



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Lori Mitchell

**SUBJECT:** SAN JOSE COMMUNITY ENERGY DEPARTMENT STATUS UPDATE **DATE:** January 26, 2018

Approved D. DSYL Date 1/26/18

## REPLACEMENT

### REASON FOR REPLACEMENT

Clarifications and corrections to the Phase 1 Update section.

### RECOMMENDATION

Accept a status update on the Community Energy Department.

### OUTCOME

Accept the following updates:

1. Schedule Update
2. Phase 1 Update
3. Staffing Plan Adjustments
4. 2017 Legislative Session Related to Clean Energy

### BACKGROUND

In May of 2017, City Council approved proceeding with the establishment of San José Clean Energy (SJCE). Since that time, significant progress has been made to launch the program. In August of 2017, City Council approved a resolution adopting the SJCE Implementation Plan and Statement of Intent and directed staff to submit this document to the CPUC. City Council also approved the initial budget and staffing plan for the establishment of the Community Energy Department. The need for some flexibility was anticipated, as was referenced in the Staffing

Plan section of the memorandum to Mayor and City Council that was approved on August 29, 2017.

On September 19, 2017, the Implementation Plan was submitted to the CPUC. The CPUC had 90 days to review and certify the Implementation Plan. The CPUC certified the plan on December 19, 2017. In October of 2017, the City Council appointed the Director of the Community Energy Department and the Director began working on November 20, 2017. Also in November of 2017, the City Council approved an ordinance to add Title 26 to the San José Municipal Code that provides procedures for the operation and management of San José Clean Energy. These were all important steps to support the development and formation of SJCE.

## **ANALYSIS**

### **1. Schedule Update**

Although much has been accomplished to support the planning, formation, and development of the new Department, there remains a significant amount of work to support the implementation and operation of San José Clean Energy. Attachment 1 (Schedule Overview) includes a summary of the critical items that must be completed prior to launch. ***It is recommended that the launch date of Phase 1 be moved to summer 2018.*** This schedule adjustment will allow for the required time to test the data exchange with PG&E and to finalize the required contracts and service agreements to support the operation of the department as well as to hire key staff.

### **2. Phase 1 Update**

The Phase 1 municipal load has also been further evaluated and we expect that the load will increase to roughly 150 GWh verses the 130 GWh that was originally anticipated. We are also evaluating the possibility of serving additional customers that want to enroll early. This will lead to larger revenues which will help support the initial fixed costs associated with starting SJCE. It will also require additional funds to support the energy contracts to serve these customers. We are working on a financing plan to adequately support this Phase of the program.

### **3. Staffing Plan Adjustments**

To support a successful launch, it will be important to bring on key staff as outlined in the staffing plan and schedule update. It was anticipated, upon appointment of the Director, there was a possibility that new City classifications might need to be created or that the timing of hiring positions between fiscal years might need to be revised.

After further review and analysis of the types of responsibilities to be overseen by each functional area as well as comparison of other Community Choice Aggregation (CCA) program structures in California, several changes are recommended. Attachment 2 (Staffing Plan Overview) provides an overview of these recommendations as well as a proposed organizational chart and comparison of the originally approved organizational chart. These changes will be brought forward for City Council consideration on February 6, 2018.

It is important to note that after start-up, additional positions will be needed to support operations. Longer-term operating CCE's such as Marin Clean Energy and CleanPowerSF both have over 50 positions.

#### 4. 2017 Legislative Session Related to Clean Energy

The 2017 legislative session in Sacramento included several energy related bills that would have impacts on SJCE. Per the request of Councilmember Khamis; Attachment 5 (Summary of the 2017 Legislative Session Related to Clean Energy) summarizes these bills, the CalCCA Coalition position, the City of San José's actions, and the legislative result. Much of the activity of CalCCA and the City of San José focused on AB 726 and AB 813 that would have required Investor-Owned Utilities (IOUs) to sign new renewable energy contracts with costs of this procurement passed on to CCA customers. These Bills did not pass during the first year of the legislative session.

### **EVALUATION AND FOLLOW-UP**

Staff will bring forward for City Council consideration staffing plan update recommendations at the February 6, 2018 City Council meeting. To support the launch of Phase 1 and begin data testing, staff will follow-up with a recommendation to approve the Customer Service, Data & Billing Management Contract in February. In March, April, and May, staff expects to bring a number of additional items to the City Council for approval including: the Risk Management Policy, the Portfolio Management, Forecasting, and CAISO Scheduling and Settlements Services Contract, Power Supply Master Agreements, the Marketing Plan, and Customer Rates. Finally, staff will provide updates to the Transportation and Environment Committee.

The Clean Energy Community Advisory Commission (CECAC) is currently being established. The City Clerk's office will bring forward their recommendation of the 6 members of the CECAC and the 3 at large appointments from the Mayor's Office on January 23, 2018. The first Advisory Committee meeting will be scheduled for mid-February 2018.

### **PUBLIC OUTREACH**

This memorandum will be posted on the City's website for the January 30, 2018 City Council meeting.

### **COORDINATION**

This memorandum was coordinated with the City Manager's Office and the City Attorney's Office.

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**COMMISSION RECOMMENDATION/INPUT**

There is no commission recommendation or input associated with this action.

**FISCAL/POLICY ALIGNMENT**

The recommended actions support the City's 2017 Green Vision (Goals 2 and 3) and the Envision San Jose 2040 General Plan (Goal MS-2 and Appendix 8: GHG Strategy)

**CEQA**

Not a Project, File No. PP17-009, Staff Reports, Assessments, Annual Reports, and Informational Memos that involve no approvals of any City action.

/s/

LORI MITCHELL

Director of Community Energy

For questions, please contact Lori Mitchell, Director of Community Energy, at (408) 535-4880.  
Or Leah Goldberg at 408-535-1901.

**Attachments:**

1. Schedule Overview
2. Staffing Plan Overview
3. Approved Organizational Chart
4. Proposed Organizational Chart
5. 2017 Status Update on Clean Energy Legislation

## Attachment 1 - Schedule Overview

Although much has been accomplished to support the planning, formation, and development of SJCE, there remains a significant number of tasks to support its implementation and operation. Below is a summary of some of critical items that must be completed prior to launch and a plan of when we expect to complete key steps. ***It is important to understand that this plan may change as we formulate the new department, bring on key staff, and test the market for the required services to support operations.***

### January:

- Submit a Surety Bond and registration package to the CPUC to become a load serving entity (LSE).
- Begin contract negotiations and finalize the Customer Service, Data & Billing Management contract.
- Issue an RFP for additional specialized technical consultants to support various operations of the department.
- Develop a Financial Plan with the Finance Department and their consulting team to establish credit worthiness with PG&E and to support the Phase 1 energy contracts. Establishing credit worthiness is required to execute the service agreement with PG&E.
- Execute the Service Agreement with PG&E.
- Update City Council on status of the program.
- Form Community Advisory Commission.
- Continue hiring key staff including the Staff Technician.
- Begin recruitment for Legal Analyst to coordinate regulatory compliance.

### February:

- Submit for City Council approval execution of Customer Service, Data & Billing Management contract.
- Initiate the Test Electronic Data Exchange with PG&E. ***This must begin 6 months prior to the launch date.*** This work cannot begin until we have executed the service agreement with PG&E.
- Continued development of Energy Wholesale Services Contract to include: Portfolio Management, Forecasting, and CAISO Scheduling and Settlements.
- Finalize the Financial Plan to support the Execution of the Power Supply Agreements.
- Begin recruitment and hiring of Key Staff including: Deputy Director of Account Services, Marketing, and Public Affairs; Senior Analyst to support the Director with the Energy Wholesale Services Contract; and Division Manager for Administration and Finance Division. It is critical to hire these positions early in 2018 to ensure the department has adequate oversight of key operational contracts. The Deputy Director will oversee the Data and Billing Services Contract, develop the Marketing Plan, and manage Customer Enrollment. The Division Manager will oversee the development of the financial plan, customer rate development, and all administrative functions for the department.

**March:**

- Submit for City Council approval execution of Portfolio Management, Forecasting, and CAISO Scheduling and Settlements Services contracts.
- Develop Risk Management Policy.
- Submit for City Council approval Commercial Paper Program funding plan to support the execution of the Power Supply Agreements.
- Develop the Power Supply Master Agreements and RFP.
- On-Board Key Staff including: Deputy Director of Account Management, Marketing, and Public Affairs; Senior Analyst to support the Director with the Energy Wholesale Services Contract; the Division Manager for Administration and Finance; and Legal Analyst in the City Attorney's Office.
- Begin recruitment of the Deputy Director of Power Resources. This is critical to finalizing and overseeing the contract management of the power supply contracts.

**April:**

- Submit for City Council approval Risk Management Policy.
- Finalize Power Supply Master Agreements and issue the RFP.
- Obtain Power Supply bids.
- Develop initial Customer Rates based on supply bids.
- Interview and select Deputy Director of Power Resources. This is critical to overseeing the contract management of the power supply contracts.

**May:**

- Submit for City Council approval Power Supply Master Agreements and delegated authority of the Director to enter power supply confirmations subject to best and final offers and the constraints of Risk Management Policy.
- Finalize Customer Rates and Rate Comparison information.
- CAISO Registration and develop Scheduling Procedures.
- Develop Marketing Plan.

**June:**

- Submit for City Council approval execution of Power Supply Master Agreements.
- Submit for City Council approval initial set of Customer Rates. This requires execution of Power Supply Master Contracts.
- Finalize Marketing Plan.
- Establish process for collecting Generation Meter Data.
- Finalize Data Testing.
- Send Opt-Out Notice 1 (June 30, 2018), 60 days prior to enrollment, must include Rate Comparison.

**July:**

- Send Opt-Out Notice 2, 30 days prior to enrollment.

- Customer Outreach and Marketing Plan.
- Finalize Scheduling and Operating Procedures.
- Phase II & III Planning

**August/September:**

- Customer Outreach and Marketing Plan.
- Phase II & III Planning.
- **Launch Phase 1**

## **Attachment 2 – Staffing Plan Overview**

The Department's initial staffing plan was developed prior to the appointment of the Director. The need for some flexibility was anticipated, as was referenced in the Staffing Plan section of the memorandum to Mayor and City Council that was approved on August 29, 2017. Staff cautioned that, upon appointment of the Director, there was a possibility that new City classifications might need to be created or that the timing of hiring positions between fiscal years might need to be revised. After further review and analysis of the types of responsibilities to be overseen by each functional area and position as well as comparison of other Community Choice Aggregation (CCA) program structures in California, several changes are recommended.

These recommendations will re-structure the Department to have minimal staffing in each key functional area with the appropriate expertise to ensure success. Many of the approved classifications lacked appropriate management expertise and were heavily weighed around administrative marketing functions. This does not adequately serve the needs of the Department as many of the marketing administrative functions will be provided by an external service provider. The Department will need a workforce that is experienced in utility management and operations, power procurement, contracting, rates, and resolving complex problems related to the utility business.

If these recommendations are approved, the total position count in 2017-2018 will increase from 8.0 to 11.5 FTE, while the total position count to be hired in 2018-2019 will decrease from 11.5 to 8.0 FTE. Overall, there will be no net change to position. In 2017-2018, as the result of salary savings during on-boarding, even with the proposed classification changes and the timing of hiring from the recruitment accelerations, the department will have sufficient savings to cover the additional costs in 2017-2018.

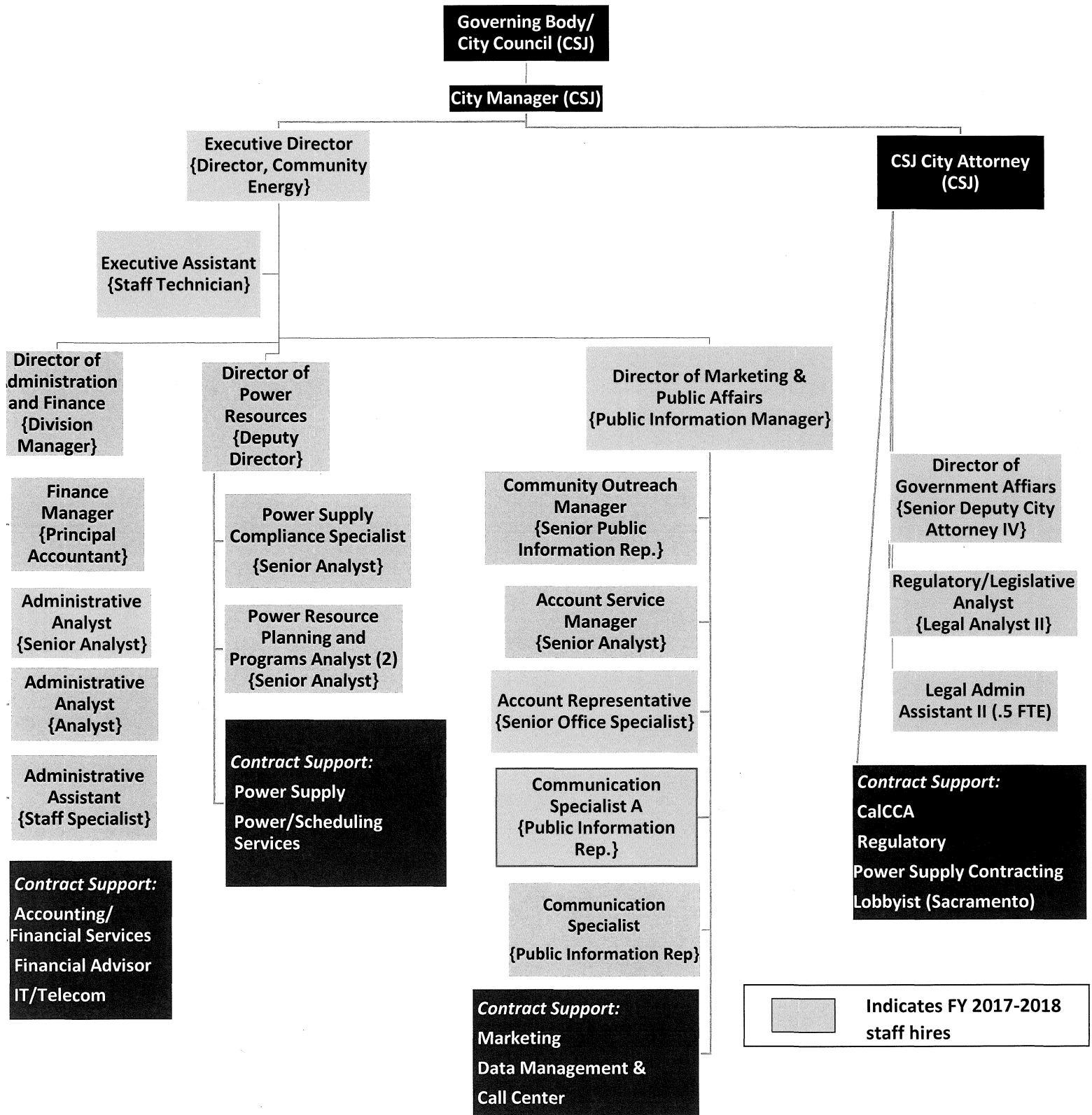
### **Revised Staffing Plan**

A comprehensive look at the revised staffing plan for the SJCE is shown in the table below.



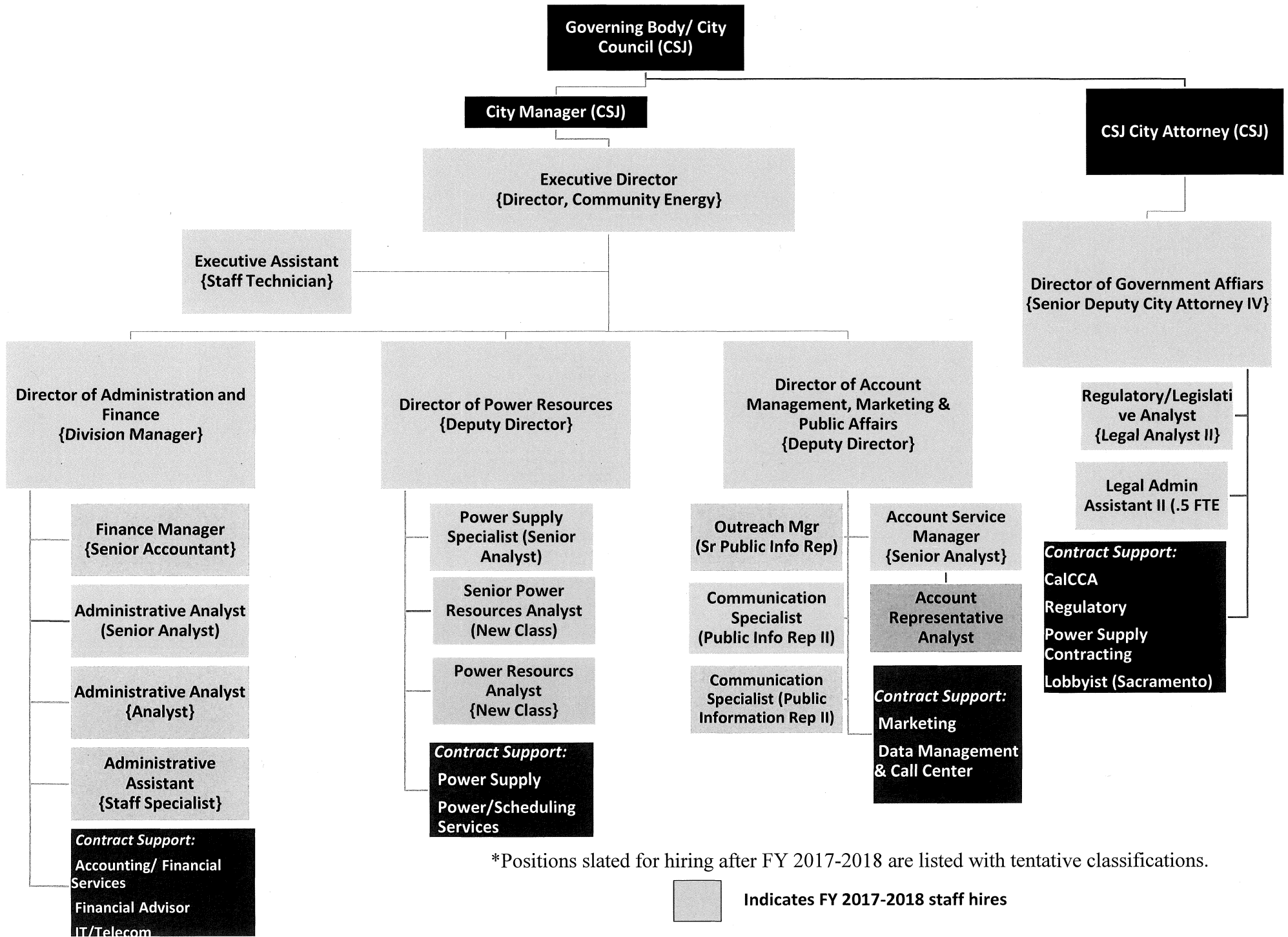
SJCE Position	Initial Plan		Revised Plan	
	FY 17-18	FY 18-19	FY 17-18	FY 18-19
Director, Community Energy (Executive Director)	X		X	
<b>NEW</b> Deputy Director (Director of Account Management, Marketing, and Public Affairs) <b>replaces Public Information Manager</b>	X		X	
Senior Analyst (Administrative Analyst)	X		X	
Staff Technician (Executive Assistant/Council Clerk)	X		X	
<b>NEW</b> Analyst (Account Representative) <b>replaces Senior Office Specialist</b>	X			X
Public Information Representative II (Communication Specialist A)	X		X	
Senior Deputy City Attorney IV (Director of Government Affairs/Legal Counsel)	X		X	
Legal Analyst II (Regulatory/Legislative Analyst)	X		X	
Deputy Director (Director of Power Resources)		X	X	
Division Manager (Director of Administration and Finance)		X	X	
<b>NEW Senior Accountant (Finance Manager) replaces Principal Accountant</b>		X		X
Senior Analyst (Power Supply Compliance Specialist)		X	X	
<b>NEW CLASSIFICATION TBD (Power Resources) replaces senior analyst</b>		X		X
<b>NEW CLASSIFICATION TBD (Power Resources) replaces senior analyst</b>		X		X
Staff Specialist (Administrative Assistant)		X		X
Senior Public Information Representative (Community Outreach Manager)		X		X
Senior Analyst (Account Service Manager)		X	X	
Public Information Representative II (Communication Specialist)		X		X
Analyst (Administrative Analyst)		X		X
Legal Administrative Assistant II (0.5 FTE)		X		X
<b>Public Information Manager</b>	<b>X</b>		<b>Deleted</b>	
<b>Senior Office Specialist</b>	<b>X</b>		<b>Deleted</b>	
<b>Principal Accountant</b>		<b>X</b>	<b>Deleted</b>	

# Attachment 3 – Approved San José Clean Energy Organization Chart\*



\*Positions slated for hiring after FY 2017-2018 are listed with tentative classifications.

# Attachment 4 - Proposed San José Clean Energy Organization Chart\*



\*Positions slated for hiring after FY 2017-2018 are listed with tentative classifications.



Indicates FY 2017-2018 staff hires

**Attachment 5 - 2017 Status Update on Clean Energy Legislation**

<b>Bill Name</b>	<b>Author</b>	<b>Description</b>	<b>City of San José Position</b>	<b>CalCCA Coalition Position</b>	<b>Legislative Result</b>
<p>AB 726 – Energy</p> <p>AB 813 – Electricity: Independent System Operator: California Renewables Portfolio Standard Program: procurement.</p>	Holden	These bills would require Investor-Owned Utilities (IOUs) to sign new renewable energy contracts with costs passed on to CCA customers.	Oppose	<p>Oppose</p> <p>CalCCA submitted amendments that embodied these:</p> <ol style="list-style-type: none"> <li>1. An ITC standard should apply equally to all electric corporations and CCA's.</li> <li>2. CCAs should have the right to self-procure to meet new renewable procurement requirements.</li> </ol>	Did Not pass
SB 618 – Load-serving entities: integrated resource plans	Bradford	This bill would require that the Integrated Resource Plans (IRP) filed by a load-serving entity be reviewed and approved by the California Public Utilities Commission (CPUC).	None	Neutral (previously oppose)	Bill is Law – signed by Governor
SB 100 – California Renewables Portfolio Standard Program: emissions of greenhouse gases	De León	This bill would revise the goal of the Renewable Portfolio Standards (RPS) program is to achieve 50% renewable resources by 2026, a 60%	Oppose	Oppose Amendments - CalCCA continues to support SB 100, but opposes Labor's proposed distribution grid amendment.	Did Not pass

### Attachment 5 - 2017 Status Update on Clean Energy Legislation

		target by 2030, and 100% by 2045.		<p>CalCCA's object to the proposal that the IOUs be given full control of the Distributed Energy Resources (DER) market.</p> <p>The Amendment enshrines the IOUs' monopoly position by requiring IOU ownership for all distribution resources. This effectively shuts out competition, is unrelated to the intent of SB 100.</p>	
AB 920 – Electricity: procurement plans: integrated resource plans	Aguiar-Curry	This bill would require the CPUC, when reviewing each load-serving entity's IRP to evaluate the mix of resources in the load-serving entity's total portfolio to ensure balanced portfolios.	None	Oppose unless amended	Did Not Pass
SB 356 – Energy data transparency	Skinner	This bill would require the CPUC, by January 15, 2019, to direct each electrical corporation to make available electronically to the public certain information, including, pricing data for	None	Unknown	Did Not Pass

**Attachment 5 - 2017 Status Update on Clean Energy Legislation**

		electricity, on the electrical corporation's Internet Web site. The bill would require electrical corporations to provide pricing data electronically to the CPUC, as provided, within 3 months after a change in its rates.			
AB 79 – Electrical generation: greenhouse gas accounting	Levine	This bill would require, by January 1, 2019, the State Air Resources Board in consultation with the Independent System Operator (ISO), to update its methodology for the calculation of hourly emissions of greenhouse gases associated with electricity from unspecified sources.	None	Oppose	Vetoed by Governor
SB 338 – Integrated resource plan: peak demand.	Skinner	This bill would require the CPUC and the governing boards of local publicly owned electric utilities to consider, as a part of IRP process, the role of distributed energy resources (DER) and other energy efficiency measures to ensure that IRPs meet	None	Unknown	Bill is Law – signed by Governor

### Attachment 5 - 2017 Status Update on Clean Energy Legislation

		energy needs and consider options to reduce the need for new electricity generation and transmission in achieving the least cost to ratepayers.			
SB 366 – Electrical corporations: Green Tariff Shared Renewables Program	Leyva	The Green Tariff Shared Renewables Program requires an electrical corporation with 100,000 or more customers in California to file with the CPUC an application requesting approval of a tariff to implement a program enabling ratepayers to participate directly in offsite electrical generation facilities that use eligible renewable energy resources.	None	Unknown	Did Not Pass