

Agenda Report

April 8, 2024

TO: Honorable Mayor and City Council

FROM: Water and Power Department

SUBJECT: ADOPT A RESOLUTION TO AUTHORIZE SUBMITTAL OF AN APPLICATION FOR THE DISTRIBUTED ELECTRICITY BACKUP ASSETS PROGRAM, BULK GRID ASSET ENHANCEMENTS FOR GRID RELIABILITY GRANT FROM THE CALIFORNIA ENERGY COMMISSION

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the proposed action is not a project subject to the California Environmental Quality Act ("CEQA") pursuant to Section 21065 of CEQA and Sections 15060(c)(2), 15060(c)(3), and 15378 of the State CEQA Guidelines and, as such, no environmental document pursuant to CEQA is required;
2. Adopt a Resolution authorizing the City of Pasadena Water and Power Department (PWP) submission of a grant application for the Distributed Electricity Backup Assets Program ("DEBA"), Bulk Grid Asset Enhancements for Grid Reliability Grant ("DEBA/Bulk Grid") in an amount not-to-exceed \$9,660,000 from the California Energy Commission ("CEC");
3. Authorize the City Manager, or designee, as the authorized representative with signature authority to execute the DEBA/Bulk Grid Grant agreement with CEC in an amount not to exceed \$9,660,000; and
4. Designate the General Manager of PWP, or designee, as the authorized representative for all matters related to the application, administration, implementation, and any subsequent activities related to the administration of the grant agreement.

BACKGROUND:

The Water and Power Department ("PWP") has had a long history of decarbonization efforts, which continues with each successive Integrated Resource Plan ("IRP"). PWP's 2018 IRP was one of the first in California to comply with the ambitious clean energy

goals of Senate Bill (“SB”) 100 (2018) and includes the City Council’s initiative to restrict future long-term energy contracts to renewable and zero-carbon resources.

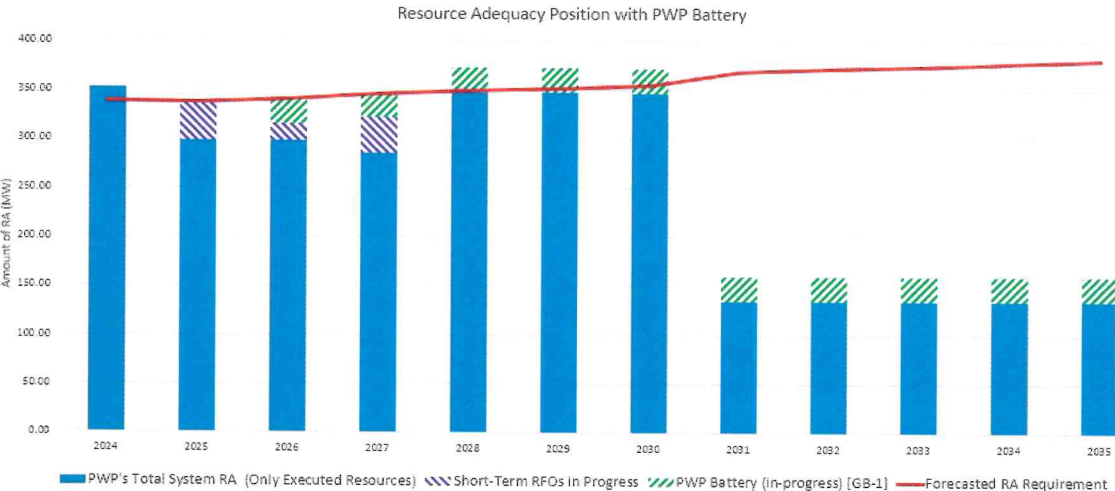
In January 2023, the City Council adopted Resolution 9977, which declares a climate emergency in Pasadena and sets a goal to source 100% of Pasadena’s electricity from carbon-free sources by 2030. The Resolution further directs the City Manager to utilize the 2023 IRP process to plan a transition to this goal while optimizing for affordability, rate equity, stability, and reliability of electricity. Accordingly, the 2023 IRP, which was approved by the City Council in December 2023, accelerates California’s 2045 target by 15 years.

A recommendation of the 2021 IRP Update is to explore energy storage options for capacity requirements and local reliability needs, with a plan to install 50 Megawatts (“MW”) of cost-effective storage by 2025. With the accelerated trajectory of the 2023 IRP Implementation Plan now in progress, PWP must actively pursue new resource opportunities that will help meet the 2030 zero-carbon goal of Resolution 9977.

Since early 2023, PWP has been pursuing the development of a 25 MW utility-scale lithium-ion Battery Energy Storage System (“BESS”), with a minimum storage capability of four (4) hours, to be constructed at PWP’s Glenarm Power Plant in Pasadena (“BESS Project”). PWP expects that the BESS Project can yield several environmental, operational, and economic benefits -- particularly the avoidance of emissions associated with the Glenarm Power Plant during system peak periods. Also, because the BESS Project site is located within PWP’s local retail electric service territory, it will provide Resource Adequacy (“RA”) value to support PWP’s capacity requirements of the California Independent System Operator (“CAISO”).

PWP intends to utilize the BESS Project to provide temporary storage for renewable energy to support Pasadena’s Renewables Portfolio Standard requirements and promote alternative energy innovation, regardless of source. Figure 1 depicts PWP’s RA resources and additional requirements for each calendar year through 2035.

Figure 1: Pasadena’s Projected RA Procurement Need by Calendar Year



DEBA/Bulk Grid Grant

The CEC's DEBA Program, created by Assembly Bill ("AB") 205, which was signed into law in 2022, incentivizes the construction of cleaner and more efficient distributed energy assets to serve as on-call emergency support for California's electrical grid. Specific to the BESS Project, the grant provides funds for efficiency upgrades to existing bulk grid power generators such as PWP, to support the grid during extreme events.

Constructing a BESS at the Glenarm location will provide benefits that are well-aligned with the goals of the grant including improving local resilience and reliability, continued ability to provide dispatchable power to CAISO, RA support, reduction of congestion at Goodrich Receiving Station, ability to store renewable power, reduce overall electrical distribution congestion and support GHG reduction.

Due to the tight timeline of the application process and the expected competitiveness for awards, PWP submitted an application for the grant on February 20, 2024. If PWP is successful in obtaining full funding, it would be in the amount of \$9,660,000.

As a requirement to receive the reward, PWP must provide an authorizing Resolution approved by its governing authority to enter into an agreement with the CEC. The Resolution must also designate an authorized representative who will be signing the agreement on behalf of the City of Pasadena. PWP recommends that the City Manager be designated the authorized representative and sign the agreement, and the General Manager of PWP provide all administrative oversight of the contract and management of the funds.

In addition to the aforementioned operational, environmental, and community benefits, this grant aligns with 2023 IRP goals to pursue grant funding as a strategy to help offset the additional costs associated with Pasadena's ambitious decarbonization plan. Grant funding opportunities that align with PWP's specific projects are limited; therefore, it is imperative that the City move expeditiously to complete all actions necessary to complete the grant application requirements. The DEBA/Bulk Grid Grant was released by the CEC in line with the timeline of the BESS Project, which commenced with the issuance of a Request for Proposal ("RFP") in July 2023 and is currently in the planning phase.

COUNCIL POLICY CONSIDERATION:

The recommended grant authorization, which supports an increase in renewable energy resources and a reduction in GHG emissions, is consistent with the City's Urban Environmental Accords -- specifically, Action 1, Renewable Energy; Action 2, Energy Efficiency; and Action 3, Climate Change, as well as with Resolution 9977, passed by the City Council on January 30, 2023, declaring a climate emergency and setting a goal to source 100% of Pasadena's electricity from carbon-free sources by the end of 2030.

ENVIRONMENTAL ANALYSIS:

The proposed action is to adopt a Resolution authorizing the submission of a grant application for a DEBA/Bulk Grid Grant, which would be used to support the development and deployment of the system auxiliaries, controls, and associated engineering and design of a potential future BESS project. The submission of a grant application is a funding mechanism that does not involve any commitment to any specific project and does not limit the choice of alternatives or mitigation measures; Therefore, the proposed action is not a "project" subject to CEQA, as defined in Section 21065 of CEQA and Sections 15060 (c)(2), 15060 (c)(3), and 15378 of the State CEQA Guidelines. Since the action is not a project subject to CEQA, no environmental document is required. Prior to undertaking any future BESS project, the City is required to comply with CEQA for that project.

FISCAL IMPACT:

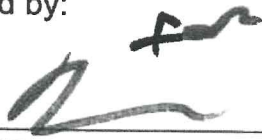
There is no fiscal impact to the recommended action to adopt a Resolution. If PWP is successful in obtaining full funding from the DEBA/Bulk Grid Grant, it will receive \$9,660,000 that will require staff to return to City Council to appropriate the funds to the Energy Storage System Phase I (03206) project.

Respectfully submitted,



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