



Memorandum

TO: TRANSPORTATION AND
ENVIRONMENT COMMITTEE

FROM: Lori Mitchell

**SUBJECT: COMMUNITY ENERGY
PROGRAMS ROADMAP UPDATE**

DATE: September 10, 2020

Approved

Date

9/26/20

RECOMMENDATION

Accept an update on the San José Clean Energy Programs Roadmap.

OUTCOME

The Transportation and Environment Committee accepts the SJCE report and provides recommendations to allow SJCE to refine the programs roadmap prior to presentation to Council in the first half of calendar year 2021.

BACKGROUND

On August 8, 2017, City Council approved an ordinance establishing a Community Choice Aggregation (CCA) program to be named San José Clean Energy and amending Title 26 of the San José Municipal Code to create the Community Energy Department of the City of San José to manage the Community Choice Aggregation. Under the adopted Title 26, SJCE may provide any programs as approved by the City Council.

In February 2018, the City of San José was one of the first U.S. cities to adopt a Paris Agreement-aligned climate action plan, named Climate Smart San José (“Climate Smart”). This is a data driven plan with goals and actions focused on three components: energy, mobility, and water. It details not only ways to reduce the city's carbon footprint but also to improve the quality of life for those who live and work in San José.

On May 15, 2019, SJCE provided an update to the Transportation and Environment Committee on the Community Energy Programs planning process.

On October 22, 2019, City Council adopted a resolution approving the implementation of the California Electric Vehicle Infrastructure Project in San José, which included SJCE contributing

\$4 million over the next 2 to 4 years as a condition for the California Energy Commission to disburse \$10 million to SJCE's program under a grant awarded to SJCE and other public entities.

On March 2, 2020, SJCE provided an update to the Transportation and Environment Committee on SJCE's preliminary program roadmap that detailed the initial programs SJCE recommends offering based upon guiding principles and objectives.

ANALYSIS

The SJCE programs roadmap, Attachment A to this memorandum, lays out a strategic vision on both the process SJCE will follow to select customer programs, and the types of customer programs SJCE may pursue.

The rest of the analysis provides updates since the March 3rd, T&E Committee presentation on SJCE's financial position, near term programs, community outreach, and the programs roadmap.

CA Electricity Markets & Financial Position

California's electricity markets continue to be complex and uncertain. Increases to the Power Charge Indifference Adjustment (PCIA) and Direct Access (DA) expansion continue to be serious threats to CCA's financial stability. The PCIA is an exit fee that SJCE's customers pay when they are enrolled in a CCA program. To date SJCE has set rates to cover the cost of the PCIA so that customers realize a 1% discount to Pacific Gas & Electric (PG&E's) rates. PCIA forecasts continue to be volatile and increase over time. In 2019, the PCIA increased 22%. PG&E has submitted forecasted PCIA rates that are unpredictable and may result in a substantial increase in late 2020 or early 2021. DA is a program that a limited number of commercial customers can utilize to procure energy directly. Expanding DA could result in a significant loss of SJCE commercial customers, increase carbon emissions in San José and introduce instability to SJCE's remaining customer base. SJCE in collaboration with the California Community Choice Association (CalCCA), the trade association for California CCAs, continues to engage with legislative and regulatory bodies to address these issues.

PG&E exited bankruptcy in June 2020, but there remain multiple regulatory and legislative actions on utility wildfire liability and mitigation plans, de-energization, public safety power shutoffs, and recent failures of PG&E's distribution equipment (including in August 2020, in which 86,500 customers in San Jose lost power as a result of PG&E equipment failure). The future growth and success of SJCE will be dependent on the program's ability to demonstrate a sustained period of financial stability with strong underlying credit, as well as successful operations in one of the most complex electricity markets.

Making energy investments and operational decisions in consideration of current and future cash flows and financial obligations is a core fundamental principle for SJCE. SJCE continues to manage operations conservatively to build financial reserves to help lessen the financial risks and impacts that customers face, including power supply price volatility, regulatory risk, and changes to the PCIA.

Community Outreach on Potential Programs Updates

A. Industry Expert Workshop

On July 16th and the 23rd, the Rocky Mountain Institute with the World Resources Institute, through resources provided by the American Cities Climate Challenge, led a two-part virtual workshop on SJCE's programs roadmap. Attendees came from a variety of fields including other Community Choice Energy agencies, state and Bay Area regional government agencies, community-based organizations, energy and environmental non-profits, and the clean energy industry. The two-part workshop covered the following agenda topics:

- Key trends in clean energy
- Review and feedback on SJCE scoring metrics with focus on metrics for equity and community benefits
- Feedback on SJCE's list of potential programs
- Program prioritization exercise

The workshop had a variety of engaging exercises and collected a significant amount of valuable feedback. The following areas were the key themes of the feedback:

- Importance of equity and environmental justice in shaping future programs and the growing trend toward electrification
- Equity metrics should draw from a number of categories (funding allocation, air quality, energy burden) rather than just concentrating on one individual metric
- Diversity of opinion on future programs, but both fleet electrification and electrical panel upgrades stood out as new program area topics
- In a hypothetical budget allocation exercise, workshop participants allocated the majority of funding to vehicle and building electrification programs

B. Community Program Ideas Testing (Spring 2021)

SJCE staff will conduct an online survey in the spring of 2021, modeled off the survey in the spring of 2020, to test program ideas and assess residents' clean energy awareness. The 2021 surveys will allow staff to compare results to the 2020 survey and identify trends and interest in SJCE program ideas. If available as an option based on public safety and health developments, SJCE staff will also conduct in-person surveys at events.

Near Term Program Updates

A. California Electric Vehicle Infrastructure Project (CALeVIP)

The California Electric Vehicle Infrastructure Project plans to launch December 16th, 2020. The start date has been delayed some months due to software platform development delays originating from the program administrator, the Center of Sustainable Energy. CALeVIP is co-funded with the California Energy Commission making \$14 million in rebates available toward the installation of Level 2 and Direct Current Fast Charging stations. Program partners have

finalized the project design, and the project website portal will go live on September 16th, 2020. SJCE is engaging in targeted outreach towards properties in disadvantaged communities (DAC) and low-income communities who can receive increased rebates. SJCE is also directing its outreach toward properties located within targeted areas defined in the Department of Transportation's E-Mobility Roadmap.

B. Energy Efficiency

SJCE staff conducted a solicitation and have engaged an experienced consultant to help prepare an application to submit to the CPUC to administer ratepayer-funded energy efficiency programs. After the specific programs that SJCE proposes to administer are identified, SJCE expects to submit its application in early 2021, subject to City Council approval. If approvals are received as expected, these energy efficiency programs would then launch in the second half of 2021.

C. Disadvantaged Community-Green Tariff (DAC-GT)

In late 2020 and subject to City Council approval, SJCE plans to submit to the CPUC an application to develop and administer the DAC-GT program. This program, administered by the CPUC and funded through greenhouse gas allowance charges, provides 100% renewable electricity and a 20% bill discount to eligible low-income customers. The program will draw electricity from a fully funded and newly constructed, approximately 1.4 megawatt (MW) solar array in Northern California. SJCE estimates around 500 households could benefit from the program.

D. Bay Area SunShares Solar + Storage Group Buy

SJCE is teaming up with the Business Council on Climate Change (BC3) and the Bay Area SunShares program to offer San José residents a discount on solar + storage (battery) systems to provide backup power in the case of a PG&E power shut off. The program launched September 1st with the discount lasting 3-months until November 30th, 2020. Through the program, residents may choose to install solar only; add solar onto an existing home solar system; or install a solar + storage system.

Near Term Education and Outreach Program Updates

A. EV Workshops

SJCE is partnering with the Department of Transportation and the community-based organization, Peninsula Family Services, to offer three (3) virtual workshops on electric vehicles (EV) and financial empowerment targeted toward low-income San José residents. The workshop will aim to not only educate on the benefits of EV's, but also aim to connect workshop participants to the significant incentives available for the purchase of a used EV. The virtual workshops will be held in English, Spanish and Vietnamese and will be hosted in August, September and October.

B. Medically at-risk Backup Power

As part of its commitment to supporting and preparing vulnerable residents for upcoming PG&E power shut off events, SJCE has partnered with the Silicon Valley Independent Center to promote its Disability Disaster Access and Resources program. This program offers medical baseline customers a portable battery or hotel voucher dependent on medical needs in advance of a PG&E power shut off event. SJCE will be promoting the program through a mailer sent to medical baseline customers, social media, and other marketing channels.

C. Backup Power Website

In June 2020, SJCE launched a webpage (sanjosecleanenergy.org/backup-power-options) to support residents to explore and learn about backup power options.

Programs Roadmap Updates

A. Scoring Metrics

The programs roadmap now includes a set of metrics to be used to evaluate programs during step 2 of the program selection process. Based on feedback from participants during SJCE's programs roadmap workshop in July 2020, the equity metrics used will have multiple options to choose from to better suit the individual program under analysis.

B. Future Program Topics

In the memorandum to this Committee earlier this year, SJCE provided a list of future programs it intends to pursue once financial operating reserve targets are met. In order to maintain flexibility with the expected changes to the market, technologies, and general environment for programs in the next 2 to 5 years, SJCE instead now is providing a list of program topics within each program area. The specific program within each program topic will be more clearly defined as SJCE is ready to implement a suite of self-funded programs.

CONCLUSION

The program roadmap provides the structure and direction for future SJCE programs. This includes depicting the strategic alignment with City Climate plans and priorities. In the near term, SJCE will focus on programs leveraging external funding and education and outreach to make significant progress and set the groundwork for future program success. The programs roadmap will be continually refined through consultation with the Transportation and Environment Committee, City Council, the Clean Energy Community Advisory Commission (CECAC), and key stakeholders and community groups.

EVALUATION AND FOLLOW-UP

San José Clean Energy staff will update the SJCE programs roadmap for consideration by City Council in winter of 2020. The SJCE programs roadmap will be a living document that goes through formal revisions every two years to adjust to changes to community needs and priorities, as well as changes to technological advancements and market conditions.

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 website for the October 5, 2020, Transportation & Environment Committee meeting.

COORDINATION

This memorandum has been coordinated with the City Attorney's Office, the Environmental Services Department, and the Department of Transportation.

COMMISSION RECOMMENDATION/INPUT

The CECAC has not provided additional written commentary since its input in the memorandum for the March 3, 2020 meeting of this Committee, because the CECAC has not had a meeting since its meeting on March 3, 2020. SJCE staff will brief the CECAC and get its input on the roadmap when the CECAC begins meeting again. Several members of the CECAC, as private citizens, joined the workshop in July 2020 to review the programs roadmap.

HONORABLE MAYOR AND CITY COUNCIL

September 10, 2020

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FISCAL/POLICY ALIGNMENT

The recommended actions support the Climate Smart Plan (City Action 1.1-B/1.1-E/1.1-F/1.1-J/2.2-E/2.2-K/2.3-A/2.3-C/2.3-I/3.2-D/) and the Envision San José 2040 General Plan (Action TR-1.16 and Appendix 8: Greenhouse Gas Reduction Strategy).

COST SUMMARY/IMPLICATIONS

Near term programs will leverage external funding administered by the CPUC to the maximum extent practical. Any additional costs will be subject to the appropriation of funds.

/s/

Lori Mitchell

Director, Community Energy

For questions, please contact Zach Struyk, Deputy Director of Account Management and Marketing in Community Energy, at (408) 535-4868.

Attachments

Appendix A: Programs roadmap