ORDINANCE NO.

AN ORDINANCE OF THE CITY OF SAN JOSE AMENDING SECTION 2.04.4620 OF CHAPTER 2.04 OF TITLE 2 OF THE SAN JOSE MUNICIPAL CODE AND AMENDING TITLE 26 OF THE SAN JOSE MUNICIPAL CODE TO PROVIDE THE COMMUNITY ENERGY DEPARTMENT THE AUTHORITY TO EFFICIENTLY PROCURE AND CONTRACT FOR THE PURCHASE AND SALE OF POWER PRODUCTS AND TO ENSURE TIMELY COLLECTION OF REVENUES

WHEREAS, pursuant to the provisions and requirements of the California Environmental Quality Act of 1970, together with related State CEQA Guidelines and Title 21 of the San José Municipal Code (collectively, "CEQA"), the Director of Planning, Building and Code Enforcement has determined that the provisions of this Ordinance do not constitute a project, under File No. PP17-008 (General Procedure and Policy Making resulting in no changes to the physical environment); and

WHEREAS, the City Council of the City of San José is the decision-making body for this Ordinance; and

WHEREAS, this Council has reviewed and considered the "not a project" determination under CEQA prior to taking any approval actions on this Ordinance;

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

<u>SECTION 1.</u> Section 2.04.4620 of Chapter 2.04 of Title 2 of the San José Municipal Code is amended to read as follows:

2.04.4620 Functions, Powers, and Duties

In addition to those general functions, powers, and duties given to the department head by this <u>eC</u>hapter and other provisions of this Code, the <u>dD</u>irector shall:

- A. Manage the City's energy portfolio.
- B. Manage energy procurement in compliance with Title 26, City Council policies, and applicable state and federal law.
- C. Oversee financial accounting, in coordination with the Finance Department, and risk management of the <u>eCommunity eEnergy dDepartment</u>.
- D. Oversee regulatory <u>compliance representation</u> of the <u>cCommunity <u>eE</u>nergy <u>dD</u>epartment and San José Clean Energy.</u>
- E. Develop and implement local energy efficiency, renewable energy, and other energy programs, in compliance with Title 26, City Council policies, and applicable state and federal law.
- F. Develop and implement resource plans that meet supply objectives and balance cost, risk, and environmental considerations.
- G. Administer rate setting and optional rates to encourage policy goals.
- H. Supervise customer service, marketing, communications, and any other programs needed to support the Community Energy dD epartment.

- I. Manage service providers, and account management, including customer account data, billing, and revenue.
- J. Oversee staff and contract management or assistance.
- K. Perform all functions, powers, and duties delegated to the <u>dD</u>irector of <u>Community eE</u>nergy under any agreement relating to energy.
- L. Take all appropriate actions to comply with documentation required by regulatory agencies Submit to appropriate regulatory agencies, on behalf of the city, all required documents that are approved by the city council.
- M. Perform such other services or functions relatinged to community energy in the city that the city council or the city mManager may, from time to time, authorize or request.

SECTION 2. Title 26 of the San José Municipal Code is amended to read as follows:

TITLE 26 COMMUNITY ENERGY

CHAPTER 26.01 FINDINGS AND PURPOSE

26.01.010 Findings

The City Council finds and declares as follows:

- A. California Public Utilities Code Section <u>331.1366.2</u> authorizes any city or county in California, upon approval of its governing board, to combine the electricity loads of its municipal needs, residents and businesses into a community-wide electricity program known as Community Choice Aggregation (CCA), as defined in California Public Utilities Code Section 331.1.
- B. Community Choice Aggregation is a method by which the Implementing the CCA program would enable the City of San José can help to provide ensure the provision of clean, reasonably priced and reliable electricity to residents and businesses in San José.
- C. C<u>CAommunity Choice Aggregation</u> is a voluntary program enabling residents and businesses to opt out and continue to receive electricity from <u>the Investor-Owned UtilityPG&E</u>.
- D. In March 2017, the City Council accepted a business plan prepared by EES

 Consulting, Inc. that concluded that the establishment of CCACommunity Choice

 Aggregation in the City is financially prudent and may yield considerable benefits for residents and businesses in the City.

26.01.020 Purpose

The purpose of this Title is to enhance the public welfare by establishing the CCAommunity Choice Aggregation in the City to be called "San José Clean Energy", to support the City's transition to clean energy and to give provide its residents and businesses local control over electricity prices, resources, and quality of service.

CHAPTER 26.10 DEFINITIONS

26.10.100 Definitions

The definitions set forth in this Part shall govern the application and interpretation of this Title.

26.10.101 Bilateral Agreement

"Bilateral agreement" means a Transaction executed directly between two parties without financial participation in the Transaction by a broker, exchange or other intermediary.

26.10.105102 CAISO

"CAISO" means the California Independent System Operator Corporation or successor entity responsible for the operation of the electric grid.

26.10.110103 Community Energy Department

"Community Energy" means the San José Clean Energy program.

"Community Energy Department" means the department established under Part 46 of Chapter 2.04 of Title 2 of this Code.

26.10.<u>115</u>104 Counterparty

"Counterparty" means the other party, whether a buyer or a seller to a Transaction, to an agreement with the City for the purchase or sale of Power ProductsSan José Clean Energy.

26.10.120105 CPUC

"CPUC" means the California Public Utilities Commission or successor agency.

26.10.<u>125</u>106 Director

"Director" means the Director of the Community Energy Department.

26.10.130 Energy Risk Management Policy

"Energy Risk Management Policy" or "ERMP" means the Council Policy 1-23 initially adopted on May 1, 2018.

26.10.107 Eligible IOU End User

"Eligible IOU End User" means a resident or business who would buy energy from the IOU.

26.10.108 Feed-in-Tariff

"Feed-in tariff" means that program available to customers whereby energy and capacity can be sold to San José Clean Energy under standard terms, conditions and pricing as may be developed by San José Clean Energy from time to time.

26.10.109 Greenhouse Gas

"Greenhouse Gas" or "GHG" refers to gases such as carbon dioxide, methane, nitrous oxide, sulfur hexafluoride, hydro fluorocarbons, perfluorocarbons and other fluorinated gases that have been determined to contribute to climate change.

26.10.110 Greenhouse Gas Free

"Greenhouse Gas Free" means energy sources that produce electricity without emitting Greenhouse Gases.

26.10.135111 Investor-Owned Utility

"Investor_-Owned Utility" or "IOU" means a public utility for-profit investor-owned electrical corporation under the jurisdiction of the CPUC and with service area in the CityCalifornia Public Utilities Commission, but excludes utility operations by cooperatives or publicly-owned utilities.

26.10.140112 Long-Term TransactionAgreement

"Long_Term Transaction Agreement" means a contract to acquire an agreement for the purchase or sale of pPower Products with a term of more than one and up to 25 years 10 or more years.

26.10.145 Master Power Purchase and Sale Agreement

"Master Power Purchase and Sale Agreement" means a form agreement commonly employed in the energy industry such as those published by the Edison Electric Institute or the WSPP Inc., the use of which is periodically authorized by resolution of the City Council.

26.10.150 Medium-Term Agreement

"Medium-Term Agreement" means an agreement for the purchase or sale of Power

Products with a term of more than three years and less than 10 years, including

agreements that incorporate by reference standard terms from Master Power Purchase

and Sale Agreements.

26.10.155 Power Charge Indifference Adjustment

"Power Charge Indifference Adjustment" or "PCIA" is a fee set by the CPUC annually

and paid by all SJCE electricity customers to the IOU to offset the difference between

above-market costs related to legacy power supply commitments and today's market

value for those resources.

26.10.113 Net Energy Metering Tariffs

"Net energy metering tariffs" (or "NEM tariffs") means that program available to

customers whereby energy production at the premises in excess of onsite consumption

receives compensation. Such program may be implemented in conjunction with PG&E's

tariffs adopted pursuant to state law.

26.10.114 PG&E

"PG&E" refers to Pacific Gas & Electric Company which is the IOU in the City's electric

service area.

26.10.<u>160</u><u>115</u> Power Products

"Power Products" means energy, renewable energy, <u>clean power attributes</u>, <u>capacity</u>, <u>resource adequacy</u>, <u>ancillary services</u>, <u>energy efficiency</u>, <u>demand responderesponse</u>, <u>energy load shaping</u>, <u>energy storage</u>, <u>transmission</u>, <u>import capability</u>, <u>fuel related to energy purchases</u>, <u>and any products related to the foregoingancillary services in support of interconnected operations (as defined in the California Independent System Operator Corporation, Fifth Replacement Electronic Tariff or its successor tariff), and similar energy market products required to serve load and comply with regulatory obligations.</u>

26.10.116 Power Purchase Agreement

"Power Purchase Agreement" or "PPA" means a contract between two entities under which the parties agree to sell and buy Power Products to and from one another.

26.10.165117 Renewables Portfolio Standard

"Renewables Portfolio Standard" or "RPS" means the state mandate for load serving entities to procure energy from eligible renewable energy resources as codified at under the California Public Utilities Code section 399.11 et seq. and California Public Resources Code sections 25740 through 25751, as such codes are may be amended and supplemented from time to time, and as implemented by the California Public Utilities Commission and the California Energy Commission.

26.10.170118 San José Clean Energy

"San José Clean Energy" or "SJCE" means the Community Choice Aggregation program created by this Title.

26.10.175 San José Clean Energy Operating Fund

"San José Clean Energy Operating Fund" means the fund established pursuant to Part 63 of Chapter 4.80 of this Code.

26.10.180119 Short--Term Transaction Agreement

"Short-Term Transaction Agreement" means a contract to acquire one an agreement for the purchase or more Power Products sale of Power Products with a term of one three years or less, including agreements that incorporate by reference standard terms from Master Power Purchase and Sale Agreements.

26.10.185120 Speculative Buying and Selling

"Speculative Buying and Selling" is defined as buying energy, capacitythe purchase or associated productsale of Power Products not reasonably anticipated to be used for meeting forecasted retail loads, commercial commitments, risk management, or regulatory requirements, or to achieve City Council goals at the time of the Transactionagreement.

26.10.190 Tariff

"Tariff" means price structure or rates for various customer programs under terms, conditions and pricing as may be developed by SJCE.

26.10.121 Transaction

"Transaction" means a binding contract between the City and a Counterparty for the purchase and sale of one or more Power Products for a specific period of time.

CHAPTER 26.20 GENERAL PROVISIONS

26.20.010 San José Clean Energy

The Community Energy Department administers and manages San José Clean Energy.

26.20.010020 Power SourceMix Options Plans

SJCESan José Clean Energy shall provide options to its customers aboutshall be provided renewable energy power mix option plans that meet or exceed the Renewables Portfolio Standard. The plans the percentage of renewable energy in their power mix, but in no event shall San José Clean Energy offer a power mix option lower than the Renewables Portfolio Standard procurement level associated with a particular year. The City Council shall establish periodically be approved by resolution of the City Council the power mix options that will be available to San José Clean Energy customers by resolution.

26.20.030020 Quantity of Electricity Usage

All electricity supplied to <u>SJCE</u> customers shall be measured by means of electricity meters controlled by the IOU pursuant to applicable <u>regulations</u> by the CPUC or CAISO <u>regulations</u>.

26.20.040030 Option to Opt Out of San José Clean Energy

No resident or business shall be obligated to participate as a customer in the San José Clean EnergySJCE program. All new SJCE customers shall be provided the opportunity to opt out of SJCESan José Clean Energy and shall receive notice of the option to opt out in accordance with California Public Utilities Code section 366.2 (c), at a minimumas may be amended. Eligible IOU end userscustomers that do not affirmatively opt out will become customers of SJCESan José Clean Energy.

26.20.050040 Standards of Service

<u>SJCESan José Clean Energy will supply power customers will receive power supply in a safe manner consistent with industry standards. The by causing the Power Products itSJCE purchases will to be made available for transmission and distribution by lines that are maintained by the IOU and other utilitiesPG&E. PG&EThe IOU will continue to be responsible for providing safe and reliable electricity delivery to SJCE customers. SJCESan José Clean Energy cannot guarantee all services will be without disruption.</u>

CHAPTER 26.30
REGULATORY COMPLIANCE

26.30.010 Purpose

The purpose of this Chapter is to assure timely compliance with regulatory mandates applicable to San José Clean Energy.

26.30.020 Reporting Authority

The Director shall submit all reports, plans and data required to comply with San José Clean Energy's regulatory requirements. On a quarterly basis, the Director shall provide reports to the City Council listing the plans and reports submitted in the past quarter to the various regulatory agencies. Each quarterly report shall be submitted no later than 45 days following the end of the previous quarter. The quarterly report required in this Section may be combined with the quarterly reporting required in Section 26.50.040.

CHAPTER 26.4030 RATES AND CHARGES FOR ELECTRICITY

26.4030.010 Purpose of Rates and Charges

The purpose of the provisions of this Chapter 26.40-is to establishset forth requirements applicable to SJCE electricity rates and assure that a process for settingSJCE electricity rates will be set that will to generate sufficient revenue to meet the anticipated expenditures required under Section 4.80.4070 of this Code, and to generate additional revenues to maintain adequate reserves and to fund energy efficiency and other energy programs and pilots as may be established by the City Council. At least one power mix shall be provided with rates equal to or below similar PG&E rates, provided that the rates furnish sufficient revenue to recover all expenses, including payment to Counterparties for Power Products, debt service, credit requirements, other expenditure requirements and to build prudent reserves for San José Clean Energy.

26.4030.020 Establishment of Electricity Rates, Tariffs, and Charges

A. Rates, tariffs, and charges for electricity, including any meter charges, demand charges, non-bypassable charges or other regulatory charges, and volumetric

rates, shall be established annually from time to time by resolution of the City Council.

- B. Rates shall not be increased more than twice in any fiscal year absent a finding of extraordinary circumstances by the City Council. A minimum of one Power Mix Option Plan will be set at rates equal to or below similar IOU rates subject to Section 26.30.010.
- C. Rates may vary based on the <u>SJCE</u> customer's choice of electricity supply options Power Mix Option Plans and associated resource costs, providing that all <u>SJCE</u> customer options shall meet or exceed <u>any regulatory or state and federal requirements, including</u> the Renewables Portfolio Standard set by the State of California as it applies for a specific compliance period.
- D. Written notice to the SJCE customer will not be provided for any proposed decrease in rates for electricity.
- E. Written notice of any proposed increase in rates for electricity shall be provided in advance of approval of any rate increase as follows:
 - Notice shall be <u>published provided by publication</u> in <u>a newspaperone or</u>
 <u>more newspapers</u> of general circulation <u>at least no less than fifteen (15)</u>
 days <u>in advance of the prior to the</u> City Council consideration of <u>such a rate</u> increase.
 - No more than forty-five (45) days, but no less than thirty (30) No less than
 15 days prior to the City Council's consideration of a rate increase, notice shall be sent directly to the <u>SJCE</u> customer with the <u>SJCE</u> customer's

- regular bills if possible, or by separate letter or by other means intended to provide timely notice to the <u>SJCE</u> customer.
- Notice shall also be posted on San José Clean Energy's website and at
 City Hall no less than 15 days prior to the City Council consideration of a rate increase.
- EF. Subsections B and DE of this Section shall not apply to a rate increase or decrease for a rate that, when it was established by the City Council, was set as equal to or a percentage above or below the IOU rates if all of the following conditions are met:
 - As required under Section 26.40.010, the rate was equal to or below similar PG&E rates when it was established and The rate increase will continue to be equal to or the same percentage above or below similar PG&Ethe IOU rates after the rate increase or decrease;
 - 2. The rate increase or decrease follows and corresponds to a rate changeincrease or decrease by the IOUPG&E; and
 - The rate increase or decrease is consistent with City Council resolutions
 establishing rates; and
 - 43. The rate increase, inclusive of the Power Charge Indifference Adjustment (PCIA) and franchise fee surcharge, is not more than five 10 percent (5%).

26.4030.030 Billing and Payment

- A. The IOU shall bill customers for electricity charges SJCE electricity charges are billed through the IOU.
- B. <u>Customers SJCE customers that do not remit payment Any bill for electricity that is not paid</u> by the due date specified in the bill shall be deemed delinquentmay be charged a SJCE late fee and interest in amounts periodically approved by resolution of the City Council, subject to the CPUC approved rules.
- C. If any bill for electricity becomes delinquent, a late charge in an amount established by resolution shall be added to the bill. The late charge shall be in addition to any other administrative charges or IOU charges imposed.
- DC. Customers SJCE customers that fail to bring their accounts current within 3090 days after receiving a delinquent notice willmay be deemed to have opted out of electricity service provided by SJCESan José Clean Energy and willmay be promptly returned to IOU service. SJCE cCustomers returning to the IOU for electricity service are responsible for payment of all outstanding electricity charges, fees and interest from SJCE. In addition to any late fees and administrative charges, customers returning to electricity service provided by the incumbent IOU shall remain responsible to pay all delinquent charges.

26.4030.040 Special Rates and Charges

A. San José Clean Energy shall provide Eligible SJCE customers shall receive information and assistance to qualifying households that may be eligible for access discounts on their energy bills, from programs such as through the

California Alternate Rates for Energy Program, Family Electric Rate Assistance or any similar IOU offered programs.

- B. SJCESan José Clean Energy may developoffer SJCE customers additional tariffs, rates or programs including other rate assistance programs to that supplement IOU programs for qualifying SJCE customers, subject to approval by the City Council.
- B. San José Clean Energy may provide other rate designs or programs as approved by the City Council.
- C. San José Clean Energy SJCE cCustomers who opt to be served by the IOU after the expiration of the initial 60 day post enrollment opt-out period may be charged a termination fee in an amount established by resolution of the City Councilmay charge a termination fee in an amount established by resolution to a customer who opts to be served by the IOU after expiration of the initial 60-day post enrollment opt-out period for the purpose of recovering administrative and other costs related to returning customers to IOU service.

CHAPTER 26.5040

ENERGY POWER PRODUCTS PROCUREMENT AND CONTRACT AUTHORITY

26.5040.010 Purpose and Policy

The purpose of this <u>cC</u>hapter is to establish <u>power procurement</u> processes <u>that willto</u> allow <u>San José Clean Energy the City</u> to procure <u>energy</u>, <u>capacity and related services</u>, <u>including procurement to meet or exceed the Renewables Portfolio Standard and Power Products</u> to best meet the needs of <u>itsSJCE's</u> customers <u>in a timely manner</u>.

26.50.020 Transactions

Based on forecasted needs, the City may enter into contracts to procure Power

Products for a term up to 25 years, under bilateral agreements, net energy metering,

Feed-in-Tariffs or through a competitive bidding process.

26.50.030 Bilateral Transactions, Net Energy Metering Tariffs and Feed-in Tariffs

Except as provided in Chapter 4.04, the City Council reserves the authority to approve

all bilateral agreements for or related to net energy metering or Feed-in-Tariffs

applicable to San José Clean Energy.

26.50.040 Short Term Trading Authority and Transaction Limits

A. The City Council recognizes that meeting the energy needs of its customers from

time to time will require Short Term Transactions to balance the load and secure

Power Products necessary to meet certain regulatory requirements. To allow for

these Short Term Transactions, the City Council hereby authorizes the Director

or his/her designee to enter into Short Term Transactions consistent with this

section. The Director shall have authority to enter into Short Term Transactions

not to exceed Five Hundred Thousand Dollars (\$500,000) each day for the

following:

Where necessary to match the forecasted load to the existing energy

supply portfolio;

2. To comply with regulatory obligations; or

Any other commercially reasonable purpose for the benefit of San José
 Clean Energy and its customers.

B. The Director shall submit quarterly reports to the City Council summarizing the number of Short Term Transactions and the total cost of those transactions during the previous quarter. Each quarterly report shall be submitted no later than 45 days following the end of the quarter. The quarterly report required in this Section may be combined with the quarterly reporting required under Section 26.30.020.

26.40.020 Contract Authority

The City Manager and Director shall be authorized to enter into agreements for the purchase and sale of Power Products in accordance with the following limitations:

A. The Director is authorized to negotiate and execute on behalf of the City, without the prior approval of the City Council, Short-Term Agreements for the purchase and sale of Power Products.

B. The City Manager is authorized to negotiate and execute on behalf of the City, without the prior approval of the City Council, Short-Term and Medium-Term Agreements for the purchase and sale of Power Products.

C. The City Manager is authorized to negotiate and execute on behalf of the City, without the prior approval of the City Council, Master Power Purchase and Sale Agreements consistent with the form previously approved for use by the City Council for the purchase and sale of Power Products. Any purchases or sales of Power Products pursuant to such Master Power Purchase and Sale Agreements are subject to the limitations in Subsections A and B.

- D. The City Council must approve Long-Term Agreements for the purchase and sale of Power Products.
- E. The City Manager and the Director may enter into agreements under subsections

 A, B, and C that comply with the following limits:
 - The purchase and sale of Power Products shall be for the purpose of meeting forecasted load, minimizing risks, stabilizing power costs, complying with regulatory obligations, or City Council goals and shall comply with the ERMP.
 - 2. The annual Power Product costs may not exceed the annual Power Product expenditure approved by the City Council in the adopted budget for that fiscal year. If the agreement is for more than one year, the commitment must be subject to the appropriation of funds, and payment obligations must be paid solely from the San José Clean Energy Operating Fund.
- F. Chapter 4.04 of this Code setting forth contract authority for goods and services shall not apply to the purchase and sale of solely Power Products.

26.40.030 Procurement Process

The purchase and sale of solely Power Products shall comply with the competitive bidding or other procurement procedures set forth in the ERMP. Chapter 4.12 of the San José Municipal Code setting forth requirements for the competitive procurement of goods and services shall not apply to the purchase and sale of solely Power Products.

26.5040.050040 Risk Management

- A. The Director shall submit a Risk Management Policy to the City Council for approval. The ERMPEnergy Risk Management Policy shall be reviewed annually, or as directed by the City Council, and any proposed changes shall be approved by resolution of the City Council.
- B. <u>A policy shall be established regarding appropriate reserves to mitigate</u> operational risks.
- C. All agreements for the purchase or sale of Power ProductsAll contracts for any Transactions shall contain appropriate risk management provisions consistent with the <u>ERMPRisk Management Policy</u>.
- C. The Risk Management Policy shall provide for appropriate reserves to mitigate operational risks.

26.50.06040.050 Counterparties

- A. Wholesale trading shall be carried out only with Counterparties meeting minimum standards of creditworthiness in conformance with the ERMPestablished by the Director of Finance. The City shall endeavor to work with counterparties that conduct their business in a prudent and ethical manner.
- B. Counterparties may be required to post a guarantyee or security in an amount and with instruments approved by the Director of Finance in conformance with the ERMPRISK Management Policy, in a form that is approved by the City Attorney.

26.50.07040.060 No Speculative Buying and Selling

Speculative <u>b</u>Buying and <u>Ss</u>elling of Power Products on behalf of <u>SJCESan José Clean</u> <u>Energy</u> shall be prohibited.

CHAPTER 26.6050

REGULATORY COMPLIANCE AND REPORT TO COUNCIL

26.6050.010 Regulatory Compliance

- A. The Director shall take all appropriate actions to comply with requirements of regulatory agencies.
- B. On a quarterly basis, the Director shall provide reports to the City Council listing the documents submitted in the past quarter to the various regulatory agencies.
 Each quarterly report shall be submitted no later than 45 days following the end of the quarter.

26.50.020 Reports to Council

A. The Director shall submit quarterly informational reports to the City Council summarizing the number of Medium-Term and Short-Term Agreements and the total cost of those agreements during the previous quarter. Each quarterly report shall be submitted no later than 45 days following the end of the quarter. The quarterly report required in this Section may be combined with the quarterly reporting required under Section 26.50.010.

BAt least once each calendar year,	r, the city manager <u>City Manager, or desi</u> ç	jnee ,
shall file with the City Council a <u>n informational</u> report that lists all actions and		
transactions agreements that have	ve occurred with regard pursuant to this	Title.
PASSED FOR PUBLICATION of title the following vote:	his day of, 2023, by	' the
AYES:		
NOES:		
ABSENT:		
DISQUALIFIED:		
	MATT MAHAN	
ATTEST:	Mayor	
TONI J. TABER, CMC City Clerk		