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Sent: Wednesday, February 17, 2021 9:52 AM
To: Mu, Huimin
Cc: Chow, Keith
Subject: Microgrid Consultant Scope of Work
Attachments: Microgrid Project.docx

Hello Huimin,

Per our discussion last week, I prepared some background information about the support we need from one or our Microgrid Consultants. We would provide this document to the consultant prior to a meeting with them to further discuss the project and get their input on an appropriate scope of work. It's heavy on context with the hope that we can get some useful input from the consultants on a scope of work that would best serve the City. Let me know what you think and feel free to edit or comment in any way; no need to hold back if you think I missed the mark.

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Microgrid Project

OVERALL PURPOSE OF THE PROJECT

The City is assistance from the Microgrid Consultant to assist the City in further evaluating and pursuing the establishment of a City electric utility to serve the Downtown West Mixed-Use Project.

BACKGROUND

The City of San Jose (City) is evaluating and taking steps to advance the potential establishment of a public electric utility. The utility would be set up to own and operate the electric distribution system (microgrid) to serve the proposed Downtown West Mixed-Use Project (Development Project). Future expansion of the utility to other areas of the City is not being contemplated at this time.

The proposed development on approximately 80 acres within the Downtown San Jose Diridon Station Area would include the following uses:

- A maximum of 7.3 million gross square feet (gsf) of commercial office space
- A maximum of 5,900 residential units
- A maximum of 500,000 gsf of active uses (commercial retail/restaurant, arts, cultural, live entertainment, community center, institutional, childcare and education, maker spaces, non-profit, and small-format office space, as well as one or more live entertainment venues)
- A maximum of 300 hotel rooms
- A maximum of 800 rooms of limited-term corporate accommodations (lodging of company workforce for not more than 60 consecutive days and not open to the public; considered a non-residential use)
- A maximum of 100,000 gsf of event and conference space
- On- and off-street public/commercial and residential parking
- A district-systems approach to on-site utilities delivery, including designated infrastructure zones with centralized utility plants totaling approximately 130,000 gsf.
- One or more on-site logistics centers to serve the commercial on-site uses that would occupy a total of about 100,000 gsf
- A total of approximately 15 acres of parks, plazas, and open space, including areas for outdoor seating and commercial activity (such as retail, cafes, and restaurants), green spaces, landscaping, mid-block passages, riparian setbacks, and trails
- Various improvements to the public realm to improve transit access and pedestrian and bicycle circulation and facilitate connectivity, both within the site and to and from surrounding neighborhoods

Electric loads to the Development Project would gradually increase from a total demand of 6 MW in 2023 to 48 MW in 2031 when the development is completed. The project is also expecting to install and manage approximately 7.8 MW of renewable energy generation and 10 MWH of storage.

To date, the City, in collaboration with the Developer, has completed the following steps:

- On April 1, 2020, the City also submitted to PG&E an interconnection application for Wholesale Transmission Service to serve the Development Project. After several rounds of discussion with PG&E regarding the specifics of the interconnection configuration and projected loads, the City revised its application on December 15, 2020. PG&E accepted the application and provided a System Impact Study Plan and Agreement on February 4, 2021. The City is currently commenting on the Study Plan. It should also be noted that in late 2019, the Developer submitted to PG&E an interconnection application for

Wholesale Transmission Service. PG&E has performed the System Impact Study and prepared a Preliminary Engineering Study. The City and the Developer are working with PG&E to coordinate and/or consolidate the application process for efficiency.

- The City has completed a preliminary Legal and Regulatory Feasibility Study of a public utility. The study concluded that there is a clear legal and regulatory pathway for the City to provide electric distribution service to the Development Project. The feasibility study generally described the legal, regulatory and operational options, steps and timeframes for establishing and operating the utility.
- The City is completing a preliminary economic analysis (Service Study) of a public utility to serve the Development Project. Preliminary findings indicate that such a public utility could establish cost-recovery service rates for its customers at a lesser amount than corresponding service from PG&E. There are, however, several uncertainties related to the project and the cost of the public utility which could reduce or even eliminate these cost savings, such as PCIA/departing load charges, lower than projected loads, and the final allocation of PG&E network upgrade costs. The City and the Developer are working to better define the parameters.

In addition to the potential establishment of a public utility to serve the Development Project, the City and Developer have identified three other service options as follows:

1. Developer-owned private *unregulated* electric utility. The Developer is seeking statutory exemption from CPUC regulation to enable this option at a State level. The City and the Developer are in discussions about the legal, regulatory, and operational framework for which the City would allow. This is the Developer's preferred option.
2. Developer-owned private *regulated* electric utility. In this option, the Developer would be required to comply with all current laws and regulations for a private utility, including CPUC oversight, City franchise, etc.
3. Standard PG&E retail service.

The City is holding a City Council Study Session on March 25, 2021 to discuss the Developer's plans for a privately-owned District Systems approach for utilities, including electric distribution. Other parts of the District Systems include wastewater collection and treatment, recycled water distribution, automated solid waste collection, and thermal (heating/cooling).

The City is also preparing a report to City Council on March 30, 2021 that would describe the results of the work done to date on the public electric utility (Interconnection application, Legal/Regulatory Study, and Service Study), and to request City Council approval to continue evaluating and pursuing the public utility option and to return to City Council with any related findings and appropriate recommendations, including but not limited to:

- Additional economic and community benefits and/or risk analysis;
- Applicable Federal, State and local laws, regulations and codes, and any required or recommended filings, modifications, approvals, elections, agreements and other related actions and their timelines;
- Processes, agreements and other activities and their timelines for establishing an interconnection to Pacific Gas and Electric;
- Utility models, funding and financing, operations and other logistical information related to establishing and operating an electric utility;
- Necessary negotiations and agreements with Google, Inc.; and
- Additional funding and resource needs to support this effort.

The City is currently working with Flynn Resource Consultants on the following scope of work:

- Negotiating a System Impact Study Agreement and Facilities Study Agreement with PG&E.
- Completing the Service Study and preparing a report on findings for City Council consideration on March 30, 2021.
- Negotiating with the Developer on the agreement framework related to the City owning and operating the electric distribution system.
- Reviewing, commenting on, and analyzing results from the PG&E System Impact Study and Facilities Study.

The City, Developer and Flynn Resource Consultants currently hold a weekly one-hour meeting to review and prepare information, discuss and resolve issues, plan future steps, and otherwise coordinate activities related to the Microgrid Project.

REQUEST TO CONSULTANT

The City is requesting input from the Microgrid Consultant on Service Order Scope of Work to further evaluate and pursue the establishment of a City owned and operated public electric utility to serve the Downtown West Mixed-Use Project. The Microgrid Consultant should consider the following list of key tasks identified for completion between now and December 31, 2021.

	Tasks	Task Description	Assigned To	Target Completion
1	Service Analysis	Preliminary cost of service analysis of a City utility compared to typical PG&E service rates	Flynn	3/30/21
2	PG&E Impact Study	Negotiate/execute Study Plan & Agreement, review and comment on draft study; analyze and prepare report on final study	Flynn	6/30/21
3	Legal/Regulatory Roadmap	A roadmap and timeline describing all of the Federal, State and local legal and regulatory requirements, filings, approvals, elections and other actions necessary to establish a City electric distribution service	Outside Counsel	9/30/21
4	PG&E Facilities Study	Negotiate/execute Study Plan & Agreement, review and comment on draft study; analyze and prepare report on final study	Flynn	9/30/21
5	Public Utility Business Plan	Prepare a Business Plan describing all economic, regulatory, legal, organizational and operational requirements for a City owned public utility; prepare for City Council approval in 2022.	Microgrid Consultant	12/31/21
6	Interconnection Agreement with PG&E	Negotiate and prepare a tentative Interconnection Agreement with PG&E; prepare for City Council approval in 2022.	Microgrid Consultant	12/31/21
7	Microgrid Agreement with Developer	Negotiate and prepare tentative terms of a Microgrid Agreement with the Developer; prepare for City Council approval in 2022.	Outside Counsel	12/31/21
8	Microgrid Design Review	Review, comment and advise the City on Microgrid design plans submitted by the Develop	Microgrid Consultant	

A major component of the work being requested by the Microgrid Consultant is to support, coordinate and manage, under the direction and on behalf of the Director or Community Energy, the completion of the tasks described above. Such work requires regular interaction, collaboration and coordination with the Director, other City staff in the City Manager's Office, City Attorney's Office, and Public Works, the City's outside consultants and counsel, and the Developer. The City is requesting that the Microgrid Consultant provide input on a Scope of Work that would accomplish this.

The City is also requesting input from the Microgrid Consultant on the work plan. Does the Microgrid Consultant have any recommendations for modifying (including altering, removing or adding) the tasks or schedules of tasks not assigned to Flynn or Outside Counsel? If yes, please propose a modified work plan with an associated Scope of Work to be considered by the City. If no, please proposed a Scope of Work to complete the work plan as described.