



March 25, 2026

**Subject: San Diego Gas & Electric Company (SDG&E) Input On Working Concepts In Transmission Financing And Ownership Pursuant To Assembly Bill 3264 And Public Utilities Code Section 913.10**

San Diego Gas & Electric Company (“SDG&E”) respectfully submits these comments on the report titled Working Concepts in Transmission Financing and Ownership (“Concept Paper”). The Concept Paper was developed pursuant to Assembly Bill 3264 and Public Utilities Code Section 913.10 and was issued on March 11, 2026.

SDG&E is always working to identify new approaches to keep transmission costs as low as possible while continuing to provide safe and reliable service. As the Concept Paper notes, significant investments in transmission are going to be necessary to meet the state’s policy goals and to deliver electricity at a lower cost to consumers. As the Concept Paper further acknowledges, the recovery of transmission costs incurred by Investor-Owned Utilities (“IOUs”) and other private transmission developers falls exclusively under the Federal Energy Regulatory Commission’s (“FERC”) jurisdiction. And the Concept Paper is likewise correct that California already has a “robust transmission development market,” where “cost containment is an element of competition, regardless of what entity develops the transmission” infrastructure.<sup>1</sup>

SDG&E thus recommends that the CPUC use this process to pursue targeted, concrete steps to support affordability in transmission, like reducing delays, which, as the Concept Paper notes, increase the cost of transmission<sup>2</sup>. While SDG&E supports the targeted use of public financing tools, in situations where public financing tools enable transmission projects that are unlikely to proceed absent such support, as the Concept Paper notes, the California IOUs have the necessary expertise, resources, scale, and access to financing required to build, expand, own and operate the grid, to safely serve California customers, and to “reliably meet state decarbonization goals.”<sup>3</sup> The CPUC should not (nor does it or the state have the jurisdiction to require) that transmission developers use any particular financing and/or require IOUs to use a particular source of financing for transmission projects within its service territory.

---

<sup>1</sup> Concept Paper, p. 2.

<sup>2</sup> Concept Paper, p. 6.

<sup>3</sup> Concept Paper, p. 1.

## A) Transmission Ownership Structures

### Public and Private Transmission Developers Should Not Be Mandated to Use Any Particular Financing Model

SDG&E notes that public transmission financing and ownership options have been around for many years and that transmission developers are free to pursue them. SDG&E, in fact, has used tax exempt Local Furnishing Bonds (LFBs) to finance a portion of its transmission system. SDG&E agrees with the Concept Paper’s observation “that transmission is generally expensive to develop and that alternative financing and ownership models may have limitations on effectively and meaningfully reducing costs.”<sup>4</sup> Moreover, SDG&E only directly controls a portion of the transmission charges on its customers bills. The remainder are costs that are spread across CAISO Transmission Owner members, as the Concept Paper notes, through the Transmission Access Charge. The Concept Paper similarly notes that “new financing structures may not yield meaningful net benefits, given the price of these projects and other factors that can be more significant in driving project costs.”<sup>5</sup>

Wildfire risk has resulted in significant increases in transmission costs owing to the need to fire-harden transmission in high-risk areas. The liability associated with owning transmission in these areas also contributes to higher costs and the Concept Paper points out that for the Investor Owned Utilities (IOUs) “Return on Equity (ROE) will generally account for various forms of risk, which in California especially will reflect exposure to wildfire risk.”<sup>6</sup> SDG&E similarly notes that, under Assembly Bill (“AB”) 1054, only the California IOUs currently have access to AB 1054’s wildfire fund. Any transmission owner must be prepared to adequately handle wildfire liability and insurance risk.

The Concept Paper also correctly notes that the principal source of increases in transmission costs is delays—regardless of what type of entity is developing the transmission project. Specifically, as the Concept Paper finds, it is widely accepted that “transmission project delays can occur and do lead to higher development costs.”<sup>7</sup> The Concept Paper continued, that “the CPUC reviewed causes of transmission delays in response to SB 1174 (Hertzberg, 2022), and reported that the most frequently cited issues include: challenges with obtaining land rights or right of-way (ROW), long lead times for procurement of necessary equipment, permitting at all levels of government, project design changes, and workforce shortages.”<sup>8</sup> All of the above factors contribute to the high cost and risks of transmission. As the Concept Paper indicates, streamlining existing permitting processes can reduce the time it takes to build a project and with it, overall costs.<sup>9</sup>

The Concept Paper states that “according to the Transmission Project Review Process data provided by the three IOUs between November 2024 and January 2025, only 4% of future

---

<sup>4</sup> Concept Paper, p. 1.

<sup>5</sup> Concept Paper, p. 12.

<sup>6</sup> Concept Paper, p. 2.

<sup>7</sup> *Id.*

<sup>8</sup> Concept Paper, p. 6.

<sup>9</sup> Concept Paper, p. 12.

projects were determined to need a permit application at the CPUC.”<sup>10</sup> The Concept Paper includes a figure which shows that out of 715 transmission projects listed in the March 1, 2025 Transmission Project Review Data, only 24 require a Permit to Construct (PTC) or Certificate of Public Convenience and Necessity (CPCN).<sup>11</sup> While SDG&E does not dispute the numbers presented, they may present a misleading picture of the extent to which permitting delays can contribute to higher transmission costs, because the largest transmission projects often require a full environmental review and CPUC permit. In particular, as the Concept Paper’s Figure 4 shows, CAISO approved projects more often require such reviews. SDG&E thus recommends that the final report include the estimated costs for these 715 transmission projects and the estimated costs for the 24 projects which require a PTC or CPCN. When reported in dollar terms rather than numbers of projects, the percentage of transmission costs subject to a PTC or CPCN will be significantly greater than 4%.

Given the relatively high costs of building, owning and maintaining transmission, it is important that transmission developers have the freedom to pursue financing and ownership options that help to control costs and that provide commercially attractive pathways for adding the transmission necessary to support safe and reliable operations while meeting California’s climate goals. The Commission’s final report should avoid recommending that transmission developers, whether public or private, be mandated to use any particular financing vehicles. Instead, SDG&E recommends that the Concept Paper place alternative transmission financing into the broader context of a holistic, system-wide approach to affordability. There are several areas where the Commission can advocate for reform of transmission-related spending that directly affects California customers, including permitting, siting, and environmental review reforms that reduce development timelines—and thus financing costs—regardless of the source of transmission financing.

## **B) Rate of Return**

The CPUC should likewise not base any recommendations on certain faulty assumptions, including regarding IOUs’ FERC-jurisdictional Rate of Return (ROR)—and in so doing, overstate the benefit of alternative transmission financing mechanisms by overstating the role of the IOUs’ ROR in transmission costs. The Concept Paper uses broad inputs that overstate the actual ROR earned by the IOUs in 2023 by approximately 18%. Using inputs from PG&E’s, SDG&E’s and SCE’s TO filings at FERC, the combined ROR is 7.28%—compared to the 7.8% calculated in the Concept Paper.

A key driver in this difference is that the Concept Paper is mistakenly using a 5.3% cost of debt. As the Concept Paper notes, although the cost of debt is typically less expensive than the cost of equity, using a higher proportion of debt financing increases a developer’s financial leverage and with it, the risk of default.<sup>12</sup> FERC similarly has exclusive jurisdiction over the capital structure approved for a transmission project.

---

<sup>10</sup> Concept Paper, footnote 13.

<sup>11</sup> Concept Paper, Figure 4.

<sup>12</sup> Concept Paper, page 3.

Footnote 7 of the Concept Paper does not use the cost of debt from the IOUs' TO filings for base year 2023. Instead, the Concept Paper uses the FERC-authorized cost of debt for two independent transmission developers, Horizon West Transmission and DCR Transmission, to estimate the cost of long-term debt for the IOUs; despite asserting in Figure 1 that this is "Sample 2023 Joint IOUs' Data."

Additionally, the Concept Paper's purported total transmission rate base of \$25.3 billion for the IOUs also appears to be overstated when compared to the IOUs' TO filings for base year 2023, further overstating the impact of RoR. In those filings, the total IOU transmission rate base is \$23.5 billion—approximately \$1.8 billion lower. Using this overstated transmission rate base, the Concept Paper calculates the IOUs' combined ROR at \$2 billion per year (\$1.3 billion equity and \$0.7 billion debt). Using actual TO filing data, the actual IOU ROR is \$1.7 billion (\$1.2 billion equity and \$0.5 billion debt). Because of these two errors, the Concept Paper overstates the IOUs' actual ROR from base year 2023 by approximately \$300 million.

SDG&E requests that the final report provide total rate base and ROR for the IOUs using actual data for base year 2023. Again, using accurate data is necessary to accurately assess the role of ROR in transmission costs—and more broadly, the costs and benefits from alternative transmission financing models. As the Concept Paper notes, each financing model has its limitations. As the Concept Paper notes, public entities can often be "investment constrained" based upon "statutory or constitutional debt limits."<sup>13</sup> Similarly, competitive developers can and do have ROEs that are as high or higher than the IOUs.<sup>14</sup> General obligation bonds put the risk of project failure on taxpayers. The availability of future federal funding is unclear. And PPPs are uncommon in the United States and, as the Concept Paper notes, how they would interact with competitive CAISO projects is "an open question."<sup>15</sup> The CPUC should thus suggest concrete, achievable solutions such as reducing permitting delays that can help reduce transmission costs.

---

<sup>13</sup> Concept Paper, p. 9.

<sup>14</sup> Concept Paper, p. 10 & n.18.

<sup>15</sup> Concept Paper, p. 17.