PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Agenda ID# 23910
ENERGY DIVISION **RESOLUTION E-5432**
January 15, 2026

R E D A C T E D
R E S O L U T I O N

Resolution E-5432. Pacific Gas & Electric Company Request for Amendment of Mid-Term Reliability Contract approved in Resolutions E-5202, E-5243, and E-5285.

PROPOSED OUTCOME:

- This Resolution approves Pacific Gas & Electric Company's request to amend its Mid-Term Reliability energy storage contract with Nighthawk Energy Storage, LLC to change the delivery date from June 1, 2025 to June 1, 2026, and to amend the project's price.

SAFETY CONSIDERATIONS:

- The requested amendment incorporates Pacific Gas & Electric Company's updated safety language in its pro-forma agreement.
- The project is owned, constructed, and operated by a third party. The seller of the project is responsible for the safe construction and operation of their facilities in compliance with standards for electrical practices and all applicable laws, including safety regulations.
- Pacific Gas & Electric Company's contractual terms and conditions require sellers to practice responsible safety management based on 1) standards for Prudent Electrical Practices, 2) all applicable laws and regulations, and 3) requirements of Pacific Gas & Electric Company's Contractor Safety Program.
- Seller is required to have a project safety plan that demonstrates responsible safety management during all lifecycle phases, referencing applicable safety-related codes and standards and its own safety programs and policies, and describing the project design and key safety-related systems, including potential hazards and risk mitigations/safeguards. The seller is required to demonstrate and enforce its contractors' and subcontractors' compliance with the safety requirements, including CPUC General Order (GO) 167.

ESTIMATED COST:

- Contract costs are currently confidential.

By Advice Letter (AL) 7699-E, Filed on September 5, 2025.

SUMMARY

This Resolution approves an amendment to the contract between Pacific Gas and Electric Company ("PG&E") and Nighthawk Energy Storage, LLC ("Nighthawk"), a subsidiary of its project developer, Arevon Energy Inc., for 300 megawatts ("MW") of lithium-ion battery storage. Whereas the delivery date for the previously approved contract was June 1, 2025, the delivery date in the amended contract is June 1, 2026. In addition, this Resolution approves the amended contract price.

BACKGROUND

On June 30, 2021, the Commission issued Decision ("D.") 21-06-035 (known as the "Mid-term Reliability Decision" or "MTR Decision") to address the mid-term reliability needs of the electricity system within the California Independent System Operator's ("CAISO") operating system by requiring at least 11,500 MW of additional September net qualifying capacity ("NQC") to be procured over the course of four years by all load-serving entities ("LSEs") subject to the Commission's integrated resource planning ("IRP") authority. The LSE capacity requirements were specified by year, beginning with 2,000 MW by August 1, 2023, an additional 6,000 MW by June 1, 2024, an additional 1,500 by June 1, 2025, and an additional 2,000 MW by June 1, 2026. The Decision directed the Investor-Owned Utilities ("IOUs") to file Tier 3 Advice Letters for procurement approval and cost recovery for MTR contracts, except for utility-owned resources and pumped storage projects, including where full applications are required.

Subsequently, D.23-02-040, adopted on February 28, 2023, ordered supplemental MTR procurement of 2,000 MW NQC to be online by June 1, 2026 and 2,000 MW NQC to be online by June 1, 2027, and revised the online date for Long Lead Time ("LLT") resources from June 1, 2026 to June 1, 2028. This was updated in D.25-09-007, which considers an LSE compliant if its resources' online dates are delayed from 2028 to 2031, provided the LSE has executed long-term contracts that meet its LLT procurement capacity and is otherwise meeting its month-ahead system RA obligations. Additionally, LSEs have the option to conduct long-term contracting for generic replacement resources. With the mutually agreed-upon reallocations and the additional MTR procurement ordered in D.23-02-040, PG&E's annual share of the MTR procurement requirements are as follows:

Table 1: PG&E Annual MTR Procurement Requirements (MW NQC)							
	2023	**2024**	**2025**	**2026**	**2027**	**2028**	**Total**
General MTR Capacity	400	1201	300	388	388		2677
Minimum firm Zero-Emitting Capacity[1]	500 total						
Long-Duration Storage (8+ hours)[2]						200	200
Firm Zero-Emitting Generation Paired with Storage, or Demand Response Resources[2]						200	200
Total Need	**400**	**1,201**	**300**	**388**	**388**	**400**	**3,077**

On June 18, 2021, PG&E issued an MTR Request for Offers (RFO) – Phase 1, to procure resources for incremental NQC with expected online dates of August 1, 2023, and June 1, 2024. In accordance with D.21-06-035, PG&E executed nine contracts on January 1, 2022, for 1,598.7 MW of nameplate capacity. PG&E sought approval for these contracts, which included Nighthawk, in Advice Letter (AL) 6477-E, which the Commission approved on April 21, 2022, in Resolution E-5202.

After the contracts were executed and approved by the CPUC, Arevon Energy, Inc. expressed concerns to PG&E regarding unprecedentedly changing market conditions that render the projects uneconomical. The parties indicated that, because they were unable to complete the projects under the existing contractual terms and conditions, they request amendments to avoid default. PG&E stated that the main drivers cited for the price changes include:

- Significant increases in battery prices due to increases in commodity prices for lithium carbonate and metals used in manufacturing lithium-ion batteries;
- Continued supply chain constraints;
- Increasing balance of system costs due to high inflation affecting materials and labor costs; and
- Increasing cost of capital as The Federal Reserve had raised interest rates in response to inflation.[3]

PG&E stated that the proposed price increases were competitive with the market prices and quantities of MW available in its subsequent MTR Phase 2 RFOs. Additionally, PG&E stated that the final negotiated price reflected the benefit sharing of the lower capital cost of equipment for standalone energy storage as provided by the Inflation Reduction Act's

[1] The amount in this row is a subset of the 2023, 2024, and 2025 columns, and is therefore not also added to the total.

[2] The Long Lead Time (LLT) resource requirements are divided into half from long-duration storage and half from firm, zero-emitting generation resources.

[3] PG&E AL 6711-E at 3.

Investment Tax Credit (ITC) provisions. PG&E sought approval for these pricing amendments in AL 6711-E, which the Commission subsequently approved on December 1, 2022, in Resolution E-5243.

After the first pricing amendments were approved by the CPUC, Arevon informed PG&E that due to unexpected delays in their interconnection agreement they would not be able to meet the required online date. Given the delay, Arevon requested that PG&E again amend its contract to move the required online date from June 1, 2024, to June 1, 2025, to avoid default and termination of contract. On June 27, 2023, PG&E requested approval for the online date amendment in AL 6972-E and stated that industry-wide delays were both unprecedented and largely beyond the control of Arevon. The Commission approved this second amendment request on November 16, 2023, in Resolution E-5285.

On September 5, 2025, PG&E submitted AL 7699-E, requesting its third amendment to the Nighthawk contract. In AL 7699-E, PG&E states that since execution of the previous amendments, Nighthawk has encountered (1) permitting delays that have postponed its expected online date from June 1, 2025, to June 1, 2026, and (2) unfavorable macroeconomic conditions that have increased overall project costs. PG&E further notes that without relief in schedule and a corresponding price adjustment, Arevon has indicated that it would be unable to continue under the current terms, which could result in an event of default and potential termination of the agreement.

NOTICE

Notice of AL 7699-E was made by publication in the Commission's Daily Calendar. PG&E states that a copy of the Advice Letter was mailed and distributed in accordance with Section 4 of General Order 96-B.

PROTESTS

No protests were filed to AL 7699-E.

DISCUSSION

The Commission has reviewed PG&E AL 7699-E and finds that PG&E's request for amendments to the Nighthawk MTR contract are reasonable. The Commission recognizes that the Nighthawk project was executed by PG&E to help satisfy its MTR procurement

obligations. The proposed online date of June 1, 2026, extends beyond the initial target delivery date of 2024 that PG&E established in 2022.

The Commission recognizes industry-wide delays in developing some IRP procurement projects and acknowledges that the primary factors delaying Nighthawk, namely PTO interconnection delays with SDG&E, are largely beyond the control of the developer. The Commission also recognizes that the other factors beyond SDG&E interconnection delays may also contribute to the change in circumstances for this project, namely a delay in receiving necessary permits and other market pressures, including supply chain constraints and inflationary trends, which have had lasting effects and continue to contribute to increased project development costs for certain projects. While the delay to 2026 is driven by permitting issues largely outside of Arevon's control, the Commission expects PG&E to conduct its viability assessments and structure contractual requirements to minimize shifting of risks to ratepayers. The Commission also expects PG&E to give careful review of each new contract, and particularly contract modification requests, to ensure that market conditions warrant any modifications. The Commission finds that PG&E has placed contractual conditions to protect ratepayers in the event of market value erosion and further modifications.

Over the past several years, the Commission has observed significant volatility in lithium-ion battery costs. Commodity prices for lithium-ion materials rose to unprecedented levels beginning in 2021 and through 2022, significantly increasing prices of similar storage project developments. While lithium commodity prices have since declined due to increased supply and lower lithium carbonate costs, ongoing pricing pressures – including elevated balance-of-system costs such as components, labor, and project financing expenses driven by high interest rates – continue to affect project economics. As noted by PG&E, the developer has claimed several macroeconomic factors driving the amendment in price to bring the resource to market.

Arevon states that the delays – which consequently exposed Nighthawk to increased costs – make it infeasible for the project to maintain the contract price.[4] Absent approval of this amendment, it is likely Arevon would default on the terms of the existing agreement, potentially resulting in the termination of the contract. Replacing the project with an

[4] PG&E AL 7699-E, Confidential Appendix A at 2.

entirely different project (and/or this project with a different negotiated outcome) could expose ratepayers to higher replacement costs and reduced mid-term reliability benefits.

The Energy Division staff has reviewed AL 7699-E and the Confidential Appendices detailing the contract amendments and negotiation processes. We find that PG&E demonstrated that it negotiated in good faith in the interest of ratepayers with Arevon and considered its alternatives. PG&E conducted appropriate due diligence in assessing mitigation actions taken by Arevon.

The Commission finds the amendment to the contract, including a change of the online delivery date by one year and the change in price, to be reasonable. While the price adjustment is unfortunate, we still find it reasonable in this instance, because it remains competitive with the current market conditions.

The Commission notes that because the project has obtained the remaining local permits;[5] secured project financing;[6] and acquired a Large Generator Interconnection Agreement,[7] the project is likely to meet its current on-line date of March 1, 2026.[8] While we find the timing delay unfavorable, the project has met thresholds that indicate the project has a certain likelihood of meeting its amended Initial Delivery Date (IDD) of June 1, 2026, and contributing to system reliability.

In balancing the realities of project development challenges against the need to secure system reliability, we find that approval of the amendment is warranted. However, in approving the amendment, the Commission does not expressly or implicitly modify PG&E's MTR requirements. Additionally, the Commission notes that going forward, per Decision (D.) 25-09-007, LSEs may be deemed compliant for up to three years beyond a project's online date, provided that the LSEs meet certain provisions.[9] While we approve this third amendment based on the current record -- including higher inflation and interest rates -- the Commission expects PG&E and Arevon to make all reasonable efforts to achieve this second revision to the delivery date without further delays and will monitor the project's development closely. Accordingly, we approve PG&E's contract amendment request to both modify the contract price and change the initial delivery date to June 1, 2026.

[5] City of Poway and San Diego County Planning and Development Services.
[6] Arevon Energy, Inc., "Arevon: A Leader in America's Critical Energy Storage Future", July 22, 2025
[7] CAISO List of Large and Small Generator Interconnection Agreement, October 1, 2025, at 10.
[8] CAISO Public Queue Report, run date October 17, 2025.
[9] OP 11 of D.25-09-007 at 49.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this Resolution must be served on all parties and subject to at least 30 days public review. Any comments are due within 20 days of the date of its mailing and publication on the Commission's website and in accordance with any instructions accompanying the notice. Section 311(g)(2) provides that this 30-day review period may be reduced or waived in an unforeseen emergency, upon the stipulation of all parties in the proceeding, for an uncontested matter in which the decision grants the relief requested, or for an order seeking temporary injunctive relief, or for an order seeking temporary injunctive relief.

The 30-day review and 20-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments and will be placed on the Commission's agenda no earlier than 30 days from today.

FINDINGS AND CONCLUSIONS

1. Commission Decision (D.) 21-06-035 directed all Load Serving Entities to procure a total of 11,500 megawatts ("MW") of incremental September net qualifying capacity under the Commission's rules over the course of four years, with 2,000 MW to be online by August 1, 2023, an additional 6,000 MW online by June 1, 2024, an additional 1,500 MW online by June 1, 2025, and an additional 2,000 MW online by June 1, 2026.
2. Ordering Paragraph 13 of D.21-06-035 directed Pacific Gas and Electric Company ("PG&E") to file Tier 3 Advice Letters for procurement approval and cost recovery for MTR Contracts, except for utility-owned resources and pumped storage projects, where full applications are required.
3. Commission Decision (D.) 23-02-040 ordered supplemental MTR procurement of 2,000 MW NQC to be online by June 1, 2026, and 2,000 MW NQC to be online by June 1, 2027.
4. PG&E's share of the MTR procurement requirements under D.21-06-035 and D.23-02-040 is 400 MW online by August 1, 2023; 1,201 MW online by June 1, 2024; 300 MW online by June 1, 2025; 388 MW online by June 1, 2026; 388 MW online by June 1, 2027; and 400 MW of long lead time resources by June 1, 2028.
5. PG&E's share of total MTR procurement requirements is 3,077 MW NQC.
6. Ordering Paragraph 6 of Commission Decision (D.) 25-09-007 finds an LSE compliant if its resources' online dates are delayed from 2028 to 2031, provided the LSE has a contract with the capacity and is otherwise meeting its month-ahead system RA obligations.

7. Ordering Paragraph 6 of D.25-09-007 provides LSEs the option to conduct long-term contracting for generic replacement resources.
8. On April 21, 2022, through Resolution E-5202, the Commission approved a contract between PG&E and Arevon Energy Inc., ("Arevon") for Nighthawk Energy Storage, LLC ("Nighthawk") for 300 MW of nameplate capacity from a lithium-ion storage facility.
9. On December 1, 2022, through Resolution E-5243, the Commission approved PG&E's request for a contract amendment, including price modification, to the Nighthawk contract.
10. On November 16, 2023, through Resolution E-5285, the Commission approved a second amendment to modify the Nighthawk contract's expected initial delivery date from June 1, 2023 to June 1, 2024.
11. Arevon's Nighthawk has experienced additional delivery delays that made it unlikely to meet its contractually obligated initial online date of June 1, 2025.
12. Nighthawk Energy Storage, LLC's delay in schedule past June 2025 also impacted Arevon's ability to maintain its contractual obligations, terms and conditions.
13. Arevon and PG&E negotiated a price modification due to higher inflation and interest rates. PG&E filed a third contract amendment with Arevon for Nighthawk in PG&E Advice Letter 7699-E, to both modify the contract price and change the initial delivery date to June 1, 2026 .
14. The PG&E Advice Letter 7699-E can be found reasonable based on current market conditions.

THEREFORE, IT IS ORDERED THAT:

1. The request of Pacific Gas and Electric Company to amend its contract with Arevon Energy, Inc. for its Nighthawk Energy Storage, LLC in Advice Letter 7699-E by delaying the initial online delivery date for the project to June 1, 2026, and allowing a price modification in the project cost is approved.

This Resolution is effective today.

The foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on January 15, 2026, with the following Commissioners voting favorably thereon:

Commissioner Signature blocks to be added
upon adoption of the resolution

Dated _____, in San Francisco, California

Confidential Appendix A

Summary of Amended Contract Terms and Responses to Select Data Requests

REDACTED