


ENERGY RESILIENCY

November 19, 2019

Staff Presenting:
Lori Mitchell, Director of Community Energy

SAN JOSE 
CLEAN ENERGY
A Program of the City of San José

PREVIOUS COUNCIL DIRECTION

- June 12 – Rules and Open Government Committee directed Community Energy staff to conduct a study session to inform the Council and educate the public about the serious challenges that San Jose, and other Northern California cities, face regarding maintaining electric reliability and resilience.
- June 25 – City Council adopted resolution establishing electric restructuring advocacy principles
- August 29 – City Council conducted study session on Energy Resiliency
- October 23 – Rules and Open Government Committee approved a memorandum by Mayor Sam Liccardo titled “PSPS: Making San Jose Grid-Resilient” that included many recommendations and directions to staff to explore various methods to improve grid resiliency.

PG&E POWER SHUTOFFS

- PG&E's Wildfire Mitigation Plan (April 2019) calls out the risk of cascading blackouts during a PSPS event:

“Thus, distribution lines far from HFTD areas that triggered the PSPS event, but which rely on the de-energized lines for power, such as lines in cities like San Francisco or San José, could be de-energized.”

- PG&E PSPS events affecting San José:

| Date | # of Affected Customer Accounts | Outage Duration | EOC Activation Duration | Direct Cost to City |
|------------|--|-----------------|-------------------------|---------------------|
| October 9 | ~20,000, including ~500 medical baseline | 24-48 hours | 2 days | ~\$760,000 |
| October 26 | ~7,500, including ~300 medical baseline | 48-60 hours | 1.5 days | TBD |
| October 29 | Weather forecast shifted, no San José accounts were affected | | | |

ENERGY MARKET CHALLENGES

- Jan 29th PG&E Bankruptcy causes profound market uncertainty and risk of cost increases
- April 12th Governor's Strike Team Report recommends exploring Central Energy Buyer
- CPUC regulatory expansion over CCA operational authority
 - Resource Adequacy (RA) rule changes impose new CCA procurement costs
 - Integrated Resource Planning (IRP) rule changes propose new CCA procurement mandates
 - De-energization/Public Safety Power Shutoff (PSPS) destabilizes local power supply
 - ERRRA / GRC / PCIA – increase ROR 10.25-16%, risk of future volatility
- 2019 and 2020 Legislature – Multiple Bills Impacting CCAs
 - Legislative requirements influence CPUC authority and requirements
 - PG&E BK and PSPS events are likely to result in still unknown, but potentially important legislation in 2020 session

LEGISLATURE – MULTIPLE BILLS IMPACTING CCA

| Legislation | Description | Status |
|----------------------------|--|---|
| AB 56 (Garcia) | Central Buyer | Defeated in Committee, re-introduced in 2020 |
| SB 520 (Hertzberg) | Provider of Last Resort (POLR), confirms IOU role | Gov Signed |
| SB 155 (Bradford) | CPUC oversight of CCA IRP, 10yr contract requirement | Gov Signed |
| AB 1362 (O'Donnell) | CCA tariff and program transparency | Gov Signed |
| SB 378 (Wiener) | IOU PSPS accountability requirements | Introduced |
| AB 1054 (Holden) | Creates wildfire fund to pay claims for catastrophic wildfires, requires IOUs to develop wildfire mitigation plans | Gov Signed |

RESILIENCY STRATEGIES

- Customer owned utility
- Backup power & microgrids at City facilities
- Large microgrids at new developments
- Full municipalization
- Strengthen SJCE staffing



San Jose library with rooftop solar

CUSTOMER OWNED UTILITY BENEFITS

- Save ratepayers billions over the next decades
 - PG&E projects it will need to spend \$28B on system hardening and infrastructure upgrades in the next 4 years
 - Cost of raising capital can be as much as 40% lower
 - More investment at lower impact to rates
- Timing – achieved through bankruptcy process
 - Current Chapter 11 proposals focus on repayment of creditors but not reorganization and a viable path forward for PG&E to invest in infrastructure
 - Lead advocacy for a new approach for approval at the CPUC and in the bankruptcy court
- Culture & customer confidence
 - Align financial interest with public interest
 - Remove profit as priority organizational focus
 - Change management and board culture, but keep highly trained, skilled, motivated workforce
 - Should increase transparency similar to a public agency: Public Records Act, Brown Act, no political contributions, etc.



Photo: [Michael Short, San Francisco Chronicle](#)

CUSTOMER OWNED UTILITY OVERVIEW

| | Investor-owned model (currently PG&E) | Customer-owned model (proposed; would cover whole territory, electric and gas) |
|------------------------|--|---|
| Ownership | Shareholders or investors | Ratepayers |
| Structure | Private, for-profit | Private, non-profit, mutual benefit corporation Not a government agency nor attached to a particular public agency |
| Governing board | Mostly hedge fund managers and venture capitalists | Accountable to Ratepayers Public sector and utility expert focus |
| Mission | Optimize return on investment for shareholders | Optimize benefits for ratepayers |
| Financing | Stockholders/investors Sale of bonds and bank borrowing (conventional/junk debt) | Access to lower-cost non-profit financing Sale of bonds and bank borrowing |

BACKUP POWER AT CITY FACILITIES

- Request for information to be issued in early 2020
- Focusing on clean technology options (e.g., solar plus storage)
- Looking for opportunities to scale and provide backup at nearby sites and other City facilities



Microgrid at Fremont Fire Station
Photo: California Energy Commission

LARGE MICROGRIDS AT NEW DEVELOPMENTS

- New infrastructure is an opportunity to design and build a more resilient grid
- Reviewing the feasibility of SJCE providing distribution services to new development sites



Photo: Sergio Ruiz, SPUR
Downtown San José

RESIDENTIAL RESILIENCY

- Support low- and moderate-income residents to purchase solar + storage (use SGIP subsidy)
 - Work with existing vendors (e.g. GRID Alternatives, Sun Shares) to find financial structure to address this new need
 - Leverage new features of SGIP for high fire-risk and disadvantaged communities
 - Partner with online solar marketplace to accelerate
- Build partnerships to assist with group purchases of off-grid inverters, solar charge controllers, battery storage
 - Work with CM districts to pool interested residents, connect them with pre-screened vendors
- Plan for programs to be available in next 6-12 months



STRENGTHEN SJCE STAFFING

- Regulatory/Legislative Specialists
 - Bolster ability to conduct legislative advocacy, track and participate in regulatory proceedings (including PSPS, RA, PCIA, others) and defend SJCE's interests
- Public Information Manager
 - Improve ability to communicate complex energy issues to public; coordinate communications and marketing efforts with other City departments; serve as spokesperson and liaison with the press; and support SJCE legislative policy campaigns
- Deputy City Attorney
 - Legal needs of SJCE have multiplied during its operational phase. Additional resources in CAO will support power contracting, Council memoranda, and regulatory proceedings.

QUESTIONS?

- SJCE staff
 - Lori Mitchell, Director
- Recommendations
 - Accept status report
 - Approve appropriation for staffing additions
 - Approve appropriation for professional services

