RECOMMENDATION

(a) Approval of an ordinance establishing San José Clean Energy and amending Title 2 of the San José Municipal Code to add a new department within the City of San José, the Community Energy Department;
(b) Review draft San José Clean Energy Implementation Plan and Statement of Intent;
(c) Review draft of the San José Clean Energy staffing plan;
(d) Review draft of the San José Clean Energy funding strategy; and
(e) Review draft Community Advisory Committee framework.

OUTCOME

To approve and provide input on key start-up activities toward a targeted April 2018 launch for the first phase of San José Clean Energy customers.

EXECUTIVE SUMMARY

In May 2017, City Council approved proceeding with the establishment of a San José CCE, referred to as San José Clean Energy (SJCE), under a single-jurisdiction model as a separate City department. It also established 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 than PG&E
  - Offer at least one power mix option offering that is 100 percent GHG-free energy
- **Programs:**
  - Establish San José-specific renewable energy and energy-efficiency programs
  - Maintain, at minimum, low-income programs at the same level as PG&E programs
  - Develop local renewable energy projects
- **Risk Management:** Pose minimal or no adverse impacts to the City’s General Fund
• **Community Input:** Establish a Community Advisory Committee

• **Reporting:** For the first two years of SJCE’s launch and operation, return to Council semiannually with updates on SJCE’s financials and customer status

• **Partnerships:** Explore opportunities for formal partnerships and informal collaborations with existing CCEs to increase efficiencies, reduce capital requirements, share staffing and consultants, and reduce operating costs for such functions as data management services, joint power procurement, regulatory compliance, and legislative and regulatory advocacy

• **Policies:**
  - Set customer rates annually as part of the typical utility rate-setting process and allow for one mid-year adjustment in the event that PG&E adjusts rates to below the agency’s low-cost rate option
  - Ensure that the SJCE reserve policy includes direction that sufficient reserves be accumulated, prior to launch of local programs, that would support wind down of operations in the unlikely event that SJCE is discontinued

In alignment with previous Council direction, the City Manager is bringing forth the following: ordinance establishing SJCE and creating a new Community Energy Department for approval; and, draft Implementation Plan, staffing plan, funding strategy, and Community Advisory Committee framework for Council input. The City Manager will return with final documents, an ordinance to add a new title to the San Jose Municipal Code —Title 26 establishing SJCE operation procedures, and ordinance to amend Title 4 to establish the San Jose Clean Energy Operating Fund, and budget actions for Council approval in late August 2017. Staff is targeting an April 2018 launch for the first phase of SJCE customers (i.e. municipal customers).

**BACKGROUND**

Community Choice Energy (CCE) offers the community a choice in electricity providers. CCEs will determine the source of electricity offered, set customer rates for energy, retain revenue, and determine spending priorities locally. The incumbent Investor Owned Utility (IOU), which is Pacific Gas and Electric (PG&E) in San José, will continue to charge customers to maintain the transmission and distribution infrastructure, deliver the energy, and bill customers. For these continued services, PG&E will charge CCE customers the same delivery rates as PG&E customers and these charges will be incorporated into the total CCE electric rates to its customers.

CCEs can provide many community benefits, including significant environmental and economic benefits. To date, CCE programs have been able to provide choice in electricity options with a higher mix of renewable energy in their base power products than is available from the incumbent utility, at competitive rates. CCEs also allow local governments entities to have more direct control over rates and how any surplus revenues are reinvested in their communities. A CCE can offer rate structures and programs that are tailored to address a community’s priorities and policies, including sustainability, greenhouse gas (GHG) reduction, and local economic
development goals. CCE programs can also stimulate the local economy by investing in local renewable projects and incentivize manufacturing companies to site in their communities by offering special manufacturing rates for qualifying entities.

Since 2010, eight CCEs have launched in California and another four CCEs anticipate starting service in 2017 and 2018. Many other California communities are currently exploring the opportunity of creating a CCE. Within five years, approximately 50 percent of California’s power load could be served by CCEs.

At the May 16, 2017 City Council meeting, City Council approved proceeding with the establishment of a San José CCE, referred to as San José Clean Energy (SJCE), under the following guiding framework:

- **Governance:** Establish SJCE under a single jurisdiction model and as a separate City department
- **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 than PG&E
  - Offer at least one power mix option offering that is 100 percent GHG-free energy
- **Programs:**
  - Establish San José-specific renewable energy and energy-efficiency programs
  - Maintain, at minimum, low-income programs at the same level as PG&E programs
  - Develop local renewable energy projects
- **Risk Management:** Pose minimal or no adverse impacts to the City’s General Fund
- **Community Input:** Establish a Community Advisory Committee
- **Reporting:** For the first two years of SJCE’s launch and operation, return to Council semiannually with updates on SJCE’s financials and customer status
- **Partnerships:** Explore opportunities for formal partnerships and informal collaborations with existing CCEs to increase efficiencies, reduce capital requirements, share staffing and consultants, and reduce operating costs for such functions as data management services, joint power procurement, regulatory compliance, and legislative and regulatory advocacy
- **Policies:**
  - Set customer rates annually as part of the typical utility rate-setting process and allow for one mid-year adjustment in the event that PG&E adjusts rates to below the agency’s low-cost rate option
  - Ensure that the SJCE reserve policy includes direction that sufficient reserves be accumulated, prior to launch of local programs, that would support wind down of operations in the unlikely event that SJCE is discontinued
Council directed the City Manager to return to Council in August 2017 with the required ordinances, plans, and budget actions for Council consideration to enable the start-up of SJCE in Fiscal Year 2017-2018. Council also directed staff to return to Council in fall 2017 with a framework for the Community Advisory Committee.

**ANALYSIS**

This memo details the necessary ordinances, plans, and a framework for the Community Advisory Committee for Council consideration so that staff can continue with timely start-up activities toward a targeted April 2018 launch for the first phase of SJCE customers (i.e. municipal customers).

**Ordinance Establishing San José Clean Energy**

The ordinance establishes SJCE and sets up a new Community Energy Department. Through Assembly Bill 117 (“AB 117”), adding California Public Utilities Code section 366.2 *et seq*, the California Legislature authorized any city or county to aggregate the electricity load of its residents and businesses into a community-wide electricity program. The law requires adoption of an ordinance electing a CCE within its jurisdiction. The first part of the ordinance, which will not be codified, complies with the obligations of AB 117 and formally establishes the CCE, to be known as San José Clean Energy. The ordinance amends Title 2 of the San José Municipal Code to add a Community Energy Department and includes its functions, powers, and duties.

The City may only submit the Implementation Plan (detailed below) once the ordinance establishing SJCE is effective (i.e. after a second reading of the ordinance and then a 30-day execution period). Therefore, approval of the establishing ordinance is a time-sensitive and necessary first step to allow for subsequent start-up activities toward a targeted April 2018 launch.

Two additional ordinances will be presented to Council in late August 2017 to add a new title to the San José Municipal Code —Title 26 and to amend Title 4 to establish the San José Clean Energy Operating Fund. The Title 26 ordinance will include the laws governing the operation of SJCE such as the SJCE organizational structure, granting authority to the Director of the Community Energy Department to purchase power on the spot market as necessary, authorizing the Director of the Community Energy Department to submit certain plans and reports to the regulators, providing for staffing, establishing a procurement process to secure large power supply contracts, and providing a framework for rate setting.

**Implementation Plan**

Development and certification of an implementation plan and statement of intent (hereafter referred to as the “Implementation Plan”) is a requirement of California Public Utilities Code, Section 366.2(c)(3) and (c)(4), before a CCE can begin serving customers. The Implementation Plan must be adopted by City Council at a public hearing and then submitted to the California Public Utilities Commission (CPUC) for an up to 90-day review and response period. The
Implementation Plan is intended to provide the CPUC with insight into a CCE’s anticipated structure and operations and, once certified by the CPUC, allows for subsequent CCE start-up activities to occur.

The implementation plan must contain all of the following components:

- An organizational structure of the program, its operations, and its funding;
- Rate-setting and other costs to participants;
- Provisions for disclosure and due process in setting rates and allocating costs among participants;
- The methods for entering and terminating agreements with other entities;
- The rights and responsibilities of program participants, including, but not limited to, consumer protection procedures, credit issues, and shutoff procedures;
- Provisions for termination of the program; and
- A description of the third parties that will be supplying electricity under the program, including, but not limited to, information about financial, technical, and operational capabilities.

The statement of intent must provide for the following:

- Universal access;
- Reliability;
- Equitable treatment of all classes of customers; and
- Any requirements established by state law or by the commission concerning aggregated service.

To date, the CPUC has certified eight Implementation Plans, all of which generally follow similar structure and content. The draft SJCE Implementation Plan (Attachment A) follows the lead of other successfully certified Implementation Plans while highlighting features that are unique to SJCE based on Council direction, departmental input, SJCE Business Plan assumptions, and operational CCEs’ standard practices. As other operational CCEs have done, SJCE can amend its Implementation Plan if there are material changes and it is directed to do so by the CPUC. For example, the City may set SJCE policies in the future and the type of power mixes may be impacted by the results of the procurements.

Given that the City may only submit the Implementation Plan once the ordinance establishing SJCE is effective and that it must allow for the CPUC review period, staff will return to Council in late August 2017 with the final Implementation Plan for Council approval and will need to submit the Implementation Plan to the CPUC no later than mid-September 2017 to allow for an April 2018 launch.

Staffing Plan
The San José Clean Energy Community Choice Aggregation Business Plan, authored by EES Consulting, Inc. and presented to the City Council during the Clean Energy Study Session on February 13, 2017, outlined a proposed staffing plan for the Community Energy Department that includes incrementally increasing staffing to cover start-up and operational activities. The table
below shows the draft staffing plan by fiscal year. The plan is updated to reflect staff recommendation to include a Senior Analyst and the Director of Government Affairs/Legal Counsel positions to the initial work group to assist the new Director and the new department to effectively navigate through City processes.

<table>
<thead>
<tr>
<th>SJCE Position</th>
<th>City of San José Job Classification</th>
<th>FY 17-18</th>
<th>FY 18-19</th>
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<tbody>
<tr>
<td>Executive Director</td>
<td>Director, Community Energy</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Director of Marketing and Public Affairs</td>
<td>Public Information Manager</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Administrative Analyst</td>
<td>Senior Analyst</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Executive Assistant/Council Clerk</td>
<td>Staff Technician</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Account Representative</td>
<td>Senior Office Specialist</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Communication Specialist A</td>
<td>Public Information Representative</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Director of Government Affairs/Legal Counsel</td>
<td>Senior Deputy City Attorney</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Director of Power Resources</td>
<td>Deputy Director</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Regulatory/Legislative Analyst</td>
<td>Legal Analyst</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Director of Administration and Finance</td>
<td>Division Manager</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Finance Manager</td>
<td>Principal Accountant</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Power Supply Compliance Specialist</td>
<td>Senior Analyst</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Power Resource Planning and Program Analyst</td>
<td>Senior Analyst</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Power Resource Planning and Program Analyst</td>
<td>Senior Analyst</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Administrative Assistant</td>
<td>Staff Specialist</td>
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<td>X</td>
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<tr>
<td>Community Outreach Manager</td>
<td>Senior Public Information Representative</td>
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<tr>
<td>Account Service Manager</td>
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<tr>
<td>Communication Specialist</td>
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<tr>
<td>Administrative Analyst</td>
<td>Analyst</td>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>

As of the date of this memorandum, the City has finalized the classification specification for its new Director, Community Energy U (3460) classification, and has begun the formal unit designation process. The proposed amendment to the City’s pay plan that will officially create this classification will be brought to the City Council as a separate item on the August 8, 2017 City Council agenda (Item 2.8). Upon City Council approval, this classification will be brought to the Civil Service Commission in September 2017 for final adoption.

Additionally, the City has selected an executive recruiting firm to conduct an executive recruitment for the Director of Community Energy position. The City anticipates that a Director will be selected by the end of September 2017. Once a final candidate has been selected by the City Manager, the candidate will be brought forward for confirmation by the City Council in
closed session. It is anticipated that the recruitments for the additional staff could begin prior to the Director hiring but that final selections will be made by the Director.

During the process of fully staffing the Department, it is possible that new City classifications may have to be created to perform specialized duties that have not been contemplated in any current City classification specifications. If this is necessary, the City will follow all existing policies and procedures to draft classification specifications and create these new classifications, including following the formal unit designation process. It is also possible that the timing of hiring positions between fiscal years may be revised based on input from the Director.

Funding Strategy/ Financing Plan
The initial start-up costs of approximately $5-6 million will be funded through the issuance of taxable commercial paper through the lease revenue commercial paper program. A separate City Council/San José Financing Authority memorandum will be brought forward in late August 2017 to seek the Council/Financing Authority approval of the commercial paper issuance for this purpose. The planned issuance of up to $6.5-7.5 million is projected to cover the initial start-up costs and 18 months of capitalizing the interest and commercial paper costs. The initial start-up costs include staffing and consultant services costs, operating costs, commercial paper costs, SJCE bond (posted with the CPUC), the PG&E service fee deposit, and reserves.

A separate working capital financing will be required to support the phased-in implementation. It is estimated that up to $50 million will need to be financed in 2017-2018 and 2018-2019 to fund the City’s capital requirements for operations, including deposits, reserves and working capital as described in the Implementation Plan, and to repay the initial start-up funding. Requisite deposits and operating reserves include the following: 1) operating reserves to address anticipated cash flow variations; 2) operating reserve deposits that will likely be required by the SJCE power suppliers; and 3) deposit with CAISO prior to commencing market operations.

Financial consulting services will be used to determine the most advantageous structure of the working capital financing program for this phased-in implementation. Separate budget actions will be brought forward this fiscal year after that analysis is complete to ensure funding is available for the implementation.

It is anticipated that the start-up funding financed from the lease revenue commercial paper program will be repaid from the proceeds of the working capital financing program.

Community Advisory Committee Framework
Community advisory committees (CAC) are a common feature in CCEs. Two examples can be found in Attachment B. Staff recommends that a SJCE CAC be established with the following guiding framework:

• **Purpose:** On a quarterly basis, the CAC would provide essential advice to the Mayor and City Council, City Manager, and the Director about all aspects of SJCE start-up and operations. As advisors, the members of the CAC could:
provide feedback and input on the development of strategy and operating principles or models
inform the prioritization and development of energy programs
identify areas of concern as well as innovative opportunities for reducing carbon emissions
monitor best practices of other CCEs, legislative and regulatory issues, and new energy developments
be liaisons to the community for purposes of advocacy and outreach.

The City Council would be the final decision-making body. The CAC would act as expert advisors to the City Council.

- **Size and Terms:** The committee size should be nine and serve four-year terms. Inaugural members should serve staggered terms for purposes of continuity.

- **Composition:** The composition of the CAC should reflect the geographic, ethnic, and socio-economic diversity of the San José community. While the membership would ideally be individuals who live and work in the City of San José, consideration should be given to members from outside the City of San José who could bring expertise to advance the goals of SJCE. Two-thirds of the membership (6) should include those with expertise in community outreach, policy advocacy, and clean energy programs and consideration should be given to representation from industry, labor, education, not-for-profits, environmental associations, and advocacy organizations. The remaining members (3) should be at-large community members.

- **Appointment:** The CAC should be established as soon after the hiring of a Director as possible. Given the expertise that is needed for this advisory committee it is recommended that 6 of the members utilize and application process through the Council Appointment Advisory Commission (CAAC). The department should attend that selection process to answer questions about technical expertise. The remaining 3 members should be appointed as at-large members by the Mayor.

**EVALUATION AND FOLLOW-UP**

Staff will return to Council in late August 2017 with the final staffing plan, Implementation Plan, Community Advisory Committee framework, and the funding strategy. Staff will also return with the Title 26 ordinance establishing operating and reporting procedures and the budget actions, including amending Title 4 to establish the San José Clean Energy Operating Fund.

Once the City Manager has made a final selection for the Director of the Community Energy Department, the candidate will be brought forward to the City Council for confirmation in closed session. It is anticipated that this will occur in September 2017.
PUBLIC OUTREACH

This memorandum will be posted on the City’s website for the August 8, 2017 City Council meeting.

COORDINATION

This memorandum has been coordinated with the Departments of Environmental Services, Finance, and the City Attorney’s Office.

COMMISSION RECOMMENDATION/INPUT

There is no commission recommendation or input associated with this action.

FISCAL/POLICY ALIGNMENT

The recommended actions support the City’s 2017 Green Vision (Goals 2 and 3) and the Envision San José 2040 General Plan (Goal MS-2 and Appendix 8: GHG Reduction Strategy).

CEQA


For questions, please contact David D. Sykes, Assistant City Manager, (408) 535-8185.

Attachments:

Attachment A – Draft San José Clean Energy Implementation Plan and Statement of Intent
Attachment B – Examples of CCE Community Advisory Committees
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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 approach for implementing 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 the competitive market, with energy 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
DRAFT SJCE Implementation Plan

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 ___, 2017, SJCE, at a duly noticed public hearing, considered and adopted this Implementation Plan, through Ordinance No. XX (a copy of which is included as part of Appendix A). 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 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
✓ Any requirements established by state law or by the CPUC concerning aggregated service.

The remainder of this Implementation Plan is organized as follows:

---

1 California Code, Public Utilities Code

CHAPTER 1 – Introduction
The requirements of AB 117 are cross-referenced to Chapters of this Implementation Plan in the following table.

### AB 117 Cross References

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<td>Description of third parties that will be supplying electricity under the program,</td>
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<td>including information about financial, technical and operational capabilities</td>
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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 Jose 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 than 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, SJCE was officially formed in September, 2017. SJCE released a draft Implementation Plan in July 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.

SJCE 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. Commercial direct access customers are not included, as it is assumed that customers taking direct
DRAFT SJCE Implementation Plan

access service from a competitive electricity provider will continue to remain with their current supplier.

**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. 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.

CHAPTER 2 – Aggregation Process
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.

Consistent with 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.

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.

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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).
efficiency programs. Thus, SJCE has the potential for increased energy savings and a further reduction in GHGs due to expanded energy efficiency programs.
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, compensation and benefits management, 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. 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 our 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, 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:
DRAFT SJCE Implementation Plan

✓ 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.
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 seven 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**

The start-up of 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, up to $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 provided from the City budget and via conventional financing methods (e.g., bank loans or lines of credit). Subsumed in the initial capital requirement is SJCE’s initial start-up funding (up to $7.5 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 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, commencing in DATE TBD. SJCE will recover the principal and interest costs associated with the initial funding via retail generation rates charged by SJCE to its customers.
customers. It is anticipated that the initial working capital financing will be fully recovered through such customer generation rates within the first several years of operations.
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 300,000 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 1,600 accounts, comprised of all municipal accounts, totaling nearly 71 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 1.5 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 290,000 additional customers, comprised of residential and small commercial customers will be included in Phase 2, with annual energy consumption approximating 1,854 GWh, or 39 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 7,660 accounts with annual energy consumption of approximately 1,914 GWh, or 40 percent of SJCE’s total prospective customer load.
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.
**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 one or more 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.
**DRAFT SJCE Implementation Plan**

- 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 capacity reserve requirements established by the CPUC and the CAISO designed to address uncertainty in load forecasts and potential supply disruptions caused by generator outages or transmission contingencies. These rules also ensure that physical generation capacity is in place to serve SJCE’s customers, even if there were a need for the SJCE Program to cease operations and return customers to PG&E. 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 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 increase 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 |
|SJCE Demand| 2017| 2019| 2020| 2021| 2022| 2023| 2024| 2025| 2026| 2027 |
|Retail Demand| 697| 3,695| 3,721| 3,747| 3,773| 3,800| 3,826| 3,853| 3,880| 3,907 |
|Dist. Gen| 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| 46| 244| 246| 247| 249| 251| 253| 254| 256| 258 |

|SJCE Supply| |
|Renewable Resources| |
|Total Renewable Resources| 326| 1,732| 1,829| 1,894| 1,957| 2,024| 2,090| 2,157| 2,226| 2,292 |
|Conventional Resources| 370| 1,964| 1,892| 1,854| 1,816| 1,776| 1,737| 1,697| 1,654| 1,615 |
|TOTAL SUPPLY| 697| 3,695| 3,721| 3,747| 3,773| 3,800| 3,826| 3,853| 3,880| 3,907 |

|Energy Open Position| 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% participation rate. For subsequent phases, SJCE anticipates an overall customer participation rate of approximately 80 percent of PG&E bundled service customers, based on reported opt-out rates for the Marin Clean Energy, Sonoma Clean Power and Lancaster Choice Energy CCA, Peninsula Clean Energy, Silicon Valley Clean Energy programs. 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 54 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 9,650 accounts per day. For Phase 3, the number of accounts switched over to SJCE service will decrease again to about 255 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)

<table>
<thead>
<tr>
<th>SJCE Customers</th>
<th>Eligible Accounts</th>
<th>April 2018 Phase 1</th>
<th>September 2018 Phase 2</th>
<th>February 2019 Phase 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>317,467</td>
<td>0</td>
<td>276,609</td>
<td>275,643</td>
</tr>
<tr>
<td>Small Commercial</td>
<td>21,163</td>
<td>470</td>
<td>15,170</td>
<td>16,233</td>
</tr>
<tr>
<td>Medium Commercial</td>
<td>3,371</td>
<td>58</td>
<td>60</td>
<td>2,603</td>
</tr>
<tr>
<td>Large Commercial</td>
<td>1,469</td>
<td>34</td>
<td>34</td>
<td>1,100</td>
</tr>
<tr>
<td>Industrial</td>
<td>65</td>
<td>4</td>
<td>4</td>
<td>49</td>
</tr>
<tr>
<td>Street Lighting &amp; Traffic</td>
<td>2,642</td>
<td>1,040</td>
<td>1,042</td>
<td>2,645</td>
</tr>
<tr>
<td>Agricultural &amp; Pumping</td>
<td>19</td>
<td>0</td>
<td>0</td>
<td>15</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>346,195</strong></td>
<td><strong>1,606</strong></td>
<td><strong>292,919</strong></td>
<td><strong>298,288</strong></td>
</tr>
</tbody>
</table>

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 Retail Service Accounts (End of Year)
2018 to 2027

<table>
<thead>
<tr>
<th>SJCE Customers</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
<th>2027</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>275,643</td>
<td>276,172</td>
<td>276,701</td>
<td>278,638</td>
<td>280,589</td>
<td>282,553</td>
<td>284,531</td>
<td>286,522</td>
<td>288,528</td>
<td>290,548</td>
</tr>
<tr>
<td>Small Comm.</td>
<td>16,233</td>
<td>16,288</td>
<td>16,343</td>
<td>16,457</td>
<td>16,572</td>
<td>16,688</td>
<td>16,805</td>
<td>16,923</td>
<td>17,041</td>
<td>17,160</td>
</tr>
<tr>
<td>Med. Comm.</td>
<td>2,603</td>
<td>2,503</td>
<td>2,403</td>
<td>2,419</td>
<td>2,436</td>
<td>2,453</td>
<td>2,471</td>
<td>2,488</td>
<td>2,505</td>
<td>2,523</td>
</tr>
<tr>
<td>Large Comm.</td>
<td>1,100</td>
<td>1,075</td>
<td>1,051</td>
<td>1,058</td>
<td>1,066</td>
<td>1,073</td>
<td>1,081</td>
<td>1,088</td>
<td>1,096</td>
<td>1,103</td>
</tr>
<tr>
<td>Industrial</td>
<td>49</td>
<td>48</td>
<td>47</td>
<td>47</td>
<td>48</td>
<td>48</td>
<td>49</td>
<td>49</td>
<td>49</td>
<td>49</td>
</tr>
<tr>
<td>Street Light &amp; Traffic</td>
<td>2,645</td>
<td>2,620</td>
<td>2,596</td>
<td>2,614</td>
<td>2,633</td>
<td>2,651</td>
<td>2,670</td>
<td>2,688</td>
<td>2,707</td>
<td>2,726</td>
</tr>
<tr>
<td>Agr. &amp; Pump</td>
<td>15</td>
<td>14</td>
<td>14</td>
<td>14</td>
<td>14</td>
<td>14</td>
<td>14</td>
<td>14</td>
<td>14</td>
<td>14</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>298,288</strong></td>
<td><strong>298,721</strong></td>
<td><strong>299,154</strong></td>
<td><strong>301,248</strong></td>
<td><strong>303,357</strong></td>
<td><strong>305,480</strong></td>
<td><strong>307,619</strong></td>
<td><strong>309,772</strong></td>
<td><strong>311,940</strong></td>
<td><strong>314,124</strong></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail Energy</td>
<td>697</td>
<td>3,695</td>
<td>3,721</td>
<td>3,747</td>
<td>3,773</td>
<td>3,800</td>
<td>3,826</td>
<td>3,853</td>
<td>3,880</td>
<td>3,907</td>
</tr>
<tr>
<td>Losses and UFE</td>
<td>46</td>
<td>244</td>
<td>246</td>
<td>247</td>
<td>249</td>
<td>251</td>
<td>253</td>
<td>254</td>
<td>256</td>
<td>258</td>
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<tr>
<td>TOTAL</td>
<td>743</td>
<td>3,939</td>
<td>3,967</td>
<td>3,994</td>
<td>4,022</td>
<td>4,051</td>
<td>4,079</td>
<td>4,107</td>
<td>4,136</td>
<td>4,165</td>
</tr>
</tbody>
</table>

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 projected peak loads for each of the five months May through September, plus a minimum 15 percent reserve margin. On a month-ahead basis, SJCE must demonstrate 100 percent of the peak load 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:

---

3The 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.
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:

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 285 MW to 381 MW as shown in the following table:
DRAFT SJCE Implementation Plan

Table 7
San Jose Clean Energy
Local Capacity Requirements (MW)
2018 to 2027

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
<th>2027</th>
</tr>
</thead>
<tbody>
<tr>
<td>SJCE Peak</td>
<td>456</td>
<td>1,001</td>
<td>1,008</td>
<td>1,015</td>
<td>1,022</td>
<td>1,037</td>
<td>1,044</td>
<td>1,051</td>
<td>1,058</td>
<td></td>
</tr>
<tr>
<td>Local Capacity Req. (% of Peak)</td>
<td>36%</td>
<td>36%</td>
<td>36%</td>
<td>36%</td>
<td>36%</td>
<td>36%</td>
<td>36%</td>
<td>36%</td>
<td>36%</td>
<td>36%</td>
</tr>
<tr>
<td>Greater Bay Area Share of Local Capacity</td>
<td>34%</td>
<td>34%</td>
<td>34%</td>
<td>34%</td>
<td>34%</td>
<td>34%</td>
<td>34%</td>
<td>34%</td>
<td>34%</td>
<td>34%</td>
</tr>
<tr>
<td>Other PG&amp;E Areas Share of Local Capacity</td>
<td>66%</td>
<td>66%</td>
<td>66%</td>
<td>66%</td>
<td>66%</td>
<td>66%</td>
<td>66%</td>
<td>66%</td>
<td>66%</td>
<td>66%</td>
</tr>
<tr>
<td>SJCE Local Capacity Req., Greater Bay</td>
<td>56</td>
<td>123</td>
<td>123</td>
<td>124</td>
<td>125</td>
<td>126</td>
<td>127</td>
<td>128</td>
<td>129</td>
<td>130</td>
</tr>
<tr>
<td>SJCE Local Capacity Req., Other PG&amp;E</td>
<td>108</td>
<td>238</td>
<td>240</td>
<td>241</td>
<td>243</td>
<td>245</td>
<td>246</td>
<td>248</td>
<td>250</td>
<td>251</td>
</tr>
<tr>
<td>SJCE Local Capacity Req., Total</td>
<td>164</td>
<td>360</td>
<td>363</td>
<td>365</td>
<td>368</td>
<td>371</td>
<td>373</td>
<td>376</td>
<td>378</td>
<td>381</td>
</tr>
</tbody>
</table>

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 the distribution utilities 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.
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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. SJCE understands that additional details related to both the RPS obligation and the Integrated Resource Planning required by SB 350 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, 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>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
<th>2027</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail Sales</td>
<td>697</td>
<td>3,695</td>
<td>3,721</td>
<td>3,747</td>
<td>3,773</td>
<td>3,800</td>
<td>3,826</td>
<td>3,853</td>
<td>3,880</td>
<td>3,907</td>
</tr>
<tr>
<td>Baseline</td>
<td>174</td>
<td>1,072</td>
<td>1,228</td>
<td>1,302</td>
<td>1,377</td>
<td>1,453</td>
<td>1,531</td>
<td>1,605</td>
<td>1,681</td>
<td>1,758</td>
</tr>
<tr>
<td>% of Current Year Retail Sales*</td>
<td>25%</td>
<td>29%</td>
<td>33%</td>
<td>35%</td>
<td>37%</td>
<td>38%</td>
<td>40%</td>
<td>42%</td>
<td>43%</td>
<td>45%</td>
</tr>
</tbody>
</table>

*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

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4 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.

5 See, CPUC Rulemaking R.15-02-020 regarding the RPS obligation, and Rulemaking R.16-02-007 regarding the IRP requirement.

6 See, 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.
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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 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 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.
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In its ruling on local resource adequacy, 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 curtailments, both in terms of the length of individual curtailments and the total number of curtailment 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 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.
This Chapter examines the monthly cash flows expected during the startup and customer phase-in period 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%
- **100% Renewables:** SJCE will supply 100% of retail load with renewable, GHG-free power.

More detail on rates can be found in Chapter 8.
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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 estimated financing requirements for the startup and phase-in period, including working capital needs associated with all three phases of customer enrollments, was determined to be $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 Jose Clean Energy
Summary of CCA Program Start-Up and Phase-In
2018 to 2027

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
<th>2027</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue from</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less Uncollected</td>
<td>297,285</td>
<td>1,610,454</td>
<td>1,659,844</td>
<td>1,686,189</td>
<td>1,713,348</td>
<td>1,743,210</td>
<td>1,769,655</td>
<td>1,801,213</td>
<td>1,835,971</td>
<td>1,868,435</td>
<td>15,985,605</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>$61,766,170</td>
<td>$332,750,585</td>
<td>$341,818,523</td>
<td>$360,663,677</td>
<td>$369,582,447</td>
<td>$378,202,747</td>
<td>$388,685,361</td>
<td>$398,568,604</td>
<td>$408,437,383</td>
<td>$3,592,946,003</td>
<td></td>
</tr>
<tr>
<td><strong>Cost of</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Operations ($)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Operating &amp;</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tech. Services</td>
<td>$630,000</td>
<td>$1,120,000</td>
<td>$1,087,320</td>
<td>$1,023,005</td>
<td>$1,043,465</td>
<td>$1,064,334</td>
<td>$1,085,621</td>
<td>$1,107,333</td>
<td>$1,129,480</td>
<td>$1,159,302</td>
<td>$10,293,502</td>
</tr>
<tr>
<td>Staffing $2,001,267</td>
<td>$3,837,839</td>
<td>$3,952,974</td>
<td>$4,071,563</td>
<td>$4,193,710</td>
<td>$4,319,521</td>
<td>$4,449,107</td>
<td>$4,582,580</td>
<td>$4,720,058</td>
<td>$4,861,659</td>
<td>$40,990,279</td>
<td></td>
</tr>
<tr>
<td>G&amp;A Exp. $750,000</td>
<td>$357,000</td>
<td>$312,000</td>
<td>$318,362</td>
<td>$378,851</td>
<td>$430,592</td>
<td>$395,283</td>
<td>$344,606</td>
<td>$351,498</td>
<td>$423,208</td>
<td>$4,101,520</td>
<td></td>
</tr>
<tr>
<td>Total O&amp;A Costs</td>
<td>$5,620,900</td>
<td>$17,351,150</td>
<td>$17,480,314</td>
<td>$17,614,218</td>
<td>$17,912,262</td>
<td>$18,207,547</td>
<td>$17,251,138</td>
<td>$17,456,570</td>
<td>$17,726,100</td>
<td>$18,067,160</td>
<td>$164,687,388</td>
</tr>
<tr>
<td>Operating/</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Programs</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Reserves</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Total Cost &amp;</td>
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<td>CCA Program Surplus/</td>
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<td>$17,994,052</td>
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<td>$25,271,656</td>
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<td>$31,374,355</td>
<td>$34,750,371</td>
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## Table 10
San Jose Clean Energy
Reserves Summary
2018 to 2027

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<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
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<th>2023</th>
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<th>2026</th>
<th>2027</th>
<th>Total</th>
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<tr>
<td><strong>Reserve Additions</strong></td>
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<tr>
<td>Cash from Financing</td>
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<td>$0</td>
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<td>$0</td>
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<td>$0</td>
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<td><strong>Total Additions</strong></td>
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<td>$28,442,773</td>
<td>$31,374,355</td>
<td>$34,750,371</td>
<td>$246,454,917</td>
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<th></th>
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<th>2022</th>
<th>2023</th>
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<th>2026</th>
<th>2027</th>
<th>Total</th>
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<tbody>
<tr>
<td><strong>Reserves Outlays</strong></td>
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<td></td>
<td></td>
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<td>Start-Up Funding Payments</td>
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<td>Working Capital Repayment</td>
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<td>$5,354,849</td>
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<td>$4,183,967</td>
<td>$4,183,967</td>
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<td>New Programs</td>
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<th>2026</th>
<th>2027</th>
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<td><strong>Rate Stabilization Reserve Balance</strong></td>
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<td>$146,542,863</td>
<td>$174,133,252</td>
<td>$204,699,656</td>
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</table>

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**DRAFT SJCE Implementation Plan**
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 up to $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 up to $7.5 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 would need to be arranged no later than the fourth quarter of 2017.

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% 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) and Family Electric Rate Assistance (FERA) program, 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, thereby supporting the bottom line for these local employers. 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
DRAFT SJCE Implementation Plan

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.
This chapter discusses customer rights, including the right to opt-out 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 60th 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.
DRAFT SJCE Implementation Plan

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:

<table>
<thead>
<tr>
<th>Customer Class</th>
<th>Fee</th>
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<tbody>
<tr>
<td>Residential</td>
<td>$5</td>
</tr>
<tr>
<td>Non-Residential</td>
<td>$25</td>
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*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...
DRAFT SJCE Implementation Plan

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 creditworthiness 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. Failure to post deposits as required would cause the account service transfer request to be rejected, and the account would remain with PG&E.

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7 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 when it is deemed contrary to the public interest to do so. In such cases where following a competitive process is not practicable, the procurement authority will document a written determination of the basis for the procurement and for the selection of the particular contractor. Direct sole source is consistent with the City of San José’s charter ordinances and policies.

Authority for terminating agreements will generally mirror the authority for entering into such agreements.

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.8

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

8The contractor providing data management may also be the same entity as the contractor supplying electricity for
the program.
SJCE plans to solicit proposals for shaped energy, renewable energy, carbon free energy, resource adequacy capacity, and scheduling coordinator services from a highly qualified pool of suppliers. 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 be made by SJCE in the fall of 2017.
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 (CCASRs9). 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.
Appendix A: Ordinance No. XX (Adopting Implementation Plan)
Attachment B
Examples of CCE Community Advisory Committees

Peninsula Clean Energy (PCE) – Citizens Advisory Committee

Purpose
The goal of PCE is to reduce greenhouse gas emissions by providing cleaner power to County residents and businesses at competitive rates. PCE will also develop new renewable energy sources, including within San Mateo County, and implement programs to further reduce greenhouse gas emissions.

Composition/Size/Qualifications
To further PCE’s mission, the Citizens Advisory Committee will: act as a liaison to the community; provide feedback on PCE policy and operational objectives; engage in outreach to the community, including encouraging ratepayers to opt-up to ECO100 (PCE’s 100% renewable energy product offering) and implement other carbon reducing practices; assist with legislative advocacy in conjunction with staff and board; provide a forum for community discussions on a wide variety of strategies to reduce carbon emissions in conjunction with staff and board.

The Citizens Advisory Committee will be comprised of 11 to 15 members drawn from the community and appointed by the PCE Board. Members might be affiliated with a community group, but will not formally represent any group on the Citizens Advisory Committee. The Citizens Advisory Committee members should reside or work in San Mateo County, be from geographically diverse areas of the County, and have a relevant background in or expertise related to one or more of the following fields: electricity, community outreach and engagement, or policy advocacy. Expertise in the electricity field may include experience with electrical utilities or with energy production, efficiency, demand reduction, technology, financing, policy, or environmental impacts.

Initiation/Appointment
Board of Directors (20 Elected Officials) established a citizen’s advisory committee in May 2015 until launch in October 2015. The committee was formalized in December 2016 and inaugural members served staggered terms with subsequent members serving three year terms.

East Bay Community Energy Authority (EBCEA) – Community Advisory Committee

Purpose
The function of the Community Advisory Committee is to advise the Board of Directors on all subjects related to the operation of the CCE Program set forth in a work plan adopted by the Board of Directors. The Community Advisory Committee is advisory only. CAC members represent the views of constituents in their comments and decision making, serve as an information-channel back to your colleagues and communities, and identify CCE issues of concern and opportunities to educate the Board of Directors.
Composition/Size/Qualifications
The CAC consists of nine members appointed by the EBCE Board of Directors. The Board selects from individuals expressing interest in serving, and who represent a diverse cross-section of interests, skill sets and geography. Members of the Community Advisory Committee serve staggered four-year terms.

Initiation/Appointment
The Board publicizes the opportunity to serve on the Community Advisory Committee and appoints members of the Community Advisory Committee to serve four-year terms. Initial members to serve staggered terms.