



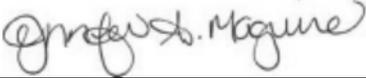
Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Matt Loesch

SUBJECT: See Below

DATE: March 11, 2026

Approved	Date:
	3/12/26

COUNCIL DISTRICTS: 2, 3, 4, 6, 7, 10

SUBJECT: Grant of Franchise to LS Power Grid California, LLC for Electric Services for Public Rights-of-Way

RECOMMENDATION

- (a) Adopt a resolution:
 - (1) Adopting the Power the Santa Clara Valley Project Environmental Impact Report, prepared by the California Public Utilities Commission (A.24-04-017; SCH No. 2024090200);
 - (2) Adopting the Power the South Bay Project Environmental Impact Report, prepared by the California Public Utilities Commission (A.24-05-014; SCH No. 2024071095);
 - (3) Making certain findings as the Responsible Agency for the purpose of and pursuant to the provisions of the California Environmental Quality Act of 1970; and
 - (4) Adopting the related Mitigation Monitoring and Reporting Programs and Construction Impact Mitigation Plan, in connection with the approval of discretionary actions for the construction and operation of the Power the Santa Clara Valley Project and the Power the South Bay Project.
- (b) Conduct a Public Hearing and approve an ordinance granting a franchise to LS Power Grid California, LLC for the purpose of transmitting electric service in the City's public rights-of-way.
- (c) Adopt a resolution authorizing the City Manager or her designee to negotiate and execute a Memorandum of Understanding to secure a performance and partnership agreement.

SUMMARY AND OUTCOME

Conduct a public hearing to consider the environmental clearance and objections to the City's intent to grant a franchise to LS Power Grid California, LLC (LS Power) for the

installation and construction of electric interconnection and transmission facilities and appurtenances within the City's public rights-of-way on Monterey Road from the existing Pacific Gas & Electric (PG&E) San Jose B Substation to the existing PG&E Metcalf Substation and on Los Esteros Road from Zanker Road to Gold Street (see Attachment – Project Maps).

BACKGROUND

Electric transmission line upgrades are essential for ensuring a reliable and sufficient electricity supply for San José and the greater Bay Area. As San José transitions towards renewable energy sources of power, these upgrades are critical for efficiently integrating this variable power into the grid.

The California Independent System Operator selected LS Power to develop, construct, and own a high-voltage transmission line to meet electric reliability needs in the South Bay. The California Independent System Operator is a non-profit Independent System Operator serving California that oversees the operation of California's bulk electric power system, transmission lines, and electricity market generated and transmitted by its member utilities.

The high-voltage transmission line projects are known as the Power the Santa Clara Valley Project and the Power the South Bay Project, which will provide 2,000 megawatts of new capacity to the grid, significantly shaping how and where large amounts of power can be delivered across the region.

The Power the Santa Clara Valley Project, also known as the Metcalf – San Jose B High-Voltage Direct Current Project, will come from the south along Monterey Road to Downtown San José. The Skyline terminal in Downtown San José will include a 230 kilovolt (kV) switchgear and will interconnect to PG&E's existing San Jose B substation. The Grove terminal in south San José will include a 500 kV switchgear and will interconnect to PG&E's existing Metcalf substation via a new 500 kV underground transmission line, approximately one mile in length. A new 320 kV high-voltage direct current underground transmission line within Monterey Road, spanning approximately 13 miles, will connect the two terminals. Additionally, 10 x 32 x 12 feet concrete splice vaults will be placed approximately every 1,500 to 3,000 feet along the underground transmission line to facilitate installation of the underground cables.

The Power the South Bay Project will come through the northern part of San José via approximately two miles of 230 kV alternating current overhead and underground transmission lines that cross the residual solids management operational area of the San José-Santa Clara Regional Wastewater Facility and then run along Los Esteros Road from Zanker Road to Gold Street. The combined length of both projects in San José will be approximately 15 miles. Each project will strengthen the electrical grid by

providing robust new connections within San José and surrounding areas, helping support policies like Climate Smart San José and future economic development, including future large-load customers.¹

ANALYSIS

As required by Section 15.32.030 of the San José Municipal Code, LS Power submitted the application for a franchise on December 12, 2025.

Under Article XIII of the San José City Charter, the City Council is empowered to grant a franchise by ordinance to any person for the purpose of furnishing the City or its inhabitants with water, light, heat, and gas, etc., or any other public utility or service using or proposing to use any public street, way, alley or place in San José. Subject to the provisions of Article XIII of the San José City Charter, the City Council may grant a franchise pursuant to procedures prescribed by ordinance or by state law.

Chapter 15.32 of the San José Municipal Code sets forth the City's exclusive procedures applicable to the granting of gas and electric franchises by the City, including the procedure by which the City may grant a franchise to construct or use poles, wires, conduits, and appurtenances for transmitting and distributing electricity.

As outlined in Section 15.32.040, Title 15 of the San José Municipal Code, the City Council may pass a resolution declaring its intention to grant the proposed franchise. The City Council must then consider any objections to the granting of the franchise at a public hearing, which shall be set for a fixed time not less than 10 days nor more than 25 days after the date of the adoption of said resolution.

On March 10, 2026, City Council adopted the resolution, declaring its intention to grant the proposed franchise ordinance and scheduled the public hearing and the City Council's final consideration on March 24, 2026. Any interested person may make a written protest stating objections against the granting of the franchise. All protests shall be signed by the protestor and be mailed or delivered to the City Clerk at 200 E. Santa Clara Street, 14th floor, San José, CA 95113, no later than 12 p.m. on March 24, 2026. At the time set for the hearing, which is during the regular City Council meeting, the City Council shall hear all objections and pass upon all protests made and its decision shall be final and conclusive.

¹ April 15, 2024, Information Memorandum: Support Position for Power Santa Clara Valley and Power South Bay Projects

<https://www.sanjoseca.gov/home/showpublisheddocument/110590/638489407972900000>

Environmental Review

The discretionary actions recommended in this memorandum were evaluated under the California Environmental Quality Act (CEQA) through two Environmental Impact Reports (EIR) prepared by the California Public Utilities Commission (CPUC): Power Santa Clara Valley Project Environmental Impact Report² (A.24-04-017; SCH No. 2024090200) and the Power the South Bay Project Environmental Impact Report³ (A.24-05-014; SCH No. 2024071095). For purposes of the City's approval actions, the City is acting as a Responsible Agency under CEQA and is considering these EIRs, together with the related findings and Mitigation Monitoring and Reporting Program and Construction Impact Mitigation Plan, before taking action on the proposed franchise ordinance and associated authorizations. The EIRs evaluate project construction and operation activities within the City's public rights-of-way and identify mitigation measures and applicant-proposed measures to reduce or avoid significant environmental impacts. Applicable measures include, but are not limited to, requirements related to tree replacement, nighttime construction noise planning, and coordination of construction traffic where overlapping project schedules could create cumulative roadway or safety impacts. LS Power would be responsible for implementing all applicable mitigation measures and applicant-proposed measures identified in the EIRs, as well as complying with City requirements, including finalization and implementation of the Construction Impact Mitigation Plan for work within the public right-of-way. Based on the City's review of the CPUC EIRs and the required CEQA findings, no further environmental review is required for the City's actions.

The CPUC will consider certification of both the EIRs on March 19, 2026. If the CPUC defers the certification to a later date, this memorandum will be deferred accordingly.

Franchise Agreement Business Terms

In 2021, the Public Works Department reviewed all franchise agreements spanning all utility types in the public right-of-way. A key finding is maximizing the franchise agreement process for mutual interests. For example, both parties want predictable franchise term lengths and do not want to increase costs for ratepayers. However, multi-decade terms reduce the ability to discuss shared interests and minimize the ability of a city to engage and secure partnership agreements to accomplish shared goals such as climate action, resiliency, and other opportunities.

Therefore, staff recommends a franchise term of 10 years that automatically renews for successive 10-year terms up to 40 years, to enable the City to discuss shared interests and engage and secure partnership agreements to accomplish mutual goals. The proposed franchise sets forth various requirements for construction, operation, and

² [LS Power Grid California, LLC \(LSPGC\) Power Santa Clara Valley Project](#)

³ [LS Power Grid California, LLC \(LSPGC\) Power the South Bay Project](#)

maintenance of LS Power's project, including insurance, bonds, and indemnification requirements.

Only possible using the public rights-of-way, the franchise fee compensates local agencies through revenue-based fees tied to the operation of revenue-generating electric enterprises, which is the industry standard for electrical systems franchise fees. The proposed 2.3% of net revenue rate for LS Power is also equal to the same rate PG&E pays to the City under its franchise.

In addition to the 10-year franchise term, a separate Memorandum of Understanding is also a best practice to secure performance and partnership agreements not directly linked to the franchise. The Memorandum of Understanding states a shared commitment between LS Power and the City of San José to remain open to partner on innovative or pilot project opportunities that may arise in the next 10-year period, such as piloting climate action technologies and accelerating climate resiliency options.

Construction is expected to begin in early 2026 and will be tentatively completed by 2028. As required by Section 13.36.210 of the San José Municipal Code, LS Power provided a Construction Impact Mitigation Plan on March 11, 2026, which staff has generally found to meet the requirements outlined in Section 13.36.220 and Section 13.36.230 of the San José Municipal Code. LS Power will continue to coordinate with City staff to prevent construction impacts in Downtown San José and the upcoming 2026 sporting events. Staff will continue to work with LS Power on updating and finalizing the Construction Impact Mitigation Plan as needed.

LS Power has also agreed to install approximately three miles of spare conduit. This best practice is often called shadow conduit, which enables the City to install fiber optic cable at a later date and protects the public's investment in the roadway without having to reopen the trench. The eventual fiber optic network expansion would improve the City's network, delivering increased control, real-time data, and safety at key intersections along the Monterey Road corridor.

EVALUATION AND FOLLOW-UP

Under Section 604 of the City Charter, the City Clerk must publish the title of the ordinance granting the franchise after six days have passed following the City Council's approval on March 24, 2026. The ordinance will return to the City Council on April 7, 2026, for final adoption on the Consent Calendar. If the City Council approves the ordinance at that time, it will be considered formally adopted. Under Section 605 of the City Charter, an adopted ordinance becomes effective 30 days after final adoption. Based on the anticipated April 7, 2026, adoption date, the ordinance would take effect on May 8, 2026. Once the franchise agreement becomes effective on May 8, 2026, the City may issue any pending Public Works Major Improvement Permits. This will allow

HONORABLE MAYOR AND CITY COUNCIL

March 11, 2026

Subject: Grant of Franchise to LS Power Grid, California, LLC for Electric Services for Public Rights-of-Way

Page 6

construction to begin as soon as possible and help LS Power stay on schedule with its planned construction timeline.

FISCAL IMPACTS

LS Power will pay the City an annual franchise fee equal to 2.3% of revenue for use of the public right-of-way to convey electrical transmission lines, consistent with the franchise rate applied to PG&E. Under the franchise agreement, LS Power will remit payments within 60 days after the end of each calendar year. Substantial franchise fee revenue is not expected to be received until both projects become operational, which is currently anticipated in 2028. The full-year franchise payment is projected to range between \$500,000 to \$750,000 based on LS Power's Federal Energy Regulatory Commission revenue forecasts. Over the 40-year term, franchise payments are expected to decline by approximately 3% per year due to asset depreciation and the project's rate structure under the California Independent System Operator framework, with potential adjustments in later years tied to equipment reinvestments. Franchise fee revenue will be deposited in the City's General Fund.

COORDINATION

This memorandum was coordinated with the City Attorney's Office, City Manager's Budget Office, City Manager's Office of Economic Development and Cultural Affairs, Energy Department, Environmental Services Department, Fire Department, and the Planning, Building, and Code Enforcement Department.

PUBLIC OUTREACH

This memorandum will be posted on the City Council Agenda website for the March 24, 2026 City Council meeting.

BOARD, COMMISSION, COMMITTEE RECOMMENDATION AND INPUT

No board, commission, or committee recommendation or input is associated with this action.

HONORABLE MAYOR AND CITY COUNCIL

March 11, 2026

Subject: Grant of Franchise to LS Power Grid, California, LLC for Electric Services for Public Rights-of-Way

Page 7

CEQA

Power Santa Clara Valley Project Environmental Impact Report, prepared by the California Public Utilities Commission (A.24-04-017; SCH No. 2024090200), File No. ER25-262.

Power the South Bay Project Environmental Impact Report, prepared by the California Public Utilities Commission (A.24-05-014; SCH No. 2024071095), File No. ER24-283.

PUBLIC SUBSIDY REPORTING

This item does not include a public subsidy as defined in section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.

/s/
MATT LOESCH
Director of Public Works

For questions, please contact J. Guevara, Deputy Director of Public Works, Public Works Department at j.guevara@sanjoseca.gov or (408) 535-8300.

ATTACHMENT: Project Maps

