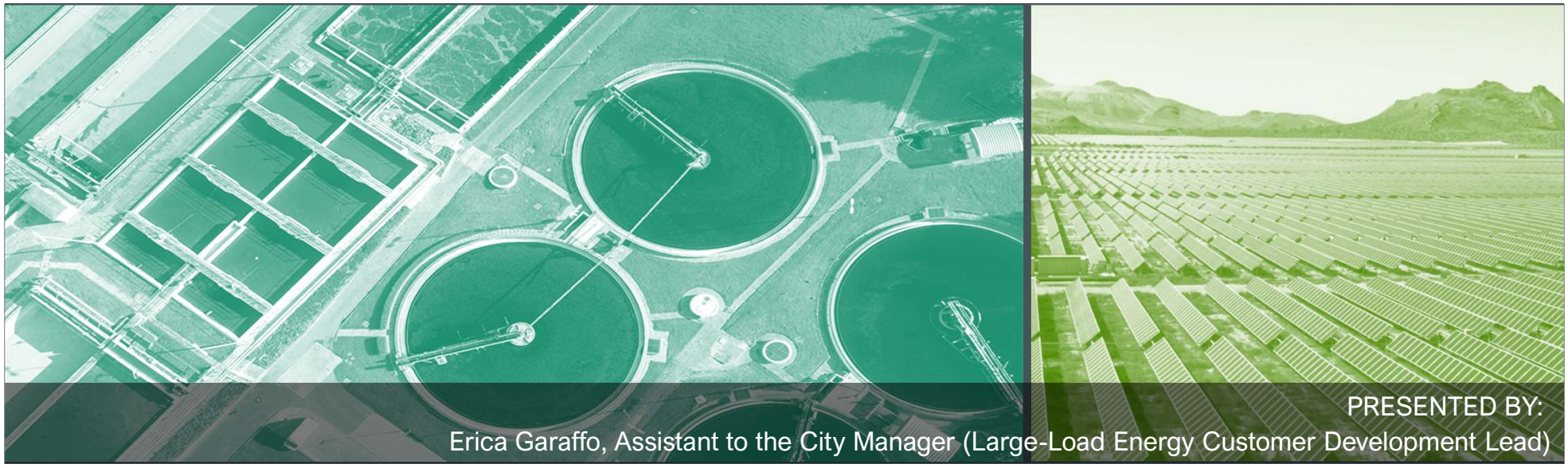
(d)1 LARGE-LOAD ENERGY CUSTOMER DEVELOPMENT STATUS REPORT

TRANSPORTATION AND ENVIRONMENT COMMITTEE | FEBRUARY 9, 2026



PRESENTED BY:
Erica Garaffo, Assistant to the City Manager (Large-Load Energy Customer Development Lead)

WHY THIS MATTERS

- Reliable electricity is now a key constraint on San José's economic growth
- Large-load energy customers are critical to General Fund stability
- City action focuses on speed, accountability, and infrastructure readiness

COUNCIL DIRECTION & PG&E AGREEMENT

March 2025: Council direction to pause municipal utility exploration and negotiate a partnership with PG&E

July 2025: Implementation Agreement executed with PG&E

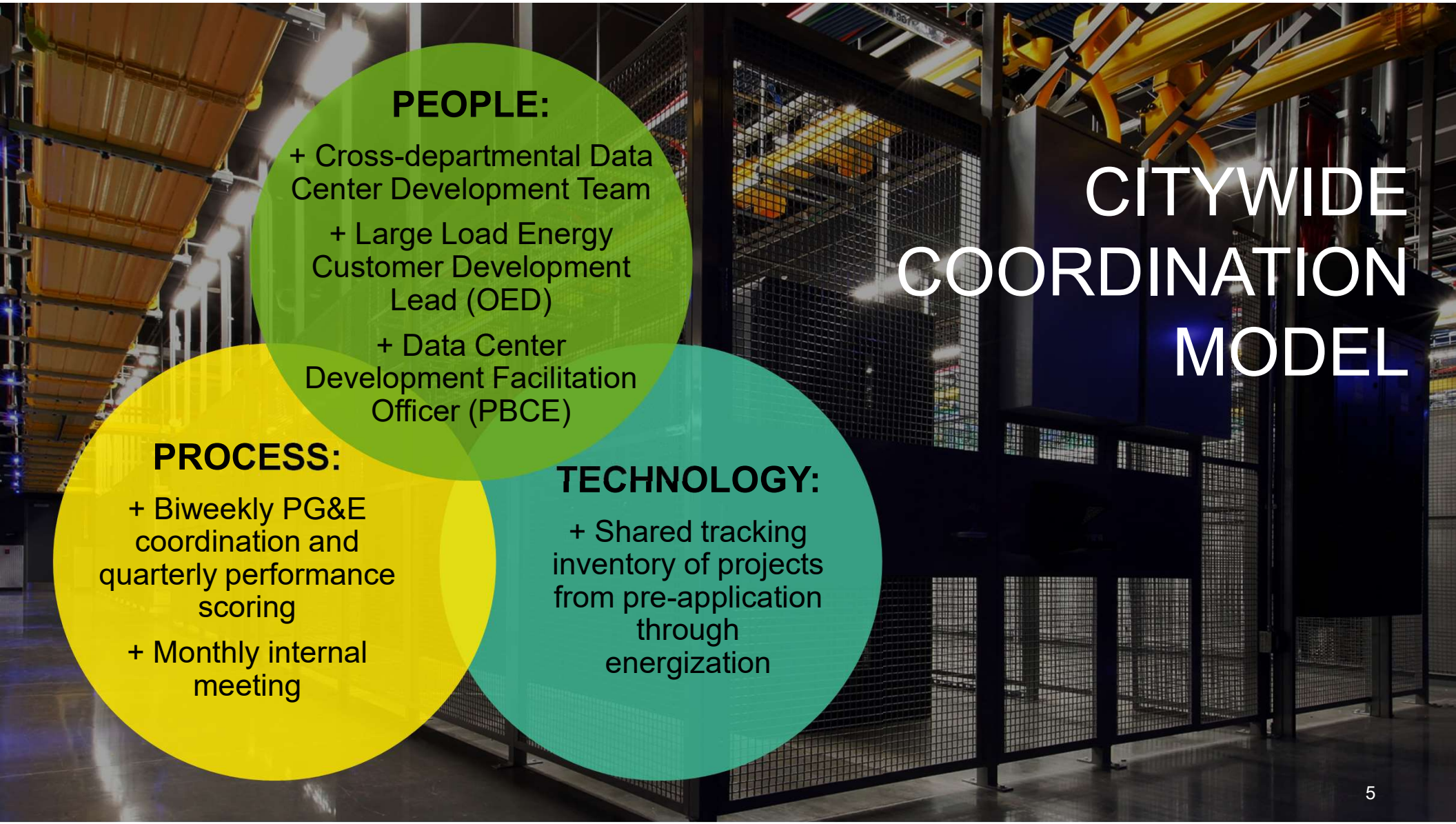
CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

PG&E

Dedicated staffing and enforceable timelines for 12 large-load projects (>20 MW) and 250MW for RWF Plant Lands Development

PROGRESS TOWARD COUNCIL FOCUS AREA GOALS – GROWING OUR ECONOMY

Focus Area Goals	Q1 2025-26	Q2 2025-26	Q3 2025-26	Q4 2025-26	GOAL TRACKING
2.1 Three data centers/large energy projects receive permanent power from PG&E by June 2026.	0	1	1	1 (Scheduled)	**2 out of 3**
2.2 Two new data center/large energy projects in the Building Plan Review phase by June 2026.	1	2			**3 out of 2**
2.3 Five new data center/large energy projects in the Planning Entitlement phase by June 2026.	2	0			**2 out of 5**



CITYWIDE COORDINATION MODEL

ELECTRICAL INFRASTRUCTURE DELIVERY

- Biweekly coordination with PG&E, Monthly updates on project milestones, Quarterly Scoring
- 12 projects under Implementation Agreement
- 2 energized; remaining 10 will be energized by 2030

Project ID	*Quarter Expected*	*PG&E Scored as of Q4 2025*
A-1	Q3 2028	Q4 2028
A-2	Q2 2026	Q2 2026
A-3	Q4 2026	Q4 2026
A-4	Q2 2029	Q2 2029
A-5	Q2 2028	Q2 2028
A-6	Q4 2027	Q4 2027
A-7	Q4 2025	Energized
A-8	Q4 2025	Energized
A-9	Q4 2028	Q4 2028
A-10	Q1 2030	Q1 2030
A-11	Q4 2026	Q4 2026
A-12	Q1 2030	Q1 2030

GREEN	YELLOW
Project is within 45 days of target schedule. No outstanding agency reviews, permits, or approvals beyond normal processing times. No escalated issues requiring focused senior management attention to resolve (i.e., beyond regularly scheduled meetings)	Project is within 45-120 (1 Quarter) days behind schedule. Minor permitting or supply chain delays that are actively being addressed. Mitigation plan in place that does not delay the in-service or permanent power energization date or require leadership intervention.

REGIONAL TRANSMISSION: LS POWER

- Two transmission projects totaling 2,000 MW, expected energization mid-2028
- Franchise Agreement for Council Consideration March 2026
- First full utility permit on track by June 2026
- Construction avoids 2026 sports event impacts

FISCAL BENEFITS OF DATA CENTERS

$3–$7M Annual General Fund Revenue Per 50–99 MW Data Center once fully built out

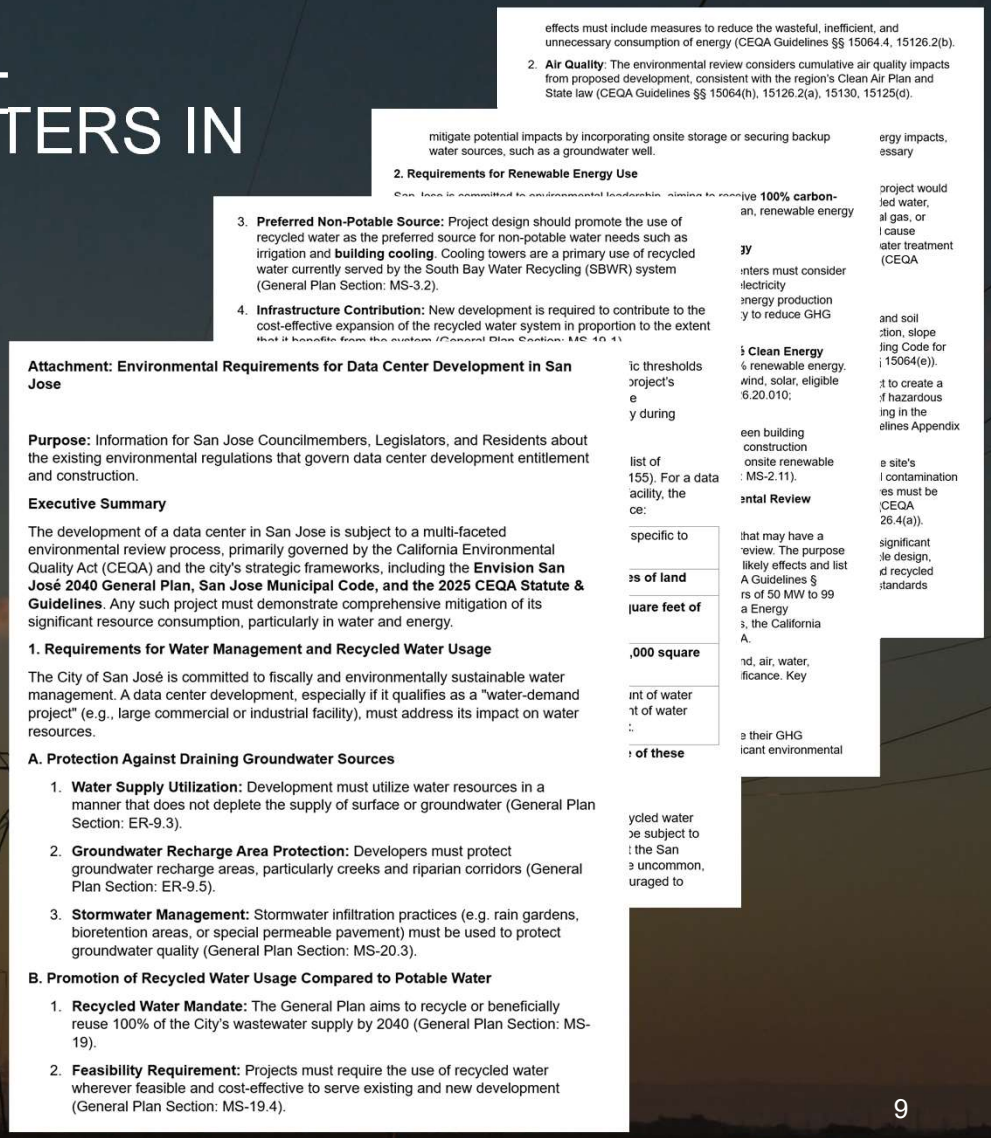
Minimal Traffic And Service Demands

Retains Economic Activity Locally

ATTACHMENT: ENVIRONMENTAL REQUIREMENTS FOR DATA CENTERS IN SAN JOSE

Key Points:

- Water assessments ensure sufficient supply and analyze environmental impacts under normal and dry conditions (CEQA §15155).
- San José Clean Energy customers receive 65% or 100% renewable, carbon-free power (SJMC §§26.20.010, 26.10.165).
- CEQA review identifies environmental impacts, required mitigations, and project alternatives (CEQA §§15002, 15003, 15126).



effects must include measures to reduce the wasteful, inefficient, and unnecessary consumption of energy (CEQA Guidelines §§ 15064.4, 15126.2(b).

2. **Air Quality**: The environmental review considers cumulative air quality impacts from proposed development, consistent with the region's Clean Air Plan and State law (CEQA Guidelines §§ 15064(h), 15126.2(a), 15130, 15125(d).

mitigate potential impacts by incorporating onsite storage or securing backup water sources, such as a groundwater well.

2. Requirements for Renewable Energy Use

3. **Preferred Non-Potable Source:** Project design should promote the use of recycled water as the preferred source for non-potable water needs such as irrigation and **building cooling**. Cooling towers are a primary use of recycled water currently served by the South Bay Water Recycling (SBWR) system (General Plan Section: MS-3.2).
4. **Infrastructure Contribution:** New development is required to contribute to the cost-effective expansion of the recycled water system in proportion to the extent

Attachment: Environmental Requirements for Data Center Development in San Jose

Purpose: Information for San Jose Councilmembers, Legislators, and Residents about the existing environmental regulations that govern data center development entitlement and construction.

Executive Summary

The development of a data center in San Jose is subject to a multi-faceted environmental review process, primarily governed by the California Environmental Quality Act (CEQA) and the city's strategic frameworks, including the **Envision San José 2040 General Plan, San Jose Municipal Code, and the 2025 CEQA Statute & Guidelines**. Any such project must demonstrate comprehensive mitigation of its significant resource consumption, particularly in water and energy.

1. Requirements for Water Management and Recycled Water Usage

The City of San José is committed to fiscally and environmentally sustainable water management. A data center development, especially if it qualifies as a "water-demand project" (e.g., large commercial or industrial facility), must address its impact on water resources.

A. Protection Against Draining Groundwater Sources

1. **Water Supply Utilization:** Development must utilize water resources in a manner that does not deplete the supply of surface or groundwater (General Plan Section: ER-9.3).
2. **Groundwater Recharge Area Protection:** Developers must protect groundwater recharge areas, particularly creeks and riparian corridors (General Plan Section: ER-9.5).
3. **Stormwater Management:** Stormwater infiltration practices (e.g. rain gardens, bioretention areas, or special permeable pavement) must be used to protect groundwater quality (General Plan Section: MS-20.3).

B. Promotion of Recycled Water Usage Compared to Potable Water

1. **Recycled Water Mandate:** The General Plan aims to recycle or beneficially reuse 100% of the City's wastewater supply by 2040 (General Plan Section: MS-19).
2. **Feasibility Requirement:** Projects must require the use of recycled water wherever feasible and cost-effective to serve existing and new development (General Plan Section: MS-19.4).

KEY TAKEAWAYS

- Council direction is producing results
- PG&E Agreement improves accountability
- Strong fiscal upside with environmental safeguards
- Continued coordination remains critical

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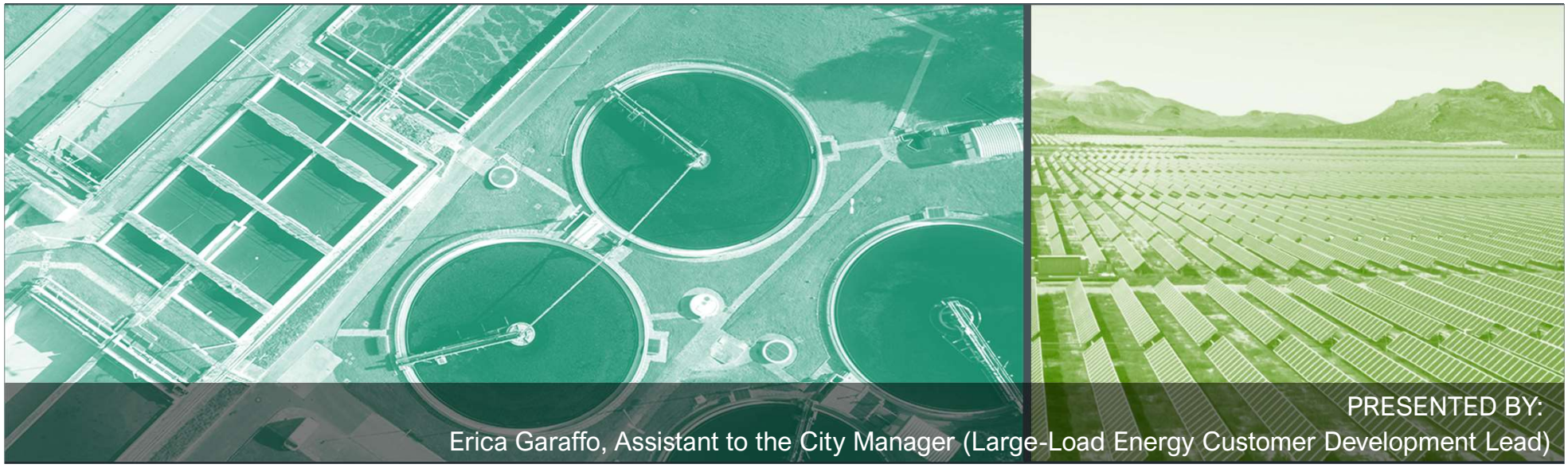

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