



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Zachary Struyk

**SUBJECT:** See Below

**DATE:** November 7, 2024

Approved

Date:

11/13/24

## INFORMATION

**SUBJECT: San José Clean Energy Q3 2024 (Q1 Fiscal Year 2024-2025)  
Regulatory Compliance, Power Procurement, and Financial Metrics  
Report**

## BACKGROUND

Pursuant to Sections 26.50.010 and 26.50.020 of the San José Municipal Code, the Director of the Energy Department is required to submit to the City Council on a quarterly basis: 1) a list of documents submitted to regulatory agencies to comply with San José Clean Energy's (SJCE) regulatory requirements and 2) a report summarizing the number of medium-term and short-term transactions that the Energy Department executed in the previous calendar quarter and the total cost associated with those transactions. Each quarterly report submitted to the City Council shall be submitted no later than 45 days following the end of the previous calendar quarter. These two quarterly reports may be combined and are included below.

On August 13, 2024, the City Council adopted a resolution amending City Council Policy 1-24, SJCE Financial Reserves Policy, to establish a Rate Stabilization Reserve to support rate stability for the SJCE program. The implementation of a Rate Stabilization Reserve is a best practice for supporting financial covenant compliance and mitigating unplanned rate increases among investment grade credit rated California Choice Aggregation programs, and utilities in general. Beginning with this report, the Energy Department will include an update on the status of the Rate Stabilization Reserve and several key financial metrics that highlight SJCE's financial condition as of the end of each calendar quarter.

## **ANALYSIS**

### *Regulatory Compliance*

Between July 1, 2024 and September 30, 2024, SJCE submitted 46 compliance filings with state, federal, and non-profit regulatory organizations. SJCE also submitted eight responses to data requests from the California Public Utilities Commission. Three of the data requests are related to reporting new generation and battery projects under contract by load-serving entities to assist the California Public Utilities Commission in tracking new projects. One of the data requests informed a report to the California Legislature on the Renewable Portfolio Standard program's workforce development and diversity and the last four data requests assisted the California Public Utilities Commission in calculating the Greenhouse Gas-Free, Renewable Portfolio Standard, and Resource Adequacy Market Price Benchmarks related to the Power Charge Indifference Adjustment.

Attached to this memorandum as **Attachment 1** - San José Clean Energy Q3 2024 (Q1 FY 2024-2025) Compliance Filings - is a list of these compliance filings.

### *Regulatory Engagement*

In addition to fulfilling its regulatory compliance obligations, SJCE staff proactively engage in state regulatory proceedings and initiatives that may impact SJCE's operations, namely its reporting requirements, procurement strategy, or future customer rates and product/program offerings. During the period from July 1, 2024 and September 30, 2024, SJCE participated in over 20 regulatory proceedings and initiatives of the California Public Utilities Commission, the California Energy Commission, and the California Independent System Operator. Participation was either direct as an individual party or through stakeholder workgroups, or indirect as part of informal coalitions of joint community choice aggregation programs, or as a member of the California Community Choice Association, our trade association. These proceedings and initiatives included, but are not limited to, the following.

### **California Public Utilities Commission Proceedings**

- Integrated Resource Planning (R.20-05-003)
- Renewable Portfolio Standard (R.18-07-003)
- Resource Adequacy (R.23-10-011)
- Pacific Gas and Electric Company's Adoption of Electric Revenue Requirements and Rates Associated with its 2024 Energy Resource Recovery Account (A.23-05-012, consolidated with A.23-07-012, Pacific Gas and Electric Company's Expedited Application pursuant to the Energy Resource Recovery Account Trigger Mechanism)

- Pacific Gas and Electric Company's Application for Review of the Disadvantaged Communities-Green Tariff, Community Solar Green Tariff, and Green Tariff Shared Renewables Programs (A.22-05-022)
- Disconnections (R.18-07-005)
- Extension of Diablo Canyon Power Plant (R.23-01-007)
- Transportation Electrification (R.23-12-008)
- Energization (R.24-01-018)
- Distributed Energy Resources (R.21-06-017)
- High Distributed Energy Resources (R.22-11-013)

### **California Energy Commission Proceedings**

- Load Management Standards (21-OIR-03)
- Power Source Disclosure (24-PSDP-01)

### **California Independent System Operator Initiatives and a Related Initiative**

- Extended Day Ahead Market
- Resource Adequacy Modeling and Program Design
- Interconnection Process Enhancements
- Transmission Planning Process Enhancements
- West-Wide Governance Pathways Initiative
- Storage Bid Cost Recovery

#### *Power Procurement*

SJCE entered into six short-term agreements between July 1, 2024 and September 30, 2024. Of these, SJCE entered into five purchase agreements for a total of \$16,687,000 and one sales agreement for a total of \$21,600. The net cost for the six short-term agreements to SJCE is \$16,665,400.

SJCE entered into one medium-term purchase agreement between July 1, 2024 and September 30, 2024. The total cost for the purchase to SJCE is \$30,000,000.

Attached to this memorandum as **Attachment 2** - San José Clean Energy Q3 2024 (Q1 FY 2024-2025) Power Transactions - is a list of these power transactions.

#### *Rate Stabilization Reserve and Key Financial Metrics*

SJCE continues to prudently manage its operations in a manner that supports its long-term financial independence and stability while providing sufficient financial capacity to meet near-term obligations. This section of the report includes an update on the Rate Stabilization Reserve and several key financial metrics that highlight SJCE's financial condition as of September 30, 2024. Additional SJCE financial information, including

audited annual financial statements, unaudited quarterly financial statements, and annual budgets, are publicly available and can be accessed through the SJCE Key Documents webpage.<sup>1</sup>

Rate Stabilization Reserve: The Rate Stabilization Reserve helps SJCE manage market fluctuations and meet financial covenants by allowing for the deferral of excess net revenues in high income years, which can be drawn on in years with high operating costs. This helps SJCE manage and keep customer rates stable. As of the quarter ending September 30, 2024, SJCE maintained a balance of \$50 million in the Rate Stabilization Reserve.

Unrestricted Cash Balance: As of September 30, 2024, SJCE has \$233 million in unrestricted cash. These funds allow SJCE to withstand sudden market or regulatory changes and support rate stability for customers.

Debt Service Coverage Ratio: This financial metric measures SJCE's cash flow available to pay current debt obligations. On February 17, 2023, the City of San José, on behalf of SJCE, entered into a revolving credit agreement with JPMorgan Chase Bank, N.A. to support the operational needs of SJCE, including posting collateral to secure purchase of power products and to satisfy regulatory obligations. This credit agreement replaced the credit agreement SJCE had with Barclays Bank PLC that was entered into on November 1, 2018 and most recently amended on June 21, 2021. Section 5.11 of the Credit Agreement requires that, at the end of each fiscal quarter, the debt service coverage ratio must be at least 1.10 to 1.00<sup>2</sup>. As of the quarter ending September 30, 2024, the debt service coverage ratio for SJCE was above 1.10.

Number of Days of Cash on Hand: This financial metric shows the number of days SJCE can cover operational expenses using existing cash reserves without needing external funding. As of September 30, 2024, SJCE had the equivalent of 174 days of operating expenses in reserves, excluding the \$50 million cash set aside for the Rate Stabilization Reserve. SJCE continues to make progress towards its goal of building and maintaining operating reserves equal to at least 180 days of operating expenses, as outlined in the [SJCE Financial Reserves Policy](#).

/s/  
Zachary Struyk  
Acting Director, Energy Department

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<sup>1</sup> <https://sanjosecleanenergy.org/key-documents/>

<sup>2</sup> The liquidity cure right under the credit agreement allows that, in the event that the debt service coverage is less than 1.10 to 1.00, then SJCE's days liquidity on hand calculated at quarter end of 75 days or more (given SJCE's current credit ratings) may be used to satisfy compliance for the period. The liquidity cure right may only be exercised three times during any four consecutive quarters.

HONORABLE MAYOR AND CITY COUNCIL

November 7, 2024

**Subject: San José Clean Energy Q3 2024 (Q1 Fiscal Year 2024-2025) Regulatory Compliance, Power Procurement and Financial Metrics Report**

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For questions, please contact Zachary Struyk, Acting Director of the Energy Department, at (408) 535-4868.

Attachments

- Attachment 1 - San José Clean Energy Q3 2024 (Q1 FY 2024-2025) Compliance Filings
- Attachment 2 - San José Clean Energy Q3 2024 (Q1 FY 2024-2025) Power Transactions

**Attachment 1 - San José Clean Energy Q3 2024 Compliance Filings**

#	Frequency	Topic	Deliverables	Jurisdiction	Due	Submitted
1	S	FSR	Audited Financial Information	CPUC	7/1/2024	Submitted 07/01/24
2	M	MARA	August T-45 RA Plan Revision	CAISO	7/2/2024	Submitted 07/01/24
3	M	CRRs	August Tier 1 CRR Nomination	CAISO	7/9/2024	Submitted 07/10/24
4	M	CRRs	September Load Forecast for CRR Allocations	CAISO	7/11/2024	Submitted 07/10/24
5	Q	Credit Agreement	Reporting of customers served and energy delivered to Finance	JPMorgan	7/15/2024	Submitted 07/29/24
6	M	CRRs	August Tier 2 CRR Nomination	CAISO	7/15/2024	Submitted 07/15/24
7	M	MARA	September T-45 RA (w/ Local & Flex true up)	CPUC & CEC	7/18/2024	Submitted 07/26/24
8	M	MARA	September T-45 RA Waiver (if necessary)	CPUC & CEC	7/18/2024	n/a
9	M	MARA	September T-45 RA	CAISO	7/18/2024	Submitted 07/17/24
10	A	RPS	Draft Annual RPS Procurement Plan	CPUC	7/22/2024	Submitted 07/23/24
11	A	CRRs	CRR Annual Allocation Process: Historical Load	CAISO	7/26/2024	Submitted 07/23/24
12	A	PSD	Annual PSD Report	CEC	7/29/2024	Submitted 08/29/24
13	Q	DAC-GT	DAC-GT CSGT Quarterly Report	CPUC	7/30/2024	Submitted 08/23/24
14	Q	Lobbying	FPPC Form 635	Sec. of State	7/31/2024	Submitted 07/16/24
15	Q	Energy Surcharge	Q2 Energy Resources Surcharge Return & Payment	CDTFA	7/31/2024	Submitted 07/24/24
16	M	EIA	June 861 filing (accounts, load, revenue)	EIA	7/31/2024	Submitted 07/23/24
17	A	RPS	Annual RPS Compliance Report	CPUC	8/1/2024	Submitted 08/14/24
18	A	PSD	PG&E Rate Comparison Mailer	CPUC	8/1/2024	Submitted 06/01/24
19	S	ERRA	Revised 2024 Load Forecast for PG&E 2025 ERRA	CPUC	8/1/2024	Submitted 08/26/24
20	M	MARA	September T-45 RA Plan Revision	CAISO	8/2/2024	Submitted 07/29/24
21	M	CRRs	September Tier 1 CCR Nomination	CAISO	8/8/2024	Submitted 08/14/24
22	A	Green-e	2023 Historic Power Content Label	CRS	8/9/2024	Submitted 08/01/24
23	M	CRRs	October Load Forecast for CRR Allocations	CAISO	8/9/2024	Submitted 08/01/24
24	A	YARA	2025 Final Load Forecast for Year Ahead RA	CPUC & CEC	8/12/2024	Submitted 08/01/24
25	M	CRRs	September Tier 2 CRR Nomination	CAISO	8/14/2024	Submitted 08/14/24
26	Q	QFER	Q2 1306B – QFER (accounts, load, revenue)	CEC	8/15/2024	Submitted 08/20/24
27	Q	Credit Agreement	Compliance Certificate for Quarterly Financial Statements	JPMorgan	8/29/2024	Submitted 08/14/24
28	M	EIA	July 861 filing (accounts, load, revenue)	EIA	8/30/2024	Submitted 09/03/24
29	Q	EE	Q2 2024 Tracking Data Submission	CPUC	9/3/2024	Submitted 09/17/24
30	A	PSD	Power Content Label Audit - 4 week reminder	CEC	9/3/2024	Submitted 08/21/24
31	A	RPS	Motion to update and updated Draft Annual RPS Procurement Plan	CPUC	9/5/2024	Submitted 09/05/24
32	M	RA	September Month-Ahead Test-Year (SOD non-binding)	CPUC	9/6/2024	Submitted 09/06/24
33	A	CRRs	2025 CRR Annual Allocation Process: Tier 1/PNP window closes	CAISO	9/6/2024	Submitted 09/10/24
34	M	CRRs	November Load Forecast for CRR Allocations	CAISO	9/6/2024	Submitted 09/10/24
35	M	CRRs	October Tier 1 CCR Nomination	CAISO	9/10/2024	Submitted 09/10/24
36	M	CRRs	October Tier 2 CCR Nomination	CAISO	9/16/2024	Submitted 09/16/24
37	M	MARA	November T-45 RA (w/ Local & Flex true up)	CPUC & CEC	9/17/2024	Submitted 09/16/24
38	M	MARA	November T-45 RA Waiver (if necessary)	CPUC & CEC	9/17/2024	Submitted 09/16/24
39	M	MARA	November T-45 RA	CAISO	9/17/2024	Submitted 09/16/24
40	A	CRRs	2025 CRR Annual Allocation Process: Tier LT window closes	CAISO	9/20/2024	Submitted 09/10/24
41	A	YARA	Receive final 2025 Year Ahead RA Obligation	CPUC	9/23/2024	Received 09/23/24
42	A	PSD	Power Content Label posted on website and provided to CEC	CEC	9/27/2024	Extended to 1/31/25
43	M	EIA	August 861 filing (accounts, load, revenue)	EIA	9/30/2024	Submitted 10/01/24
44	M	MARA	November T-45 RA Plan Revision	CAISO	10/2/2024	Submitted 10/01/24

#	Frequency	Topic	Deliverables	Jurisdiction	Due	Submitted
45	A	CRRs	2025 CRR Annual Allocation Process: Tier 2 window closes	CAISO	10/3/2024	Submitted 10/03/24
46	M	CRRs	December Load Forecast for CRR Allocations	CAISO	10/4/2024	Submitted 10/01/24

#### Data Requests

#	Frequency	Topic	Deliverables	Jurisdiction	Due	Submitted
1	M	Procurement	Procurement Status Data Request	CPUC	07/11/24	Submitted 07/11/24
2	M	Procurement	Procurement Status Data Request	CPUC	08/08/24	Submitted 08/08/24
3	S	RA	PCIA-RA Adder Data Request (Jan - Jun 2024 Transactions)	CPUC	08/14/24	Submitted 08/12/24
4	A	RPS	Data Request: Workforce Development & Diversity	CPUC	9/3/2024	Submitted 08/30/24
5	S	GHG	GHG-Free-PCIA Data Request	CPUC	9/3/2024	Submitted 09/03/24
6	S	RPS	RPS-PCIA Semi-Annual Data Request	CPUC	9/3/2024	Submitted 09/03/24
7	M	Procurement	Procurement Status Data Request	CPUC	9/12/2024	Submitted 09/12/24
8	S	RA	PCIA-RA Adder Data Request (Jul - Aug 2024 Transactions)	CPUC	9/16/2024	Submitted 09/13/24

#### Key

AMI	Advanced Metering Infrastructure
CAISO	California Independent System Operator
CalCCA	California Community Choice Association
CAM	Cost Allocation System
CARB	California Air Resources Board
CCA	Community Choice Aggregator
CDTFA	California Department of Tax and Fee Administration
CEC	California Energy Commission
CPM	Capacity Procurement Mechanism
CPUC	California Public Utilities Commission
CRR	Congestion Revenue Rights
CRS	Center for Resource Solutions
DAC-GT	Disadvantaged Communities Green Tariff
EIA	Energy Information Administration
EE	Energy Efficiency
ERRA	Energy Resource Recovery Account
GHG	Greenhouse Gas
IEPR	Integrated Energy Policy Report
IRP	Integrated Resource Plan
LCFS	Low Carbon Fuel Standard
MARA	Month Ahead Resource Adequacy
MRR	Regulation for the Mandatory Reporting of Greenhouse Gas Emissions
PCIA	Power Charge Indifference Adjustment
PSD	Power Source Disclosure Program
QFER	Quarterly Fuel Energy Report
RA	Resource Adequacy
RMR	Reliability Must-Run
RPS	Renewable Portfolio Standard
SQMD	Settlement Quality Meter Data
TE/VGI	Transportation Electrification/Vehicle Grid Integration
YARA	Year Ahead Resource Adequacy

**Attachment 2 - San José Clean Energy Q3 2024 (Q1 FY 2024-2025) Power Transactions**

*Short-term Purchases*

#	Contract ID	Agreement Date	Counterparty	Energy Type	Power Delivery Period	Contract Amount
1	23-108-04-1	9/11/2024	City and County of San Francisco, acting by and through its Public Utilities Commission, CleanPowerSF	Renewable Portfolio Standard	2024	\$ 2,200,000.00
2	24-113-09	8/14/2024	NRG Busines Marketing LLC	Resource Adequacy	2025	\$ 5,850,000.00
3	24-113-13	9/16/2024	City of Santa Clara, dba Silicon Valley Power	Resource Adequacy	2024	\$ 94,000.00
4	24-113-14	9/17/2024	Pacific Gas and Electric Company	Resource Adequacy	2025	\$ 7,443,000.00
5	24-124-02	7/12/2024	TransAlta Energy Marketing Inc.	Carbon-Free	2024	\$ 1,100,000.00
<b>Total Cost of Purchases:</b>						<b>\$ 16,687,000.00</b>

*Short-term Sales*

6	24-199-01	9/11/2024	Northern California Power Agency	Resource Adequacy	2025	\$ (21,600.00)
<b>Total Revenue from Sales:</b>						<b>\$ (21,600.00)</b>