

Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Lori Mitchell
Jim Shannon

**SUBJECT: ENERGY RESILIENCY AND
COMMUNITY ENERGY STAFFING**

DATE: November 7, 2019

Approved: D. D. S. L.

Date: 11/8/19

RECOMMENDATION

- (a) Accept a status report on the workload assessment, work plan development, and resources required to implement City Council direction related to the principles to guide advocacy on restructuring California's electric power system and ensuring San José Clean Energy's operational and financial stability, the Study Session on energy resiliency, and the Rules and Open Government Committee direction related to Making San José Grid-Resilient.
- (b) Approve the following additions to the City of San José Community Energy Department staffing in 2019-2020:

<u>Job Classification</u>	<u>FTE</u>
Public Information Manager	1.0
Senior Power Resources Specialist (Regulatory and Legislative Policy)	1.0
Power Resources Specialist I/II (Regulatory and Legislative Policy)	1.0
Deputy City Attorney III	1.0

- (c) Adopt the following Fiscal Year 2019-2020 Appropriation Ordinance amendments in the Clean Energy Fund:
 - 1. Increase the Personal Services appropriation to the Community Energy Department in the amount of \$335,000;
 - 2. Increase the Personal Services appropriation to the City Attorney's Office in the amount of \$126,000;
 - 3. Increase the Non-Personal appropriation to the Community Energy Department in the amount of \$200,000 and
 - 4. Decrease the Unrestricted Ending Fund Balance in the amount of \$661,000.

OUTCOME

Approval of the recommendations will help the City better respond to the impacts of the Pacific Gas and Electric Company ("PG&E") Public Safety Power Shutoff Program ("PSPS") and support the development and implementation of strategies to improve the City's energy resiliency, like the implementation of microgrids and alternative PG&E ownership structures such as a customer owned utility. Approving the recommendations will also help ensure the success and long-term stability of the City's Community Choice Energy Program, San José Clean Energy ("SJCE"), by enabling the City to effectively respond to a series of concerning regulatory and energy market challenges.

BACKGROUND

City Council Direction

On June 12, 2019, the Rules and Open Government Committee directed Community Energy staff to hold a Council study session to inform the Council and educate the public about the serious challenges that San José, and other Northern California cities, face regarding maintaining electric reliability and resilience.

On June 25, 2019, City Council adopted a resolution establishing principles to guide advocacy regarding the restructuring of California's electric power system to ensure the electric generation, transmission and distribution infrastructure serving the City of San José is safe, reliable, clean, and affordable.

On August 29, 2019, City Council conducted a study session on energy resiliency which discussed both the current state of the City's resiliency, as well as near- and longer-term options to improve it. City Council directed City staff to return with recommendations that identified priority work program areas and the associated resource needs to accomplish the work.

On October 23, 2019, the Rules Committee approved a memorandum by Mayor Sam Liccardo titled "PSPS: Making San José Grid-Resilient" that included many recommendations and directions to staff to explore various methods to improve grid resiliency. Many of these recommendations require additional resources to oversee and develop the scope of work and conduct technical evaluations, analysis, and implementation steps, and this report identifies the priority work efforts and resources needed to complete these efforts.

Public Safety Power Shutoffs and Energy Resiliency

On April 25, 2019, PG&E filed their Wildfire Mitigation Plan that stated both San José and San Francisco could experience a prolonged Citywide PSPS outage due to the need to de-energize transmission lines. The risk of frequent and prolonged PG&E de-energization events has further prompted the City to assess energy resiliency at City facilities and the operational, and financial risks associated with PG&E control of the transmission and distribution grid, including power delivery, and to start planning for a more energy-resilient future.

On October 9, 2019, PG&E initiated a PSPS event across thirty counties in California, including Santa Clara County. More than 700,000 customer accounts, which translates to likely more than two million people, had their power shutoff. This included almost 20,000 customer accounts in San José that lost power for an average of more than 16 hours. PG&E's preparations, website stability, and communication to customers and emergency operations teams in affected areas were universally criticized as woefully inadequate. PG&E advised customers to expect more PSPS events in the coming weeks, and further blackouts for at least a decade.

On October 24, 2019, PG&E acknowledged that CALFIRE personnel had found a broken jumper wire on a transmission tower near the area where the Kincade Fire in Sonoma County broke out.¹ The fire has destroyed 372 structures and burned almost 80,000 acres. PG&E admitted that it did not de-energize a 230,000-volt transmission line near Geyserville that malfunctioned minutes before the fire erupted.

On October 25, 2019, PG&E initiated a second PSPS event across thirty-six counties in California, including Santa Clara County. More than 970,000 customers, which translates to approximately 3 million people, had their power shutoff. This included almost 7,500 customer accounts in San José that lost power for an average of more than 40 hours. PG&E initiated a third PSPS on October 29th that impacted over 500,000 customer accounts across Northern California. San José was notified that we would have portion of the City shutoff; however, this event resulted in minimal impacts due to changing weather patterns.

The Energy Market

California's electricity markets have become much more complicated over the last year. On January 9, 2019, PG&E filed for bankruptcy in federal court citing \$30 billion in liabilities. PG&E's bankruptcy closely followed the November 8, 2018 Camp Fire. CalFire determined that the Camp Fire was sparked by a failed PG&E transmission line. This fire was the deadliest and most destructive wildfire in California history. CalFire also found that failed PG&E equipment had sparked 17 of the 21 major Northern California wildfires in 2017. A jury trial is being scheduled for the Tubbs fire in 2017 which could lead to further wildfire liabilities for PG&E and complicate the ongoing bankruptcy proceeding.

On April 12, 2019, Governor Newsom issued his administration's "Wildfires and Climate Change: California's Energy Future" Strike Team Report in response to the threat of continued utility sparked wildfires, climate change impacts that are exacerbating drought and high temperatures conditions, and PG&E's bankruptcy and corporate restructuring. The report called on the Legislature to evaluate options to re-organize the California electric power market by potentially establishing a Central Buyer for electricity and a new electric Provider of Last Resort ("POLR") model to serve as a backstop for potentially expanded Direct Access ("DA") markets. Expanding DA could result in a significant loss of commercial customers of SJCE.

These changes in the electricity markets have resulted in multiple new California Public Utilities Commission ("CPUC") proceedings and legislative actions on issues including central resource

¹ PG&E's Incident Report, Oct. 24, 2019.

procurement, utility wildfire liability and mitigation plans, de-energization, PG&E's bankruptcy, and overall system reliability issues. The CPUC is seeking to establish new, more prescriptive regulatory authority over Community Choice Aggregate ("CCA") operations through mandatory Integrated Resource Planning ("IRP") procurement and reporting requirements and expanded Resource Adequacy ("RA") procurement requirements.

In 2019, the Legislature and the CPUC both proposed versions of a Central Buyer model that, if adopted, would fundamentally undermine the CCA business model. On April 22, 2019, PG&E sought to increase their guaranteed rate of return from 10.25% to 16%, by far the highest in the nation.^{2 3} PG&E is requesting further cost recovery and rate design changes through the 2020 Energy Resources Recovery Account ("ERRA") proceeding that will determine 2020 PCIA rates, and the 2020 General Rate Case ("GRC") proceeding. These proceedings all have the potential to increase costs to CCAs and their customers and impact San José's residents (through rate increases) and require a technically sophisticated City regulatory team to advocate at the CPUC and protect San José's residents generally, and CCA customers specifically.

ANALYSIS

There is significant uncertainty and financial exposure to the City and SJCE as a result of the PG&E bankruptcy, pending regulatory considerations and actions, and legislative activity at the State level. These developments pose enormous risk to San José in terms of energy reliability, cost to current PGE rate payers, and the solvency of SJCE. This is not a situation that the City can be reactive to; it must be proactive. Playing a lead role, as San José is doing, on transitioning PG&E to a customer-owned utility is an example of the type of proactive efforts that are critically needed. The following are some examples of exposure that the City is facing:

- There are tens or hundreds of millions of dollars at stake in the outcomes of PG&E's bankruptcy and Wildfire Liability proceedings.
- Annual SJCE RA procurement costs increased from \$32.4 million in 2019 to an estimated \$50 million in 2020 and are projected to be \$56 million in 2021.
- Over the past five years, the CPUC has approved a three-fold increase in PCIA rates which have increased from \$10/MWh in 2015 to over \$30/MWh in 2019. This increase equates to an increase of more than \$80 million annually charged to the SJCE customer base (though SJCE is currently able to offset and absorb this cost to customers by keeping its' rates low).
- Imprudent expansion of Direct Access would increase carbon emissions in San José and could introduce instability to SJCE's remaining customer base.

These challenges are seriously threatening the City's ability to provide safe, reliable, clean and affordable electric service. For this, and the other reasons described above, it is critical that the City assess, prioritize and advance effective strategies to become more energy resilient.

² PG&E SEC Filing Form 8-K, April 22, 2019

³ S&P Global Market Intelligence, "Average U.S. Electric, Gas ROE Authorizations in H1'18 Down from 2017", Lisa Fontanella, August 2, 2018

Strategies and the Work Program to Become More Energy Resilient

The changing energy market, direction from the Mayor and City Council in response to PG&E's PSPS events, and the City's desire to improve energy resiliency requires that the City proactively pursue multiple strategies to advance energy resiliency. Below is an assessment of the workload, work plan development, and resources required to implement City Council direction related to the principles to guide advocacy on restructuring California's electric power system, the Study Session on energy resiliency, the Rules and Open Government Committee direction related to Making San José Grid-Resilient, and ensuring SJCE's operational and financial stability as a new CCA.

1. Advocate to Transition PG&E to a Customer Owned Utility

PG&E restructuring through the bankruptcy process, recent PSPS events, and ongoing fires present an opportunity to engage the federal bankruptcy court, the Governor's Office, and at the CPUC to advocate that PG&E be transitioned to a regional nonprofit customer-owned utility. This option presents several benefits for PG&E customers. The most compelling is lower cost financing. PG&E estimates that it must invest tens of billions of dollars over the next decade to modernize, upgrade and repair aging and dilapidated electrical transmission and distribution infrastructure that would result in system hardening, wildfire protection and cyber-security. A customer owned PG&E can raise capital at much lower cost. A customer owned utility would also eliminate paying dividends to shareholders and is exempt from federal taxation. This structure could save ratepayers many billions of dollars in financing costs over the next decade. In addition, it could better focus ratepayer revenue on neglected maintenance, repairs, and capital upgrades, while also mitigating upward pressure on rates.

Community Energy recommends increasing the department's professional services budget to fund additional legal advisory services and adding additional regulatory and public affairs expertise and capacity to advance this work, as well as the on-going CCA regulatory and legislative work. These additional positions would also address the electricity market challenges described above to mitigate risks for the City. Community Energy will work with the City Attorney's Office and other CCAs/public agencies to cost-share an initial advisory services contract to further this work.

2. Backup Power Generation at Critical City Facilities

To mitigate the risks of future PSPS events and achieve our Climate Smart goals it is essential that that our critical City facilities have clean reliable permanent backup power. Community Energy has brought on a temporary staff member, with a working title of Energy Resilience Coordinator, to work with Public Works and other City Departments to evaluate backup power generation needs at critical City facilities and develop an RFP/RFI to solicit technologies that can provide clean reliable backup generation with on-site distributed energy resources, as well as leading efforts to install microgrids where feasible. Once the RFP/RFI is complete and this work is further defined, recommendations for specific technologies and projects, and any additional funding, will be brought to City Council for consideration in 2020.

3. Microgrids at New Developments

An important component of resiliency will be increased local control of power delivery. Developing a microgrid(s) or owning and operating an electrical distribution infrastructure could increase energy resiliency and local control by providing greater opportunity to “island” a portion of the City’s electrical infrastructure from the larger PG&E transmission and distribution grid. An integral part of this work will be defining the scope, location, and the number of microgrids that could be installed to improve the City’s resiliency. The Energy Resilience Coordinator will work with the Planning, Building, and Code Enforcement (“PBCE”) Department to first evaluate areas of the City that are currently being redeveloped that has the potential for significant benefit from an area microgrid. New developments often require new electrical infrastructure to be installed which presents a more efficient opportunity to design, construct, and operate a more resilient electrical grid.

4. Islands of Microgrids at Throughout the City

Installing larger microgrids throughout the City is an approach that would improve resiliency; however, it is likely to be very expensive as it requires retrofitting and replacing existing electrical infrastructure, with no available funding source or a companion developer to design and build the infrastructure. Community Energy does not recommend pursuing this option at this time due to constrained City resources and the significant cost of developing island microgrids in areas of the City not under redevelopment. Staff recommends deferring this item.

5. Providing Municipal Electrical Distribution Services, Including Full Municipalization

Community Energy will lead efforts to explore providing municipal electrical distribution services to portions of the City. This initial evaluation will include an assessment of technical, regulatory, and financial issues; economic value of providing this service; and the cost of the additional studies needed to further pursue this option which will be primarily focused on new developments. Based on the initial evaluation, a recommendation will be developed for City Council consideration of whether to pursue this and fund additional efforts to provide this service. Community Energy expects to bring forward a recommendation on this in early 2020.

Additional resources not included in the recommendations in this memo would be needed to complete the complex and extensive technical, financial, and operational studies related to full municipalization of the electrical distribution system. Such work would include the following:

1. A feasibility study that would include a detailed evaluation of the existing electrical distribution infrastructure serving the entire City, technical issues such as the remaining useful life and interconnection and separation from PG&E lines.
2. A valuation study that would determine the value of the infrastructure.
3. A financing plan to evaluate the revenue bond requirements as well as a distribution rate study to recover costs.
4. An operational readiness and labor strategy to ensure the City could successfully provide these services.

For several reasons, staff recommends deferring these activities. First, the path to municipalizing the electrical distribution system is a very long one; likely decades, and would face major opposition from PG&E. Second, staff believes that efforts to transition PG&E to a customer-owned utility are a better use of resources at this time and, if successful, may mitigate much, if not all, the need for full municipalization of electrical service. Finally, other strategies being advanced by the City related to improving energy resiliency would inform and be useful in any future consideration of full municipalization.

Staffing Recommendations

The Community Energy Department (“CED”) recommends adding a limited number of positions to effectively meet the needs of the Community Energy program and address the energy resiliency and market challenges that have developed over the past year. The organizational structure of similarly-sized CCA’s provide a good indication of the resource needs for the Department. Most Northern California CCAs in PG&E service territory have prioritized hiring 3-5 experienced staff in the key regulatory and legislative policy roles to manage and respond to the mounting CCA regulatory challenges and opportunities in California’s rapidly changing market environment; therefore, the Administration is recommending strengthening this group in advance of the budget cycle.

Community Energy is also recommending strengthening its marketing and public affairs functions. Most CCA’s have one executive team member that oversees marketing and public affairs and another executive team member that oversees account management. Community Energy currently has one Deputy Director overseeing both functions with public affairs staffed only with lower-level public information representatives. Finally, Community Energy and the City Attorney’s Office are recommending strengthening the City Attorney support team due to the complexity of managing numerous CPUC proceedings, the PG&E bankruptcy, and supporting the operational work of the Department.

Regulatory and Legislative Positions in the Community Energy Department

Currently, Community Energy only has one full-time staff member focused on regulatory and legislative work. Community Energy is recommending adding the following two positions that will report to the Division Manager of Regulatory and Legislative Affairs:

1.0 FTE Senior Power Resources Specialist

1.0 FTE Power Resources Specialist I/II

The proposed Power Resources Specialist positions will provide technical energy policy expertise and allow the City and the Department to be effectively represented in energy trade association negotiations, and before the CPUC, the California Energy Commission (“CEC”), and California Independent System Operator (“CAISO”). These positions will provide technical analysis, assess the potential business impacts to SJCE from proposed regulatory changes, and provide expert public representation. These positions will also collaborate with staff in the Department’s Power Resources Division, the Account Management Marketing and Public Affairs Team, and the Budget and Financial Planning Team.

The Department has faced numerous regulatory challenges in 2019, including Central Buyer proposals, PSPS proposals, DA proposals, and CPUC centralized regulatory mandates, as described above. Anticipated central buyer legislation in 2020 could significantly impact the SJCE business model and SJCE's ability to control costs. It is important that the Department has highly skilled technical experts to engage in the increasing number of complex electric regulatory proceedings and effectively advocate for the business interests of SJCE.

SJCE is engaging at the California legislature, CPUC and CAISO to protect and advance San José business and community interests. SJCE engages with the CPUC directly, with other CCAs, and through the California Community Choice Association ("CalCCA"), the CCA trade association. SJCE is currently involved in nine CPUC proceedings and expects to engage in additional CPUC and CAISO regulatory proceedings soon. These proceedings require sophisticated technical analysis to ensure accurate cost accounting and allocation, evaluate and influence methodologies to define resource allocations, design new energy market rules to capture the reliability and emission reduction benefits of renewable and energy storage technologies, and effectively respond to opposing regulatory arguments by market competitors.

It is important to note that the CalCCA trade association focuses only on issues that affect all CCA's statewide; therefore, they do not engage in PG&E specific regulatory proceedings, which are core to SJCE regulatory engagement. In addition, all CalCCA analytic work is CCA member driven, with CalCCA member staff running meetings and advising external consultants and counsel on analytic content. This engagement requires sufficient CCA regulatory staff to engage in the 10 – 15 regulatory proceedings occurring at any one time. To protect SJCE business interests, SJCE must engage in these multiple CalCCA led proceedings.

SJCE is also planning for the 2020 legislative session and plans to drive strategy and advocacy for at least one San José sponsored energy bill on the PSPS program, while also working with CalCCA allies to oppose central buyer and other anti-CCA legislation expected in 2020. SJCE will also continue to focus on minimizing the Power Charge Indifference Adjustment ("PCIA"), including engaging in multiple parallel track stakeholder proceedings.

Marketing & Public Affairs Position in the Community Energy Department

Community Energy is recommending adding a Public Information Manager that will report to the Deputy Director of Account Management, Marketing, and Communications to be more effective in response to the changing electricity markets. SJCE must have a well-executed public relations plan to be effective in the regulatory and legislative efforts detailed above. The Public Information Manager is needed to represent the department before complex stakeholder groups, serve as spokesperson and liaison with the press, and work with community leaders to assure their understanding of complex energy issues. This position will serve as a central role in Community Energy's public relations planning and execution for several efforts. The Public Information Manager will manage the Department's existing public information staff. Additionally, this position will serve as the liaison between executive staff in Community Energy and other departments in the City to ensure effective communication and marketing strategies are implemented successfully.

The Public Information Manager will also serve as the liaison to other departments and the City Manager's Office on a number key issues, including PG&E's PSPS program. It is expected that PSPS events will continue for many years and will have many critical life safety impacts. It's important that the City of San José has a well-coordinated communications plan related to the PSPS program especially given the high number of its vulnerable and medical baseline customers. This position will utilize strong industry experience to develop marketing materials, webpages, and social media related to the PSPS program. The City's recent experience with a PG&E PSPS event in which more than 700,000 customers, including almost 20,000 in San José, made starkly clear how lacking PG&E's capabilities and preparations are, and how important the City's communications and outreach activities are in this matter.

PG&E's bankruptcy, instability, and generally poor operational state further complicate matters, and therefore many communities have experienced poor communication. It is important that the Public Information Manager effectively coordinates with PG&E, and other public entities, such as other CCA's, Santa Clara County, the CPUC, and the CAISO, on complex energy issues and communication messages. In addition, this position will need to work effectively with stakeholders on energy resiliency efforts, including exploratory efforts on owning and operating electrical distribution infrastructure.

As the City continues to explore alternative PG&E ownerships models, a coordinated approach including a media campaign, community outreach and engagement, and legislative coalition building will be essential. A strong opposition campaign from the International Brotherhood of Electrical Workers ("IBEW") has already formed to resist San Francisco's municipalization efforts. This will require a robust outreach campaign, additional dedicated staff, and the expertise of a Public Information Manager.

Deputy City Attorney Position in The City Attorney's Office

Community Energy is recommending to add a Deputy City Attorney III. While there is already a full-time Senior Deputy City Attorney providing legal counsel to SJCE, as the CCA transitions from start-up into full operational mode, the legal needs of the department are growing at a fast pace. The position will research and analyze legal issues and provide strategic legal advice regarding power supply and other contracts, Council memoranda, municipal laws and City policies, regulatory proceedings, compliance matters, litigation risk, and legislative initiatives. The Deputy City Attorney will also review and negotiate contract terms, review consultant engagements, conduct due-diligence in connection with energy procurement agreements, and provide legal advice related to power contracts, while the procurement process and final agreements are aligned with the City Charter and other applicable laws and policies. The Deputy City Attorney will provide Community Energy with critical support to manage regulatory risk and participate in various proceedings. The City Attorney's Office is currently providing legal support in nine proceedings and will need to branch out into more proceedings in the near future. The position will also coordinate with outside counsel and provide legal advice related to PG&E's bankruptcy and de-energization risk, as well as the PSPS program.

The recommended staffing additions will help mitigate risk associated with Community Energy's path to attaining its financial reserve target, continuing to reduce the carbon intensity of

SJCE's energy mix, and offering customers energy and carbon saving programs that also save them money. As outlined above, SJCE must actively engage and intervene in a growing number of complex legislative and regulatory proceedings and drive public messaging on a variety of issues affecting San José. Increasing legal staff will help reduce the department's reliance on external counsel and allow additional filings for San José-specific comments.

CONCLUSION

PG&E's implementation of the PSPS program, along with the latest developments in the energy market are significantly threatening the City's goal of providing safe, reliable, clean and affordable electric service. Fortunately, City Council recognizes the importance of this goal and has taken recent actions intended to make San José more energy resilient.

City Council's direction in June related to the principles to guide advocacy on restructuring California's electric power systems, and City Council's direction to staff during the Energy Resiliency Study Session in August to return with recommendations that identified priority work programs and associated resource needs, are prominent examples of the importance of energy resiliency to San José. More recently, the Rules and Open Government Committee directed staff to assess and address several recommendations related to energy resiliency described in Mayor Sam Liccardo's October 22, 2019 memo titled, "PSPS: Making San José Grid-Resilient."

In response to the consequential developments with PG&E and the energy market, along with the prudent direction from the City Council, staff has performed the workload, workplan development, and resource needs assessments to advance several strategies designed to make San José more energy resilient. These strategies include advocating for the transition of PG&E to a customer-owned utility, providing backup power generation at critical City facilities, installing microgrids, and providing municipal electrical distribution services.

While some of the work to advance priority energy resiliency strategies is already underway utilizing available or temporary resources, additional staffing and professional consulting services for the CED and the City Attorney's Office are necessary to further scope and implement them. These additional resources are also critical to the success and long-term financial and operational stability of the CED given the series of concerning regulatory and public affairs challenges being caused by PG&E.

EVALUATION AND FOLLOW-UP

Staff will return to the City Council with any important findings and/or future recommendations separately or as part of the FY 2020-2021 budget process. In addition, the Administration anticipates the increased legislative and regulatory activity around electricity restructuring and Public Safety Power Shutoffs will increase the need for state legislative advocacy services. The Administration will bring to Council a proposal to increase the state legislative advocacy services contract on December 10, 2019.

CLIMATE SMART SAN JOSE

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

PUBLIC OUTREACH

This memorandum will be posted on the City's Council Agenda website for the November 19, 2019 City Council meeting.

COORDINATION

This memorandum was coordinated with the City Attorney's Office and the Human Resources Department.

COMMISSION RECOMMENDATION/INPUT

This item does not have any input from a board or commission.

FISCAL/POLICY ALIGNMENT

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

COST SUMMARY/IMPLICATIONS

The recommended staffing additions will increase the CED's 2019-2020 Personal Services costs by approximately \$335,000, CED's 2019-2020 Non-Personal/Equipment costs by approximately \$200,000, and the City Attorney's Office 2019-2020 Personal Services costs by approximately \$126,000. The Personal Services costs for the positions have been prorated to reflect the hire period of December 2019 through June 2020. It is recommended that the Unrestricted Fund Balance in the SJCE Fund be reduced by a total of \$661,000 to offset the anticipated additional 2019-2020 cost, as summarized in the table below. If approved, the ongoing costs of the positions will be incorporated into the 2020-2021 Base Budget. Costs for the temporary Energy Resilience Coordinator of approximately \$115,000 will be absorbed within CED's vacancy savings.

November 7, 2019

Subject: Energy Resiliency & Community Energy Staffing

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Recommended Additions	Estimated FY 19-20 Cost	Clean Energy Fund Unrestricted Fund Balance
1.0 Public Information Manager (CED) 1.0 Senior Power Resources Specialist (CED) 1.0 Power Resources Specialist I/II (CED)	\$335,000	(\$335,000)
1.0 Deputy City Attorney III (CAO)	\$126,000	(\$126,000)
Consultant/Legal Advisory Services	\$200,000	(\$200,000)
Increase/(Decrease)	\$661,000	(\$661,000)

All revenues and costs related to SJCE operations are tracked in the SJCE Fund. The CED makes energy investments and operational decisions in consideration of current and future cash flows and balances. For example, CED anticipates meeting several significant financial obligations/milestones, including maintaining a \$20,000,000 Operating Reserve by December 2019, as well as fully repaying its \$10,000,000 commercial paper loan by June 2020. By the end of fiscal year 2019–2020, SJCE's reserve levels are projected to grow to an estimated \$24,366,000 (inclusive of the total projected incremental staffing costs). Further, SJCE is on track to achieving one of the program's most significant financial goals – building an Operating Reserve equivalent to 180 days of operations by January 2026. CED recognizes the importance of establishing and maintaining this level of reserve to help lessen the financial risks and impacts that SJCE customers face; including: power supply price volatility, regulatory risk, and changes to the PCIA.

BUDGET REFERENCE

The table below identifies the appropriation adjustments recommended to fund the addition of the 4.0 FTE positions and legal advisory services in the Clean Energy Fund.

Fund #	Appn #	Appn Name	Current Year Appn	Recommended Budget Action	2019-2020 Adopted Operating Budget Page	Last Budget Action (Date, Ord. No.)
501	0781	Community Energy Department Personal Services	\$4,289,172	\$335,000	X-79	6/18/19 Ord. 30286
501	0441	City Attorney's Office Personal Services	\$483,637	\$126,000	X-79	6/18/19 Ord. 30286
501	0782	Community Energy Department Non-Personal/ Equipment	\$8,787,801	\$200,000	X-79	6/18/19 Ord. 30286
501	8999	Community Energy Unrestricted	\$1,084,097	(\$661,000)	X-79	6/18/19 Ord. 30286

HONORABLE MAYOR AND CITY COUNCIL

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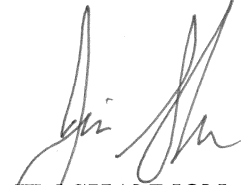
CEQA

Not a project, File No. PP17-010, City Organizational & Administrative Activities resulting in no changes to the physical environment.

/s/

LORI MITCHELL

Director of Community Energy



JIM SHANNON

Budget Director

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

Attachments:

1. Proposed Community Energy Organizational Chart

PROPOSED POSITIONS

Last Updated: November 7, 2019

Proposed Community Energy Organizational Chart

