


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

