

DOCKETED

Docket Number:	20-MISC-01
Project Title:	2020 Miscellaneous Proceedings.
TN #:	233171
Document Title:	AB 2514 City of Cerritos 2016 Agenda Report
Description:	N/A
Filer:	Courtney Wagner
Organization:	California Energy Commission
Submitter Role:	Commission Staff
Submission Date:	5/27/2020 2:37:53 PM
Docketed Date:	5/27/2020



CITY OF CERRITOSSM

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A G E N D A R E P O R T

TO: Honorable Mayor and Members of the City Council

FROM: Art Gallucci, City Manager 

INITIATED BY: Vince Brar, Senior Assistant City Manager 

DATE: June 9, 2016

SUBJECT: **CONSIDERATION TO WAIVE READING OF AND ADOPT A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CERRITOS SUPERSEDING RESOLUTION NO. 2014-27, REVISING THE TARGETS FOR CERRITOS ELECTRIC UTILITY TO PROCURE COST-EFFECTIVE ENERGY STORAGE SYSTEMS**

BACKGROUND

State Law, under Assembly Bill 2514 (AB 2514) required the governing board of each publicly-owned utility (POU) to "determine appropriate targets, if any, for the utility to procure viable and cost-effective storage systems to be achieved by December 31, 2016, and December 31, 2021." As the governing board for Cerritos Electric Utility (CEU), the City Council adopted Resolution No. 2014-27 on September 11, 2014, establishing targets for CEU to procure cost-effective energy storage applications equal to 1% of its peak load during calendar years 2015 and 2020, with installations occurring no later than the end of calendar years 2016 and 2021, respectively. CEU was required to provide the California Energy Commission (CEC) with the energy storage procurement targets adopted under Resolution No. 2014-27 and the City Council must reevaluate its determination for an energy storage procurement target not less than once every three years. CEU must notify the CEC of any subsequent modifications made to such targets as a result of reevaluation and must also report to the CEC on the progress toward meeting the established targets by January 1, 2017, and January 1, 2022.

As defined by AB 2514, an energy storage system must absorb energy, store it for a period of time, and then dispatch the stored energy. Energy storage procurement also includes the use of energy storage devices that are owned by customers or other third parties. An energy storage system must be cost effective and either: 1) reduce emissions of greenhouse gases; 2) reduce demand for peak electrical generation; 3) defer or substitute for an investment in generation, transmission, or distribution assets; or 4) improve the operation of the electrical transmission or distribution grid. The performance and location of an energy storage system determine the services it can provide. An energy storage system is rated according to both how much power it can absorb and supply (kilowatt or kW), and the duration for which it can supply its rated power (kilowatt-hour, or kWh). Other performance

characteristics include the energy loss between charging and discharging, time required to reach the desired power level and the number of charge/discharge cycles before replacement is required.

FINDINGS

Rechargeable batteries are the most commonly known energy storage technology. The installed cost of lithium-ion batteries has declined by 11% over the past two years, and the current estimate for an energy storage lithium-ion battery equal to 1% of the CEU peak load is \$71,800 or \$0.38/kWh. Given the market price for energy, the current cost of utility-owned and operated energy storage exceeds the value of the benefit it would provide. Therefore, it has been determined that it is not cost-effective to implement the energy storage target established for the end of calendar year 2016. However, with the expected improvement in technology and demand for more efficient batteries, it is anticipated that capital costs may continue to decline over the next several years and that energy storage systems may become more commercially tested and cost-competitive with other resources.

In order to capture future potential market opportunities, it is recommended that the City Council adopt the attached resolution (Exhibit 1) to supersede Resolution No. 2014-27 and revise the targets for CEU to procure cost-effective energy storage applications. This recommendation includes rescinding the target for CEU to procure cost-effective energy storage applications equal to 1% of its peak load during calendar year 2015, with installations occurring no later than the end of calendar years 2016, but maintains the target for CEU to procure cost-effective energy storage applications equal to 1% of its peak load during calendar year 2020, with installations occurring no later than the end of calendar year 2021. CEU will continue to monitor the cost-effectiveness of energy storage and the City Council will reevaluate these energy storage targets not less than once every three years. However, in the event a cost-effective applicable energy storage application is not identified, the appropriateness of these targets will be reevaluated by June 2019, and any resulting modifications to the targets will be reported to the CEC.

RECOMMENDATION

Staff recommends that the City Council waive further reading of and adopt the attached captioned resolution:

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CERRITOS
SUPERSEDING RESOLUTION NO. 2014-27, REVISING THE TARGETS
FOR CERRITOS ELECTRIC UTILITY TO PROCURE COST-EFFECTIVE
ENERGY STORAGE SYSTEMS**

Exhibit List:

1. Resolution

CITY OF CERRITOS

RESOLUTION NO. 2016-_____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CERRITOS
SUPERSEDING RESOLUTION NO. 2014-27, REVISING THE TARGETS
FOR CERRITOS ELECTRIC UTILITY TO PROCURE COST-EFFECTIVE
ENERGY STORAGE SYSTEMS**

WHEREAS, State Assembly Bill 2514 (Chapter 469, Statutes of 2010) ("AB 2514") added sections 2835 and 2836 to the Public Utilities Code regarding energy storage systems; and

WHEREAS, Section 2836 (b) (1) of the Public Utilities Code requires the governing board of each local publicly owned electric utility ("POU") to initiate a process to determine appropriate targets, if any, for the POU to procure viable and cost-effective energy storage systems to be achieved by December 31, 2016, and December 31, 2020; and

WHEREAS, Section 2836 (b) (2) of the Public Utilities Code requires the governing board of each POU to adopt energy storage procurement targets, if determined to be appropriate, by October 1, 2014; and

WHEREAS, Section 2836 (b) (3) of the Public Utilities Code requires the governing board of each POU to reevaluate energy storage targets not less than once every three years; and

WHEREAS, Section 9506 of the Public Utilities Code requires each POU to report to the California Energy Commission the energy storage system procurement targets, if any, adopted by the POU's governing board, along with any modifications made to such targets as a result of reevaluation; and

WHEREAS, the City of Cerritos ("City") operates a municipal electric utility known as Cerritos Electric Utility ("CEU"), and CEU is generally subject to the legislative and regulatory requirements applicable to POU's; and

WHEREAS, the Cerritos City Council, serving as the governing board for CEU, adopted Resolution No. 2014-27 on September 11, 2014, establishing energy storage targets equal to one percent (1%) of CEU's peak load during calendar years 2015 and 2020, with installations occurring no later than the end of calendar years 2016 and 2021, respectively; and

WHEREAS, to conform to Public Utilities Code sections 2836 (b) (1) and 2836.6, staff recently reevaluated the viability and cost-effectiveness of applicable energy storage technologies to serve CEU customers based on costs, load forecasts, potential on-site customer generation and market alternatives; and

WHEREAS, based on that reevaluation, staff found that the application of utility-owned and operated energy storage technology to serve CEU customers over the next three years is more costly than the value of benefits; and

WHEREAS, it is anticipated that with the passage of time and improved technology energy storage systems may become cost-competitive with other resources; and

WHEREAS, it is recommended that CEU rescind the energy storage target for cost-effective applications equal to one percent (1%) of CEU's peak load during calendar years 2015 with installations occurring no later than the end of calendar year 2016; and

WHEREAS, the City Council will reevaluate energy storage targets not less than once every three years; however, in the event a cost-effective applicable energy storage application is not identified, the appropriateness of these targets will again be reevaluated by June 2019 and any resulting modifications to the targets will be reported to the California Energy Commission; and

WHEREAS, the City Council has reviewed staff's evaluation and recommendation and determined that a target to procure cost-effective energy storage systems equal to one percent (1%) of CEU's peak load during calendar year 2020, with installations occurring no later than the end of calendar year 2021 remains appropriate.

NOW, THEREFORE, THE CITY OF CERRITOS CITY COUNCIL DOES FIND, DETERMINE AND DECLARE AS FOLLOWS:

Section 1. The recitals and findings set forth above are true and correct and are hereby incorporated in their entirety as part of this Resolution by this reference.

Section 2. The energy storage target for cost-effective applications equal to one percent (1%) of CEU's peak load during calendar year 2015, with installations occurring no later than the end of calendar year 2016 is hereby rescinded.

Section 3. To satisfy the obligations of CEU pursuant to AB 2514, the City Council determines that maintaining the energy storage target for cost-effective applications equal to one percent (1%) of CEU's peak load during calendar year 2020, with installations occurring no later than the end of calendar year 2021, remains appropriate.

Section 4. The City Council will reevaluate energy storage targets not less than once every three years; however, if a cost-effective applicable energy storage application is not identified, the appropriateness of these targets will be reevaluated by June 2019, and any resulting modifications to the targets will be reported to the California Energy Commission.

PASSED, APPROVED and ADOPTED this 9th day of June 2016.

George Ray, Mayor

ATTEST:

Vida Barone, City Clerk

Exhibit 1: Resolution