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October 11, 2024

Andrew McAllister

Commissioner and Presiding Member

Noemí Gallardo

Commissioner and Associate Member

California Energy Commission

715 P Street

Sacramento, California 95814

Re: Willow Rock Energy Storage Center (21-AFC-02): Letter Response to Revised Committee Scheduling Order

Dear Committee,

This Letter Response (“Letter”) to the *Revised Committee Scheduling Order*¹ (the “Committee Order”) is prepared by GEM A-CAES LLC (the “Applicant”), a wholly owned subsidiary of Hydrostor Inc. for the Willow Rock Energy Storage Center (“WRESC”), in response to the Committee’s denial of our *Motion for Committee Scheduling Conference*.²

Background

The Committee Order states, in part, that the “Committee shares conceptually the importance of projects that advance California’s climate policy and energy reliability objectives.” That same finding in the Committee Order suggests a need for additional information: “The record does not yet establish how the timing of a Final Decision in this proceeding might impact either an agreement that Applicant may have to deliver energy from Willow Rock or California’s eligibility for federal funding.”

The Committee Order invites discussion of these issues. One primary purpose of this Letter is to provide additional factual information into the record that we believe is relevant to a more complete understanding of how the current schedule set out in the Committee Order will fail to advance California’s climate policy, economic benefits, and energy reliability objectives³ in a timely manner.

The expeditious yet fulsome consideration of this important project is essential. As discussed below, the Committee Order has already adversely impacted Applicant’s efforts to secure California’s fair share of available federal clean energy incentives. Moreover, with respect to helping meet California’s long duration energy storage needs vital to mid-term grid reliability, WRESC is currently relying on a Final CEC Decision in mid-2025.

¹ TN # 259084.

² TN # 258454.

³ Public Resources Code Section 25523 sets forth the requirements for the Commission’s written decision.

By Delaying the Federal Review of WRESC, the Committee's Order Has Already Adversely Impacted Efforts to Secure California's Fair Share of Available Federal Clean Energy Incentives

With regard to helping California secure its fair share of available federal funding, we believe it is important to inform the Committee and the California Energy Commission ("Commission" or "CEC") of a significant recent development resulting directly from the Committee Order. Specifically, the Applicant has been informed that the federal National Environmental Policy Act ("NEPA") process for WRESC, a critical activity associated with federal funding benefits, has been paused in direct response to the Committee Order's perceived delay in the CEC's processing of the Application for Certification ("AFC").

Completion of federal NEPA review is a pre-requisite for the Applicant to access federal clean energy incentives. Delays in processing the Applicant's CEC AFC send a signal that California's statutory permitting timelines are either not relevant or are indifferent to availability of incentives that are crucial to ensuring project success and provides an impression that federal resources that support clean energy investment are better directed to jurisdictions that are able to advance permitting in a more timely manner. The Applicant strongly believes that this should not be the case and that focused yet timely consideration by state and federal permitting bodies can indeed ensure successful project completion and delivery of robust clean energy funding support to the economic benefit of California ratepayers. This includes important eligibility considerations for Inflation Reduction Act incentives as well as U.S. Department of Energy programming.

As One of the Lynchpins in Satisfying the Long Duration Energy Storage Needs Vital to California Mid-Term Grid Reliability, WRESC Requires a Final CEC Decision in Mid-2025

The California Public Utilities Commission ("CPUC") has correctly identified a mid-term (roughly the 2028-2031 period) need for long duration energy storage ("LDES") of 8+ hours of continuous energy discharge as a critical component to meeting the state's electricity reliability needs. The Mid-Term Reliability ("MTR") deadline for long lead-time resources including WRESC is June 1, 2028, with some flexibility allowing project delivery out to June 1, 2031. To take advantage of this flexibility through June 1, 2031, California's load-serving entities ("LSEs") are required to provide short-term energy or bridging resources between 2028 and the online date of LDES facilities, increasing costs to consumers based on the length of delays. Delays could further burden ratepayers in additional procurement costs while California is facing an affordability crisis. These costs can be avoided through revising the Scheduling Order to maintain the statutory schedule put forward by the Applicant.

The Applicant is doing everything within its reasonable control to help LSEs meet the CPUC's MTR procurement mandates and deadlines for long lead-time resources. First, we submitted a California Independent System Operator ("CAISO") Cluster 13 Interconnection application on April 15, 2020 and advanced site engineering and design to meet the CAISO interconnection queue requirements, allowing the Applicant to file its AFC on December 1, 2021. We secured Deliverability for the full 500 MW, Full Capacity Deliverability Status on March 18, 2022.

The CPUC MTR procurement mandates, coupled with associated commercial offtake agreements, currently require WRESC to deliver energy before 2030 without penalty. Working backwards from this deadline, construction must therefore commence in 2025. A delay of the CEC's Final Decision for WRESC to the third or fourth quarter of 2025 would risk California not meeting its critical energy reliability, economic benefits, and energy affordability goals.

Again, the Applicant is doing everything it can to ensure LSEs can meet the CPUC's MTR mandates and deadlines for long lead-time resources, including LDES. Permitting delays may have significant adverse impacts on meeting these important policy objectives, and are also adversely affecting current efforts to contract for offtake with LSEs under the MTR requirements.

Conclusions

The Applicant reiterates that it remains fully committed to ensuring the timely and safe construction and operation of the WRESC. In addition to advancing California's climate policy, economic benefits, and energy reliability objectives, WRESC brings substantial benefits, including significant property tax revenues, sales tax revenues, over 700 new construction jobs including unionized labor, 25-40 fulltime jobs, and more.

The Committee Order suggests a CEC Final Decision in Q4 2025, which is a significant delay beyond the CEC Staff's and the Intervenor's proposed schedules. This estimated Q4 2025 decision inevitably delays the start of construction for the WRESC project to 2026. This delay would have the ripple effect of setbacks to California meeting its grid reliability and climate goals as well as put at risk the state's fair share of federal funding.

The Committee has the authority, consistent with applicable law and due process for all stakeholders, to expedite the permitting process for this project to help ensure that WRESC can become operational in a timely manner. To be clear, the Applicant is not seeking to shorten the environmental review but instead to more closely align it with a schedule consistent with current statutory permitting deadlines. For the reasons outlined in this letter, the Applicant respectfully encourages the Committee to remain vigilant in seeking opportunities to exercise its plenary discretion to advance this important LDES project to a final decision in mid-2025.

The Committee can establish the schedule and dates for the evidentiary phase of the proceeding now, directing delivery of a Final Staff Assessment by March 2025 and Final Decision by July 2025, which is in alignment with California Unions for Reliable Energy's and CEC staff's proposed schedules and can work for the Applicant.

The Applicant hopes that this additional information and context helps the Committee better understand its crucial role in assuring the state's energy, environmental and economic development goals are reflected by this project and the urgency merited. We remain committed to working collaboratively with the Commission and its staff to ensure that this project is a success.

For the reasons set forth in our filings on the importance of schedule⁴ and in this letter, the Applicant respectfully requests that the Committee use its plenary authorities to expedite the schedule for the Willow Rock Energy Storage Center.

Respectfully,

A handwritten signature in blue ink, appearing to read "Curt Hildebrand". The signature is fluid and cursive, with a large loop at the end.

Curt Hildebrand
SVP, Commercial Affairs

⁴ TN #s 258454 and 258428.