CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

*Office of the City Manager*

September 18, 2017

**VIA OVERNIGHT DELIVERY**

California Public Utilities Commission, Energy Division
Edward Randolph
Jonathan Tom
Suzanne Casazza
Simon Baker
505 Van Ness Avenue
San Francisco, CA 94102

Re: San José Clean Energy Implementation Plan

Dear Edward, Jonathan, Suzanne and Simon,

The San José City Council approved the attached resolution adopting the enclosed Implementation Plan and Statement of Intent for San Jose Clean Energy (SJCE). The City hereby submits the Implementation Plan and Statement of Intent to the California Public Utility Commission for review and certification.

The City has established the Department of Community Energy, which will be managing SJCE. We are in the process of hiring a Director of Community Energy who will be the primary contact for San José Clean Energy. Until then, the City contacts include: Kerrie Romanow, Director of Environmental Services; David Sykes, Assistant City Manager and Rick Doyle, City Attorney.

SJCE currently plans to introduce Community Choice Aggregation in three phases, with the first phase commencing in April, 2018. The first phase will be composed of municipal electricity customers. This phase will include roughly 1600 accounts. The second phase is scheduled to begin serving an additional 290,000 additional residential and small commercial customers in September, 2018. And the third and final phase, serving approximately 7,660 commercial and industrial accounts, is anticipated for February, 2019.

Please contact Ms. Romanow, Mr. Sykes or Mr. Doyle with any questions or comments.

Very truly yours,

Norberto Dueñas
City Manager

Cc: Kerrie Romanow
Julie Benebente
Leah Goldberg

RD:LSG:KML
8/11/2017

RESOLUTION NO. 78337

**A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN JOSE ADOPTING THE SAN JOSE CLEAN ENERGY IMPLEMENTATION PLAN AND STATEMENT OF INTENT AND DIRECTING THE CITY MANAGER TO SUBMIT THE IMPLEMENTATION PLAN AND STATEMENT OF INTENT TO THE CALIFORNIA PUBLIC UTILITIES COMMISSION UPON THE EFFECTIVE DATE OF THE ORDINANCE ESTABLISHING SAN JOSE CLEAN ENERGY**

**WHEREAS,** on May 16, 2017, the Council of the City of San José ("City") approved proceeding with the establishment of a Community Choice Energy ("CCE") program, referred to as San José Clean Energy ("SJCE"), under a single-jurisdiction model as a separate City department; and

**WHEREAS,** on August 8, 2017, the City Council approved an ordinance establishing SJCE and amending Title 2 of the San José Municipal Code to add a new Community Energy Department within the City, and provided input on the draft staffing plan, funding strategy, Implementation Plan, and Community Advisory Committee framework; and

**WHEREAS,** California Public Utilities Code, Section 366.2(c)(3) and (c)(4), requires the development and certification of an implementation plan and statement of intent ("Implementation Plan") before a CCE can begin serving customers; and

**WHEREAS,** the Implementation Plan must be adopted by the City Council at a public hearing and then submitted to the California Public Utilities Commission ("CPUC") for its review and response, upon the effective date of the ordinance establishing SJCE, and, once certified by the CPUC, allows for subsequent SJCE start-up activities to occur; and

**WHEREAS,** on August 29, 2017, the City Council held a public hearing on the adoption of the Implementation Plan; and

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

1. The San José Clean Energy Implementation Plan and Statement of Intent is hereby adopted.

2. The City Manager is hereby directed to submit the Implementation Plan and Statement of Intent to the California Public Utilities Commission upon the effective date of the ordinance establishing San José Clean Energy.

ADOPTED this 29th day of August, 2017, by the following vote:

| | |
|---|---|
| AYES: | ARENAS, CARRASCO, DAVIS, DIEP, JIMENEZ, JONES, KHAMIS, NGUYEN, PERALEZ, ROCHA; LICCARDO |
| NOES: | NONE |
| ABSENT: | NONE |
| DISQUALIFIED: | NONE |

SAM LICCARDO
Mayor

ATTEST:

TONI J. TABER, CMC
City Clerk

# San José Clean Energy (SJCE)

# COMMUNITY CHOICE AGGREGATION IMPLEMENTATION PLAN AND STATEMENT OF INTENT

August 17, 2017

## Table of Contents

# CHAPTER 1 – Introduction

San José Clean Energy ("SJCE") is a City of San José, California ("City") municipal service formed for the purposes of implementing a Community Choice Aggregation ("CCA") serving the retail electric service customers within the jurisdictional boundaries of the City of San José.

This Implementation Plan and Statement of Intent ("Implementation Plan") describes SJCE's plans to implement a voluntary CCA program for electric customers within the jurisdictional boundaries of the City that currently take bundled electric service from Pacific Gas & Electric ("PG&E"). SJCE will provide electricity customers the opportunity to join together to procure electricity from competitive suppliers, with such electricity being delivered over PG&E's transmission and distribution system. The planned start date for the Program is April 2, 2018, the first business day in April, 2018. All current PG&E customers within SJCE's service area will receive information describing SJCE and will have multiple opportunities to choose to remain bundled customers of PG&E, in which case they will not be enrolled. Thus, participation in SJCE is completely voluntary; however, customers, as provided by law, will be automatically enrolled according to the anticipated phase-in schedule later described in Chapter 5 unless they affirmatively elect to opt-out.

Implementation of SJCE will enable customers within SJCE's service area to take advantage of the opportunities granted by Assembly Bill 117 ("AB 117"), the Community Choice Aggregation Law. The City of San José's primary objectives in implementing SJCE are to provide cost competitive electric services; reduce electric sector greenhouse gas emissions ("GHGs") within the City; stimulate renewable energy development; promote energy efficiency and demand reduction programs; and sustain long-term rate stability for residents and businesses through local control. The prospective benefits to consumers include increased renewable and other low-GHG emitting energy supplies, stable and competitive electric rates, and the opportunity for public participation in determining which technologies are utilized to meet local electricity needs.

Based on feedback received from Council and the community, SJCE will operate under the following guiding framework:

- ***Rates:*** Offer at least one power mix option with a rate equal to or less than PG&E's rates
- ***Power Mix:***
  - Offer at least one power mix option at 10 percent or more renewables then PG&E
  - Offer at least one power mix option that is 100 percent greenhouse gas (GHG) free
- ***Programs:***
  - Establish San José-specific renewable energy and energy efficiency programs

  - Maintain, at minimum, low income programs at the same level as PG&E
  - Develop local renewable energy projects
- ***Community Input:*** Establish a community advisory committee
- ***General Fund Impact:*** Minimal or no adverse impact to the City's General Fund

To ensure successful operation of the Program, SJCE will solicit energy suppliers and marketers through a competitive process and will negotiate with one or more qualified suppliers throughout the summer and fall of 2017. Final selection of SJCE's initial energy supplier(s) will be made by SJCE following administration of the solicitation process and related contract negotiations. Information regarding the anticipated solicitation process for SJCE's initial energy services provider(s) is contained in Chapter 10.

The California Public Utilities Code provides the relevant legal authority for SJCE to become a Community Choice Aggregator and invests the California Public Utilities Commission ("CPUC" or "Commission") with the responsibility for establishing the cost recovery mechanism that must be in place before customers can begin receiving electrical service through SJCE. The CPUC also has responsibility for registering SJCE as a Community Choice Aggregator and ensuring compliance with basic consumer protection rules. The Public Utilities Code requires that an Implementation Plan be adopted at a duly noticed public hearing and that it be filed with the Commission in order for the Commission to determine the cost recovery mechanism to be paid by customers of the Program in order to prevent shifting of costs to bundled customers of the incumbent utility.

On August 29, 2017, SJCE, at a duly noticed public hearing, considered and adopted this Implementation Plan, by Resolution (a copy of which is included in the packet presented to the CPUC). The Commission has established the methodology that will be used to determine the cost recovery mechanism, and PG&E has approved tariffs for imposition of the cost recovery mechanism. With each of these milestones having been accomplished, SJCE submits this Implementation Plan to the CPUC. Following the CPUC's certification of its receipt of this Implementation Plan and resolution of any outstanding issues, SJCE will take the final steps needed to register as a CCA prior to initiating the customer notification and enrollment process.

***Organization of this Implementation Plan***

The content of this Implementation Plan complies with the statutory requirements of AB 117. As required by PU[1] Code Section 366.2(c)(3), this Implementation Plan details the process and consequences of aggregation and provides SJCE's statement of intent for implementing a CCA program that includes all of the following:

- ✓ Universal access;
- ✓ Reliability;
- ✓ Equitable treatment of all customer classes; and

[1] California Code, Public Utilities Code

- ✓ Any requirements established by state law or by the CPUC concerning aggregated service.

The remainder of this Implementation Plan is organized as follows:

Chapter 2: Aggregation Process
Chapter 3: Organizational Structure
Chapter 4: Startup Plan & Funding
Chapter 5: Program Phase-In
Chapter 6: Load Forecast & Resource Plan
Chapter 7: Financial Plan
Chapter 8: Rate setting
Chapter 9: Customer Rights and Responsibilities
Chapter 10: Procurement process
Chapter 11: Contingency Plan for Program Termination

The requirements of AB 117 are cross-referenced to Chapters of this Implementation Plan in the following table.

**AB 117 Cross References**

| AB 117 REQUIREMENT | IMPLEMENTATION PLAN CHAPTER |
|---|---|
| Statement of Intent | Chapter 1: Introduction |
| Process and consequences of aggregation | Chapter 2: Aggregation Process |
| Organizational structure of the program, its operations and funding | Chapter 3: Organizational Structure<br>Chapter 4: Startup Plan & Funding<br>Chapter 7: Financial Plan |
| Disclosure and due process in setting rates and allocating costs among participants | Chapter 8: Rate setting |
| Rate setting and other costs to participants | Chapter 8: Rate setting<br>Chapter 9: Customer Rights and Responsibilities |
| Participant rights and responsibilities | Chapter 9: Customer Rights and Responsibilities |
| Methods for entering and terminating agreements with other entities | Chapter 10: Procurement Process |
| Description of third parties that will be supplying electricity under the program, including information about financial, technical and operational capabilities | Chapter 10: Procurement Process |
| Termination of the program | Chapter 11: Contingency Plan for Program Termination |

# CHAPTER 2 – Aggregation Process

***Introduction***

This chapter describes the background leading to the development of this Implementation Plan and describes the process and consequences of aggregation, consistent with the requirements of AB 117.

The City of San José began its preliminary assessment of a CCA program in 2010. The City reinitiated its efforts in 2016 and began investigating formation of SJCE in the City, pursuant to California state law, with the following objectives:

- ***Rates:*** Offer at least one power mix option with a rate equal to or less than PG&E's rates
- ***Power Mix:*** Offer at least one power mix option at 10 percent or more renewables then PG&E
- ***Programs:***
  - Establish San José-specific renewable energy and energy efficiency programs
  - Maintain, at minimum, low income programs at the same level as PG&E
  - Develop local renewable energy projects
- ***Community Input:*** Establish a community advisory group
- ***General Fund Impact:*** Minimal or no adverse impact to the City's General Fund

This framework serves as the foundation of this Plan. A technical feasibility study for a CCA serving the City was completed on February 27, 2017.

After nearly seven years of collaborative work by representatives of the City of San José, independent consultants, local experts and stakeholders, the City authorized SJCE formation on May 16, 2017. The City of San José released a draft SJCE Implementation Plan in August 2017, which described the planned organization, governance and operation of the CCA Program. Following consideration of comments related to the draft document, a final Implementation Plan was prepared and duly adopted by the San José City Council on August 29, 2017.

The Program represents a culmination of planning efforts that are responsive to the expressed needs and priorities of the residents and business community within the City. SJCE plans to offer choices to eligible customers through creation of innovative programs for voluntary purchases of renewable energy, net energy metering to promote customer-owned renewable generation, energy efficiency, demand responsiveness to promote reductions in peak demand, customized pricing options for large energy users, and support of local renewable energy projects through offering of a standardized power purchasing agreement or Feed-In-Tariff.

### *Process of Aggregation*

Before they are enrolled in SJCE, prospective customers will receive two written notices in the mail, from SJCE, that will provide information needed to understand the SJCE's terms and conditions of service and explain how customers can opt-out of SJCE, if desired. All customers that do not elect the opt-out process specified in the customer notices will be automatically enrolled in SJCE, with service to begin at their next regularly scheduled meter read date no later than thirty days following the date of automatic enrollment, subject to the service phase-in plan described in Chapter 5. The initial enrollment notices will be provided to the first phase of customers in February, 2018. Initial enrollment notices will be provided to subsequent customer phases consistent with statutory requirements and based on schedule(s) determined by SJCE. These notices will be sent to customers in subsequent phases twice within 60 days of automatic enrollment.

Customers enrolled in SJCE will continue to have their electric meters read and to be billed for electric service by the distribution utility (PG&E). The electric bill for SJCE customers will show separate charges for generation procured by SJCE as well as other charges related to electricity delivery and other utility charges assessed by PG&E.

After service cutover, customers will have approximately 60 days (two billing cycles) to opt-out of SJCE without penalty and return to PG&E. SJCE customers will be advised of these opportunities via the distribution of two additional enrollment notices provided within the first two months of service. Consistent with statutory requirements, there will be a total of four notices in the two months prior to and the two months after SJCE service launch. Customers that opt-out between the initial cutover date and the close of the post enrollment opt-out period will be responsible for program charges for the time they were served by SJCE but will not otherwise be subject to any penalty for leaving the program. Customers that have not opted-out within thirty days of the fourth enrollment notice will be deemed to have elected to become a participant in SJCE and to have agreed to SJCE's terms and conditions, including those pertaining to requests for termination of service, as further described in Chapter 8.

### *Consequences of Aggregation*

#### Rate Impacts

SJCE customers will pay the generation charges set by SJCE and no longer pay the costs of PG&E generation. Customers enrolled in SJCE will be subject to the Program's terms and conditions, including responsibility for payment of all SJCE charges as described in Chapter 9.

SJCE's rate setting policies described in Chapter 7 establish a goal of providing rates that are competitive with the projected generation rates offered by the PG&E. SJCE will establish rates sufficient to recover all costs related to operation of SJCE and actual rates will be adopted by the San José City Council.

Initial SJCE rates will be established following approval of SJCE's inaugural program budget, reflecting final costs from the SJCE Program's energy supplier(s). SJCE's rate policies and procedures are detailed in Chapter 7. Information regarding final SJCE rates will be disclosed along with other terms and conditions of service in the pre-and post-enrollment notices sent to potential customers.

Under existing statutory requirements, once SJCE gives definitive notice to PG&E that it will commence service, SJCE customers will generally not be responsible for costs associated with PG&E's future electricity procurement contracts or power plant investments. Certain pre-existing generation costs and new generation costs that are deemed to provide system-wide benefits will continue to be charged by PG&E to SJCE customers through separate rate components, called the Cost Responsibility Surcharge and the New System Generation Charge. These charges are shown in PG&E's electric service tariffs, which can be accessed from the utility's website, and the costs are included in charges paid by both PG&E bundled customers as well as CCA and Direct Access customers.[2]

### Renewable Energy Impacts

A second impact of SJCE will be an increase in the proportion of energy generated and supplied by renewable resources. The resource plan includes procurement of renewable energy sufficient to exceed California's prevailing renewable energy procurement mandate ("Renewable Portfolio Standards") for all enrolled customers. SJCE customers may also voluntarily participate in a 100 percent renewable supply option. To the extent that customers choose SJCE's 100 percent renewable energy option, the renewable content of SJCE's aggregate supply portfolio will further increase. Initially, requisite renewable energy supply will be sourced through one or more power purchase agreements. Over time, however, SJCE may consider independent development of new renewable generation resources.

### Energy Efficiency Impacts

A third impact of SJCE will be an anticipated increase in local energy efficiency program investments and activities. The existing energy efficiency programs administered by PG&E should not change as a result of SJCE implementation. SJCE customers will continue to pay the public benefits surcharges to PG&E, which will continue funding energy efficiency programs for all customers, regardless of generation supplier. The energy efficiency investments ultimately planned for SJCE, as described in Chapter 6, will follow SJCE's successful application for and administration of requisite program funding (from the CPUC) to independently develop and administer energy efficiency programs within its jurisdiction. Such programs will be in addition to the level of investment that would continue in the absence of SJCE-administered energy efficiency programs. Thus, SJCE has the potential for increased energy savings and a further reduction in GHGs due to expanded energy efficiency programs.

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[2] For PG&E bundled service customers, the Power Charge Indifference Adjustment element of the Cost Responsibility Surcharge is contained within the tariffed Generation rate. Other elements of the Cost Responsibility Surcharge are set forth in PG&E's tariffs as separate rates/charges paid by all customers (with limited exceptions). The CPUC recently opened a new Rulemaking exploring potential changes to the PCIA (R.17-06-026).

# CHAPTER 3 – Organizational Structure

This section provides an overview of the organizational structure of SJCE and its proposed implementation. Specifically, the key agreements, governance, management, and organizational functions of SJCE are outlined and discussed below.

### *Organizational Overview*

The San José City Council is responsible for establishing SJCE's policies and objectives and overseeing SJCE's operation. The City is in the process of hiring a Director, expected in September 2017, to be appointed by the City Council. The Director will report to the City Manager and manage the operation of SJCE in accordance with policies adopted by the City governing body, the City Council. The City will hire staff and contractors to manage SJCE's activities. These activities include support services (administration, finance and IT), marketing and public affairs (community outreach, key account management and customer advocacy), supply acquisition (energy procurement, trading, contract negotiation and system development) and legal and government affairs.

### *Governance*

The Program will be governed by the San José City Council ("City Council"). The City Council's primary duties are to approve laws and policies, approve rates, and provide policy direction to the City Manager, who has responsibility for day-to-day operations, consistent with the policies established by the City Council. In the future, the City Council may establish special committees and sub-committees, as needed, to address issues that require greater expertise in particular areas. SJCE may also form various standing and ad hoc committees, as appropriate, which would have responsibility for evaluating various issues that may affect SJCE and its customers and would provide analytical support and recommendations to the City Council in these regards.

### *Management*

SJCE is in the process of recruiting a Director, which will then need to be appointed by SJCE's City Manager upon concurrence of the appointment by City Council. Once appointed, the Director will report to the City Manager and will have management responsibilities over the functional areas of administration & finance, marketing & public affairs, power resources & energy programs, and government affairs in coordination with other City Departments. The Director may utilize a combination of internal staff and consultants. Certain specialized functions needed for SJCE operations, namely the electric supply and customer account management functions described below, may be performed initially by third-party contractors.

Major functions of SJCE that will be managed by the Director are summarized below.

### *Administration*

SJCE's Director will be responsible for managing the organization's human resources and administrative functions and will coordinate with the City's Human Resources and Public Works Departments, as necessary. The functional area of administration will include oversight of employee hiring and termination, identification and procurement of requisite office space, and various other issues.

### *Finance*

The SJCE Director, in coordination with the City Manager's Budget Office and the City's Finance Department, is also responsible for managing the financial affairs of SJCE, including the development of an annual budget, revenue requirement and rates; managing and maintaining cash flow requirements; arranging potential bridge loans as necessary; and other financial tools.

Revenues via rates and other funding sources (such as a rate stabilization fund, when necessary) must, at a minimum, meet the annual budgetary revenue requirement, including recovery of all expenses and any reserves or coverage requirements that may be set forth in various agreements or bond covenants, for example. The City Council will have the responsibility for setting the rates for SJCE Customers. SJCE will administer a standardized set of electric rates and may offer optional rates to encourage policy goals such as economic development or low-income subsidy programs, provided that the overall revenue requirement is achieved.

SJCE may also offer customized pricing options such as dynamic pricing or contract-based pricing for energy intensive customers to help these customers gain greater control over their energy costs. This would provide such customers – mostly larger energy users within the commercial sector – with greater rate-related flexibility than is currently available.

SJCE's finance function will work with the City's Finance Department to arrange financing necessary for any capital projects, prepare financial reports, and ensure sufficient cash flow for successful operation of SJCE. The finance function will play an important role in risk management by monitoring the credit of energy suppliers and anticipated trends in power supply costs so that credit risk is properly understood and mitigated. In the event that changes in a supplier's financial condition or credit rating are identified, SJCE will be able to take appropriate action, as would be provided for in the electric supply agreement(s).

### *Marketing & Public Affairs*

The marketing and public affairs functions include general program marketing and communications as well as direct customer interface ranging from management of key account relationships to call center and billing operations. SJCE will conduct program marketing to raise consumer awareness of SJCE and to establish the SJCE "brand" in the minds of the public, with the goal of retaining and attracting as many customers as possible into SJCE. Communications

will also be directed at key policy-makers at the state and local level, community business and opinion leaders, and the media.

In addition to general program communications and marketing, a significant focus on customer service, particularly representation for key accounts, will enhance SJCE's ability to differentiate itself as a highly customer-focused organization that is responsive to the needs of the community. SJCE will also establish a customer call center designed to field customer inquiries and routine interaction with customer accounts.

The customer service function also encompasses management of customer data. Customer data management services include retail settlements/billing-related activities and management of a customer database. This function processes customer service requests and administers customer enrollments and departures from SJCE, maintaining a current database of enrolled customers. This function coordinates the issuance of monthly bills through PG&E's billing process and tracks customer payments. Activities include the electronic exchange of usage, billing, and payments data between PG&E and SJCE, tracking of customer payments and accounts receivable, issuance of late payment and service termination notices (which would return affected customers to PG&E's bundled service), and administration of customer deposits in accordance with credit policies of SJCE.

The customer data management services function also manages billing-related communications with customers, customer call centers, and routine customer notices. SJCE will initially contract with a third party that that has demonstrated the necessary expertise to administer an appropriate customer information system to perform the customer account and billing services functions.

***Power Resources & Energy Programs***

SJCE must plan for meeting the electricity needs of its customers utilizing resources consistent with its policy goals and objectives as well as applicable legislative and regulatory mandates. SJCE's long term resource plans (addressing the 10-20 year planning horizon) will comply with California Law and other pertinent requirements of California regulatory bodies. SJCE may develop and administer complementary energy programs that may be offered to SJCE customers, including energy efficiency, net energy metering, and various other programs that may be identified to support the overarching goals and objectives of SJCE.

SJCE will develop integrated resource plans that meet supply objectives and balance cost, risk, City Council policy, and environmental considerations. The integrated resource plans will also conform to applicable requirements imposed by the State of California. Integrated resource planning efforts of SJCE will make maximum use of demand side energy efficiency, distributed generation and demand response programs as well as traditional supply options, which rely on structured wholesale transactions to meet customer energy requirements. Integrated resource plans will be updated and adopted by SJCE on an annual basis and coordinated with regulatory obligations.

### *Electric Supply Operations*

Electric supply operations encompass the activities necessary for wholesale procurement of electricity to serve end use customers. These highly specialized activities include the following:

- ✓ *Electricity Procurement* – assemble a portfolio of electricity resources to supply the electric needs of SJCE customers.
- ✓ *Risk Management* – application of standard industry techniques to reduce exposure to the volatility of energy and credit markets and insulate customer rates from sudden changes in wholesale market prices.
- ✓ *Load Forecasting* – develop load forecasts, both long-term for resource planning and short-term for the electricity purchases and sales needed to maintain a balance between hourly resources and loads.
- ✓ *Scheduling Coordination* – scheduling and settling electric supply transactions with the California Independent System Operator ("CAISO").

SJCE will initially contract with one or more experienced and financially sound third-party energy services providers to perform all of the electric supply operations for SJCE. These requirements include the procurement of energy, capacity and ancillary services, scheduling coordinator services, short-term load forecasting, and day-ahead and real-time electricity trading, and support for associated regulatory submissions.

### *Local Energy Programs*

A key focus of SJCE will be the development and implementation of local energy programs, including energy efficiency programs, distributed generation programs and other energy programs responsive to community interests. These programs are likely to be phased in during the first several years of operations. The implementation of these programs will follow the identification of requisite funding sources.

SJCE will eventually administer energy efficiency, demand response, and distributed generation programs that can be used as cost-effective alternatives to procurement of supply-side resources. SJCE will attempt to consolidate existing demand-side programs into this organization and leverage the structure to expand energy efficiency offerings to customers throughout its service territory, including the CPUC application process for third party administration of energy efficiency programs and use of funds collected through the existing public benefits surcharges paid by SJCE customers.

### *Governmental Affairs & Legal Services*

SJCE will require ongoing regulatory and legislative representation to manage various regulatory compliance filings related to resource plans, resource adequacy, compliance with California's RPS, and overall representation on issues that will impact SJCE and its customers.

SJCE will maintain an active role at the CPUC, the California Energy Commission, the CAISO, the California legislature and, as necessary, the Federal Energy Regulatory Commission (FERC).

The City may elect to retain outside legal services, as necessary, to administer SJCE, review contracts, and provide overall legal support related to activities of SJCE, this work would be done under the direction of the City Attorney's Office.

# CHAPTER 4 – Startup Plan & Funding

This Chapter presents SJCE's plans for the start-up period, including necessary expenses and capital outlays. As described in the previous Chapter, SJCE may utilize a mix of staff and contractors in its implementation.

### *Startup Activities*

The initial Program startup activities include the following:

- ✓ Hire staff or contractors to manage implementation
- ✓ Identify qualified suppliers of requisite energy products and related services and negotiate supplier contracts
  - Electric supplier and scheduling coordinator
  - Data management provider (if separate from energy supply)
- ✓ Define and execute communications plan
  - Customer research/information gathering
  - Media campaign
  - Key customer/stakeholder outreach
  - Informational materials and customer notices
  - Customer call center
- ✓ Post SJCE bonding and complete requisite CPUC registration requirements
- ✓ Pay utility service initiation, notification and switching fees
- ✓ Perform customer notifications, opt-out, and transfers
- ✓ Conduct load forecasting
- ✓ Establish rates
- ✓ Legal and regulatory support
- ✓ Financial management and reporting

Other costs related to starting up SJCE will be the responsibility of SJCE's contractors (and are assumed to be covered by any fees/charges imposed by such contractors). These may include capital requirements needed for collateral/credit support for electric supply expenses, customer information system costs, electronic data exchange system costs, call center costs, and billing administration/settlements systems costs.

### *Staffing and Contract Services*

Personnel in the form of SJCE staff or contractors will be added incrementally to match workloads involved in forming the new organization, managing contracts, and initiating customer outreach/marketing during the pre-operations period. During the startup period, minimal personnel requirements would include a Director, a Director of Marketing and Public Affairs, a Director of Government Affairs/Legal Counsel, and other personnel needed to support regulatory, legal, procurement, finance, and communications activities.

For budgetary purposes, it is assumed that 8 full-time equivalents (staff or contracted professional services) supporting the above listed activities would be engaged during the initial start-up period. In addition, existing City staff, such as the City Attorney's Office, Finance Department, and Budget Office staff, will be utilized to support regulatory, legal procurement, finance, and communications activities. Following this period, additional staff or contractors will be retained, as needed, to support the roll-out of additional value-added services (e.g., efficiency projects) and local generation projects and programs.

***Capital Requirements***

To begin operations, SJCE will require capital for three major functions: (1) staffing and contractor costs; (2) deposits and reserves; and (3) working capital. Based on SJCE's anticipated start-up activities and phase-in schedule, approximately $50 million will be required to support these functions. The finance plan in Chapter 7 provides some additional detail regarding SJCE's expected capital requirements and general Program finances.

Related to SJCE's initial capital requirement, this amount is expected to cover staffing and contractor costs during startup and pre-startup activities, including direct costs related to public relations support, technical support, legal support and customer communications. Requisite deposits and operating reserves are also reflected in the initial capital requirement, including the following items: 1) operating reserves to address anticipated cash flow variations (as well as operating reserve deposits that will likely be required by SJCE's power supplier(s)); 2) requisite deposit with the CAISO prior to commencing market operations; 3) SJCE bond (posted with the CPUC); and 4) PG&E service fee deposit.

Operating revenues from sales of electricity will be remitted to SJCE beginning approximately sixty days after the initial customer enrollments. This lag is due to the distribution utility's standard meter reading cycle of 30 days and a 30-day payment/collections cycle. SJCE will need working capital to support electricity procurement and costs related to program management, which is included in SJCE's initial $50 million capital requirement. To significantly reduce the capital requirement, SJCE is considering pursuing a lag in payments to power supply vendors similar to what has been obtained by other CCAs.

***Financing Plan***

SJCE's initial capital requirement will be funded via conventional financing methods (e.g., bank loans or lines of credit). Subsumed in the initial capital requirement is SJCE's start-up funding ($5.4 million), plus capitalized interest and fees on start-up funding, which will be provided by the City of San José through the issuance of Commercial Paper and will be repaid by SJCE from energy revenue and/or proceeds from the working capital financing. For the working capital financing, SJCE will make repayments (including any interest, as applicable) over an assumed 5-year term, anticipated to commence within the first year of SJCE operation. SJCE will recover the principal and interest costs associated with the initial funding via retail generation rates charged by SJCE to its customers within the first several years of operations.

# CHAPTER 5 – Program Phase-In

SJCE will roll out its service offering to customers over the course of three or more phases:

Phase 1. The City of San José municipal accounts and early adopters
Phase 2. Residential and small commercial customers
Phase 3. Remaining accounts

This approach provides SJCE with the ability to initiate its program with sufficient economic scale before building to full program integration for an expected customer base of approximately 350,000 accounts, post customer opt-out. SJCE will offer service to all customers on a phased basis, which is expected to be completed within 15 months of initial service to Phase 1 customers.

Phase 1 of SJCE is targeted to begin on or about April 2, 2018, subject to a decision to proceed by SJCE. During Phase 1, SJCE anticipates serving approximately 3,500 accounts, comprised of all municipal accounts, totaling nearly 130 GWh of annual energy sales. SJCE is currently refining the potential composition of Phase 1 accounts in consideration of cost of service and customer load characteristics as well as other operational considerations. Specific accounts to be included in Phase 1 will approximate 3 percent of SJCE's total customer load.

SJCE may provide the opportunity for future customers (early adopters) of SJCE to make a positive election to enroll in Phase 1, even if that customer is not initially scheduled to be offered service during Phase 1. This accelerated enrollment opportunity would open during February 2018 and close on January 31, 2019.

Phase 2 of SJCE will commence following successful operation of SJCE over an approximate five-month term, which corresponds with an expected Phase 2 service commencement date occurring on or about September 1, 2018. It is anticipated that approximately 340,000 additional customers, comprised of residential and small commercial customers will be included in Phase 2, with annual energy consumption approximating 2,300 GWh, or 48 percent of SJCE's total prospective customer load.

Following the successful completion of Phase 1 and Phase 2 customer enrollments, SJCE will commence the process of completing the CCA roll out to all remaining customers in Phase 3, which is expected to occur on or about February 1, 2019. This phase is expected to comprise the commercial and industrial accounts within SJCE's service territory as well as all agricultural accounts. Phase 3 will total approximately 7,600 accounts with annual energy consumption of approximately 2,400 GWh, or 50 percent[3] of SJCE's total prospective customer load.

[3] Share of total prospective load for each phase may not add up to 100% due to rounding.

SJCE may also evaluate other phase-in options based on current market conditions, statutory requirements and regulatory considerations as well as other factors potentially affecting the integration of additional customer accounts.

# CHAPTER 6 – Load Forecast & Resource Plan

***Introduction***

This Chapter describes the planned mix of electric resources to meet the energy demands of SJCE customers using a diversified portfolio of electricity supplies. Several overarching policies govern the resource plan and the ensuing resource procurement activities that will be conducted in accordance with the plan. These key policies are as follows:

- ✓ SJCE will seek to increase use of renewable energy resources and reduce reliance on fossil-fueled electric generation for purposes of reducing electric sector GHG emissions.
- ✓ SJCE will manage a diverse resource portfolio to increase control over energy costs and maintain competitive and stable electric rates.
- ✓ SJCE will apply for the administration of energy efficiency program funding to help customers reduce energy costs through administration of enhanced customer energy efficiency, distributed generation, and other demand reducing programs.
- ✓ SJCE will benefit the area's economy through investment in local energy-related infrastructure projects and programs.
- ✓ SJCE will explore storage resources depending on availability, cost, and regulatory requirements.

SJCE's initial resource mix will include a proportion of renewable energy exceeding California's prevailing RPS procurement mandate. As SJCE moves forward, incremental renewable supply additions will be made based on resource availability as well as economic goals of the SJCE Program to achieve increased renewable energy content over time. SJCE's aggressive commitment to renewable generation resources adoption may involve both direct investment in new renewable generating resources, partnerships with experienced public power developers/operators and purchases of renewable energy from third party suppliers.

The plan described in this section would accomplish the following:

- ✓ Procure energy through contracts with experienced, financially stable energy suppliers sufficient to offer two distinct generation rate tariffs: 1) 100 percent renewable energy, offered to SJCE customer on a voluntary basis; and 2) a default SJCE service option that includes a proportion of renewable energy exceeding California's prevailing renewable energy procurement mandate (referred to as the "Renewable Portfolio Standard" or "RPS").
- ✓ Continue increasing renewable energy supplies over time, subject to resource availability, economic viability and applicable regulatory compliance mandates.
- ✓ To the extent that SJCE is successful in applying for administration of public funding to support locally administered efficiency programs, it will attempt to reduce net electricity purchases within its territory.

- ✓ Encourage distributed renewable generation in the local area through the offering of a net energy metering tariff; a standardized power purchase agreement or "Feed-In Tariff"; and other creative, customer-focused programs targeting increased access to local renewable energy sources.

SJCE will comply with regulatory obligations applicable to California load serving entities. SJCE will arrange for the scheduling of sufficient electric supplies to meet the demands of its customers. SJCE will adhere to resource adequacy requirements established by the CPUC and the CAISO designed to address local, system and flexible capacity requirements for SJCE's load share. These rules also ensure that physical generation capacity is in place to serve SJCE's customers plus a reasonable reserve margin. In addition, SJCE will be responsible for ensuring that its resource mix contains sufficient production from renewable energy resources needed to comply with the statewide RPS (33 percent renewable energy by 2020, increasing to 50 percent by 2030). The resource plan will meet or exceed all of the applicable regulatory requirements related to resource adequacy and the RPS.

***Resource Plan Overview***

To meet the objectives and satisfy the applicable regulatory requirements pertaining to SJCE's status as a California load serving entity, SJCE's resource plan includes a diverse mix of power purchases, renewable energy, new energy efficiency programs, demand response, and distributed generation. A diversified resource plan minimizes risk and volatility that can occur from over-reliance on a single resource type or fuel source, and thus increases the likelihood of rate stability. The ultimate goal of SJCE's resource plan is to reduce electric sector GHG emissions while offering competitive generation rates to participating customers. The planned power supply is initially comprised of power purchases from third party electric suppliers and, in the longer-term, may also include renewable generation assets owned or controlled by SJCE.

Once the SJCE Program demonstrates it can operate successfully, SJCE may begin evaluating opportunities for investment in renewable generating assets, subject to then-current market conditions, statutory requirements and regulatory considerations. Any renewable generation owned by SJCE or controlled under long-term power purchase agreements with a proven public power developer, could provide a portion of SJCE's electricity requirements on a cost-of-service basis. Depending upon market conditions and, importantly, the applicability of tax incentives for renewable energy development, electricity purchased under a cost-of-service arrangement can be more cost-effective than purchasing renewable energy from third party developers, which will allow SJCE to pass on cost savings to its customers through competitive generation rates. Any investment decisions will be made following thorough environmental reviews and in consultation with qualified financial and legal advisors.

As an alternative to direct investment, SJCE may consider partnering with an experienced public power developer and could enter into a long-term (20-to-30 year) power purchase agreement that would support the development of new renewable generating capacity. Such an arrangement could be structured to reduce SJCE's operational risk associated with capacity

ownership while providing its customers with renewable energy generated by the facility under contract. This option may be preferable to SJCE as it works to achieve increasing levels of renewable energy supply to its customers.

SJCE's resource plan will integrate supply-side resources with programs that will help customers reduce their energy costs through improved energy efficiency and other demand-side measures. As part of its integrated resource plan, SJCE will actively pursue, promote and ultimately administer a variety of customer energy efficiency programs that can cost-effectively displace supply-side resources.

SJCE's indicative resource plan for the years 2018 to 2027 is summarized in the following table. Note that SJCE's projections reflect a portfolio mix based on the minimum renewable portfolio which increases the renewable energy in the power mix to exceed the baseline power mix offered by PG&E by a minimum of 10 percent. (PG&E + 10% Renewable)

**Table 1**
**San Jose Clean Energy**
**Proposed Resource Plan (GWh)**
**2018 to 2027**

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|---|---|
| **SJCE Demand** | | | | | | | | | | |
| Retail Demand | 854 | 4,607 | 4,837 | 4,870 | 4,873 | 4,939 | 4,973 | 5,008 | 5,043 | 5,079 |
| Distributed Generation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Energy Efficiency | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Losses and UFE | 56 | 304 | 319 | 321 | 355 | 381 | 384 | 387 | 389 | 392 |
| Total Demand | 911 | 4,911 | 5,156 | 5,192 | 5,228 | 5,320 | 5,357 | 5,395 | 5,433 | 5,471 |
| | | | | | | | | | | |
| **SJCE Supply (GWh)** | | | | | | | | | | |
| Renewable Resources | | | | | | | | | | |
| Total Renewable Resources | 387 | 2,198 | 2,423 | 2,508 | 2,593 | 2,708 | 2,797 | 2,886 | 2,977 | 3,069 |
| Conventional Resources | | | | | | | | | | |
| Total Conventional Resources | 524 | 2,713 | 2,733 | 2,684 | 2,635 | 2,612 | 2,561 | 2,509 | 2,456 | 2,402 |
| Total Supply | 911 | 4,911 | 5,156 | 5,192 | 5,228 | 5,320 | 5,357 | 5,395 | 5,433 | 5,471 |
| | | | | | | | | | | |
| Energy Open Position (GWh) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

### *Supply Requirements*

The starting point for SJCE's resource plan is a projection of participating customers and associated electric consumption. Projected electric consumption is evaluated on an hourly basis, and matched with resources best suited to serving the aggregate of hourly demands or the program's "load profile". The electric sales forecast and load profile will be affected by

SJCE's plan to introduce the SJCE Program to customers in phases and the degree to which customers choose to remain with PG&E during the customer enrollment and opt-out periods. SJCE's phased roll-out plan and assumptions regarding customer participation rates are discussed below.

***Customer Participation Rates***

Customers will be automatically enrolled in SJCE unless they opt-out during the customer notification process conducted during the 60-day period prior to enrollment and continuing through the 60-day period following commencement of service. For the first phase, San José municipal accounts, SJCE anticipates a 100 percent participation rate. For subsequent phases, SJCE anticipates an overall customer participation rate of approximately 98 percent of PG&E bundled service customers, based on reported opt-out rates for more recently launched CCAs - Peninsula Clean Energy and Silicon Valley Clean Energy. It is assumed that customers taking direct access service from a competitive electricity provider will continue to remain with their current supplier.

The participation rate is not expected to vary significantly among customer classes, in part due to the fact that SJCE will offer two distinct rate tariffs that will address the needs of cost-sensitive customers as well as the needs of both residential and business customers that prefer a highly renewable energy product. The assumed participation rates will be refined as SJCE's public outreach and market research efforts continue to develop.

***Customer Forecast***

Once customers enroll in each phase, they will be switched over to service by SJCE on their regularly scheduled meter read date over an approximately thirty-day period. Approximately 100 service accounts per day will be switched over during the first month of service. For Phase 2, the number of accounts switched over to SJCE service will increase to about 11,300 accounts per day. For Phase 3, the number of accounts switched over to SJCE service will decrease again to about 250 accounts per day. The number of accounts served by SJCE at the end of each phase is shown in the table below.

Table 2
San Jose Clean Energy
Enrolled Retail Service Accounts
Phase-In Period (End of Month)

| SJCE Customers | Eligible Accounts | Apr-18 Phase 1 | Sep-18 Phase 2 | Feb-19 Phase 3 |
|---|---|---|---|---|
| Residential | 321,465 | 0 | 318,914 | 320,100 |
| Small Commercial | 21,397 | 627 | 19,849 | 21,350 |
| Large Commercial | 3,422 | 80 | 80 | 3,400 |
| Industrial | 1,574 | 50 | 51 | 1,550 |
| Street Lighting & Traffic | 2,785 | 2,700 | 2,700 | 2,700 |
| Agricultural & Pumping | 19 | 0 | 0 | 19 |
| **Total** | **350,661** | **3,457** | **341,593** | **349,120** |

SJCE assumes that customer growth will generally offset customer attrition (opt-outs) over time, resulting in a relatively stable customer base (0.7% annual growth) over the noted planning horizon. SJCE believes that its assumptions regarding the offsetting effects of growth and attrition are reasonable in consideration of the historical customer growth within the City of San José and the potential for continuing customer opt-outs following mandatory customer notification periods. The forecast of service accounts (customers) served by SJCE for each of the next ten years is shown in the following table:

Table 3
San Jose Clean Energy
Retail Service Accounts (End of Year)
2018 to 2027

| SJCE Customers | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|---|---|
| Residential | 319,177 | 321,411 | 323,661 | 325,927 | 328,208 | 328,865 | 329,522 | 330,181 | 330,842 | 331,504 |
| Small Commercial | 19,849 | 21,334 | 21,484 | 21,634 | 21,785 | 21,829 | 21,873 | 21,916 | 21,960 | 22,004 |
| Large Commercial | 84 | 3,422 | 3,446 | 3,470 | 3,494 | 3,501 | 3,508 | 3,515 | 3,522 | 3,529 |
| Industrial | 51 | 1,574 | 1,585 | 1,596 | 1,607 | 1,611 | 1,614 | 1,617 | 1,620 | 1,624 |
| Street Lighting & Traffic | 2,700 | 2,785 | 2,804 | 2,824 | 2,844 | 2,849 | 2,855 | 2,861 | 2,866 | 2,872 |
| Agricultural & Pumping | 0 | 19 | 19 | 19 | 20 | 20 | 20 | 20 | 20 | 20 |
| Total | 341,861 | 350,545 | 352,999 | 355,470 | 357,958 | 358,674 | 359,392 | 360,110 | 360,831 | 361,552 |

### *Sales Forecast*

SJCE's forecast of kWh sales reflects the roll-out and customer enrollment schedule shown above. Annual energy requirements are shown below.

Table 4
San Jose Clean Energy
Annual Energy Requirements (GWh)
2018 to 2027

| SJCE Energy Req. | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|---|---|
| Retail Energy | 854 | 4,607 | 4,837 | 4,870 | 4,873 | 4,939 | 4,973 | 5,008 | 5,043 | 5,079 |
| Losses and UFE | 56 | 304 | 319 | 321 | 355 | 381 | 384 | 387 | 389 | 392 |
| Total Load Requirement | 911 | 4,911 | 5,156 | 5,192 | 5,228 | 5,320 | 5,357 | 5,395 | 5,433 | 5,471 |

### *Capacity Requirements*

The CPUC's resource adequacy standards applicable to require a demonstration one year in advance that SJCE has secured physical capacity for 90 percent of its assigned load share for each of the five months May through September, plus a minimum 15 percent reserve margin, plus 100 percent of its annual local resource adequacy procurement obligation. On a month-ahead basis, SJCE must demonstrate 100 percent of the peak load share plus a minimum 15 percent reserve margin.

A portion of SJCE's capacity requirements must be procured locally, from the Greater Bay Area as defined by the CAISO, and another portion must be procured from local reliability areas outside the Greater Bay Area. SJCE would be required to demonstrate its local capacity requirement for each month of the following calendar year. The local resource adequacy procurement obligation is based on its share of the coincident monthly peak demand as determined by the CEC based upon SJCE's historic and forecasted peak load.

SJCE is also required to demonstrate that a specified portion of its resource adequacy capacity meets certain operational flexibility requirements under the CPUC and CAISO's capacity requirement to support load variability during the off-peak months.

The estimated forward resource adequacy requirements for 2018 through 2020 are shown in the following tables[4]:

[4]The figures shown above are estimates. SJCE's resource adequacy requirements will be subject to modification due to application of certain coincidence adjustments and resource allocations relating to utility demand response and energy efficiency programs, as well as generation capacity allocated through the Cost Allocation Mechanism. These adjustments are addressed through the joint CPUC, CEC, and CAISO resource adequacy compliance processes.

Table 5
San Jose Clean Energy
Forward Capacity and Reserve Requirements (MW)
2018 to 2020

| Month | 2018 | 2019 | 2020 |
|---|---|---|---|
| January | 0 | 478 | 938 |
| February | 0 | 871 | 847 |
| March | 0 | 825 | 831 |
| April | 23 | 840 | 846 |
| May | 23 | 829 | 835 |
| June | 30 | 1,105 | 1,113 |
| July | 29 | 1,133 | 1,141 |
| August | 32 | 1,220 | 1,229 |
| September | 517 | 1,075 | 1,083 |
| October | 427 | 918 | 925 |
| November | 476 | 970 | 976 |
| December | 498 | 947 | 953 |

SJCE's plan ensures that sufficient reserves will be procured to meet its peak load at all times. SJCE's projected annual capacity requirements are shown in the following table:

Table 6
San Jose Clean Energy
Capacity Requirements (MW)
2018 to 2027

| Demand (MW) | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|---|---|
| Retail Demand | 517 | 1,220 | 1,229 | 1,231 | 1,234 | 1,236 | 1,239 | 1,241 | 1,244 | 1,246 |
| Losses and UFE | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Net Peak Demand | 517 | 1,220 | 1,229 | 1,231 | 1,234 | 1,236 | 1,239 | 1,241 | 1,244 | 1,246 |
| Reserve Requirement (%) | 15% | 15% | 15% | 15% | 15% | 15% | 15% | 15% | 15% | 15% |
| Capacity Reserve Requirement | 77 | 183 | 184 | 185 | 185 | 185 | 186 | 186 | 187 | 187 |
| Capacity Requirement Including Reserve | 594 | 1,403 | 1,413 | 1,416 | 1,419 | 1,421 | 1,424 | 1,427 | 1,430 | 1,433 |

Local capacity requirements are a function of the PG&E area resource adequacy requirements and SJCE's projected peak demand. SJCE will need to work with the CPUC's Energy Division and staff at the California Energy Commission to obtain the data necessary to calculate its monthly local capacity requirement. A preliminary estimate of SJCE's annual local capacity requirement

for the ten-year planning period ranges from approximately 258 MW to 623 MW as shown in the following table:

Table 7

San Jose Clean Energy

Local Capacity Requirements (MW)

2018 to 2027

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|---|---|
| SJCE Peak | 517 | 1,220 | 1,229 | 1,231 | 1,234 | 1,236 | 1,239 | 1,241 | 1,244 | 1,246 |
| Local Capacity Req. (% of Peak) | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% |
| Greater Bay Area Share of Local Capacity | 46% | 46% | 46% | 46% | 46% | 46% | 46% | 46% | 46% | 46% |
| Other PG&E Areas Share of Local Capacity | 54% | 54% | 54% | 54% | 54% | 54% | 54% | 54% | 54% | 54% |
| SJCE Local Capacity Req., Greater Bay | 118 | 278 | 280 | 280 | 281 | 281 | 282 | 283 | 283 | 284 |
| SJCE Local Capacity Req., Other PG&E | 141 | 332 | 335 | 335 | 336 | 337 | 337 | 338 | 339 | 339 |
| SJCE Local Capacity Req., Total | 258 | 610 | 614 | 616 | 617 | 618 | 619 | 621 | 622 | 623 |

The CPUC assigns local capacity requirements during the year prior to the compliance period; thereafter, the CPUC provides local capacity requirement true-ups for the second half of each compliance year.

SJCE will coordinate with PG&E and appropriate state agencies to manage the transition of responsibility for resource adequacy from PG&E to SJCE during the CCA program phase-in. For system resource adequacy requirements, SJCE will make month-ahead showings for each month that SJCE plans to serve load, and load migration issues would be addressed through the CPUC's existing processes. SJCE will work with the California Energy Commission and CPUC prior to commencing service to customers to ensure it meets its local and system resource adequacy obligations through its agreement(s) with its chosen electric supplier(s).

### *Renewables Portfolio Standards Energy Requirements*

### Basic RPS Requirements

As a CCA, SJCE will be required by law and associated CPUC regulations to procure a certain minimum percentage of its retail electricity sales from eligible renewable energy resources. For purposes of determining SJCE's renewable energy requirements, the same standards for RPS compliance that are applicable to other retail sellers are assumed to apply to SJCE.

California's RPS program is currently undergoing reform. On October 7, 2015, Governor Brown signed Senate Bill 350 ("SB 350"; De Leon and Leno), the Clean Energy and Pollution Reduction Act of 2015, which increased California's RPS procurement target from 33 percent by 2020 to 50 percent by 2030 amongst other clean-energy initiatives. Many details related to SB 350 implementation will be developed over time with oversight by designated regulatory agencies. However, it is reasonable to assume that interim annual renewable energy procurement targets

will be imposed on CCAs and other retail electricity sellers to facilitate progress towards the 50 percent procurement mandate – for planning purposes, SJCE has assumed straight-line annual increases (1.7 percent per year) to the RPS procurement target beginning in 2021, as contemplated by the CPUC.[5] SJCE understands that additional details related to both the RPS obligation and the Integrated Resource Planning required by SB 350[6] continue to be developed, and SJCE intends to monitor and participate, as appropriate, in pertinent proceedings to promote the preparation and submittal of a responsive planning document. Furthermore, SJCE will ensure that all long-term renewable energy contracting requirements, as imposed by SB 350 and implemented by the Commission[7], will be satisfied through appropriate transactions with qualified suppliers and will also reflect this intent in ongoing resource planning and procurement efforts.

## SJCE's Renewables Portfolio Standards Requirement

SJCE's annual RPS procurement requirements, as specified under California's RPS program, are shown in the table below. When reviewing this table, it is important to note that SJCE projects increases in energy efficiency savings as well as increases in locally situated distributed generation capacity, resulting in only a slight upward trend in projected retail electricity sales that in turn drive the RPS procurement obligation.

**Table 8**
**San Jose Clean Energy**
**RPS Requirements (GWh)**
**2018 to 2027**

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|---|---|
| Retail Sales | 854 | 4,607 | 4,837 | 4,870 | 4,873 | 4,939 | 4,973 | 5,008 | 5,043 | 5,079 |
| Baseline | 214 | 1,336 | 1,596 | 1,692 | 1,779 | 1,889 | 1,989 | 2,087 | 2,185 | 2,285 |
| % of Current Year Retail Sales* | 25% | 29% | 33% | 35% | 37% | 38% | 40% | 42% | 43% | 45% |

*Note: SJCE assumed a straight-line increase from California's 33 percent RPS procurement mandate in 2020 to California's new, 50 percent RPS procurement mandate in 2030, consistent with D.16-12-040.

### *Purchased Power*

Power purchased from power marketers, public agencies, generators, other CCAs, or utilities will be a significant source of supply during the first several years of SJCE's operation. SJCE will initially contract to obtain all of its electricity from one or more third party electric providers under one or more power supply agreements, and the supplier(s) will be responsible for

[5] CPUC Decision 16-12-040 in Rulemaking 15-02-020 (December 15, 2016), *Decision Implementing Compliance Periods and Procurement Quantity Requirements for Compliance with the Revised Requirements of the California Renewables Portfolio Standard Mandated by Senate Bill 350.*

[6] CPUC Rulemaking R.15-02-020 regarding the RPS obligation, and Rulemaking R.16-02-007 regarding the IRP requirement.

[7] CPUC Decision 17-06-026 in Rulemaking 15-02-020 (June 29, 2017), *Decision Revising Compliance Requirements for the California Renewables Portfolio Standard in Accordance with Senate Bill 350.*

procuring the specified resource mix, including SJCE's desired quantities of renewable energy, to provide a stable and cost-effective resource portfolio for the Program.

***Renewable Resources***

SJCE will initially secure necessary renewable power supply from its third party electric supplier(s). SJCE may supplement the renewable energy provided under the initial power supply contract(s) with direct, long-term purchases of renewable energy from renewable energy facilities or from renewable generation developed and owned or controlled by SJCE. At this point in time, it is not possible to predict what projects might be proposed in response to future renewable energy solicitations administered by SJCE, unsolicited proposals or discussions with other agencies. Renewable projects that are located virtually anywhere in the Western Interconnection can be considered as long as the electricity is deliverable to the CAISO control area, as required to meet the CPUC's RPS rules and any additional guidelines ultimately adopted by SJCE. The costs of transmission access and the risk of transmission congestion costs would need to be considered in the bid evaluation process if the delivery point is outside of SJCE's load zone, as defined by the CAISO.

***Energy Efficiency***

SJCE's energy efficiency goals will reflect a strong commitment to increasing energy efficiency within the City, expanding beyond the savings achieved by PG&E's programs. To promote the achievement of this goal, SJCE plans to complete the CPUC application process for third party administration of energy efficiency programs and use of funds collected through the existing public benefits surcharges paid by SJCE customers. To the extent that SJCE is successful in this application process, receiving funding to administer additional energy efficiency programs within SJCE's service territory, it will seek to maximize end-use customer energy efficiency by facilitating customer participation in existing utility programs as well as by forming new programs that will displace SJCE's need for traditional electric procurement activities. Additional details related to SJCE's energy efficiency plan will be developed once SJCE is operational.

***Demand Response***

Demand response programs provide incentives to customers to reduce or shift demand upon request by the load serving entity (i.e., SJCE), reducing the amount of generation capacity that must be maintained as infrequently used reserves. Demand response programs can be cost effective alternatives to procured capacity that would otherwise be needed to comply with California's resource adequacy requirements. The programs also provide rate benefits to customers who have the flexibility to reduce or shift consumption for relatively short periods of time when generation capacity is most scarce. Like energy efficiency, demand response can be a win/win proposition, providing economic benefits to the electric supplier as well as customer service benefits.

In its ruling on local resource adequacy[8], the CPUC found that dispatchable demand response resources as well as distributed generation resources should be counted for local capacity requirements. This resource plan anticipates that SJCE's demand response programs would partially offset its local capacity requirements beginning in 2021.

PG&E offers several demand response programs to its customers, and SJCE intends to recruit those customers that have shown a willingness to participate in utility programs into similar programs offered by SJCE. SJCE may also adopt a demand response program that enables it to request customer demand reductions during times when capacity is in short supply or spot market energy costs are exceptionally high.

Appropriate limits on customer load reductions, both in terms of the length of individual demand response events and the total number of hours that can be called will be included in SJCE's demand response program design. It will also be important to establish a reasonable measurement protocol for customer performance of its curtailment obligations and deploy technology to automate customer notifications and responses. Performance measurement should include establishing a customer specific baseline of usage prior to the curtailment request from which demand reductions can be measured. SJCE may utilize experienced third-party aggregators or contractors to design, implement, and administer its demand response programs.

***Distributed Generation***

Consistent with SJCE's policies and the State's Energy Action Plan, clean distributed generation is a component of the Integrated Resource Plan. SJCE will work to promote deployment of photovoltaic (PV) systems within SJCE's service territory, with the goal of optimizing the use of the available incentives that are funded through current utility distribution rates and public benefits surcharges. SJCE also plans to implement a net energy metering program and a feed-in-tariff to promote local investment in behind the meter and wholesale distributed generation.

There are clear environmental benefits and strong customer interest in distributed PV systems. To support such systems, SJCE may provide direct financial incentives from revenues funded by customer rates to further support use of solar power or other renewable resources within the local area. With regards to SJCE's prospective net energy metering program, it is anticipated that SJCE would eventually adopt a program that would allow participating customers to sell excess energy produced by customer-sited renewable generating sources to SJCE. Such a program would be generally consistent with principles identified in Assembly Bill 920 ("AB 920"), which directed the CPUC to establish and implement a compensation methodology for surplus renewable generation produced by net energy metered facilities located within the service territories of California's large investor owned utilities, including PG&E. However, SJCE

[8] CPUC Decision 14-06-050 in Rulemaking 11-10-023 (June 26, 2014), *Decision Adopting Local Procurement and Flexible Capacity Obligation for 2015 and Further Refining Resource Adequacy Program.*

may choose to offer different or enhanced compensation structures, relative to those implemented as a result of AB 920, as part of the direct incentives that may be established to promote distributed generation development within the City. To the extent that incentives offered by SJCE improve project economics for its customers, it is reasonable to assume that the penetration of distributed generation within the City would increase.

# CHAPTER 7 – Financial Plan

This Chapter examines the cash flows expected during the startup and customer phase-in period of and identifies the anticipated financing requirements. It includes estimates of startup costs, including necessary expenses and capital outlays. It also describes the requirements for working capital and long-term financing for the potential investment in renewable generation, consistent with the resource plan contained in Chapter 6.

***Description of Cash Flow Analysis***

SJCE's cash flow analysis estimates the level of capital that will be required during the startup and phase-in period. The analysis focuses on SJCE's monthly costs and revenues and specifically accounts for the phased enrollment of SJCE customers described in Chapter 5.

***Cost of CCA Operations***

The first category of the cash flow analysis is the cost of SJCE operations. To estimate the overall costs associated with SJCE operations, the following components were taken into consideration:

- ✓ Electricity Procurement;
  - Ancillary service requirements;
  - Grid management and other CAISO Charges;
  - Scheduling Coordination;
- ✓ Exit fees;
- ✓ Staffing and professional services;
- ✓ Data management costs;
- ✓ Administrative overhead;
- ✓ Billing costs;
- ✓ CCA bond and security deposit;
- ✓ Pre-startup cost; and
- ✓ Debt service.

***Revenues from SJCE Program Operations***

The cash flow analysis also provides estimates for revenues generated from SJCE operations or from electricity sales to customers. In determining the level of revenues, the analysis assumes the customer phase-in schedule described herein, and assumes that SJCE offers the following products:

- ✓ **PG&E + 10% (Base Power Product)**: SJCE will exceed PG&E's renewable and GHG-free generation by 10 percent.
- ✓ **100% Renewables**: SJCE will supply 100 percent of retail load with renewable, GHG-free power.

More detail on rates can be found in Chapter 8.

### *Cash Flow Analysis Results*

The results of the cash flow analysis provide an estimate of the level of capital required for SJCE to move through startup and phase-in periods. This estimated level of capital is determined by examining the monthly cumulative net cash flows (revenues from SJCE operations minus cost of SJCE operations) based on assumptions for payment of costs or other cash requirements (e.g., deposits) by SJCE, along with estimates for when customer payments will be received and potential customer non-collections/defaults. This identifies, on a monthly basis, what level of cash flow is available in terms of a surplus or deficit.

The cash flow analysis identifies funding requirements in recognition of the potential lag between revenues received and payments made during the phase-in period. The financing requirements for the startup and phase-in period, including working capital needs associated with all three phases of customer enrollments, was estimated at $50 million. Working capital requirements peak soon after enrollment of the Phase 3 customers.

### *SJCE Program Implementation Pro Forma*

In addition to developing a cash flow analysis which estimates the level of working capital required to move SJCE through full phase-in, a summary pro forma analysis that evaluates the financial performance of SJCE during the phase-in period is shown below. The difference between the cash flow analysis and the SJCE pro forma analysis is that the pro forma analysis does not include a lag associated with payment streams. In essence, costs and revenues are reflected in the month in which service is provided. All other items, such as costs associated with SJCE operations and rates charged to customers remain the same. Cash provided by financing activities is not shown in the pro forma analysis, although payments for debt service are included as a cost item.

The results of the pro forma analysis are shown in the following tables. In particular, the summary of SJCE startup and phase-in addresses projected SJCE operations for the period beginning April, 2018 through December, 2027. SJCE has also included a summary of reserves, which are expected to accrue over this same period of time.

Table 9

San José Clean Energy

Summary of CCA Program Start-Up and Phase-In

Fiscal Year 2018 to 2027

| | FY 17-18 | FY 18-19 | FY 19-20 | FY 20-21 | FY 21-22 | FY 22-23 | FY 23-24 | FY 24-25 | FY 25-26 | FY 26-27 |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenue from Operations ($) | | | | | | | | | | |
| Electric Sales Rev | $1,635,525 | $185,763,318 | $328,647,891 | $335,362,104 | $348,870,835 | $362,128,439 | $374,683,546 | $387,160,419 | $399,975,531 | $413,084,978 |
| Less Uncollected Accounts | $33,458 | $1,372,488 | $2,082,351 | $2,147,039 | $2,182,843 | $2,220,543 | $2,257,266 | $2,295,974 | $2,341,153 | $2,385,864 |
| **Total Revenues** | **$1,602,067** | **$184,390,831** | **$326,565,540** | **$333,215,064** | **$346,687,992** | **$359,907,897** | **$372,426,280** | **$384,864,445** | **$397,634,378** | **$410,699,114** |
| | | | | | | | | | | |
| Cost of Operations ($) | | | | | | | | | | |
| Cost of Energy | $1,723,815 | $180,238,935 | $279,599,122 | $296,172,139 | $304,210,866 | $312,318,785 | $320,355,804 | $328,599,859 | $337,551,779 | $346,372,533 |
| | | | | | | | | | | |
| Operating & Administrative | | | | | | | | | | |
| Billing & Data Management | $400,000 | $4,574,585 | $5,262,720 | $5,289,199 | $5,326,223 | $5,363,507 | $5,401,051 | $5,438,859 | $5,476,931 | $5,515,269 |
| PG&E Fees | $315,000 | $2,138,857 | $2,654,482 | $2,721,247 | $2,795,102 | $2,870,961 | $2,948,879 | $3,028,911 | $3,111,116 | $3,195,552 |
| Tech. Services | $1,695,000 | $2,860,000 | $1,393,660 | $1,345,133 | $1,312,975 | $1,333,235 | $1,353,899 | $1,374,977 | $1,396,477 | $1,418,406 |
| Staffing | $1,653,000 | $4,090,085 | $4,834,595 | $4,979,633 | $5,129,022 | $5,282,892 | $5,441,379 | $5,604,621 | $5,772,759 | $5,945,942 |
| G&A Exp. | $463,000 | $580,840 | $309,060 | $315,241 | $354,560 | $384,177 | $381,845 | $365,350 | $348,052 | $394,468 |
| Bonding and Security (CPUC) | $100,000 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Debt Service | $250,000 | $2,692,177 | $5,384,355 | $5,384,355 | $5,384,355 | $5,384,355 | $4,784,161 | $4,183,967 | $4,183,967 | $4,183,967 |
| **Total O&A Costs** | **$4,876,000** | **$16,936,544** | **$19,838,871** | **$20,034,808** | **$20,302,237** | **$20,619,126** | **$20,311,214** | **$19,996,684** | **$20,289,301** | **$20,653,604** |
| Operating Reserves | $500,000 | $500,000 | $39,600,000 | $59,400,000 | $0 | $0 | $0 | $0 | $0 | $0 |
| New Programs Funding | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| **Total Cost & Reserves** | **$7,099,815** | **$197,675,480** | **$339,037,994** | **$375,606,947** | **$324,513,103** | **$332,937,912** | **$340,667,018** | **$348,596,543** | **$357,841,080** | **$367,026,137** |
| | | | | | | | | | | |
| **CCA Program Surplus/(Deficit)** | **($4,997,747)** | **($12,784,649)** | **$27,127,546** | **$17,008,117** | **$22,174,889** | **$26,969,985** | **$31,759,262** | **$36,267,901** | **$39,793,298** | **$43,672,977** |

Table 10
San Jose Clean Energy
Reserves Summary
2018 to 2027

| | FY 17-18 | FY 18-19 | FY 19-20 | FY 20-21 | FY 21-22 | FY 22-23 | FY 23-24 | FY 24-25 | FY 25-26 | FY 26-27 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Reserve Additions** | | | | | | | | | | |
| Operating Reserve Contr. | $500,000 | $500,000 | $39,600,000 | $59,400,000 | $0 | $0 | $0 | $0 | $0 | $0 |
| Cash from Financing | $50,000,000 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| **Total Additions** | **$50,500,000** | **$500,000** | **$39,600,000** | **$59,400,000** | **$0** | **$0** | **$0** | **$0** | **$0** | **$0** |
| | | | | | | | | | | |
| **Reserves Outlays** | | | | | | | | | | |
| Start-Up Funding Payments | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Additional Working Capital Repayment | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $33,858,901 |
| New Programs | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| **Total Reserve Outlays** | **$0** | **$0** | **$0** | **$0** | **$0** | **$0** | **$0** | **$0** | **$0** | **$33,858,901** |
| | | | | | | | | | | |
| **Rate Stabilization Reserve Balance** | **$50,500,000** | **$51,000,000** | **$90,600,000** | **$150,000,000** | **$150,000,000** | **$150,000,000** | **$150,000,000** | **$150,000,000** | **$150,000,000** | **$116,141,099** |

The surpluses achieved during the phase-in period serve to build SJCE's net financial position and credit profile and to provide operating reserves for SJCE in the event that operating costs (such as power purchase costs) exceed collected revenues for short periods of time. In addition, financial surpluses could be used to increase renewable and GHG-free resources within SJCE's resource mix.

***SJCE Financings***

It is anticipated that one or more financings will be necessary to support SJCE implementation. Subsequent capital requirements will be self-funded from SJCE's accrued financial reserves. The anticipated financing approach is described below.

***SJCE Program Start-up and Working Capital***

As previously discussed, the anticipated start-up and working capital requirements for SJCE are estimated at $50 million. This amount is dependent upon the electric load served by SJCE, actual energy prices, payment terms established with the third-party supplier, and program rates. This figure would be refined during the startup period as these variables become known. Once SJCE is operational, these costs would be recovered from customers through retail rates.

It is assumed that start-up costs of $5.4 million will be funded through the issuance of taxable Commercial Paper approved by the City Council/San Jose Financing Authority and repaid from the working capital financing and/or program revenues. The working capital financing will be primarily secured via a short-term loan or letter of credit, which would allow SJCE to draw cash as required. Requisite financing is expected to be in place during calendar year 2018.

***Renewable Resource Project Financing***

SJCE may consider project financings for renewable resources, likely local wind, solar, biomass or geothermal as well as energy efficiency projects. These financings would only occur after a sustained period of successful SJCE operation and after appropriate project opportunities are identified and subjected to appropriate environmental review. SJCE's ability to directly finance projects will likely require a track record of five to ten years of successful operations demonstrating strong underlying credit to support the financing; direct financing undertaken by SJCE would not be expected to occur sooner than 2024.

In the event that such financing occurs, funds would include any short-term financing for the renewable resource project development costs, and would likely extend over a 20- to 30-year term.

# CHAPTER 8 – Rate Setting, Program Terms, and Conditions

### *Introduction*

This Chapter describes the initial policies proposed for SJCE in setting its rates for electric aggregation services. These include policies regarding rate design, rate objectives, and provision for due process in setting electricity rates. Rates must be approved by the San José City Council.

### *Rate Policies*

SJCE will establish rates sufficient to recover all costs related to its operation, including any reserves that may be required as a condition of financing and other discretionary reserve funds that may be approved by the City Council for SJCE uses. As a general policy, rates will be uniform for all similarly situated customers enrolled in SJCE throughout the service area.

The primary objectives of the rate setting plan are to set rates that achieve the following:

- ✓ Rate competitive tariff option (default service offering), including a proportionate quantity of renewable energy at or in excess of California's prevailing RPS;
- ✓ 100 percent renewable energy supply option (voluntary service offering);
- ✓ Rate stability;
- ✓ Equity among customers in each tariff;
- ✓ Customer understanding; and
- ✓ Revenue sufficiency.

Each of these objectives is described below.

### *Rate Competitiveness*

The primary goal is to offer competitive rates for electric services that SJCE would provide to participating customers. For participants in SJCE's standard tariff, the goal would be for rates to be initially 3-4 percent below similar generation rates offered by PG&E, subject to actual energy product pricing and decisions of the San José City Council. For voluntary participants in SJCE's 100 percent renewable energy tariff, the goal would be to offer the lowest possible customer rates with an incremental monthly cost premium reflective of the actual cost of additional renewable energy supply required to serve such customers. Based on current estimates, the anticipated cost premium for SJCE's 100 percent renewable supply option would be five to 10 percent relative to the default SJCE tariff.

Competitive rates will be critical to attracting and retaining key customers. In order for SJCE to be successful, the combination of price and value must be perceived as superior or at least equal when compared to the bundled utility service alternative. As planned, the value provided by will include a higher proportion of renewable energy and reduced GHG emissions relative to PG&E, enhanced energy efficiency and customer programs, community focus, local investment and control.

As previously discussed, SJCE will increase renewable energy supply to program customers, relative to PG&E, by offering two distinct rate tariffs. The default tariff for SJCE customers will be the standard tariff, which will increase renewable energy supply while maintaining generation rates that are generally comparable to PG&E's. The initial renewable energy content provided under SJCE's standard tariff will exceed California's prevailing RPS, and SJCE will endeavor to increase this percentage on a going forward basis, subject to operational and economic constraints. SJCE will also offer its customers a voluntary 100 percent renewable energy Tariff, which will supply participating customers with 100 percent renewable energy at rates that reflect SJCE's cost for procuring related energy supplies.

Participating qualified low- or fixed-income households, such as those currently enrolled in the California Alternate Rates for Energy (CARE) or Family Electric Rate Assistance (FERA) programs, will be automatically enrolled in the standard Tariff and will continue to receive related discounts on monthly electricity bills through PG&E.

***Rate Stability***

SJCE will offer stable rates by hedging its supply costs over multiple time horizons and by including renewable energy supplies that exhibit stable costs. Rate stability considerations may prevent SJCE's rates from directly tracking similar rates offered by the incumbent utility, PG&E, and may result in differences from the general rate-related targets initially established for SJCE. SJCE will attempt to maintain general rate parity with PG&E to ensure that SJCE rates are not drastically different from the competitive alternative.

***Equity among Customer Classes***

Initial rates of SJCE will be set based on cost-of -service considerations with reference to the rates customers would otherwise pay to PG&E. Rate differences among customer classes will reflect the rates charged by PG&E as well as differences in the costs of providing service to each class. Rate benefits may also vary among customers within the major customer class categories, depending upon the specific rate designs adopted by SJCE.

***Customer Understanding***

The goal of customer understanding involves rate designs that are relatively straightforward so that customers can readily understand how their bills are calculated. This not only minimizes customer confusion and dissatisfaction but will also result in fewer billing inquiries to SJCE's customer service call center. Customer understanding also requires rate structures to reflect rational rate design principles (i.e., there should not be differences in rates that are not justified by costs or by other policies such as providing incentives for conservation).

***Revenue Sufficiency***

SJCE's rates must collect sufficient revenue from participating customers to fully fund SJCE's annual budget. Rates will be set to collect the adopted budget based on a forecast of electric sales for the budget year. Rates will be adjusted as necessary to maintain the ability to fully recover all of costs of operation, subject to the disclosure and due process policies described

later in this chapter. To ensure rate stability, funds available in SJCE's rate stabilization fund may be used from time to time to augment operating revenues.

***Rate Design***

SJCE will generally match the rate structures from PG&E's standard rates to avoid the possibility that customers would see significantly different bill impacts as a result of changes in rate structures that would take effect following enrollment in SJCE.

***Custom Pricing Options***

SJCE may work to develop specially-tailored rate and electric service products that meet the specific load characteristics or power market risk profiles of larger commercial and industrial customers. This will allow such customers to have access to a wider range of products than is currently available from PG&E and potentially reduce the cost of power for these customers. SJCE may provide large energy users with custom pricing options to help these customers gain greater control over their energy costs. Some examples of potential custom pricing options are rates that are based on an observable market index (e.g., CAISO prices) or fixed priced contracts of various terms.

***Net Energy Metering***

As planned, customers with on-site generation eligible for net metering from PG&E will be offered a net energy metering rate from SJCE. Net energy metering allows for customers with certain qualified solar or wind distributed generation to be billed on the basis of their net energy consumption. The PG&E net metering tariff (NEM) requires SJCE to offer a net energy metering tariff in order for the customer to continue to be eligible for service on Schedule NEM. The objective is that SJCE's net energy metering tariff will apply to the generation component of the bill, and the PG&E net energy metering tariff will apply to the utility's portion of the bill. SJCE plans to pay customers for excess power produced from net energy metered generation systems in accordance with the rate designs adopted by SJCE.

***Disclosure and Due Process in Setting Rates and Allocating Costs among Participants***

Initial Program rates will be adopted by the City Council following the establishment of the first year's operating budget prior to initiating the customer notification process. Subsequently, SJCE will prepare an annual budget and corresponding customer rates. Any proposed rate adjustment will be made to the governing body, City Council, and ample time will be given to affected customers to provide comment on the proposed rate changes.

After proposing a rate adjustment, SJCE will furnish affected customers with a notice of its intent to adjust rates, either by mailing such notices postage prepaid to affected customers, by including such notices as an insert to the regular bill for charges transmitted to affected customers, or by including a related message directly on the customer's monthly electricity bill (on the page addressing SJCE charges). The notice will provide a summary of the proposed rate adjustment and will include a link to the SJCE website where information will be posted regarding the amount of the proposed adjustment, a brief statement of the reasons for the adjustment, and the mailing address of SJCE to which any customer inquiries relative to the

proposed adjustment, including a request by the customer to receive notice of the date, time, and place of any hearing on the proposed adjustment, may be directed.

# CHAPTER 9 – Customer Rights and Responsibilities

This chapter discusses customer rights, including the right to opt-out of and the right to privacy of customer usage information, as well as obligations customers undertake upon agreement to enroll in SJCE. All customers that do not opt out within 30 days of the fourth enrollment notice will have agreed to become SJCE customers and must adhere to the obligations set forth below, as may be modified and expanded by the San José City Council from time to time.

By adopting this Implementation Plan, SJCE will have approved the customer rights and responsibilities policies contained in this Implementation Plan to be effective at SJCE initiation. SJCE retains authority to modify SJCE policies from time to time at its discretion.

***Customer Notices***

At the initiation of the customer enrollment process, a total of four notices will be provided to customers describing SJCE, informing them of their opt-out rights to remain with PG&E, and containing a simple mechanism for exercising their opt-out rights. The first notice will be mailed to customers approximately 60 days prior to the date of automatic enrollment. A second notice will be sent approximately 30 days later. SJCE will likely use its own mailing service for requisite enrollment notices rather than including these notices in PG&E's monthly bills. This is intended to increase the likelihood that customers will read the enrollment notices, which may otherwise be ignored if included as a bill insert. Customers may opt out by notifying SJCE using SJCE's designated telephone-based or internet opt-out processing service. Should customers choose to initiate an opt-out request by contacting PG&E, they would be transferred to SJCE's call center to complete the opt-out request. Consistent with CPUC regulations, notices returned as undelivered mail would be treated as a failure to opt out, and the customer would be automatically enrolled.

Following automatic enrollment, at least two notices will be mailed to customers within the first two billing cycles (approximately 60 days) after SJCE service commences. Opt-out requests made on or before the 60$^{th}$ day following start of SJCE service will result in customer transfer to PG&E with no penalty. Such customers will be obligated to pay charges associated with the electric services provided by SJCE during the time the customer took service from PG&E, but will otherwise not be subject to any penalty or transfer fee.

Customers who establish new electric service accounts within SJCE's service area will be automatically enrolled in and will have 60 days from the start of service to opt out if they so desire. Such customers will be provided with two enrollment notices within this 60-day post enrollment period. Such customers will also receive a notice detailing SJCE's privacy policy regarding customer usage information. SJCE will have the authority to implement entry fees for customers that initially opt to remain with PG&E, but later decide to obtain electricity from

SJCE. Entry fees, if deemed necessary, would aid in resource planning by providing additional control over SJCE's customer base.

### *Termination Fee*

Customers that are automatically enrolled in SJCE can elect to transfer back to PG&E without penalty within the first two months of service. After this free opt-out period, customers will be allowed to terminate their participation but may be subject to payment of a Termination Fee, which SJCE reserves the right to impose. Customers that relocate within SJCE's service territory would have SJCE service continued at their new address. If a customer relocating to an address within SJCE's service territory elected to cancel CCA service, the Termination Fee could be applied. SJCE customers that move out of SJCE's service territory would not be subject to the Termination Fee. If deemed applicable by SJCE, PG&E would collect the Termination Fee from returning customers as part of SJCE's final bill to the customer.

For illustrative purposes, SJCE Termination Fee could vary by customer class as set forth in the table below:

**San José Clean Energy**
**Illustrative Schedule of Fees for Service Termination***

| Customer Class | Fee |
|---|---|
| Residential | $5 |
| Non-Residential | $25 |

*Note that SJCE has yet to adopt a Schedule of Fees for Service Termination. The fees reflected in this table are representative of similar charges adopted by California's operating CCA programs.

If adopted, the Termination Fee would be clearly disclosed in the four enrollment notices sent to customers during the 60-day period before automatic enrollment and following commencement of service. The Termination Fee could also be changed prospectively by SJCE subject to applicable customer noticing requirements.

Customers electing to terminate service after the initial notification period would be transferred to PG&E on their next regularly scheduled meter read date if the termination notice is received a minimum of 15 days prior to that date. Such customers would also be liable for the reentry fees imposed by PG&E and would be required to remain on bundled utility service for a period of one year, as described in the utility CCA tariffs.

### *Customer Confidentiality*

SJCE will establish policies covering confidentiality of customer data that are fully compliant with the required privacy protection rules for CCA customer energy usage information, as detailed within Decision 12-08-045. SJCE will maintain the confidentiality of individual customers' names, service addresses, billing addresses, telephone numbers, account numbers, and electricity consumption, except where reasonably necessary to conduct business of SJCE or to provide services to customers, including but not limited to where such disclosure is

necessary to (a) comply with the law or regulations; (b) enable SJCE to provide service to its customers; (c) collect unpaid bills; (d) obtain and provide credit reporting information; or (e) resolve customer disputes or inquiries. SJCE will not disclose customer information for telemarketing, e-mail, or direct mail solicitation. Aggregate data that does not identify any individual customers may be released at SJCE's discretion.

***Responsibility for Payment***

Customers will be obligated to pay charges for service provided through the date of transfer including any applicable Termination Fees. Pursuant to current CPUC regulations, SJCE will not be able to direct that electricity service be shut off for failure to pay SJCE bills. However, PG&E has the right to shut off electricity to customers for failure to pay electricity bills, and PG&E Electric Rule 23 mandates that partial payments are to be allocated pro rata between PG&E and the CCA. In most circumstances, customers would be returned to PG&E for failure to pay bills in full and customer deposits (if any) would be withheld in the case of unpaid bills. PG&E would attempt to collect any outstanding balance from customers in accordance with Rule 23 and the related CCA Service Agreement. The proposed process is for two late payment notices to be provided to the customer within 30 days of the original bill due date. If payment is not received within 45 days from the original due date, service would be transferred to PG&E on the next regular meter read date, unless alternative payment arrangements have been made. Consistent with the CCA tariffs, Rule 23, service cannot be discontinued to a residential customer for a disputed amount if that customer has filed a complaint with the CPUC, and that customer has paid the disputed amount into an escrow account.

***Customer Deposits***

Under certain circumstances, SJCE customers may be required to post a deposit equal to the estimated charges for two months of SJCE's service prior to obtaining service from SJCE. A deposit would be required for an applicant who previously had been a customer of PG&E or SJCE and whose electric service has been discontinued by PG&E or SJCE during the last twelve months of that prior service arrangement as a result of bill nonpayment. Such customers may be required to reestablish credit by depositing the prescribed amount. Additionally, a customer who fails to pay bills before they become past due as defined in PG&E Electric Rule 11 (Discontinuance and Restoration of Service), and who further fails to pay such bills within five days after presentation of a discontinuance of service notice for nonpayment of bills, may be required to pay back bills and reestablish credit by depositing the prescribed amount. This rule will apply regardless of whether or not service has been discontinued for nonpayment[9]. Failure to post deposits as required would cause the account service transfer request to be rejected, and the account would remain with PG&E.

[9] A customer whose service is discontinued by SJCE is returned to PG&E generation service.

# CHAPTER 10 – Procurement Process

***Introduction***

This Chapter describes SJCE's initial procurement policies and the key third party service agreements by which SJCE will obtain operational services for the Program. By adopting this Implementation Plan, SJCE will have approved the general procurement policies contained herein to be effective at SJCE's initiation. The City Council retains discretion to modify SJCE policies from time to time.

***Procurement Methods***

SJCE will enter into agreements for a variety of products and services needed to support program development, operation, and management. It is anticipated that SJCE will generally utilize competitive procurement methods when soliciting for product and services, but under narrow circumstances may procure services without following a competitive process. Any direct sole source procurements will be consistent with the City of San José's charter, ordinances, and policies. Authority for terminating agreements will be established within the parameters of the agreement.

***Key Contracts***

**Electric Supply Contract**

SJCE will initiate service using supply contracts with one or more qualified providers to supply sufficient electric energy resources to meet SJCE customer demand as well as applicable resource adequacy requirements, ancillary, and other necessary services. SJCE may conduct additional solicitations to supplement its energy supply or to replace contract volumes as provided under the original contract. SJCE would begin any procurement sufficiently in advance of contract expiration so that the transition from the initial supply contract occurs smoothly, avoiding dependence on market conditions existing at any single point in time.

SJCE will solicit the services of a certified scheduling coordinator to schedule loads and resources to meet SJCE customer demand.

SJCE may designate the primary supplier to be responsible for day-to-day energy supply operations and for managing the predominant supply risks for the term of the contract. The primary supplier may also contribute to meeting SJCE's renewable energy supply goals. However, additional suppliers may be identified to supplement the requisite renewable energy supplier of SJCE. Finally, the primary supplier may be responsible for ensuring SJCE's compliance with all applicable resource adequacy and regulatory requirements imposed by the CPUC, CAISO, or FERC.

At this point in time, SJCE has not commenced the requisite competitive solicitation process to identify its initial energy supplier(s). However, SJCE anticipates executing the electric supply

contract for Phase 1 loads in November, 2017. The contract for Phase 2 and Phase 3 loads will be executed by spring 2018.

### Data Management Contract

A data manager will provide the retail customer services of billing and other customer account services (electronic data interchange, or EDI, with PG&E, billing, remittance processing, and account management). Recognizing that some qualified wholesale energy suppliers do not typically conduct retail customer services whereas others (i.e., direct access providers) do, the data management contract may be separate from the electric supply contract; however, is anticipated that one contractor will be selected to perform all of the data management functions.[10]

The data manager is responsible for the following services:

- ✓ Data exchange with PG&E;
- ✓ Technical testing;
- ✓ Customer information system;
- ✓ Customer call center;
- ✓ Billing administration/retail settlements;
- ✓ Settlement quality meter data reporting; and
- ✓ Reporting and audits of utility and CAISO billing.

Utilizing a third party for account services eliminates a significant expense associated with implementing a customer information system. Such systems can impose significant information technology costs and take significant time to deploy. Separation of the data management contract from the energy supply contract gives SJCE greater flexibility to change energy suppliers, if desired, without facing an expensive data migration issue.

As this point in time, SJCE has not commenced the requisite competitive solicitation process to identify its data management services provider. However, it is anticipated that SJCE will execute a contract for data management services in fall of 2017.

### *Electric Supply Procurement Process*

SJCE plans to competitively solicit proposals for shaped energy, renewable energy, carbon free energy, resource adequacy capacity, and scheduling coordinator services. Contract negotiations will commence immediately following proposal evaluation. Following the identification of short-listed energy services provider candidates, SJCE will update the Commission regarding its selection process. It is anticipated that final supplier selection will occur in the fall of 2017.

[10]The contractor providing data management may also be the same entity as the contractor supplying electricity for the program.

# CHAPTER 11 – Contingency Plan for Program Termination

***Introduction***

This Chapter describes the process to be followed in the case of termination. By adopting the original Implementation Plan, SJCE will have approved the general termination process. In the unexpected event that SJCE would terminate supplying electricity and return its customers to PG&E service, the proposed process is designed to minimize the impacts on its customers and on PG&E. The proposed termination plan follows the requirements set forth in PG&E's tariff Rule 23 governing service to CCAs. SJCE retains discretion to modify program policies.

***Termination by SJCE***

SJCE anticipates providing services for the long term with no planned termination date. In the unanticipated event that the City Council decides to terminate SJCE and any applicable restrictions on such termination have been satisfied, notice will be provided to customers six months in advance that they will be transferred back to PG&E. A second notice will be provided the last 60 days in advance of the transfer. The notice will describe PG&E's bundled service requirements for returning customers then in effect, such as any transitional or bundled portfolio service rules.

At least one year's advance notice would be provided to PG&E and the CPUC before transferring customers, and SJCE would coordinate the customer transfer process to minimize impacts on customers and ensure no disruption in service. Once the customer notice period is complete, customers would be transferred *en masse* on the date of their regularly scheduled meter read date.

SJCE will post a bond or maintain funds held in reserve to pay for potential transaction fees for switching customers back to PG&E. Reserves would be maintained against the fees imposed for processing customer transfers (CCASRs[11]). The Public Utilities Code requires demonstration of insurance or posting of a bond sufficient to cover re-entry fees imposed on customers that are involuntarily returned to distribution utility service under certain circumstances. The cost of re-entry fees is the responsibility of the energy services provider or the community choice aggregator, except in the case of a customer returned for default or because its contract has expired. SJCE will post financial security in the appropriate amount as part of its registration materials and will maintain the financial security in the required amount, as necessary.

[11] Customer Choice Aggregation Service Request