



RE: Fervo Energy Comments on Working Concepts in Transmission Financing and Ownership (AB 3264 Concept Paper)

Dear Chair Reynolds and Commissioners:

Fervo Energy Company (“Fervo”) appreciates the opportunity to provide comments on the California Public Utilities Commission’s (“CPUC”) Concept Paper on *Working Concepts in Transmission Financing and Ownership*.

The Concept Paper correctly identifies that California must develop significant new transmission infrastructure to meet reliability and decarbonization goals. The CPUC has recognized the need for clean firm resources to support an affordable, reliable, and decarbonized grid. For example, the CPUC's latest reliability analysis shows that CA will need ~3,200MW of clean firm resources by 2029 and ~6,000 MW by 2032. The CPUC has initiated procurement¹, authorizing 3,500MW clean firm—but needs to take urgent action to unlock delivery through new transmission.

Recent analysis conducted independently by The Brattle Group further underscores that cross-regional transmission investments—when paired with firm, clean resources—can deliver substantial system-wide benefits, including large reductions in ratepayer costs, improved reliability, and enhanced market efficiency.

Key findings include:

- Over \$800 million per year in net benefits to CAISO
- Approximately \$1 billion per year reduction in load payments, driven by lower wholesale prices and reduced reliance on imports
- Approximately \$840 million per year reduction in production costs
- Delivery of 15–16 TWh annually of round-the-clock clean energy to California load

These outcomes depend on financing and ownership structures that support broad cost allocation and low-cost capital formation. As the Commission evaluates alternative financing and ownership structures, it is critical that these approaches preserve the elements of the existing framework that have enabled cost-effective, scalable transmission development—particularly predictable, FERC-jurisdictional cost recovery and competitive procurement.

¹ Geothermal Procurement Authorizations: MTR: 1,000MW; Central Procurement Entity: 1,000MW; 2026 Procurement Order: 1,500MW



I. Transmission Ownership Structures: FERC-jurisdictional, competitively procured transmission remains the most effective framework for delivering system-wide benefits at lowest cost.

The Commission should preserve and prioritize transmission ownership models that rely on FERC-jurisdictional cost recovery through the Transmission Access Charge (“TAC”).

The existing framework—under which both incumbent utilities and competitively selected transmission developers recover costs through FERC-approved rates—provides a stable and transparent foundation for investment. This structure ensures that transmission costs are: 1) broadly allocated in proportion to system-wide benefits; 2) project costs and returns are subject to rigorous regulatory oversight; and 3) developers can access capital at lower cost due to predictable revenue streams.

The Concept Paper notes that competitive transmission development under CAISO and FERC oversight can reduce costs and incentivize cost containment. Fervo agrees that these competitive, FERC-regulated models should remain central to California’s transmission strategy. This framework is particularly important for large-scale, interregional transmission that enables delivery of firm, clean energy into California.

By contrast, emerging models such as the Subscriber Participating Transmission Owner (“S-PTO”) framework represent a fundamental departure from this structure and should not be considered a standard and reliable bedrock for California’s energy future. Under the S-PTO model, transmission costs are recovered through bilateral contracts with subscribing generators rather than through FERC-jurisdictional rates. This shift risks undermining the core benefits of the existing framework by 1) reducing reliance on standardized, competitively procured transmission frameworks; 2) concentrating cost responsibility on individual projects rather than the system as a whole; 3) reducing transparency and regulatory consistency in cost recovery; and 4) increasing uncertainty for developers and investors. Accordingly, while a subscriber PTO approach may be appropriate in limited, project-specific circumstances, it should be viewed as a targeted tool, not a broad replacement for the predictable and transparent TAC framework.

II. Potential Options for Achieving Transmission Cost Savings: Transmission cost reforms must be evaluated based on total system cost impacts, not solely financing structure.

Fervo supports the Commission’s efforts to reduce transmission costs but emphasizes that financing and ownership reforms must be evaluated based on their impact on total system costs—not just nominal financing costs.



The Concept Paper highlights opportunities to reduce the cost of capital through public financing or alternative capital structures. While these approaches may offer incremental benefits, they must be weighed against the risk of introducing uncertainty into project development and cost recovery, which can slow investment decisions and delay generation deployment timelines.

Evidence from recent system modeling demonstrates that transmission-enabled access to firm, clean resources can materially reduce system costs by 1) lowering production costs and import needs; 2) reducing wholesale energy prices, particularly during evening peak periods; and 3) enabling more efficient trading across regions

In particular, models that shift cost recovery away from FERC-jurisdictional structures—such as the S-PTO model—can increase overall system costs. Firstly, S-PTO models increase financing risk for developers, leading to additional uncertainty. Moreover, a dependence on S-PTO models risks embedding transmission costs and risks directly into PPA pricing, which can increase delivered energy costs and add additional complexity to account for deliverability risk.

These risks are especially acute for long-lead, capital-intensive resources such as enhanced geothermal systems (“EGS”), which depend on coordinated transmission development to deliver round-the-clock clean energy. The Commission should therefore prioritize cost-saving strategies that preserve broad cost allocation, which unlock system-wide benefits by maintaining predictable revenue frameworks that lower project financing costs and PPA prices.

III. Considerations for Implementation: Implementation should reinforce system-wide planning outcomes like cost containment, reliability, and resource diversity.

As the Commission evaluates implementation pathways, it should ensure that any new financing or ownership structures complement—rather than undermine—the existing FERC-regulated framework.

In particular, the Commission should:

- Avoid fragmented cost recovery structures: Parallel frameworks (e.g., subscriber-funded models) risk creating inconsistent incentives and higher system costs; and
- Preserve investment certainty: Stable, predictable cost recovery is essential to attracting private capital at scale and at low cost.

Maintaining this framework is also critical to enabling transmission investments that support portfolio diversification and long-term system resilience. Transmission that facilitates access to geographically diverse, firm clean resources can reduce reliance on any single resource class,



mitigate supply chain risks, and improve reliability outcomes across a range of system conditions.

While public financing, hybrid models, or public-private partnerships may have a role in specific contexts, these approaches should be designed to integrate with existing market structures and not displace competitive, FERC-regulated transmission development.

Conclusion:

California's transmission buildout will require substantial investment and thoughtful coordination across planning, financing, and regulatory frameworks. While alternative financing and ownership structures—such as public financing, hybrid models, or public-private partnerships—may be appropriate in discrete and well-defined circumstances, their use should be carefully bounded to avoid introducing uncertainty or undermining market signals.

The Commission should be cautious not to dilute the transparent, competitive, FERC-regulated processes that have driven cost discipline and investor confidence to date. Preserving predictable cost recovery and competitive procurement as the default framework will be essential to minimizing ratepayer risk and ensuring timely delivery of the transmission infrastructure needed to support California's clean energy transition.

Respectfully submitted,

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