Subject: Comments on Working Concepts in Transmission Financing and Ownership (Pursuant to AB 3264)

Dear Executive Director Tesfai and CPUC Staff,

Thank you for the opportunity to provide public input on the "Working Concepts in Transmission Financing and Ownership" Concept Paper. As California faces the need for over $30 billion in transmission investments to meet its decarbonization mandates, protecting ratepayers from escalating capital costs is paramount.

My comments focus specifically on the immense ratepayer value of expanding competitive bidding (Lever 1) and the structural requirements necessary to successfully implement Public-Private Partnerships (Lever 2).

1. Expanding Competitive Bidding to Lower Capital Costs (Lever 1)

The most immediate and proven mechanism to reduce transmission costs is to subject a wider pool of projects to market competition, rather than allowing them to default to incumbent Investor-Owned Utilities (IOUs).

The Documented Savings of Competition

Extensive analysis by the Brattle Group demonstrates that using competitive solicitations for transmission development yields estimated cost savings of 20% to 30% compared to traditionally developed projects. Their research indicates that winning bids are priced, on average, 40% below initial project cost estimates and are frequently accompanied by binding cost caps and cost-control mechanisms that protect ratepayers from overruns. The Brattle Group estimates that expanding the scope of competitive transmission planning processes could generate $8 billion in consumer benefits over just five years.

The Manning Switchyard Example

The CAISO's recent competitive solicitation for the Manning 500/230 kV Substation is a prime example of this mechanism working effectively. By opening the project to competition, CAISO received detailed, qualified proposals from multiple sponsors, ultimately selecting LS Power Grid California to finance, construct, and own the project. This process forces developers to compete on both cost and engineering innovation, ensuring the most efficient use of ratepayer funds.

Support for the Public Advocates Office Recommendation

Currently, CAISO rules only require competitive solicitation for projects that exceed an arbitrary 200 kV voltage threshold. I strongly support the California Public Advocates Office's recommendation to eliminate this restrictive threshold. As the Public Advocates Office has noted, subjecting more projects to competition would yield significant ratepayer benefits,

including lower capital costs, shorter development times, and stronger alignment between utility and ratepayer interests.

2. Implementing Public-Private Partnerships & Addressing Liability (Lever 2)

The Concept Paper rightfully explores the potential of utilizing public financing paired with private operational expertise through Public-Private Partnerships (PPPs).

Support for the SB 254 Accelerator and the RETA Model

I strongly support utilizing the newly established SB 254 California Transmission Infrastructure Accelerator to provide tax-exempt, low-cost public debt to finance these projects.

For a successful structural framework, California should look to the New Mexico Renewable Energy Transmission Authority (RETA). RETA utilizes a Lease-type PPP model where the public authority issues tax-exempt bonds and holds the title to the project—drastically reducing corporate tax liabilities—while leasing the asset to private developers for operation. This exact structure successfully facilitated the massive SunZia Southwest Transmission Project, demonstrating that public financing and private development can seamlessly integrate at a massive scale.

The Liability Hurdle: Inverse Condemnation

However, the feasibility of any PPP model in California faces a unique and fatal barrier: the strict liability doctrine of inverse condemnation. Because inverse condemnation is enshrined in Article I, Section 19 of the California Constitution, it is exceptionally difficult to change. Under this doctrine, a public entity or utility is held strictly liable for any damage to private property caused by a public improvement, regardless of fault or negligence.

Private transmission developers are highly reluctant to enter the California market if they face unlimited, company-ending liability for catastrophic wildfires.

The Need for Ring-Fencing

For a PPP model to actually deliver lower costs in California, the state must establish a structural firewall for risk. The CPUC and the Legislature must explore mechanisms to ring-fence liability for private developers operating under a state-sponsored PPP, potentially by creating a state-backed insurance pool for these specific transmission assets. If this catastrophic risk is not mitigated, the massive risk premiums demanded by private partners will simply erase any savings generated by the public financing side of the partnership.

Thank you for your consideration of these comments.