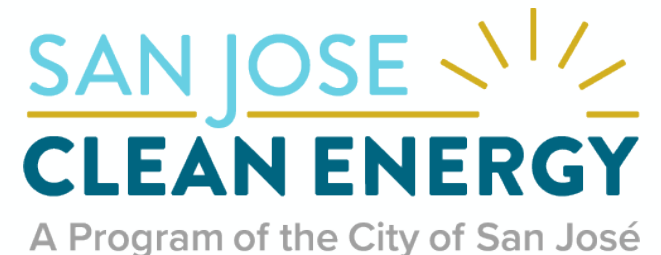


# MUNICIPAL CODE AND ENERGY RISK MANAGEMENT POLICY AMENDMENTS

San José City Council

May 2, 2023

Lori Mitchell, Director of Community Energy  
Zach Struyk, Assistant Director of Community Energy  
Jeanne Sole, Deputy Director of Power Resources  
Prachi Avasthy, Division Manager of Risk Management and Contracts Administration



# BACKGROUND

---

- Title 26, San José Municipal Code (approved in November 2017) establishes requirements for operating San José Clean Energy (SJCE) including:
  - Rate-setting
  - Procurement of power products for SJCE
- SJCE's Energy Risk Management Policy (approved in May 2018) sets requirements and mitigation strategies to manage risks from participation in the energy markets
- SJCE's Energy Risk Management Regulations set the risk management roles, strategies, controls, and authorities to form a comprehensive risk management program

# PROPOSED AMENDMENTS

---

- Staff recommends several amendments to Title 26 of the San José Municipal Code, and Energy Risk Management Policy to:
  - Align with utility best practices to purchase power in forward markets
  - Improve efficiency
  - Reduce risks
  - Timely recover costs
  - Maintain competitive rates



# PROPOSED PROCUREMENT AUTHORITY CHANGES

---

- Main Changes:
  1. Removes authority of CED Director of Community to enter into short-term agreements for power for up to \$500,000 per day (never used)
  2. Requires City Council to approve all agreements ten years or more (65% of power portfolio)
  3. Authorizes City Manager to enter into short-term agreements (3 years or less) and medium-term agreements (more than 3 years and less than 10 years) for power
  4. Authorizes the City Manager to enter into Master Power Purchase and Sale Agreements:
    - Defines terms for future transactions, does not obligate the Department to buy or sell power
  5. Authorizes the Director of Community Energy to enter into short-term agreements for power
- Consistent with electric utility best practices of forward procurement
- Improves operational efficiency & reduces risks
- Ensures the department always has authority to purchase power

# RATE-SETTING




---

- SJCE rates compete with PG&E
- CPUC does not limit IOUs (PG&E) on number of rate changes per year
  - PG&E adjusted rates 5 times in 2022
- Cost-of-service approved in Dec 2022
  - Set rates to cover cost of providing service and build financial reserves
- SJCE may need a rate that is pegged with PG&E in the future
  - Example: GreenValue
- Need flexibility to maintain financial stability and provide competitive rates

# PROPOSED RATE AND NOTICING CHANGES

1. Remove provisions limiting the number of rate increases
2. Amend requirements for sending notice of rate hearing from 45-30 days to 15 days
3. Adds requirement to post rate increases on SJCE's website and City Hall no less than 15 days before rate hearing

Improves financial stability and timely cost recovery while maintaining transparency in rate-setting process

PUBLIC MEETING NOTICE	AVISO DE REUNIÓN PÚBLICA	THÔNG BÁO VỀ CUỘC HỌP CÔNG CỘNG
<p>The San José City Council will conduct a public meeting on proposed changes to San José Clean Energy's (SJCE) electric generation rates. <b>SJCE expects the generation portion of your electricity bill to decrease in 2023.</b></p> <p>Final rates are anticipated to be approved at the December 6, 2022, City Council meeting and would take effect as soon as January 1, 2023. SJCE makes rates available on our website at <a href="https://SanJoseCleanEnergy.org/residential-rates">SanJoseCleanEnergy.org/residential-rates</a> or <a href="https://SanJoseCleanEnergy.org/commercial-rates">SanJoseCleanEnergy.org/commercial-rates</a>. Customers can also call customer service at 833-432-2454.</p> <p><b>When:</b> December 6, 2022, 1:30 p.m.  <b>Where:</b> City Council Chambers at 200 East Santa Clara Street, San José, CA 95113  <b>Virtual:</b> <a href="https://sanjoseca.gov/news-stories/watch-a-meeting">sanjoseca.gov/news-stories/watch-a-meeting</a></p> 	<p>El Concejo Municipal de San José llevará a cabo una reunión pública sobre los cambios propuestos a las tarifas de generación de electricidad de San José Clean Energy (SJCE). <b>SJCE anticipa que la parte de generación de su factura de electricidad disminuya en 2023.</b></p> <p>Se prevé que se aprueben las tarifas finales en la reunión del Concejo Municipal del 6 de diciembre de 2022 y entrarían en vigencia tan pronto como el 1 de enero de 2023. SJCE pone a disposición las tarifas en nuestro sitio web en <a href="https://SanJoseCleanEnergy.org/es/tarifas-residenciales">SanJoseCleanEnergy.org/es/tarifas-residenciales</a> o <a href="https://SanJoseCleanEnergy.org/es/tarifas-comerciales">SanJoseCleanEnergy.org/es/tarifas-comerciales</a>. Los clientes también pueden llamar al servicio al cliente al 833-432-2454.</p> <p><b>Cuándo:</b> 6 de diciembre de 2022, 1:30 p.m.  <b>Dónde:</b> Cámaras del Concejo Municipal en 200 East Santa Clara Street, San José, CA 95113  <b>Virtual:</b> <a href="https://sanjoseca.gov/news-stories/watch-a-meeting">sanjoseca.gov/news-stories/watch-a-meeting</a></p> 	<p>Hội Đồng Thành Phố San José sẽ tiến hành một cuộc họp công cộng về những thay đổi được đề xuất đối với giá cước phát điện của San José Clean Energy (SJCE). <b>SJCE kỳ vọng rằng phần phí phát điện trong hóa đơn tiền điện của quý vị sẽ giảm vào năm 2023.</b></p> <p>Tỷ lệ cuối cùng được dự đoán sẽ được phê duyệt tại cuộc họp Hội Đồng Thành Phố ngày 6 tháng Mười Hai, 2022 và có hiệu lực ngay sau ngày 1 tháng 1 năm 2023. SJCE cung cấp giá cước trên trang web của chúng tôi tại <a href="https://SanJoseCleanEnergy.org/vi/muc-gia-tu-gia">SanJoseCleanEnergy.org/vi/muc-gia-tu-gia</a> hoặc <a href="https://SanJoseCleanEnergy.org/vi/muc-gia-thuong-mai">SanJoseCleanEnergy.org/vi/muc-gia-thuong-mai</a>. Khách hàng cũng có thể gọi cho ban dịch vụ khách hàng theo số 833-432-2454.</p> <p><b>Thời gian:</b> Ngày 6 tháng Mười Hai, 2022, 1:30 p.m.  <b>Địa điểm:</b> Phòng Hội Đồng Thành Phố tại 200 East Santa Clara Street, San José, CA 95113  <b>Trực tuyến:</b> <a href="https://sanjoseca.gov/news-stories/watch-a-meeting">sanjoseca.gov/news-stories/watch-a-meeting</a></p> 

November 2022 trilingual rate notice

# PROPOSED BILLING AND PAYMENT CHANGES

---

- Make late charges and returning customers to Investor-Owned Utility (i.e., PG&E) discretionary, instead of mandatory
- Provide customers 90 days, instead of 30 days, to bring their accounts current
- Gives customers more flexibility as they recover from economic impacts of the pandemic



# QUESTIONS?

---

## Recommendations:

- A. Approve an ordinance amending Section 2.04.4620 of Chapter 2.04 of Title 2, and Title 26 of the San José 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.
- B. Adopt a resolution approving revisions to Council Policy 1-23, “Energy Risk Management Policy” to specify the delegated contract authority for the purchase and sale of power products; and establish the procurement procedures for the purchase of power products.

## Staff:

Lori Mitchell, Director of Community Energy  
Zach Struyk, Assistant Director of Community Energy  
Jeanne Sole, Deputy Director of Power Resources  
Prachi Avasthy, Division Manager of Risk Management and Contracts Administration

