffing plan of six FTEs for SJCE with the anticipation that additional staffing would be added in subsequent years as SJCE expanded. Accordingly, the number of approved FTEs grew to 17 as part of the FY 2018-2019 budget process; 22 FTEs in FY 2019-2020; 29 FTEs in FY 2020-2021; 37 FTEs

in FY 2021-2022; and to 40 FTEs in FY 2022-2023. Of the 40 FTEs, 38 FTEs are funded through revenues generated by SJCE's core operations; the remaining 2 FTEs are focused on and funded through reimbursements from the Downtown West project.

In accordance with the City's budgeting policies and historical practice, the addition of new permanent positions to a department's budget is typically handled in the Proposed Budget Development process. Exceptions are recommended when service requirements or risk management needs rapidly shift such that waiting until the Proposed Budget Process could significantly impact necessary services. This memorandum recommends the addition of four new positions now, in advance of the budget process, to help address an increasingly complex regulatory environment and meet the City's high customer service standards.

ANALYSIS

Addition of Deputy Director to oversee Regulatory Compliance & Policy

The State of California's (California) electricity markets have become much more complicated since the launch of SJCE, with increasing regulatory, compliance, and data reporting requirements driven in part by the impacts of climate change, including extreme heat events and new California regulatory requirements to reduce greenhouse gas emissions from the electric sector. SJCE is required to file hundreds of compliance filings each year and operates in a complex competitive environment. SJCE faces many new regulatory compliance obligations and needs to enhance regulatory and legislative advocacy to reduce risks. SJCE continues to face many regulatory and legislative threats including: the power charge indifference adjustment, central procurement concepts that threaten SJCE's autonomy to purchase power, and new credit and collateral requirements that increase costs. SJCE also has many new opportunities associated with the new Inflation Reduction Act and new energy legislative efforts. It is important that SJCE is resourced appropriately to manage these threats and opportunities.

The skills and abilities required to provide the leadership and direction for the Regulatory Compliance and Policy is commensurate with the skills and abilities of the Deputy Director job classification. This position requires the ability to develop and implement annual policy strategy and work plans to advance SJCE's and City goals, as well as identify emerging SJCE policy opportunities and threats, and special project needs. These positions must work to build effective coalitions and represent SJCE and the City before the California Public Utilities Commission, California Energy Commission, the California Air Resources Board, the California Independent System Operator, and the state legislature. Neighboring Community Choice Aggregators have a Deputy Director-level position leading their regulatory affairs divisions and another leading their legislative affairs. It is important for SJCE to make this personnel change to ensure adequate management coverage of this function and to be able to attract qualified, experienced, senior regulatory and legislative affairs leaders.

Addition of Power Resources Specialist I/II Position in Regulatory and Legislative Policy Division

The Power Resources Specialist I/II will lead the Community Energy Department's ongoing regulatory compliance filings and policy analysis. The Department's Regulatory and Legislative Policy Division team performs resource planning, emissions analysis, utility tariff analysis, resource reliability assessments, policy risk assessment and works cross-functionally across the Department to meet mandatory compliance requirements at the California Public Utilities Commission, California Energy Commission, the California Air Resources Board, and the California Independent System Operator.

As SJCE has progressed to become a fully operational Community Choice Aggregator, the staffing needs of SJCE have continued to evolve. SJCE participates in many complex regulatory and legislative proceedings at the state level which result in significant regulatory and financial exposure to the City. These developments highlight the need for adequate and experienced staffing resources to effectively manage the regulatory compliance and data reporting requirements placed on SJCE. Since the launch of SJCE, these analytic tasks were first performed by temporary academic fellows, who have since left the role, leaving gaps and unfinished work behind. Funding a permanent Power Resources Specialist I/II position ensures the required level of skill, project management expertise, energy market subject matter knowledge, and regulatory compliance judgement to support SJCE in meeting the accelerating regulatory, compliance, and data analysis requirements placed on SJCE. This position would be the fifth member of the Regulatory and Legislative Policy Division. Community Choice Aggregators that have been in operation as long as SJCE and serve a similarly sized customer base typically have seven to nine FTEs in Regulatory and Legislative Policy.

Addition of Power Resources Specialist I/II Position in the Account Management, Marketing and Public Affairs Division

With the shift to cost-of-service rate setting in 2023, SJCE will discontinue fixing SJCE rates based on PG&E's standard rates and will use the more technical, integrated, and complex cost-of-service model for setting rates. The recommendation to add a Power Resources Specialist I/II in the Account Management, Marketing and Public Affairs Division will provide SJCE with an energy professional who will have utility industry knowledge and will understand the complexity of providing service in a competitive and complex energy market that is heavily regulated. In addition, the Power Resources Specialist I/II will understand the intersection of the regulated environment with the complexities of being a single jurisdiction Community Choice Aggregator with municipal policies and procedures.

The Power Resources Specialist I/II will perform a wide range of key technical responsibilities to plan and support the department's energy resources account management functions. The position will help: facilitate the integration and unbundling of all organizational costs to determine revenue requirements and functional costs to properly assign costs to customer classes; analyze and integrate distributed generation programs and services such as customer demand response

rate pricing, electrification adoption models, and rate pricing to encourage desired customer energy use for optimum load shaping; and integrate complex energy market forecasts derived from multiple sources, including SJCE's financial proforma and energy modeling software, to properly forecast costs to be recovered by customers. This complex rate setting processing is essential to setting rates based on the cost-of-service methodology.

In 2022, SJCE commissioned NewGen to conduct a SJCE cost-of-service study for the 2023 SJCE rate setting process. This position will be key to doing the work necessary to perform the cost-of-service rate setting functions in-house. In addition, the Power Resources Specialist I/II will forecast rate margins by customer class based on various rate strategy scenarios and perform complex analysis and policy development as the local Investor-Owned-Utility resumes customer collections following the end of the moratorium on customer disconnections due to the pandemic. To more effectively align the critical nature of the work that would be performed by the Power Resources Specialist I/II, the position would report directly to the Deputy Director of the Account Management, Marketing and Public Affairs Division.

Addition of Senior Power Resources Specialist Position to the Programs Team

The Department's Programs Team currently comprises two staff: a Senior Environmental Program Manager and Power Resources Specialist I/II. The Senior Power Resources Specialist will assume leadership of SJCE's energy efficiency programs, which are funded by public purpose program funds allocated by the California Public Utilities Commission, whereas the Power Resources Specialist I/II will focus on Solar Access, SJCE's California Public Utilities Commission -funded disadvantaged community green tariff program. Both programs have regulatory compliance and reporting requirements, with energy efficiency being far more intensive. In addition, the Senior Power Resources Specialist will help oversee the deployment of SJCE's electric vehicle fast charging hub pilot program. This will involve coordinating with the vendors deploying the infrastructure, conducting market research surveys, engaging residents of surrounding neighborhoods, and working with community-based organizations on education and outreach campaigns about the hubs and benefits of electric vehicles. The Senior Power Resources Specialist and Power Resources Specialist will aid the Senior Environmental Program Manager to seek community feedback on SJCE's initial array of customer programs funded at least in part by operational surpluses. While the proposed Senior Power Resources Specialist and existing Power Resources Specialist will focus on the implementation of SJCE's three existing programs, the Senior Environmental Program Manager will be responsible for planning and leading the program design, implementation, and evaluation of new customer programs.

The added Senior Power Resources Specialist will also assist in SJCE's pursuit of funding made available through the federal Inflation Reduction Act of 2022¹, which includes \$369 billion in clean energy and climate investments. Nearly \$80 billion will be made available for local governments, Community Choice Aggregators, and their customers to increase renewable generation, incentivize building electrification, and support environmental justice. The Senior

¹[A Brief Summary of the Climate and Energy Provisions of the Inflation Reduction Act of 2022.](#)

Power Resources Specialist will serve as a resource for the City as they track the development of the energy and climate programs created by the legislation in the near term and advise the communications efforts to publicize the consumer-facing credits such as tax credits for electric vehicles and home electrification and energy efficiency projects. To further the City's Climate Smart goals, the Senior Power Resources Specialist will track and pursue other federal, state, and local grant opportunities, including those in the federal Infrastructure Investment and Jobs Act². State funding newly available as part of last year's budget process, for example, \$295 available for demand response under the Demand Side Grid Support Program as well as participate in the advocacy for funding opportunities that arise through California Public Utilities Commission proceedings.

A Senior Power Resources Specialist is an appropriate classification to meet the project management, planning, analytical, and advocacy needs of SJCE, in that incumbents in this classification have the appropriate level of education, experience, subject matter expertise, and judgment to ensure efficient and effective independent project management to manage and deliver more complex customer programs that meet performance targets and external funding requirements and satisfy customers.

CONCLUSION

The addition of a Deputy Director and a Power Resources Specialist positions will ensure solid regulatory compliance and policy oversight and will enable SJCE to better manage regulatory risk and advocate for its customers more effectively. The addition of a Power Resources Specialist I/II in the Account Management, Marketing and Public Affairs Division will provide the necessary energy industry analytical expertise as SJCE shifts to the more complex cost-of-service model for setting rates. The addition of a Senior Power Resources Specialist position to the Department's Community Programs team will improve access to community programs that advance the City's climate goals and promote equity. Together these positions will enable SJCE to continue to grow to levels comparable to other Community Choice Aggregators and will ensure adequate staffing resources to support operations.

EVALUATION AND FOLLOW-UP

No further follow-up is expected.

CLIMATE SMART SAN JOSÉ

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

² [Infrastructure Investment and Jobs Act](#)

PUBLIC OUTREACH

This memorandum will be posted on the City’s website for the January 10, 2023 City Council meeting.

COORDINATION

This memorandum has been coordinated with the City Attorney’s Office and the Human Resources Department.

COMMISSION RECOMMENDATION/INPUT

No input was received from the Clean Energy Advisory Commission.

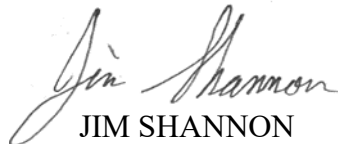
COST SUMMARY/IMPLICATIONS

The estimated cost of adding the recommended positions in 2022-2023 is approximately \$300,000 to \$400,000 depending on when the positions are hired. Based on current tracking and estimated vacancy savings, the cost of the positions in 2022-2023 are anticipated to be absorbed with the Community Department’s personal services budget in the San José Clean Energy Fund. The ongoing cost of the positions of approximately \$900,000 will be included in the Community Energy Department’s Base Budget within the San José Clean Energy Fund for 2023-2024.

CEQA

Not a Project, File No. PP17-008, General Procedure & Policy Making resulting in no changes to the physical environment.

/s/
LORI MITCHELL
Director, Community Energy

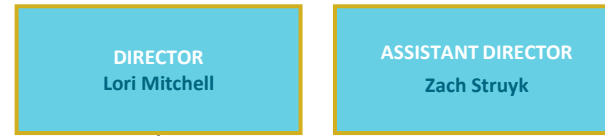

JIM SHANNON
Budget Director

For questions, please contact Zach Struyk, Assistant Director, Community Energy, at (408) 535-4868.

Attachment: Organizational Chart

COMMUNITY ENERGY DEPARTMENT

38 total CCA positions; 7 vacancies – 2 DTW Positions; 1 vacancy



DTW

