



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Lori Mitchell

**SUBJECT:** 2022 POWER MIX AND  
RATES

**DATE:** November 29, 2021

Approved

Date

12/1/2021

## RECOMMENDATION

Adopt a resolution:

- (a) Amending San José Clean Energy's (SJCE) service options as follows (Plan A) beginning January 1, 2022:
- (1) Increasing the renewable energy content for SJCE's GreenSource standard service to 60% and continuing to set rates at 8% above PG&E generation rates after accounting for the Franchise Fee Surcharge and the Power Charge Indifference Adjustment (PCIA);
  - (2) Increasing the renewable content for SJCE's lowest-cost service GreenValue to 40% and continuing to set rates at parity to PG&E generation rates after accounting for the Franchise Fee Surcharge and the PCIA;
  - (3) Continuing to set rates for TotalGreen, SJCE's 100% renewable energy service, at \$0.005 or \$0.01 per kilowatt-hour (kWh) above GreenSource, depending on rate class; and
  - (4) Amending the rate for the SJ Cares program, which is open to California Alternate Rates for Electricity (CARE) and Family Electric Rate Assistance (FERA) customers, to 5% below PG&E generation rates after accounting for the Franchise Fee Surcharge and the PCIA while continuing to provide SJ Cares customers with GreenSource renewable content.

If there is a delay in the implementation of PG&E's rate change and PG&E's PCIA change:

- (b) Amending SJCE service options as follows (Plan B) beginning January 1, 2022, provided that SJCE adopt Plan A as soon as is practically reasonable after PG&E's rate change and PCIA change are implemented:
- (1) Increasing the renewable energy content for SJCE's GreenSource standard service to 60% and set rates at 30% above PG&E generation rates after accounting for the Franchise Fee Surcharge and the PCIA;
  - (2) Increasing the renewable content for SJCE's lowest-cost service GreenValue to 40% and continuing to set rates at parity with PG&E generation rates after accounting for the Franchise Fee Surcharge and the PCIA;

- (3) Continuing to set rates for TotalGreen, SJCE’s 100% renewable energy service, at \$0.005 or \$0.01 per kWh above GreenSource, depending on rate class; and
- (4) Continuing to set rates for the SJ Cares program, which is open to CARE and FERA customers, at parity with PG&E generation rates after accounting for the Franchise Fee Surcharge and the PCIA while continuing to provide SJ Cares customers with GreenSource renewable content.

**OUTCOME**

Approving the resolutions would result in SJCE offering the product options and rates in Table 1 below according to the timing of the implementation of the two main drivers of SJCE’s rate-setting process: PG&E generation rate and the PCIA. GreenSource would continue to be the default product that customers receive if they take no action. SJCE’s 100% renewable option, TotalGreen, would continue to be marketed to customers to ensure progress on Climate Smart goals. GreenValue would continue to be marketed to customers with cost concerns who are not eligible for CARE and FERA state discount programs. Under Plan A, CARE and FERA customers are automatically enrolled in SJ Cares and would automatically begin to receive the rate discount on January 1, 2022.

Table 1. Outcomes of Recommendation (Plan A)

	<b>GreenValue</b>	<b>GreenSource</b>	<b>TotalGreen</b>	<b>SJ Cares</b>
Renewable energy content	40%	60%	100%	60%
Rate relative to PG&E*	Parity	8% above	\$0.005 to \$0.01 per kWh above GreenSource	5% below
Total bill relative to PG&E**	Same	3-4% more	7% more	3% below

\*Includes PCIA and Franchise Fee Surcharge, fees collected by PG&E.

\*\*Includes SJCE generation rate and PG&E delivery charges. For GreenValue, GreenSource, and TotalGreen, this is compared to PG&E standard service. For SJ Cares, this is compared to PG&E CARE/FERA service.

In addition, approving the resolutions would result in a decrease in CO<sub>2</sub> emissions in 2022 from 2021 as shown in Table 2 below. The carbon-free content of SJCE’s GreenSource service option in 2022 is predicted to be about 5% higher than the Council-approved GreenSource mix in 2021.

Table 2. Projected CO<sub>2</sub> emissions goal (in metric tons)

	<b>Proposed 2022 Power Mix Goal*</b> (GreenSource: 60% renewable, 95% carbon-free; GreenValue: 40% renewable, 80% carbon-free)	<b>2021 Approved Power Mix Goal*</b> (GreenSource: 55% renewable, 90% carbon-free; GreenValue: 36% renewable; 80% carbon-free)
CO <sub>2</sub> emissions (MTCO <sub>2e</sub> )	<b>85,000</b>	<b>160,000</b>

\* Carbon-free content for 2021 and 2022 is influenced by PG&E resource allocations paid for in the PCIA fee.

## **BACKGROUND**

On November 7, 2017, City Council approved an ordinance to add Title 26 to the San José Municipal Code that provides procedures for the operation and management of SJCE. Under Title 26, SJCE may provide any rate designs or programs as approved by the City Council.

On November 6, 2018, the City Council approved SJCE to set rates for the GreenSource product to be one percent below PG&E generation rates, after accounting for the franchise fees and the Power Charge Indifference Adjustment across all rate classes for 2019.

On April 16, 2019, the City Council approved enrolling small commercial customers in June 2019.

On December 10, 2019, the City Council approved SJCE to establish a power mix of at least 86 percent carbon-free energy with at least 45 percent renewable energy for the GreenSource product starting January 1, 2021. SJCE’s GreenSource product continued to be one percent below PG&E generation rates, after accounting for the franchise fees and the Power Charge Indifference Adjustment across all rate classes for 2020. City Council also waived opt-out fees for SJCE customers and approved the final phase of customer enrollments for residential and small commercial Net Energy Metering customers.

On November 17, 2020, the City Council approved SJCE to establish a power mix of between 53-92% carbon-free energy with at least 40% renewable energy for the GreenSource product starting January 1, 2021. SJCE’s GreenSource product was set at 0.25% below PG&E generation rates, after accounting for the Power Charge Indifference Adjustment and Franchise Fee Surcharge across all rate classes for 2021, with flexibility to vary the discount between 0.0% and 1.0%.

On May 11, 2021, the City Council approved SJCE to establish a new low-cost service called GreenValue with rates set at parity with PG&E and a power mix of at least 36% renewable energy and 80% carbon-free energy. Council also approved SJCE to establish the SJ Cares program, which allows CARE and FERA customers enrolled in GreenSource service to pay

GreenValue rates. Finally, Council approved adjusting rates for SJCE’s standard service GreenSource to 8% above PG&E standard rates, after accounting for the Power Charge Indifference Adjustment and Franchise Fee Surcharge across all rate classes and setting its renewable energy content to at least 55% and carbon-free content to at least 80%.

On June 22, 2021, the City Council authorized the City of San José Financing Authority to issue no more than \$95 million in Commercial Paper Notes (CP Notes) to SJCE to finance power purchases and other operating costs. Council also approved the Second Amendment to the revolving credit agreement with Barclays and related budget actions.

**ANALYSIS**

**SJCE Rates Pegged to PG&E**

The SJCE rate structures are designed to facilitate competitive pricing in response to PG&E rate changes. To understand the implications of PG&E rate changes, it is important to understand that SJCE's rates are pegged against PG&E generation rates. Consequently, movement by PG&E generation rates triggers corresponding movement to SJCE rates.

SJCE has four rate structures that are pegged to PG&E generation rates and are impacted by rate changes by PG&E.

Table 3. Current SJCE Rate Structures

	GreenValue	GreenSource	TotalGreen	SJ Cares Program
Current rate* relative to PG&E	Parity	8% higher	\$0.005 or \$0.01/kWh over GreenSource	Parity

*\*SJCE rates include generation charges, PCIA and Franchise Fee Surcharge*

GreenValue is the lowest-priced option and is at parity with PG&E rates. GreenValue plays an important role to mitigate a customer's consideration to opt out of service from SJCE.

GreenSource provides a higher renewable energy content and is pegged at 8% higher than PG&E standard service. GreenSource is the default customer rate and represents almost all of customer load.

TotalGreen is the highest-priced option and provides 100% renewable energy. TotalGreen is priced at either \$0.005 or \$0.01 per kWh above GreenSource which results in bills that are 5% to 7% higher than the total customer bills under PG&E standard service.

The SJ Cares Program is available to customers that receive rate assistance through the CARE or FERA Program and is priced at parity with PG&E but provides the higher renewable

energy content set in the GreenSource power mix. There are approximately 80,000 households or 23% of residential customers in the SJ Cares program.

### Drivers of SJCE Rate-setting

PG&E generation rates and the PCIA are the two main drivers of SJCE's rate-setting as SJCE rates are pegged to PG&E rates and as directed by Council, SJCE rates factor in the PCIA.

### *PG&E Forecasted 2022 Rate Increase*

PG&E submits rate forecasts to the California Public Utilities Commission (CPUC) by filing the Energy Resource Recovery Account Forecast, referred to as ERRA. PG&E filed a forecasted revenue requirement on June 1, 2021<sup>1</sup> and an updated revenue requirement on November 8, 2021.<sup>2</sup> If approved by the CPUC, these new PG&E rates will likely take effect on January 1, 2022. In addition, through the California Community Choice Association (CalCCA), SJCE has access to a credible third-party estimated PG&E rate forecast provided by a consultant.

The PG&E 2022 ERRA Forecast filings to the CPUC and the estimated rates forecasted by the consultant point toward a **potential 15% to 35% increase in PG&E generation rates** and an estimated 8% increase in PG&E delivery charges.<sup>3</sup> For the PG&E rate changes to become effective January 1, 2021, the CPUC will need to vote on the PG&E rate changes before the end of December 2021. It is likely this will occur at the December 16, 2021 CPUC business meeting.

### *Forecasted Decrease in PCIA Rate*

As described in the Community Energy Department's (CED's) Council memorandum dated May 11, 2021,<sup>4</sup> the CPUC amended the PCIA calculation methodology in 2018 with the goal of achieving predictability and stability in PCIA rates.<sup>5</sup> However, the PCIA has since been volatile, with substantial PCIA increases through 2021, and now it is forecasted to decrease considerably.

All California electric customers pay the PCIA fee to cover the investor-owned utility above-market costs from legacy energy contracts and power plant operations. SJCE customers pay for PG&E's above-market costs attributable to generation resources acquired prior to being enrolled in SJCE. PG&E's PCIA has risen over 900% between 2013 and 2021 and 41% from 2020 to 2021.<sup>6</sup> For the average residential customer in San José using 482 kWh per month, **PCIA fees have doubled from \$10.27 per month in 2018 to \$20.80 per month today.**

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<sup>1</sup> <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/news-and-outreach/documents/pao/customer-notice/cn-2021/2022-pge-erra-forecast-customer-notice-a2106001.pdf>

<sup>2</sup> <https://pgera.azurewebsites.net/Regulation/ValidateDocAccess?docID=677013>

<sup>3</sup> [https://www.pge.com/tariffs/assets/pdf/adviceletter/ELEC\\_6408-E.pdf](https://www.pge.com/tariffs/assets/pdf/adviceletter/ELEC_6408-E.pdf)

<sup>4</sup> May 11, 2021, San José City Council Meeting: SJCE Service and Rate Changes [Memo](#)

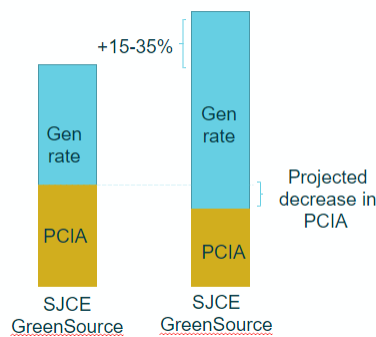
<sup>5</sup> Decision Modifying the Power Charge Indifference Adjustment, D.18-10-019, 10.11.18

<sup>6</sup> For customers on the E-19S (Large Industrial) Rate

Starting in January of 2022, the PCIA fee is forecasted to decrease by \$0.034 per kWh, a 75% decrease relative to 2021. If, at their December 16, 2021 meeting, the CPUC adopts PG&E’s November ERRA forecast and accepts PG&E’s 2022 revenue requirements, the average residential customer in San José using 482 kWh per month would pay \$5.52 in PCIA fees monthly. As described in PG&E’s June 1, 2021 ERRA filing, the decrease is the result of a credit applied to the 2022 PCIA to correct for an overcollection of revenue in 2021. This occurred primarily because 2021 market prices for brown power<sup>7</sup> were higher than forecast (this increases the value of PG&E generation resources) and anticipated continued high market power prices in 2022.

As directed by Council, SJCE factors in the cost of the PCIA and Franchise Fee Surcharge when setting rates. Therefore, as illustrated in Figure 1 below, a decrease in the PCIA fee paid to PG&E represents a potential for savings to customers and increased revenues to SJCE.

Figure 1. Impact of PG&E rate increases and PCIA decreases on SJCE’s rates



SJCE Financial Resiliency

On June 22, 2021, the City Council approved the issuance of CP Notes to finance the purchase of power and other operating costs of SJCE. To date, SJCE has drawn \$41 million in CP Notes and expects to use approximately \$60 million by end of calendar year 2021 and a total of \$70 million by early calendar year 2022. The ability to start paying back the CP Notes is conditioned on SJCE’s ability to grow and sustain \$50 million in reserves, per the terms of its revolving credit agreement with Barclays. SJCE has maintained \$20 million in reserves. The financial projections based on the staff recommendation (Plan A) indicate that SJCE will be able to pay back CP Notes in FY22-23 and accumulate an operating reserve of at least 90 days of operating expenses. Accumulating additional reserves is possible assuming the CPUC approves the full rate increase in PG&E’s November ERRA Forecast filing.

While ERRA forecasts for 2022 appear to be favorable for SJCE financially, expectations for 2023 indicate a possible return to less favorable conditions. Building reserves can help SJCE

<sup>7</sup> Brown power comes from non-renewable, carbon polluting sources like natural gas.

weather unanticipated market impacts and regulatory uncertainty. The first milestone to improving SJCE’s financial resiliency is growing operating reserves equal to a minimum of 90 days of operating expenses and then growing reserves equal to 180 days of operating expenses.

2022 Recommended Rates and Power Mix

In May 2021, Council adopted four SJCE service options that are structured to meet customers’ diverse needs. The recommendation for CY 2022 is for Council to build on these service options to further reduce greenhouse gas (GHG) emissions, promote equity, address customer cost concerns, and strengthen SJCE’s financial resiliency.

Staff recommends the following enhancements:

- Amend GreenValue service by:
  - Increasing renewable content from 36% to 40%;
- Amend GreenSource service by:
  - Increasing renewable content from 55% to 60%;
- Sustain TotalGreen to cost \$0.01 or \$0.005 per kWh above GreenSource rate.
- Amend SJ Cares program by:
  - Increasing renewable content from 55% to 60%;
  - Decreasing SJCE rates from parity with PG&E to 5% below PG&E generation rates.

The recommendations are summarized in Table 4 below:

Table 4. Recommended 2022 Rates and Power Mix (Plan A)

Service Option	GreenValue	GreenSource	TotalGreen	SJ Cares Program
Rates* relative to PG&E	Same (no change)	8% above (no change)	\$0.01 or \$0.005 above GreenSource (no change)	Decrease from parity to 5% below PG&E
Renewable content	Increase from 36% to 40%	Increase from 55% to 60%	100%	Increase from 55% to 60%
Customer needs and values	<b>Cost conscious</b> GreenValue will cost the same as PG&E and meets the CA requirements for Renewable Energy Content	<b>Better value</b> GreenSource is SJCE’s standard service that will provide 25%+ more renewable energy than standard PG&E service and CA requirements	<b>Climate conscious</b> TotalGreen is an easy, cost-effective way to power homes and businesses with 100% renewable energy	<b>For San José’s lowest income earners</b> Customers enrolled in the CARE or FERA state programs (<200% of federal poverty guidelines) receive higher renewable content for our lowest rate

\*SJCE rates includes generation charges, PCIA and Franchise Fee Surcharge

Should there be a delay in the CPUC’s approval of PG&E’s generation rate change and the change in PCIA, SJCE is recommending that Council allow SJCE to set interim rates (Plan B) provided that SJCE implement its recommended rates and power mix (Plan A) as soon as is practically reasonable after PG&E’s rate change and PCIA change are implemented. The proposed interim rates and power mix, outlined in Table 5 below, are needed to ensure that revenues cover costs and SJCE’s avoids reaching the \$95 million maximum approved amount of CP Notes. To date, SJCE has drawn \$41 million in CP Notes and expects to use approximately \$60 million by end of calendar year 2021 and a total of \$70 million by early calendar year 2022.

Table 5. Recommended SJCE Plan B/Interim 2022 Rates and Power Mix

Service Option	GreenValue	GreenSource	TotalGreen	SJ Cares Program
Renewable content	40%	60%	100%	60%
Rate* relative to PG&E	Same	30% above	\$0.01 or \$0.005 per kWh above GreenSource	Same
Total bill relative to PG&E**	Same	12% more	16% more	Same
Estimated monthly bill impact*** relative to 2021	Same	+\$12	+\$12	Same

\*SJCE rates include generation charges, PCIA and Franchise Fee Surcharge

\*\*\*Includes SJCE generation rate and PG&E delivery charges. For GreenValue, GreenSource, and TotalGreen, this is compared to PG&E standard service. For SJ Cares, this is compared to PG&E CARE/FERA service.

\*\*\*For average residential customer consuming 465 kWh/month. Bill impacts are for generation only.

*Cost-of-Service Rates*

To address continued PG&E rate volatility, SJCE will analyze setting rates based on cost-of-service instead of pegging rates to PG&E. Cost-of-service rates are commonly used by municipal utilities and could provide several benefits, such as providing more predictable and stable rates for customers as well as more stable revenues for SJCE. Consulting resources are required to perform a cost-of-service rate study to develop appropriate rates for each customer class. Setting rates through this process has the added benefit that SJCE could avoid changing rates several times a year based on PG&E rate changes and could offer more competitive rates.

Projected Impacts to SJCE Financial Resiliency

Staff uses annual PG&E revenue requirement forecast filings, as well as consultant forecasts, to predict PG&E rate changes. PG&E 2022 generation rates are forecasted to increase in the range of 15% to 35%.



Using the low and high predictions of the forecasted rate increase range by PG&E, Table 6 below lists the projected operating reserves outlook and potential payback schedule for the CP Notes.

Table 6. Projected Financial Impacts

<b>PG&amp;E 2022 Generation Rate Increase</b>	<b>CP Notes Payback Start Date End Date</b>	<b>Date SJCE attains 90 days of Operating Expenses after Commercial Paper Repayment</b>	<b>Dec 2023 Ending Restricted &amp; Unrestricted / Days of Operating Expenses</b>
<b>Low (15%)</b>	August 2022 October 2022	April 2023	\$135-\$155 M / 110-130 Days
<b>High (35%)</b>	July 2022 August 2022	Oct 2022	\$220-\$240 M / 185-205 Days

Projected Customer Bill Impacts

The 2022 rates and power mix recommendations will have greater impacts to the total bill for customers that choose the standard GreenSource service option and that qualify for the SJ Cares program. Table 7 below shows the expected monthly bill impact for both service options as compared to the projected 2022 PG&E total bill. Total bill increases in 2022, including delivery charges, are compared to 2021 bills under the same service option in Table 8 and 9 below.

Table 7. Projected Total Monthly Bill Impacts Compared to PG&E

<b>PG&amp;E Generation Rate Increase</b>	<b>2022 GreenSource total bill compared to 2022 PG&amp;E total bill (standard service)*</b>		<b>2022 SJ Cares total bill compared to 2022 PG&amp;E total bill (CARE/FERA service)*</b>	
<b>Low (15%)</b>	+3%	+\$5	-3%	-\$3
<b>High (35%)</b>	+4%	+\$6	-3%	-\$4

*\*For average residential customer consuming 465 kWh/month. Total bill includes generation and delivery charges. PG&E delivery rates are also expected to increase by about 10%, or an additional \$8 monthly for the average residential customer. The impact of delivery increases is not shown in the table above.*

Table 8. Projected 2022 Total Monthly Bill Impacts\* vs 2021 Bills (same service option)

		GreenValue	GreenSource	TotalGreen	PG&E
PG&E Generation Rate Increase	Low (15%)	+\$8	+\$9	+\$11	+\$8
	High (35%)	+\$19	+\$20	+\$22	+\$19
Estimated PG&E Delivery Increase	8%	+\$6	+\$6	+\$6	+\$6
Total Estimated Increase		\$14-\$25	\$15-\$26	\$17-\$28	\$14-\$25

\*For average residential customer consuming 465 kWh/month.

Table 9. Projected 2022 Monthly Total Bill Impacts for CARE/FERA customers\* vs 2021 Bills

		SJ Cares Program	PG&E CARE/FERA
PG&E Generation Rate Increase	Low (15%)	+\$5	+\$8
	High (35%)	+\$15	+\$19
Estimated PG&E Delivery Increase	8%**	+\$3	+\$3
Total Estimated Increase		\$8-\$18	\$11-\$21

\*For average residential customer consuming 465 kWh/month.

\*\*The CARE/FERA discount is embedded in the delivery rate.

GreenValue will continue to play an important role in providing a service option that is at parity with PG&E, and TotalGreen will continue to allow customers to enroll in an easy option to have 100% renewable energy.

### Communicating with SJCE Ratepayers

At least 30 days prior to the City Council meeting date of December 14, 2021, rate notices were sent to all customers in either English, Spanish, or Vietnamese based on information available at the time of distribution. Each customer received one of the three versions that were sent: 1. residential, 2. residential CARE/FERA eligible, and 3. commercial. Please see the English versions of the rate notices in Attachments A, B, and C. The rate notices are also available on the SJCE website at [www.SanJoseCleanEnergy.org/resources](http://www.SanJoseCleanEnergy.org/resources). Per San José Municipal Code section 26.40.020 D. (2), the rate notice's primary function is to make the public aware that City Council will consider changes to the rates and power mix of the electric service options available and provide the information needed for public participation in the rate setting and power mix democratic decision-making process.

SJCE will alert customers in December through February to expect higher bill impacts. Staff will also share resources to help customers lower their bill, including discount programs, energy saving tips, and energy efficiency resources.

### *Customer Retention Strategy*

To retain customers, SJCE customer service staff will encourage cost-conscious customers to enroll in GreenValue rather than opt out of SJCE service. This messaging is prominent on SJCE's website and customer service phone menu and in customer service agent scripts.

To ensure low-income households that do not qualify for CARE or FERA are aware of SJCE's GreenValue product, staff will continue to conduct targeted outreach in English, Spanish, and Vietnamese. For the past year and a half, staff has heavily promoted state programs that give monthly bill discounts, debt forgiveness, and one-time bill assistance. Staff plans to continue this outreach and would include advertisement of GreenValue along with its promotion of these programs. Outreach would be conducted in English, Spanish, and Vietnamese, and channels would include:

- social media;
- targeted emails and letters;
- presentations to community groups;
- marketing toolkits for Council Offices, CBOs, faith-based organizations, and neighborhood groups;
- interviews on Spanish talk shows; and
- text marketing, among other tactics.

### **CONCLUSION**

SJCE is proposing to make changes to its service offerings and rates effective January 1, 2022. The proposed changes are in response to a projected increase in PG&E generation rates and a projected decrease in the PCIA fee to be effective January 1, 2022 as well as the need to set rates to cover SJCE's operating costs.

To further reduce GHG emissions staff recommends increasing the renewable energy content for GreenValue to 40%, GreenSource to 60%, and the SJ Cares program to 60%. To promote equity, staff recommends decreasing rates for the San José Cares program to 5% below PG&E's CARES/FERA generation rates.

The forecasted increase to PG&E's generation rate and decrease in the PCIA rate will cause corresponding changes to SJCE's GreenValue, GreenSource, and TotalGreen service options. These changes will potentially allow SJCE to earn enough revenues to payback the CP Notes in calendar year 2022 and build financial reserves that provide SJCE the financial resilience needed to better manage the expected volatility of the PCIA and increasing power market prices in the coming years.

The GreenValue service will continue to provide an option for the cost-conscious customer and will cost the same as PG&E and meet the State requirements for renewable energy content. The

TotalGreen service will provide the climate conscious customer an easy and cost-effective way to power their homes or businesses with 100% renewable energy.

### **EVALUATION AND FOLLOW-UP**

No further follow-up with the City Council related to the change in power mix or rates is anticipated at this time.

### **CLIMATE SMART SAN JOSÉ**

The recommendation in this memorandum positively impacts one or more Climate Smart San José energy, water, or mobility goals. Compared with 2021 SJCE emissions, implementing the staff recommendation will result in lower CO2 emissions from SJCE customers in 2022. The carbon-free content of the 2022 power mixes is mainly derived from the PG&E allocation of approximately 1,440 GWh of carbon-free attributes to SJCE.

### **POLICY ALTERNATIVES**

**Alternative 1: Set GreenSource at price parity with PG&E** (thereby eliminating the GreenValue service and SJ Cares Program) and set its renewable energy content at 55% and continue to offer TotalGreen (100% renewable energy) at existing pricing relative to GreenSource.

**Pros:**

- Improves customer affordability
- Simplifies service offerings

**Cons:**

- Build reserves more slowly
- Delays payback of the CP Notes by over year (estimated in September 2024).
- Does not take steps to provide equity to lowest income earners
- Customer confusion with SJCE products that are no longer offered

**Reason for not recommending:** Paying back the CP Notes later reduces the availability of CP Notes to be used to fund other important City projects. SJCE might not have sufficient reserves to manage the higher power prices that are forecast for 2022 to 2025, creating risk for the City's General Fund.

**Alternative 2: Increase GreenSource rates from 8% above PG&E, inclusive of PCIA and Franchise Fee Surcharge, to 12%** and increase renewable content from 55% to 60%; Continue to set GreenValue rates at parity with PG&E, inclusive of PCIA and Franchise Fee Surcharge; Continue to offer TotalGreen (100% renewable energy); and amend rates for the SJ Cares

program to 5% below PG&E, inclusive of PCIA and Franchise Fee Surcharge while continuing to provide SJ Cares customers with GreenSource renewable content.

SJCE proposed this alternative recommendation in the rate notice sent to customers. It was based on the projection for PG&E's generation rate increase and 2022 PCIA that was available at the time.

**Pros:**

- Improves SJCE's ability to pay back CP Notes and build reserves

**Cons:**

- Exacerbates customer affordability

**Reason for not recommending:** PG&E's 2022 generation rates are now projected to be significantly higher than initially forecast (*an increase of 15-35% versus an increase of 8-15%*). This would raise bills for SJCE and PG&E customers alike and exacerbate affordability at a time when other utilities are raising rates and inflation is growing. The PCIA fee that customers pay directly to PG&E is also projected to be lower than initially forecast (75% lower versus 50-65%). This improves the potential to increase revenue for SJCE and offer customer savings.

**PUBLIC OUTREACH**

At least 30 days prior to the City Council meeting date of December 14, 2021, rate notices were sent to all customers in English, Spanish, and Vietnamese. There are three versions: residential, low-income (CARE/FERA), and commercial. Please see the English versions of the rate notices in Attachments A, B, and C. This memorandum will be posted on the City's website for the December 14, 2021, City Council meeting.

**COORDINATION**

This memorandum has been coordinated with the City Attorney's Office and the City Manager's Budget Office.

**COMMISSION RECOMMENDATION/INPUT**

During the November 18, 2021, meeting, the Clean Energy Community Advisory Commission (CECAC) agreed with staff recommendations on the 2022 power mix and rate setting. This includes the recommendation to set the 2022 renewable energy power content for GreenValue at 40%, GreenSource at 60%, and SJ Cares at 60%. However, the CECAC urged staff to continue to increase the renewable and carbon-free content of the power mix in following years. The CECAC also recommends that San José Clean Energy seek to provide a lower cost option than PG&E in the future. The CECAC was also supportive of the importance of accumulating

financial reserves to provide financial resiliency and providing a discount of 5% to customers participating in the SJ Cares program. Lastly, the CECAC recommends staff illustrate the total bill impact for customers. This is included in Tables 7-9.

**COST SUMMARY/IMPLICATIONS**

The impacts on San José Clean Energy’s net income and cash reserves of the staff recommendation through FY 2022-2023 are displayed below. Due to the likely PG&E rate increases and the continued regulatory and market uncertainty discussed above, the numbers in Table 10 below should be viewed as middle values of a range. Revenues could change depending on the outcome of the PCIA and PG&E generation rate in future years.

Table 10. Projected SJCE Financials based on Staff Recommendation

	<b>Calendar Year 2022</b>	<b>Calendar Year 2023</b>
Ending Fund Balance – Restricted & Unrestricted	\$70,000,000 to \$170,000,000	\$135,000,000 to \$240,000,000
Days of Operating Expenses in Reserve	60 to 145 days	110 to 205 days

The annual cost to increase the renewable energy content of GreenSource from 55% to 60% is approximately \$1.6 million to \$2.3 million. Adjustments to increase SJCE’s budgeted revenue estimate for FY 2021-2022 (currently at \$303.4 million) will be brought as part of a future budget action after the PUC’s approval of the PG&E’s rate increase and the PCIA, and subsequent to the corresponding adjustments to SJCE’s rates as recommended in this memorandum.

**CEQA**

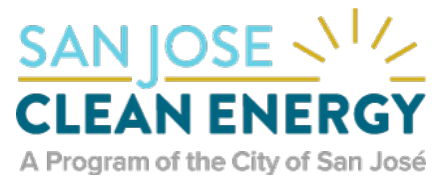
Not a Project, File No. PP17-008, General Procedure & Policy Making resulting in no changes to the physical environment.

/s/  
Lori Mitchell  
Director, Community Energy

For questions, please contact Joe Flores, Deputy Director, Community Energy, at (408) 535-4868.

**Attachments:**

- Attachment A: Rate Notice CARE\_FERA English Version
- Attachment B: Rate Notice Residential English Version
- Attachment C: Rate Notice Commercial English Version



November 10, 2021

## NOTICE OF PROPOSED SAN JOSE CLEAN ENERGY SERVICE AND RATE CHANGES

Dear San José Clean Energy customer,

According to our records, San José Clean Energy (SJCE) is your local electricity generation provider, and your enrollment in **our SJ Cares Program** means **you are paying our lowest rates**. SJCE builds and sources clean electricity for you, while Pacific Gas and Electric Company (PG&E) delivers the electricity over its poles and wires and bills you. You have always been billed for both electricity generation and delivery regardless of your electricity provider.

SJCE is operated by the City of San José and governed by the City Council. **At a public hearing on December 14, 2021, the City Council will consider SJCE changes that would take effect on January 1, 2022.**

### PG&E Rate Increases

PG&E is expected to increase the generation portion of its rates by an estimated 8-15% on January 1, 2022. SJCE bills would increase by the same amount because the City Council sets SJCE's rates in relation to PG&E's standard rates. When PG&E rates rise or fall, SJCE rates change accordingly.

### Proposed SJ Cares Rate Decrease

The past year has been difficult, and understandably, many customers are still struggling to keep up with utility bills. **SJCE is proposing a 5% discount on SJCE's rates<sup>1</sup> for SJ Cares customers**, on top of any CARE or FERA discount. **You would pay the lowest electricity rates in San José** (about \$3 less per month than PG&E's CARE/FERA service).<sup>2</sup>

### Summary of Proposed Changes and Estimated Monthly Bill Impacts from PG&E and SJCE Rate Changes<sup>2</sup>

Service Options	San José Clean Energy CARE/FERA Service (SJ Cares Program)	PG&E CARE/FERA Service
Renewable Energy Content	60%	31% <sup>3</sup>
<b>Estimated</b> Impacts to Monthly Rates as of 1/1/22	\$1-5 increase	\$4-8 increase (generation only)
Estimated total bill impact compared to PG&E <sup>4</sup>	3% less	--

### Your Enrollment in SJ Cares

Through our SJ Cares program, customers enrolled in CARE (California Alternate Rates for Electricity) or FERA (Family Electric Rate Assistance) state programs currently pay SJCE's lowest rates (same price as PG&E) for higher renewable energy (55%). CARE and FERA customers were automatically enrolled in SJ

<sup>1</sup> SJCE rates include SJCE generation charges and PG&E fees (Power Charge Indifference Adjustment and Franchise Fee Surcharge).

<sup>2</sup> For the average residential customer consuming 465 kWh per month on time-of-use (E-TOU-C) rates.

<sup>3</sup> PG&E's 2020 power mix (unaudited) from SJCE-PG&E Joint Rate Mailer.

<sup>4</sup> Total bill includes SJCE rates and PG&E delivery charges. PG&E is also expected to increase their delivery charges, adding additional bill increases for all consumers.

Cares after the program was adopted by the City Council in May 2021 to increase access to renewable energy. If the City Council approves SJCE's proposed changes, you would start receiving the 5% discount on SJCE rates automatically beginning January 1, 2022.

### **Other Proposed SJCE Service and Rate Changes**

SJCE is also proposing the following service and rate changes for non-CARE/FERA customers:

- Keep GreenValue the same price as PG&E but increase renewable energy content to 40%, and
- Increase GreenSource rates from 8% above PG&E to 12% and increase renewable energy content from 55% to 60%.

TotalGreen would still cost an additional \$0.01/kWh more than GreenSource for residential customers.

### **Why is SJCE Making These Changes?**

SJCE is proposing to raise GreenSource rates to strengthen financial resiliency, address the climate emergency, and promote equity.

### **How to Change Your SJCE Service**

Customers who would like to enroll in SJCE's other service options or opt out to receive generation service from PG&E can do so in one of three easy ways, at any time:

1. Visit [SanJoseCleanEnergy.org/your-choices](https://SanJoseCleanEnergy.org/your-choices)
2. Call 833-432-2454
3. Email [customerservice@sanjosecleanenergy.org](mailto:customerservice@sanjosecleanenergy.org)

*Please note that you will need your PG&E account number, last name on the account, and ZIP code.*

### **How to Stay Informed**

If you would like to watch and participate in the City Council meeting considering the proposed service and rate changes, please visit: [sanjoseca.gov/news-stories/watch-a-meeting](https://sanjoseca.gov/news-stories/watch-a-meeting).

For more rate information, please visit [SanJoseCleanEnergy.org/residential-rates](https://SanJoseCleanEnergy.org/residential-rates) or [pge.com/cca](https://pge.com/cca). For help understanding your bill, please visit [SanJoseCleanEnergy.org/understanding-your-bill](https://SanJoseCleanEnergy.org/understanding-your-bill) or call 833-432-2454.

### **Requesting this Notice in Other Formats**

In accordance with the Americans with Disabilities Act, this letter can be made available upon request in alternative formats such as braille, large print, audiotape, or computer disk. Requests can be made by calling (408) 535-3500 (voice) or (800) 735-2929 (California Relay System).

### **Power Content Label Update**

Our 2020 Power Content Label was updated on October 1, 2021. Visit [SanJoseCleanEnergy.org/2020pcl](https://SanJoseCleanEnergy.org/2020pcl) for the updated version.

**Thank you for being a valued SJCE customer. Together we are powering San José to a clean energy future.**

*You are receiving this notice pursuant to section 26.40.020 of the City of San José's Municipal Code. If you opted out of SJCE service, please disregard this notice.*



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**PG&E Rate Increases**

PG&E is expected to increase the generation portion of its rates by an estimated 8-15% on January 1, 2022. SJCE bills would increase by the same amount because the City Council sets SJCE's rates in relation to PG&E's standard rates. When PG&E rates rise or fall, SJCE rates change accordingly.

**Proposed SJCE Service and Rate Changes**

In addition to any rate increase from PG&E, SJCE is proposing the following service and rate<sup>1</sup> changes:

- Keep GreenValue the same price as PG&E but increase renewable energy content to 40%,
- Increase GreenSource rates from 8% above PG&E to 12% and increase renewable energy content from 55% to 60%, and
- Provide a 5% rate discount for SJ Cares customers.

TotalGreen would still cost an additional \$0.01/kWh more than GreenSource for residential customers.

**Summary of Proposed Changes and Estimated Monthly Bill Impacts from PG&E and SJCE Rate Changes<sup>2</sup>**

Service Options	SJCE GreenSource service	SJCE TotalGreen service	SJCE GreenValue service	PG&E standard service
Description	SJCE's standard option	SJCE's most renewable option	SJCE's lowest cost option	Competitor
Renewable Energy Content	60%	100%	40%	31% <sup>3</sup>
<b>Estimated</b> Change in Rates as of 1/1/22	\$7-11 increase	\$7-11 increase	\$4-8 increase	\$4-8 increase (generation only)
Estimated total bill impact compared to PG&E <sup>4</sup>	5% more	8% more	SAME AS PG&E	SAME AS GREENVALUE

<sup>1</sup> SJCE rates include SJCE generation charges and PG&E fees (Power Charge Indifference Adjustment and Franchise Fee Surcharge).

<sup>2</sup> For an average residential customer in San José using 465 kWh/month on a time-of-use rate plan (E-TOU-C).

<sup>3</sup> PG&E's 2020 power mix (unaudited) from SJCE-PG&E Joint Rate Mailer.

<sup>4</sup> Total bill includes SJCE rates and PG&E delivery charges. PG&E is also expected to increase their delivery charges, adding additional bill increases for all consumers.

### **Why is SJCE Making These Changes?**

SJCE is proposing to raise GreenSource rates to strengthen financial resiliency, address the climate emergency, and promote equity.

The SJ Cares program was adopted by the City Council in May 2021 to increase access to renewable energy for low-income customers. Through SJ Cares, customers enrolled in CARE (California Alternate Rates for Electricity) or FERA (Family Electric Rate Assistance) state programs automatically pay SJCE's lowest rates for higher renewable energy. SJCE is proposing a 5% rate discount for SJ Cares customers (after any PG&E rate increases).

### **For Customers with Cost Concerns**

GreenValue will continue to be SJCE's lowest cost option (the same price as PG&E). Any customer can enroll in GreenValue at any time. **Customers will not save money by opting out of SJCE service.**

GreenValue costs the same as PG&E while offering customer benefits like cleaner power, community programs, local control, transparency, and accountability.

### **How to Change Your SJCE Service**

Customers who would like to enroll in GreenValue or TotalGreen, or opt out to receive generation service from PG&E can do so in one of three easy ways, at any time:

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*Please note that you will need your PG&E account number, last name on the account, and ZIP code. To see if you qualify for CARE or FERA, visit [SanJoseCleanEnergy.org/discount-programs](https://SanJoseCleanEnergy.org/discount-programs) or call 833-432-2454.*

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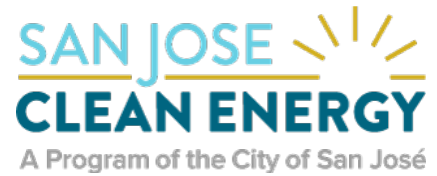
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- Provide a 5% discount for SJ Cares customers.

TotalGreen would still cost an additional \$0.005 or \$0.01 per kWh more than GreenSource depending on rate class.

**Summary of Proposed Service and Rate Changes and Estimated Monthly Bill Impacts**

Service Options	SJCE GreenSource service	SJCE TotalGreen service	SJCE GreenValue service	PG&E standard service
Description	SJCE’s standard option	SJCE’s most renewable option	SJCE’s lowest cost option	Competitor
Renewable Energy Content	60%	100%	40%	31% <sup>2</sup>
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## Attachment C: Rate Notice Commercial English Version

GreenValue costs the same as PG&E while offering customer benefits like cleaner power, community programs, local control, transparency, and accountability.

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