

RESOLUTION NO. _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN JOSE INCREASING THE AUTHORITY GRANTED TO THE DIRECTOR OF COMMUNITY ENERGY OR DESIGNEE TO NEGOTIATE AND EXECUTE AGREEMENTS FIVE YEARS AND UNDER FOR THE PROCUREMENT OF POWER PRODUCTS BY \$405,600,000, FROM \$1,536,900,000 TO AN AMOUNT NOT TO EXCEED \$1,942,500,000 IN AGGREGATE IN CALENDAR YEARS 2022 THROUGH 2027, TO BE PAID SOLELY FROM THE SAN JOSE CLEAN ENERGY OPERATING FUND, AND SUBJECT TO THE ENERGY RISK MANAGEMENT POLICY AND REGULATIONS, THE APPROPRIATION OF FUNDS, AND THE FOLLOWING ANNUAL LIMITS: \$380,200,000 IN 2022, \$352,900,000 IN 2023, \$337,300,000 IN 2024, \$321,600,000 IN 2025, \$280,700,000 IN 2026, AND \$269,800,000 IN 2027

WHEREAS, on March 19, 2019, the City Council authorized the Director of Community Energy (“Director”) or her designee to negotiate and execute power supply contracts for Energy, Renewable Energy, Renewable Energy Credits, Resource Adequacy (“RA”), and Low Carbon power and attributes using the Edison Electric Institute (“EEI”) Agreement; and

WHEREAS, on June 4, 2019, the City Council authorized the Director or her designee to negotiate and execute medium- to long-term contracts using the EEI Agreement for a term of up to twenty years to procure RA; and

WHEREAS, on March 8, 2022, the City Council increased the authority granted to the Director or her designee to negotiate and execute agreements with a term of five years and under, subject to the Energy Risk Management Policy (“ERMP”) and the appropriation of funds, for the procurement of power supply products by \$291,000,000, from \$928,600,000 to an amount not to exceed \$1,219,600,000 in aggregate in Calendar Years 2022 through 2025, subject to the following annual not to exceed

amounts: \$360,200,000 in 2022, \$320,100,000 in 2023, \$291,500,000 in 2024, and \$247,800,000 in 2025; and

WHEREAS, the City Council had previously approved an increase in the Director's procurement authority on June 15, 2021 to \$159,300,000 for 2026 and \$158,000,000 for 2027; and

WHEREAS, energy prices in 2022 are significantly higher than they have been historically and have risen an average of 27 percent since March 2022 as a result of many factors including low natural gas storage in the United States, the war between Russia and Ukraine limiting European gas supply and increasing demand on North American gas exports, low hydroelectric availability in California, severe drought conditions across the Western United States, and a record-breaking heat wave in California in September 2022 which resulted in high electric consumption and extremely high power prices; and

WHEREAS, coverage ratios are the amount of power that the Community Energy Department buys in the forward market to meet its load; and

WHEREAS, when prices are high, it is recommended to purchase more energy in the forward market to ensure customers are not exposed to short-term market disruptions and even higher prices in the Day-Ahead and Real-Time markets; and

WHEREAS, market disruptions and limited power supplies in high-demand hours have caused electricity prices to continue to increase, and the Community Energy Department plans to reduce exposure to these market risks by procuring energy in the forward markets to approach the upper limit of the coverage range in its Energy Risk Management Regulations; and

WHEREAS, California is also currently experiencing a shortage of RA in the market due to new projects being delayed or failing to come online, resource retirements, and regulatory uncertainty, and RA prices have risen to historic highs; and

WHEREAS, on September 6 and September 22, 2022, the City Manager's Risk Oversight Committee approved making a recommendation to the City Council to increase the authority granted to the Director or her designee to negotiate and execute agreements, subject to the ERMP and the appropriation of funds, for the procurement of power supply products by \$405,600,000, from \$1,536,900,000 to an amount not to exceed \$1,942,500,000 in aggregate in Calendar Years 2022 through 2027; and

WHEREAS, the City desires to increase the authority of the Director for the procurement of power supply products for 2022 through 2027 in order to align with current market conditions, and to meet recommended risk management coverage thresholds and regulatory requirements;

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

The authority granted to the Director of Community Energy or her designee to negotiate and execute agreements five years and under is hereby increased for the procurement of power products by \$405,600,000, from \$1,536,900,000 to an amount not to exceed \$1,942,500,000 in aggregate in Calendar Years 2022 through 2027, to be paid solely from the San José Clean Energy Operating Fund, and subject to the Energy Risk Management Policy and Regulations, the appropriation of funds, and the following annual limits: \$380,200,000 in 2022, \$352,900,000 in 2023, \$337,300,000 in 2024, \$321,600,000 in 2025, \$280,700,000 in 2026, and \$269,800,000 in 2027.

ADOPTED this _____ day of _____, 2022, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

SAM LICCARDO
Mayor

ATTEST:

TONI J. TABER, CMC
City Clerk