Meeting Date: 9/15/2014

Agenda Item No: 9.A.

Prepared By: Terry Crowley, Utility Director

REQUEST FOR CITY COUNCIL ACTION

SUBJECT:

Target setting for Energy Storage Systems as per AB2514

STRATEGIC INITIATIVE:

Fiscal Responsibility

RECOMMENDED ACTION(S):

Consider adopting a resolution setting appropriate targets for cost-effective energy storage systems as mandated by AB 2514.

BACKGROUND:

On September 29, 2010, the Governor signed Assembly Bill 2514 (Skinner) encouraging electric utilities to assess the appropriate levels of cost-effective energy storage. Accordingly, pursuant to Public Utilities Code (PUC) section 2836(b)(2), each publicly owned electric utility shall determine appropriate targets, if any, for viable and cost-effective energy storage systems and set targets to be achieved by December 31, 2016, and a second target to be achieved by December 31, 2021. If no cost-effective energy storage systems can be found, no targets are required but energy storage targets (or lack thereof) must be reviewed every three years.

DISCUSSION/ANALYSIS:

Energy storage systems are defined in the legislation to mean "commercially available technology that is capable of absorbing energy, storing it for a period of time, and thereafter dispatching the energy." In order to meet the requirements of AB 2514, the energy storage system must be cost effective and either reduce emissions of greenhouse gases, reduce demand for peak electrical generation, defer or substitute for an investment in generation, transmission, or distribution assets, or improve the reliable operation of the electrical transmission or distribution grid. Both battery storage and thermal storage (ice) are technically viable but do not meet the economical test required by AB2514.

In 2013, Sandi National Laboratories performed a detailed analysis of various types of energy storage. The levelized capacity cost of energy storage started at roughly $400 per kilowatt per year. As the City's current cost for capacity is roughly $40 per kilowatt per year, and the City has a surplus of capacity, energy storage is clearly not economically viable.

Currently the City incentivizes energy efficiency programs for both residential and commercial customers. The incentives for commercial customers are designed to promote the reduction of daytime or peak energy usage through a monetary reward. This incentive structure has effectively lowered or

eliminated the City's historical growth in peak demand. While energy storage can help the symptoms of peak energy usage, the energy efficiency programs have eliminated peak energy usage and remain a cost effective method of managing peak energy demand.

ENVIRONMENTAL ANALYSIS:

As this Council action requires only the development of appropriate targets for energy storage systems, and will not result in any activity that could possibly have a significant effect on the environment, the action being taken is not subject to the California Environmental Quality Act, per CEQA Guidelines section 15061(b)(3).

FISCAL IMPACT:

At this time, the fiscal impacts are limited to staff time required to prepare and file reports as required of AB 2514. If energy storage became a viable and cost-effective, additional recommendations and project costs will be brought before the City Council for consideration.

ALTERNATIVES:

No alternatives are available to the council. Reviewing appropriate targets, *if any*, for the utility to procure viable and cost-effective energy storage systems is mandated by AB 2514.

ATTACHMENTS:

Description

- Resolution

CITY OF HEALDSBURG

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HEALDSBURG SETTING APPROPRIATE TARGETS FOR COST-EFFECTIVE ENERGY STORAGE SYSTEMS AS MANDATED BY AB 2514

WHEREAS, Healdsburg's Electric Department is a Publicly Owned Electric Utility governed by the City Council of the City of Healdsburg, and

WHEREAS, all Publicly Owned Electric Utilities are required, Assembly Bill 2514, to review and investigate energy storage technologies; and

WHEREAS, during Healdsburg's review of energy storage no viable and cost-effective energy storage systems were found; and

WHEREAS, without cost-effective energy storage systems no target can be set per the requirements of AB2514; and

WHEREAS, the City of Healdsburg continues to promote the reduction of peak energy usage through energy efficiency incentives; and

WHEREAS, pursuant to California Environmental Quality Act and Title 14, the California Code of Regulations, Section 15378(b)(2), continued administrative actions do not qualify as a "Project;"

NOW, THEREFORE, BE IT RESOLVED, that the City Council of the City of Healdsburg does hereby;

1. Find that continued administrative actions do not qualify as a Project under CEQA, and therefore, no further environmental review is required.
2. Find that no cost effective form of energy storage exists for the City of Healdsburg, and therefore no targets can be set for the installation of energy storage.
3. Direct staff to continue to review and reevaluate forms of energy storage over the next three years and provide findings to Council on or before October 1, 2017.

PASSED, APPROVED, AND ADOPTED this 15th day of September, 2014 by the following vote:

AYES: Councilmembers: ( )

NOES: Councilmembers: ( )

ABSENT: Councilmembers: ( )

ABSTAINING: Councilmembers: ( )

SO ORDERED: ATTEST:

_____ _____

James D. Wood Mayor Maria Curiel, City Clerk