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Submitted Electronically

RE: ACP-California Comments on Assembly Bill (AB) 3264 (Petrie-Norris, 2024)
Report: [Working Concepts in Transmission Financing and Ownership](#)

Dear Ms. Tesfai:

The American Clean Power Association – California (ACP-California) appreciates the opportunity to provide comments on the Commission’s Draft AB 2364 (2024) report regarding transmission ownership and financing models. This evaluation comes at a time when California faces urgent transmission expansion needs to meet its clean energy and reliability goals.

I. Introduction

A. Transmission expansion supports affordability

Transmission development is fundamental to California’s clean energy, reliability and affordability goals. While it is true the CAISO has approved ~\$10 Billion in new transmission upgrades in the last two cycles¹, these upgrades will facilitate access to high-performing resources, increase competition and lower costs overall as compared to a transmission constrained portfolio that relies on tight market conditions. This is important context when considering the overall affordability of transmission investments.

¹ As noted in the draft report p. 2. We question the call out on OSW here without referencing the larger GW increases in solar, batteries, etc.

Furthermore, ACP-CA encourages the Commission to evaluate how its current Transmission Planning Process (TPP) portfolio busbar mapping could better facilitate transmission expansion and competition. The capacity expansion modeling and busbar mapping methodology are generally designed to select the lowest-cost mix of resources. Transmission cost adders affect the selection of mapped resources. By focusing on resource selections that minimize transmission hurdle rates, the capacity expansion modeling process can overlook development in high-quality resource areas that may require substantial investments in new transmission and substations. While the costs of these investments may be more significant than upgrading existing infrastructure, overall ratepayers benefit from gaining access to the best, most-competitive, and diverse resources.

By mapping new resources to prime locations for development rather than restricting portfolios to existing static points-of-interconnection, the Commission's busbar mapping could better facilitate analysis and potential approval of transmission expansions that would enable access to competitive, high-quality resources. Transmission can enable competition among generating resources, thus reducing total ratepayer costs. In other words, the Commission should evaluate transmission expansion in the context of total customer costs (resources plus transmission plus distribution) not just the portion of bills driven by transmission and distribution investments.

Finally, we note that the TPP process itself promoted affordability by socializing the cost of transmission upgrades across CAISO customers. This certainty provides not only transmission developers, but also developers of clean energy resources dependent on new transmission, with certainty regarding costs that reduces financing premiums associated with higher-risk projects.

B. Transmission delays increase costs

ACP-California agrees with the report's finding that delays in transmission development materially increase costs for ratepayers.² Timely project delivery is critical to maintaining affordability and achieving California's decarbonization targets. We note that delays in major transmission improvements, including both those approved in the TPP and identified as network upgrades through the interconnection process, often have a cascading effect that creates delays in interconnection upgrades.³ Delays can lead to higher permitting and

² Draft report p. 2

³ See <https://www.cpuc.ca.gov/-/media/cpuc-website/industries-and-topics/documents/energy/rps/2025/2025-california-renewables-portfolio-standard-rps-annual-report.pdf> beginning at p. 84

development costs as PTOs allocate resources over a longer development timeline. In addition, network upgrades necessary for deliverability can affect the level of competition in solicitations. For these reasons, reducing delays should be a key strategy for transmission affordability in the state.

C. The Commission and CAISO should enhance competitive opportunities for transmission development

ACP-California appreciates the CPUC's recognition of the numerous benefits of competitive transmission development. In the final report, the Commission should emphasize the importance of this process and identify opportunities for expanding the California Independent System Operator's (CAISO) competitive transmission solicitation process.

As noted in the draft report, competitive transmission development has proven to be a key mechanism for controlling costs and encouraging innovation. Currently, approximately eight competitive transmission developers participate in CAISO processes.⁴ In the last four TPP cycles, 12 projects have been eligible for competitive solicitation. Competitive developers (also referred to here as independent transmission developers) bring additional capital, workforce, and expertise to transmission development. This is especially important given the significant backlog of transmission upgrades facing IOUs. Given the daunting scale and timeline of the state's projected need for additional transmission in each succeeding transmission plan, it is clear that transmission development requires both investor-owned utilities and competitive developers, and leveraging the additional resources of competitive developers can help mitigate delays and execution risk.

Competitive projects are also subject to cost-containment provisions and can offer return on equity (ROE) penalties for delays; neither of these mechanisms apply to incumbent investor-owned utility (IOU) projects that make up the vast majority of transmission upgrades in the state. Weakening competitive opportunities would therefore remove important cost discipline tools.

Any policy changes that inadvertently degrade competitive opportunities risk increasing costs to ratepayers and delaying achievement of the state's clean energy and reliability goals. Instead, the Commission should work with the CAISO to consider expanding competitive opportunities to reduce costs and mitigate delays. While the scope of competitive projects is governed by FERC rules and the CAISO tariff, it is important to note that state and local regulatory authorities play a key role in identifying projects (e.g., for state policy needs) that can ultimately lead to competitive solicitations. The CPUC should

⁴ Based on review of recently qualified bidders in CAISO processes across the last four cycles.

continue to be mindful of this important role and actively seek to expand opportunities for competitive solicitations in future bus-bar mapping

II. Answers to Questions

A. Transmission Ownership Structures

1. Are there publicly available studies that provide insights on overall cost savings for ratepayers attributable to the various ownership models?

While some studies exist, such as those by UC Berkeley for Clean Air Task Force and Net Zero⁵, these are based on modeled potential cost savings rather than observed outcomes. As such, they provide directional insight but should not be relied upon as evidence of realized ratepayer savings. For example, new models involving public agencies with minimal experience in large-scale transmission development and global supply chain management may result in cost-overruns and delays which increase project capital costs and undermine the savings afforded by lower cost of capital. We also agree with the report's findings that there are practical limits to the scalability of public ownership models particularly given institutional, operational, and financing constraints.⁶

2. Are there public sources that provide evidence of savings related to competitively bid projects versus projects that default to incumbent investor-owned utilities?

Yes. A 2019 Brattle Group study⁷ provides evidence that competitively bid transmission projects can result in significant cost savings compared to projects assigned by default to incumbent utilities. These findings support maintaining and expanding competitive frameworks.

3. Are there publicly available case studies of a government entity financing and building electric infrastructure at lower cost compared to a private entity? Are there publicly available data about the scope of the project and its costs?

ACP-CA has no such studies or data to recommend.

4. Are there publicly available case studies of a government entity financing an infrastructure project with the participation of private equity or other private sector financing, with public data about how the project financing costs were reduced because of the public-private partnership?

⁵ See: <https://www.law.berkeley.edu/research/clee/research/climate/renewable-energy/financing-transmission/>

⁶ Draft report p. 9

⁷ See: https://www.brattle.com/wp-content/uploads/2021/05/16726_cost_savings_offered_by_competition_in_electric_transmission.pdf

Yes, notable examples are:

- Western Area Power Administration’s Transmission Infrastructure Program (WAPA TIP).
- The early 2000’s Path 15 upgrades facilitated through partnership between WAPA and an independent transmission developer.
- Joint Transmission Ownership between public utilities/electric cooperatives and investor-owned utilities⁸

These examples demonstrate that hybrid public-private financing structures can be viable, particularly where roles, risks, and returns are clearly defined and when all parties have experience in the development and operation of transmission infrastructure.

ACP-CA notes the extraordinary record of the New Mexico Renewable Energy Transmission Authority (RETA) in facilitating the development of large-scale electrical transmission in partnership with competitive transmission developers. The benefit to private transmission developers of working with the RETA, however, is not necessarily access to public financing. While RETA is statutorily authorized to provide its projects access to public financing, of RETA’s nine total projects that are either in operation or in development, only one project in 2009-2010 actually used RETA public financing. RETA, moreover, provides invaluable permitting and siting assistance to participating transmission developers in the form of government-level relationships with other state and local agencies with permitting and approval authority in RETA partner projects. RETA helps to streamline permitting while preserving New Mexico-specific environmental protections. The agency also provides powers of eminent domain to its projects in a way that is fair and equitable to landowners. RETA partnership enables privately financed transmission projects to meet all local, state, and federal permitting requirements to unlock New Mexico’s renewable energy economic potential *in a timely manner*.

B. Potential Options for Achieving Transmission Cost Savings

5. At what scale have certain financing solutions been used? What are the constraints, opportunities, risks, and/or tradeoffs of scaling up other kinds of financing?

ACP-CA has no response to this question.

⁸ See, American Public Power Association’s February 2009 Report on Joint Ownership of Transmission, at <https://www.energy.gov/sites/prod/files/2015/03/f20/Paper%20Joint%20Transmission%202009%20update.pdf>

6. How does tax liability for government entities differ from that of investor-owned utilities?

ACP-CA has no response to this question.

7. Are there publicly available examples of electric infrastructure project costs reduced because of any of: permitting exemptions or streamlining, meeting/beating timelines, or incentive/penalty structures for the project lead?

Yes. Cost-containment provisions in CAISO competitive transmission project agreements⁹ and incentive/penalty structures tied to ROE¹⁰ have demonstrated effectiveness in controlling costs and promoting timely project delivery.

8. How does exposure to liability and other risk affect public utilities' willingness to own transmission?

Wildfire risk and the unique rules for inverse condemnation in California can affect a developer's ability to finance and construct transmission projects in high-fire threat areas. The Commission should consider focusing public financing on projects like those in high fire threat areas that would otherwise be difficult to finance or pose high financing costs due to a higher risk profile.

C. Considerations for Implementation

9. Please comment on feasibility of either of these [PPP-BOT or Lease-Type PPP] models for California. Please specify barriers and the structural elements that would have to exist for the model to develop transmission at lower costs.

In evaluating PPP models, the Commission should consider not only theoretical cost savings but also feasibility and ease of implementation, noting that project success—i.e., completion on-time and on-budget—requires involvement of experienced transmission developers. Accordingly:

- Public financing approaches should be designed to encourage involvement of independent transmission developers.
- Developers should not be constrained in providing their expertise, financing, development, and operational capabilities.

⁹ See, CAISO Approved Project Sponsor Agreement template, here: <https://www.caiso.com/documents/appendix-x-approved-project-sponsor-agreement-as-of-aug-3-2024.pdf>

¹⁰ See, for example, p. 31, Project Sponsor Selection Report: <https://stakeholdercenter.caiso.com/InitiativeDocuments/north-of-songs-serrano-500-kv-line-project-sponsor-selection-report.pdf>

Under a PPP-BOT model, the role of the independent transmission developer would be limited to project construction and delivery, which is atypical for competitive transmission developers today. This is similar to the role Engineering, Procurement and Construction (EPC) firms fill under EPC contracts. It will be important to assess whether the transmission owner (TO) in this model—be it a public utility, a joint-powers authority, or another type of public agency—would be equipped to assume all the responsibilities of long-term ownership, including operational and CAISO-related responsibilities as well as wildfire liability.

A lease-type model—where a public entity leases rights to a transmission facility from a private developer, similar to the Citizens Energy model¹¹—could be compatible with existing private sector capabilities and interests. Under the Citizens’ model, Citizens prepays rent to PG&E for entitlement rights in a transmission line (but not ownership). Citizens is entitled to cost recovery through the TAC when they secure a Transmission Revenue Requirement from FERC. In this model, a public agency could fulfill a similar role to Citizens by prepaying rents raised through low-cost financing, while the private transmission developer role remains the same as in competitive transmission projects today.

The Commission should also consider simpler and more immediately deployable tools, such as those proposed by GO-Biz,¹² including:

- Direct loans (replacing private debt with public debt or increasing project leverage)
- Loan loss reserves to provide partial risk coverage to lenders
- Financial guarantees, insurance products, or surety bonds to reduce financing costs

We also caution that models which envision public agencies new to transmission taking a major role in transmission development could introduce inefficiencies and delays in project execution, including challenges related to site control, procurement, and contracting. Public financing mechanisms also expose public entities to risks associated with project delivery (e.g., delays and cost overruns) and performance (e.g., outages and liability).

III. Conclusion

¹¹ See, for example, Citizens application at FERC: https://www.ferc.gov/sites/default/files/2020-04/E-5_24.pdf

¹² See, Senate Budget and Fiscal Review Subcommittee No. 2 [budget agenda](#) for March 5, 2026 meeting.

California's transmission needs are both urgent and substantial. While it is appropriate to consider how best to leverage multiple tools toward this goal, both public and private, it is also essential to examine the risks of new models and preserve the benefits of competition. ACP-California urges the Commission to prioritize policies that expand competitive opportunities and enable pragmatic financing solutions that can be deployed at scale and without disruptions to in-service timelines. We also recommend additional refinement in the Commission's busbar mapping process to expedite necessary long-term transmission approvals.

We appreciate the opportunity to provide these comments and look forward to continued engagement with the Commission on this critical issue.

Sincerely,

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Molly Croll
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ACP-California