STAFF REPORT
PUBLIC UTILITIES DEPARTMENT

DATE: **September 5, 2017**

TO: **Honorable Mayor and City Council**

FROM: **Kelly Nguyen, General Manager of Public Department**

RE: **Resolution Establishing Energy Procurement Targets of Zero Megawatt Hours**

Recommendation

A. Find that the proposed action is categorically exempt from California Environmental Quality Act ("CEQA") review, in accordance with CEQA Guidelines § 15307, because the project is being carried out by a regulatory agency as authorized by state law or local ordinance to assure the maintenance, restoration, or enhancement of a natural resource where the regulatory process involves procedures for protection of the environment; and

B. Adopt the attached resolution establishing energy procurement targets of zero megawatt hours on the grounds that procurement of energy storage systems is not cost-effective.

Background

The energy storage law in California, AB 2514, mandates the governing board of each publicly-owned utility (POU) to "determine appropriate targets, if any, for the utility to procure viable and cost-effective energy storage systems." The California Energy Commission (CEC) was given the responsibility to review the procurement targets and policies that are developed and adopted by POUs to ensure that the targets and policies include the procurement of cost-effective and viable energy storage systems. The CEC must then report to the Legislature regarding the progress made by each local POU serving end-use customers in meeting the requirements of AB 2514.

The law clearly establishes definitive deadlines for POU compliance within the statute as follows:

1) A POU has the responsibility to evaluate the cost-effectiveness and viability of energy storage systems in their respective electric systems. Additionally, a POU may also consider various policies to encourage the cost-effective deployment of energy storage systems. The initial evaluation was due on October 1, 2014.

2) A POU also possesses the authority to deem any, all or no energy system(s) that are evaluated as being "cost-effective and viable." Taking into account the significant differences between respective POU electric system requirements, the cost-effectiveness and viability of energy storage technology options may vary greatly for each POU.

When the energy storage evaluation was completed in 2014, the City Council adopted a resolution that a target to procure energy storage systems was not appropriate since there were no cost-effective opportunities. In accordance with State law, the City must evaluate energy storage options and determine whether or not to establish a goal for energy storage every three years. Therefore, no later than October 1, 2017, the governing body is required to adopt a target for the amount of appropriate energy storage the POU will procure by December 31, 2020. Policies to encourage the cost-effective deployment of energy storage systems may also be considered by the governing body.

Vernon Public Utilities (VPU) staff evaluated the costs and associated benefits of various energy storage projects submitted in response to a Southern California Public Power (SCPPA) RFP for local applications from both a utility and a customer perspective. Over the next ten years, the costs of utility-owned and operated energy storage technologies exceed the value of the benefits, and hence, do not provide cost-effective, viable opportunities for VPU. More specifically, staff endorses the approach that currently there is no reasonable justification to procure energy storage systems within the City of Vernon for applications of Ancillary Services, outage mitigation, renewable integration, deferral of transmission and distribution upgrades, load leveling, grid operational support or grid stabilization.

To meet the City's obligation under AB 2514 while adhering to VPU's Integrated Resource Plan (IRP), staff proposes energy storage procurement targets are not adopted, by virtue that energy storage is not cost-effective, and therefore not appropriate for the City. VPU will, nevertheless, encourage customers to consider this emerging technology where it is cost-effective. Furthermore, AB 2514 requires that the City reevaluate this finding regarding the viability to procure an energy storage target within three years. VPU staff will return to City Council in order to reassess the position recommended in this staff report within the required time frame.

It is the belief of staff that in the long term, energy storage is expected to have a substantial impact in the overarching electric power system. Staff will continue to perform its due diligence in the analysis of energy storage systems as they continue to move from the research and development realm to the production realm and as the potential benefits of these systems begin to clearly outweigh the costs.

Fiscal Impact

There is no known fiscal impact.

Attachment(s)

1. Resolution Establishing Energy Procurement Targets of Zero Megawatt Hours