

RESOLUTION NO.

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN JOSE (1) ESTABLISHING A POWER MIX OF AT LEAST 86% GREENHOUSE GAS-FREE ENERGY WITH AT LEAST 45% RENEWABLE ENERGY FOR SAN JOSE CLEAN ENERGY'S GREENSOURCE BASE PRODUCT BEGINNING JANUARY 1, 2020; (2) WAIVING OPT-OUT FEES FOR SAN JOSE CLEAN ENERGY SERVICE FOR ALL CUSTOMERS; AND (3) APPROVING THE FINAL PHASE OF CUSTOMER ENROLLMENTS BY SAN JOSE CLEAN ENERGY TO ENROLL RESIDENTIAL AND SMALL COMMERCIAL NET ENERGY METERING CUSTOMERS IN FOUR QUARTERLY BATCHES BEGINNING IN APRIL 2020 AND FINISHING IN JANUARY 2021

WHEREAS, on August 8, 2017, the Council of the City of San José ("City") approved an ordinance establishing a Community Choice Aggregation ("CCA") program to be named San José Clean Energy ("SJCE") and amending Title 2 of the San José Municipal Code to create the Community Energy Department within the City; and

WHEREAS, on August 29, 2017, the City Council approved SJCE's Implementation Plan and Statement of Intent and directed staff to submit this document to the California Public Utilities Commission ("CPUC"); the Implementation Plan was submitted on September 18, 2017, and the CPUC certified the Implementation Plan on December 18, 2017; and

WHEREAS, on November 7, 2017, the City Council approved an ordinance to add Title 26 to the San José Municipal Code, which sets forth procedures for the operation and management of SJCE, indicates that the City Council shall establish the power mix options that will be available to SJCE customers by resolution, and authorizes SJCE to provide any rate designs or programs as approved by the City Council; and

WHEREAS, the GreenSource base product that is being provided to SJCE customers in 2019 has a planned minimum renewable content of 45% and total carbon-free content of 80%, which is 12% more renewable and 2% more total carbon-free than Pacific Gas and Electric Company ("PG&E"); and

WHEREAS, in their 2018 regulatory filing to the California Energy Commission, PG&E is expected to increase their renewable content to 39% and carbon-free to 85%; and

WHEREAS, increasing SJCE's GreenSource base product power content to 86% carbon-free beginning January 1, 2020, while maintaining rates for this product at 1% below PG&E rates, will allow SJCE to exceed PG&E's carbon-free and renewable content, continue marketing its standard service as "cheaper and cleaner" than PG&E, comply with the San José Municipal Code mandate requiring a power mix consistent with the Renewables Portfolio Standard, and sustain the low opt-out rate that SJCE has experienced to date; and

WHEREAS, SJCE, like all CCA programs in California, enrolls customers on an "opt-out" basis, whereby after notification each eligible customer is enrolled in SJCE generation service by default, and the customer becomes an SJCE customer unless they affirmatively opt-out of SJCE service; and

WHEREAS, SJCE's current terms and conditions state that there is no opt-out fee for the first 180 days after a customer begins SJCE service, but after that time the opt-out fee is \$5 per residential meter and \$25 per non-residential meter; and

WHEREAS, PG&E rules stipulate that customers who opt-out of SJCE service are not eligible to restart SJCE for at least one year; and

WHEREAS, the intended function of the opt-out fees, to reduce the incentive and administrative burden of customers opting in and out of SJCE service, is already being achieved by the PG&E rules, and waiving opt-out fees for SJCE customers will reduce dissatisfaction of customers who want to opt-out of SJCE service; and

WHEREAS, on January 30, 2018, the City Council approved September 1, 2018 as the launch date for electric generation service to Phase I customers, which included City accounts, and March 1, 2019 as the launch date to Phase II customers, which included residential and commercial accounts; and

WHEREAS, in the fall of 2018, the CPUC approved a new methodology to calculate the Power Cost Indifference Adjustment ("PCIA"), and initial forecasts of this new methodology indicated that the PCIA charge for non-City small commercial customer accounts would be disproportionately higher than other customer classes; and

WHEREAS, on November 6, 2018, the City Council approved the launch of a reduced Phase II in February 2019, delaying the enrollment of non-City small commercial and residential net energy metered ("NEM") customers until SJCE could cost-effectively serve these customers while maintaining a 1% discount over PG&E rates; and

WHEREAS, on February 21, 2019, the CPUC approved Decision 19-02-023 on PG&E's Energy Resource Recovery Account proceeding, which establishes the PCIA charge for 2019 and includes a PCIA for non-City small commercial customers that is in line with that of other rate classes and lower than SJCE forecasted; and

WHEREAS, on April 16, 2019, the City Council approved enrolling small commercial customers in June 2019; and

WHEREAS, SJCE currently serves more than 2,200 NEM customers that were enrolled as part of the Phase II enrollment of commercial customers in February 2019, or that have installed solar systems and become residential NEM customers since beginning to receive service from SJCE earlier this year; and

WHEREAS, NEM is an electric utility program that addresses compensation for energy exported to the grid by customer-sited generation resources, most commonly rooftop solar, by which a customer receives a “credit” for exported power that can then be applied towards future charges when the customer-sited generators produce more energy than they utilize at any given moment and the electricity flows back onto the grid; and

WHEREAS, every year, NEM customers receive an annual “true-up” bill totaling NEM credits and charges accumulated over the year, wherein customers with net charges are billed what is owed, and customers’ bills with net credits are reset to zero; and

WHEREAS, in addition to the NEM credits, customers that export more electricity than they consume over the course of a year receive compensation for the net surplus generation, which is compensated at the Net Surplus Compensation (“NSC”) value; and

WHEREAS, SJCE’s NEM program currently adds a 25% premium over PG&E’s NSC value, and in 2020 and each following year, SJCE will set its NSC value against the average of PG&E’s monthly NSC value for the previous calendar year; and

WHEREAS, to minimize disruption to customers’ NEM schedules, which are determined by the time their system is turned on and connected to the grid, SJCE will enroll residential NEM customers in quarterly phases throughout 2020 and 2021, aligning their enrollment date as closely to their existing PG&E true-up date as possible; and

WHEREAS, customers will remain on their existing rate under SJCE's NEM program and solar customers that are annual net exporters of electricity will receive more value for their excess generation because of SJCE's higher NSC rate; and

WHEREAS, the completion of enrollment of the final group of residential and small commercial NEM customers in SJCE service will achieve the goal of providing universal service to all CCA-eligible electricity customers in San José;

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SAN JOSE THAT:

1. A power mix of at least 86% greenhouse gas-free energy with at least 45% renewable energy is hereby established for San José Clean Energy's GreenSource base product beginning January 1, 2020; provided that, notwithstanding the power mix, San José Clean Energy's GreenSource product will continue to be at one percent (1%) below Pacific Gas and Electric Company's generation rates after accounting for the franchise fee surcharge and the Power Charge Indifference Adjustment across all rate classes for 2020, and the 100% renewable energy TrueGreen product will continue to be 0.5-1 cent per kWh higher than GreenSource.
2. Opt-out fees for San José Clean Energy service are hereby waived for all customers.
3. San José Clean Energy is hereby approved to launch the final phase of customer enrollments to enroll residential and small commercial Net Energy Metering customers in four quarterly batches beginning in April 2020 and finishing in January 2021.

ADOPTED this _____ day of _____, 2019, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

SAM LICCARDO
Mayor

ATTEST:

TONI J. TABER, CMC
City Clerk