

March 25, 2026

Leuwam Tesfai, Executive Director
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Submitted via email to: txfinancing@cpuc.ca.gov

Re: SWC Comments on Working Concepts in Transmission Financing and Ownership Concept Paper

Executive Director Tesfai:

The State Water Contractors (SWC) submits these comments in response to the California Public Utilities Commission's (CPUC's) Concept Paper on "Working Concepts in Transmission Financing and Ownership" (Concept Paper). SWC is a nonprofit trade association representing 27 of the 29 public water agencies that receive water from the State Water Project (SWP). Water delivered by the SWP serves approximately 27 million Californians and supports over 750,000 acres of productive irrigated agricultural land.

The SWP, operated by the California Department of Water Resources (DWR), is among the largest consumers of electricity in the California Independent System Operator (CAISO) balancing authority area, with an average annual energy consumption ranging from 6 to 9.5 million megawatt-hours (MWh) depending on hydrological conditions. Accordingly, the SWP and by extension, our member agencies are among the largest payers of the Transmission Access Charge (TAC)—the mechanism by which costs for the high-voltage transmission system are allocated among CAISO customers. Transmission costs directly affect the cost of delivering water to Californians and agricultural operations that depend on the SWP. SWC has a strong interest in the CPUC's work to reduce the cost of transmission development and ensure that cost-allocation structures appropriately reflect cost-causation principles.

We offer the following comments for consideration.

Transmission Ownership Structures

SWC does not advocate for any single ownership model as the preferred option. The Concept Paper correctly identifies that each structure — IOU, public, competitive, and subscriber-funded has distinct cost, risk, and implementation tradeoffs that will vary by project. SWC does recommend the Concept Paper highlight the need for transparency in all structures to ensure ratepayer protection.



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Potential Options for Achieving Transmission Cost Savings

The Concept Paper focuses appropriately on the cost of building transmission. However, SWC respectfully urges the CPUC to expand the scope of its final report to address an equally important dimension of transmission cost: how those costs are allocated among users through the TAC structure. Reforms to the existing TAC structure can reduce the effective cost of grid use for large, flexible loads—and can reduce the need for new transmission investment by optimizing use of the existing network.

The current TAC is strictly volumetric, where customers pay a flat, uniform charge regardless of when energy is consumed. This structure fails to reflect the time-varying cost of transmission service and provides no price signal to incentivize large schedulable loads to shift consumption away from periods of peak grid stress. As a large, flexible load, the SWP currently operates to the benefit of the grid but does not receive compensation for flexing its load out of constrained hours. As California continues to electrify, there will be greater opportunities to flex larger amounts of resources during constrained hours to reduce demand. Providing market opportunities will result in greater utilization of the existing grid for current and future participants.

SWC supports the Concept Paper's Lever 1 and Lever 3 proposals and offers the following comments on each.

Regarding Lever 1, reducing the cost of borrowing capital is among the most direct and durable ways available to reduce transmission costs. SWC agrees with the Concept Paper's exploration of using existing financing mechanisms such as different bond offerings, federal funding, and public-private partnerships.

Regarding Lever 3, SWC member agencies build and operate large water conveyance infrastructure and understand from direct experience that construction timelines are a primary cost driver. Delays compound financing costs, expose projects to materials and labor escalation, and ultimately result in higher costs for ratepayers who fund those projects for decades.

AB 130 and SB 131 — both enacted in 2025 extended meaningful CEQA streamlining to wildfire risk reduction, water system improvements, and housing. Transmission infrastructure serving grid reliability and clean energy goals should also be considered. SWC recommends that the CPUC's final report explore comparable streamlining for transmission projects, prioritizing those that expand or upgrade existing rights-of-way and those identified through the CAISO's Transmission Planning Process as critical reliability or policy-driven investments.

The State Water Contractors appreciate the opportunity to comment on the CPUC's Working Concepts on Transmission Financing and Ownership and look forward to working with policymakers to reduce transmission costs for all ratepayers.

Thank you for considering these comments.



Jonathan Young
Energy Manager