

Date of Hearing: April 30, 2025

ASSEMBLY COMMITTEE ON UTILITIES AND ENERGY

Cottie Petrie-Norris, Chair

AB 825 (Petrie-Norris) – As Amended April 21, 2025

SUBJECT: Public Transmission Financing Act 2025

SUMMARY: Proposes to establish a public financing mechanism to reduce costs associated with the development of eligible transmission projects.

Specifically, **this bill:**

- 1) Specifies eligibility requirements for financial assistance through the Public Transmission Financing Program, using funds from the newly created Public Transmission Financing Fund.
- 2) Creates the Public Transmission Financing Fund within the State Treasury for the purpose of financing eligible transmission projects, as defined that are necessary to meet the state's clean energy goals to reduce or offset ratepayer costs associated with transmission projects.
- 3) States the intent of the Legislature to appropriate \$325 million from the Safe Drinking Water, Wildfire Prevention, Drought Preparedness, and Clean Air Fund to the Public Transmission Financing Fund.
- 4) Makes the moneys in the fund, except as specified, continuously appropriated, without fiscal year, for the support of eligible entities, as defined, and available for the purpose of financing transmission projects as defined.
- 5) Requires the I-Bank to administer the Public Transmission Financing Program to provide financial assistance and financing for eligible transmission projects, sponsored or owned, in whole or in part, by a public transmission sponsor, as defined.
- 6) Authorizes the I-Bank to provide financial assistance under the Public Transmission Financing Program to any public transmission sponsor or participating party, as defined, either directly or to a lending or financial institution, in connection with the financing or refinancing of a transmission project owned or financed, in whole or in part, by a public transmission sponsor, in accordance with an agreement or agreements, between the I-Bank and the public transmission sponsor either as a sole lender or in participation or syndication with other lenders.
- 7) Authorizes the I-Bank to issue taxable or tax-exempt bonds, as specified, loan the proceeds to a public transmission sponsor, and deposit the proceeds into the Public Transmission Financing Fund or use the proceeds to refund bonds previously issued, as provided.
- 8) Prohibits the I-Bank from providing financing or other support for eligible transmission projects that will recover costs through an authorized revenue requirement approved by

the (Federal Energy Regulatory Commission FERC) unless the public transmission sponsor makes specified commitments.

- 9) Prohibits the I-Bank from financing an eligible transmission project unless the public transmission sponsor has entered into a project labor agreement that, at a minimum, meets specified requirements and includes specified information.
- 10) Authorizes California Consumer Power and Conservation Authority (California Power Authority or CPA) to sponsor, finance, purchase, lease, own, operate, acquire, or construct a partnership between a public transmission sponsor and an electrical corporation involving shared ownership and financing of a new transmission project that may include upgrades or improvements to existing transmission assets or new projects located on a right-of-way owned by an electrical corporation.
- 11) Authorizes the California Public Utilities Commission (CPUC) to either request a revenue requirement from the FERC for any transmission project that will be operated by the California Independent System Operator as provided, or charge private generators, subscribers, and customers contracting for capacity on a new transmission project, as provided.
- 12) Authorizes the CPA to enter into partnerships with electrical corporations or other private entities under which the authority would purchase a long-term entitlement to a portion of the transmission asset that establishes eligibility to receive revenues from the CAISO.
- 13) Authorizes the CPA to seek financing assistance from any entity eligible to access the Public Transmission Financing Fund.
- 14) Pursuant to current statute, the CPA is authorized to incur indebtedness and to issue securities of any kind or class, at public or private sale by the Treasurer, and to renew the same, if the indebtedness is payable solely from revenues. Existing law authorizes the CPA to issue bonds, as specified, in an amount not to exceed \$5 billion exclusive of any refunds. This bill deletes the \$5 billion limit.
- 15) Pursuant to current statute, the CPA is prohibited from financing or approving any new program, enterprise, or project on or after January 1, 2007, unless the authority to approve such an activity is granted by statute enacted on or before January 1, 2007. This bill repeals that provision.
- 16) Requires the CPUC, for any retail bill credits provided to customers of an electrical corporation by a public transmission sponsor pursuant to the above-described provisions, to require the credits to be displayed as a separate line item on the customer bill indicating the source of the credit.

EXISTING LAW:

- 1) Authorizes the CPUC to supervise and regulate every public utility in the state and do all things, whether specifically designated in this part or in addition thereto, which are necessary and convenient in the exercise of such power and jurisdiction. (Public Utilities Code § 701)

- 2) Directs the CPUC to require each electrical corporation to identify a separate rate component to collect the revenues used to fund certain programs. (Public Utilities Code § 381)
- 3) Prohibits any construction by an electrical corporation of a line, plant, or system, or their extensions, without first obtaining from the CPUC a certificate that the present or future public convenience and necessity require or will require such construction. This is known as a CPCN. For electric transmission facilities, the CPUC shall consider cost-effective alternatives, including demand-side alternatives during their consideration of a CPCN. (Public Utilities Code §§ 1001-1103)
- 4) Defines “project” as an activity which may cause either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, including an activity that involves the issuance of a lease, permit, license, certificate, or other entitlement for use by one or more public agencies. (Public Resources Code § 21065)
- 5) Establishes the I-Bank in the Governor’s Office of Business and Economic Development. (Government Code § 63021)
- 6) Defines “financial assistance” provided by I- bank to include loans as specified, grants, proceeds of bonds issued by the I-Bank or a special purpose trust, insurance, guarantees, or other credit enhancements, liquidity facilities, Contributions of money, property, labor, or other things of value. (Government Code § 63010 (j))
- 7) Authorizes the I-Bank to issue loans, bonds, and provide financial assistance for various types of projects that qualify as economic development or public development facilities. (Government Code § 63045)
- 8) Mandates the establishment of a dedicated account within the Climate Catalyst Fund specifically for clean energy transmission projects. (Government Code § 63048.93(c)(2))
- 9) Specifies that the initial projects funded should support the development of new transmission lines delivering zero-carbon, firm electricity from resources located in the Salton Sea region to the system operated by the CAISO. (Government Code § 63048.93 (f)(3)(B))
- 10) Allows for financing of various project components, including environmental planning, permitting, preconstruction costs, and other necessary expenses to advance clean energy transmission infrastructure. (Government Code § 63048.93 (f)(3)(C))
- 11) Specifies that the initial projects funded should support the development of new transmission lines delivering zero-carbon, firm electricity from resources located in the Salton Sea region to the system operated by the CAISO. (Government Code § 63048.93 (f)(3)(B))
- 12) Provides that the Legislature cannot authorize the sale of general obligation bonds in excess of \$300,000 without a two-third’s vote of the Legislature and the approval of a

majority of the voters at primary or general election (California Constitution, Article XVI, § Section 1)

- 13) Specifies the procedure to authorize, issue, prepare and sell general obligation bonds and places limits on the use of bond funds under the General Obligation Bond Law (Government Code, § 16720 et seq.)
- 14) Enacts the Safe Drinking Water, Wildfire Prevention, Drought Preparedness, and Clean Air Bond Act of 2024, approved by the voters as Proposition 4 at the November 5, 2024, statewide general election. The act authorized the issuance of bonds in the amount of \$10 billion to finance a range of projects that include safe drinking water, wildfire and forest resilience, extreme heat mitigation, biodiversity and nature-based climate solutions, clean energy and clean air programs. Of these funds, the act made \$850 million available, upon appropriation by the Legislature, for clean energy projects, including, among other things, by making \$325 million available, upon appropriation by the Legislature, to the I-Bank, the State Energy Resources Conservation and Development Commission, or any other entity chosen by the Legislature, upon appropriation by the Legislature, for the public financing of clean energy transmission projects that are necessary to meet the state's clean energy goals to reduce or offset ratepayer costs associated with the public benefits of transmission projects. (Public Resources Code § 90000)
- 15) Authorizes the California Consumer Power and Conservation Financing Authority (CPA) to establish, finance, purchase, lease, own, operate, or construct generating facilities and other energy-related projects to supplement California's power supply. (Public Utilities Code §3310)
- 16) Authorized the CPA to issue bonds up to \$5 billion in revenue bonds for energy-related projects. (Public Utilities Code § 3370)
- 17) Authorized the CPA to incur indebtedness and to issue securities of any kind or class, and to renew the same, provided that all such indebtedness, however evidenced, shall be payable solely from revenues of the authority. (Public Utilities Code § 3371)
- 18) Prohibits the CPA from approving any new program, enterprise, or project on or after January 1, 2007, unless the authority to approve such an activity is granted by statute enacted on or before January 1, 2007. (Public Utilities Code §3384)
- 19) Establishes that U.S. Federal Energy Regulatory Commission (FERC) has exclusive jurisdiction over the transmission of electric energy in interstate commerce. Also establishes the process and procedures for establishing transmission of electric energy in interstate commerce by public utilities, i.e., the rates, terms & conditions of interstate electric transmission by public utilities. (Federal Power Act §§201, 205, 206 (16 USC 824, 824d, 824e))
- 20) Establishes the California Independent System Operator as a nonprofit, public benefit corporation to manage the transmission grid and related energy markets, as provided. (Public Utilities Code §345 et seq.)

- 21) Establishes the policy (100% Clean Energy Policy, or SB 100 Policy) of the state that eligible renewable energy resources and zero-carbon resources supply 90% of all retail sales of electricity to California end-use customers by December 31, 2035, 95% of all retail sales of electricity to California end-use customers by December 31, 2040, 100% of all retail sales of electricity to California end-use customers by December 31, 2045, and 100% of electricity procured to serve all state agencies by December 31, 2035. (Public Utilities Code § 454.53)

FISCAL EFFECT: Unknown. This bill is keyed fiscal and will be referred to the Committee on Appropriations for its review.

CUSTOMER COST IMPACTS: This measure seeks to provide low-cost public financing to lower transmission development costs and, ultimately, reduce future ratepayer costs."

BACKGROUND:

No Transition without Transmission – California has ambitious clean energy goals. According to the SB 100 Joint Agency Report, achieving these goals, requires California to roughly triple its current electricity capacity. Specifically, the report projects that the state will need to add approximately 6 gigawatts (GW) of new renewable capacity annually — nearly double the historical average. In parallel, a study conducted by the Clean Air Task Force and the Environmental Defense Fund concluded that, at a minimum, the state will need double transmission capacity by 2045 to accommodate new renewables and ensure grid reliability.¹ Unfortunately the transmission development process is often intricate and plagued by delays, taking over a decade from planning (conception) to completion.²

Transmission Planning Process (TPP) –The TPP, occurs annually, and begins with California Independent System Operator (CAISO) identifying potential system limitations as well as transmission projects in need of upgrades or new infrastructure in need of construction to chiefly meet reliability, state policy goals, and economic or other needs for the state.³ First, CAISO receives demand forecast of electricity and natural gas sales, consumption, and peak and hourly electricity demand from the CEC's integrated energy policy report (IEPR).⁴ Corresponding to this action, the CPUC's Integrated Process (IRP)⁵ then works to identify the optimal mix of system-wide resources capable of meeting GHG planning targets for the electric sector.⁶ CAISO

¹ Lucid Catalyst, Clean Air Task Force, and the Environmental Defense Fund, "California's Clean Energy Transition: Understanding Today's Challenges to Reach Tomorrow's Goals," presentation January 18, 2022.

² Nelson Falkenburg, Clean Air Task Force, "California's transmission permitting: Slowest in the West?" May 2023; <https://www.catf.us/2023/05/californias-transmission-permitting-slowest-in-the-west/>

³ Pg.4; "CAISO 2023-2024 Transmission Plan; Board approved May 23, 2024; Accessed April 17, 2024

⁴ The CEC uses these assessments and forecasts to develop energy policies that conserve resources, protect the environment, ensure energy reliability, enhance the state's economy, and protect public health and safety. To carry out these assessments, "the Commission may require submission of demand forecasts, resource plans, market assessments, and related outlooks from electric, natural gas utilities, transportation fuel and technology suppliers, and other market participants." The CEC is also required to publish a strategic plan for California's transmission grid and include it in the IEPR.

⁵ Called for under SB 350 (De León, Chapter 547, Statutes of 2015). The legislation establishes targets to increase retail sales of qualified renewable electricity to at least 50 percent by 2030.

⁶ Via the Reference System Plan (RSP) and Preferred System Plan (PSP). The CPUC creates the Reference System Plan (RSP) to meet the electric sector target informed by the California Air Resources Board Climate Change Scoping Plan. The CPUC uses this RSP to establish filing requirements for the load-serving entities. The second

receives the IRP results as inputs into its TPP. The core of these efforts is to meet the GHGs targets for electricity sector established by CARB’s scoping plan. CAISO updates its transmission plan annually, culminating in approval by the CAISO Board of Governors. The CAISO Board recently approved its 2023-2024 TPP in May 2024⁷ which calls for 85 GW of new resources⁸ in the next decade. It identified 26 transmission projects—at an estimated \$6.1 billion—needed for reliability and to meet state policy goals; 2 of these projects are eligible for competitive solicitation. This plan does not recommend any projects based solely on economic considerations

What Happens Next? – The approved plan identifies necessary transmission buildouts⁹ and authorizes cost recovery through CAISO-administered transmission rates, subject to final approval by the Federal Energy Regulatory Commission (FERC). Under the Federal Power Act, FERC is responsible for ensuring that transmission rates for interstate electricity service are just, reasonable, and not unduly discriminatory or preferential.¹⁰ Because transmission rates fall under FERC’s jurisdiction, the transmission revenue requirements for utilities participating in CAISO are determined through formal Transmission Owner rate case proceedings at FERC. By statute, the CPUC represents the interests of the ratepayers, in legal proceedings before FERC to ensure rates are just and reasonable.

Transmission Revenue Requirement — Within the CAISO’s footprint, new transmission infrastructure is generally developed, financed, and owned by investor-owned utilities (IOUs)—such as Pacific Gas and Electric (PG&E), Southern California Edison (SCE), and San Diego Gas & Electric (SDG&E)—as well as merchant developers¹¹ and other private entities¹². To recover their project costs, transmission developers submit rate filings to the FERC, seeking approval of

year considers the procurement each load-serving entity proposes to meet these GHG targets. As each load-serving entity has its own local constraints to consider, each files its own plan. The CPUC reviews, modifies, and aggregates these individual load-serving entities’ plans into a preferred system plan (PSP). Based on the approved PSP, the CPUC considers authorizing load-serving entities to procure resources within the next 1-3 years to meet GHG planning targets.

⁷ CAISO; “2023-2024 Transmission Plan”, May 23, 2024; <https://www.caiso.com/documents/iso-board-approved-2023-2024-transmission-plan.pdf>

⁸ Commencing in 2023, the CAISO has been conducting a stakeholder process to enhance its interconnection process, driving transformational changes to better enable rapid deployment of new generation for reliability, affordability, and decarbonization. Through a robust stakeholder process and considering the urgent need to bring historic amounts of new capacity online as quickly and as efficiently as possible, the CAISO has developed reforms that emphasize up-front project readiness and alignment with local and state resource and transmission planning efforts. A comprehensive briefing on the initiative and its final proposal is being provided at the May 2024 Board of Governors meeting.

⁹ as well as identifying non-transmission solutions that will be pursued in other venues as an alternative to building additional transmission facilities.

¹⁰ 16 U.S. Code § 824e(a)

¹¹ According to FERC, Merchant transmission developers are generally private, independent entities that assume all risks associated with the project. In return, these developers can charge negotiated rates for transmission service, though they cannot pass their risks onto captive customers. FERC clarifies that merchant transmission developers are permitted to allocate capacity through negotiated agreements with a subset of customers, provided the selection criteria are not unduly discriminatory or preferential. This approach allows developers to secure anchor customers and negotiate rates, terms, and conditions directly, thereby facilitating the financing and construction of transmission projects without relying on traditional cost-of-service recovery structures, typically through negotiated capacity sales or open solicitations.

¹² Typically refers to non-incumbent transmission developers that may not be traditional utilities or full merchant developers, but still participate in competitive or special-purpose transmission development. These can include: Independent Power Producers, Horizon West, a subsidiary of NextEra Energy Transmission among others.

their Annual Transmission Revenue Requirement (TRR)¹³. The TRR includes the following elements:¹⁴

- **Return on Rate Base:** This refers to the total amount a utility is authorized to earn on capital investments in transmission infrastructure. The return is calculated using a utility's authorized rate of return (ROR) — a weighted average of the utility's cost of debt and the return on equity (ROE). The ROE typically ranges from 9% to 11%, is authorized by FERC and compensates shareholders for the risk of their investment. The cost of debt reflects the interest paid on long-term bonds or loans, which is generally lower than the ROE. Proportions of debt and equity used to finance assets vary, but are commonly 50/50 or 55/45. This blended rate is applied to the utility's rate base to determine the total return the utility may recover through rates.
- **Depreciation Expenses:** Recovery of the capital cost over the life of the asset ensuring utilities can replace aging infrastructure - often a fixed percentage annually (e.g., 2–3%).
- **Operating and Maintenance (O&M) expenses:** Includes labor, inspections, vegetation management
- **Taxes:** Encompasses federal and state income taxes, property taxes, and other applicable taxes.

Transmission Access Charge – Once FERC approves these revenue requirements, the costs are passed on to electric customers through the CAISO Transmission Access Charge (TAC).¹⁵ The TAC is a volumetric fee (per megawatt-hour) assessed on all load-serving entities (LSEs), such as utilities that need access to the CAISO-managed grid. These TACs are directly correlated with electricity consumption: Customers incur higher TAC costs as their energy usage increases over a billing cycle. For instance, residents in California's hotter regions typically depend more heavily on air conditioning, resulting in higher electricity consumption and, hence, elevated TAC expenses. Statewide electric demand is anticipated to rise substantially in the coming decades with California's ongoing electrification efforts. While these shifts support the state's clean energy objectives, they will also contribute to higher TAC obligations for ratepayers. Specifically, as of July 2024, the TAC rate stood at \$ 11.60/MWh.¹⁶ This rate reflects the costs associated with the transmission system's operation and maintenance, as approved by the FERC. Looking ahead, the TAC is projected to rise significantly to accommodate the integration of new clean energy resources into California's grid. However, the TAC is expected to increase to approximately \$52.10/MWh by 2045, representing a 350% increase over the 2024 rate.¹⁷ This substantial increase is driven by the anticipated investments in transmission infrastructure required to support California's clean energy goals, including the development of offshore wind, utility-scale solar, and battery storage projects.

¹³ Western Energy Markets; "Glossary of terms and acronyms";

https://www.westerneim.com/Pages/glossary.aspx?PageFirstRow=51&Paged=TRUE&PagedPrev=TRUE&SortDir=Desc&SortDir=Desc&SortField=Term&SortField=Term&View=%7BB96B7836-A451-4EB2-8075-475D0E5EBCF7%7D&p_ID=1536&p_SortBehavior=0&p_Term=Total+CAISO+Markets+Uplift

¹⁴ CPUC; "Electric Transmission Rates and FERC Proceedings"; <https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/electric-costs/electric-transmission-rates-and-ferc-proceedings>

¹⁵ Ibid

¹⁶ Public Advocates Office; "Public Advocates Office"; Transmission Data Dashboard (as of October 2024). Accessed March 21, 2025.

¹⁷ Public Advocates Office; "Public Advocates Office"; Transmission Data Dashboard (as of October 2024). Accessed March 21, 2025.

20 year Transmission Outlook – Released in 2022, the 20-Year Transmission Outlook is a long-term planning study initiated by the California Independent System Operator (CAISO) outside its normal transmission planning cycle, in coordination with the CEC and the California Public Utilities Commission (CPUC). The study evaluates the longer-term grid needed to reliably and cost-effectively achieve the state’s 100% Clean Energy Policy. To achieve this effort, the study provides a conceptual roadmap for how the transmission grid should evolve over the next two decades. It incorporates projected resource development and electricity demand, guided by input from state agencies on load forecasting and resource planning. The initial study projects that approximately \$30.5 billion in transmission development will be needed to meet California's 2045 clean energy goals.¹⁸ However, the 2024 updated study, which builds on the 2022 analysis, estimates California will require between \$45.8 billion to \$63.2 billion in new transmission infrastructure by 2045.¹⁹ The CAISO notes that the projected “transmission needs will range from high-voltage lines that traverse significant distances to access out-of-state resources, as well as major generation pockets, including offshore wind and geothermal resources located in California.”²⁰

Alternative Financing Models for Transmission Infrastructure. California’s electricity rates are among the highest in the country. Electricity rates also have been increasing rapidly in recent years and are projected to continue to outpace inflation over the next few years.²¹ Transmission accounts for approximately 30% of a utility’s base revenue, and this share is expected to rise.²² As alluded to earlier, transmission access charge is projected to rise by 350% increase over the 2024 rate — all at the expense of ratepayers. As such, the need for innovative and cost-effective approaches to financing transmission infrastructure is becoming increasingly urgent. Currently, infrastructure services — including electricity, transportation, and telecommunications — are funded through a variety of institutional models involving public entities, private companies, or public-private partnerships. Developing “alternative” financing options for transmission through a combination of 1) leveraging low-cost public debt 2) structuring projects under tax-exempt public ownership, and 3) reducing or eliminating the rate of return —could generate significant cost savings for ratepayers. Recent research estimates that these approaches could achieve more than 50% in cost savings annually relative to conventional utility financing models.²³

COMMENTS:

- 1) *Author’s statement.* According to the author, “California’s ambitious clean energy goals require that renewable and zero-carbon energy resources supply 100 percent of electric retail sales to customers by 2045. In addition to needing to quadruple clean energy capacity, deployment of 100 percent renewable and zero-carbon resources will require an enormous expansion in new transmission to bring these resources from various regions across the state. Unfortunately, it is becoming increasingly likely that relying solely on the traditional investor-owned utility financing and development model for deployment

¹⁸ Pg.3, CASO; “20-Year Transmission Outlook”; May 2022

¹⁹ Pg.2, CASO; “20-Year Transmission Outlook”; May 2024

²⁰ Pg.1, CASO; “20-Year Transmission Outlook”; May 2024

²¹ Pg. 2; Legislative Analyst Office, “Assessing California’s Climate Policies— Residential Electricity Rates in California”; January 2025

²² P.g. 11; CPUC, 2023 California Electric and Natural Gas Cost Report; <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/office-of-governmental-affairs-division/reports/2024/2023-ab-67-report.pdf>

²³ P.g 5; Clean Air Force & Net-Zero California Report, “Wired for Savings: Evaluating the Impact of Alternative Transmission Financing and Development Models on California Ratepayers”

of this multi-billion-dollar infrastructure portfolio will result in substantial increased costs to ratepayers. Transmission currently comprises about 30 percent of California IOU rate base, representing a key factor in determining electric rates. This challenge threatens to undermine the transition to clean energy. AB 825 creates a Public Transmission Program that will utilize the \$325 million of Proposition 4 funds authorized by voters to be used to fund efforts to lower the cost of future transmission projects. By making lower cost debt and equity available to transmission developers, this bill will make possible the use of novel public-private collaborations with the potential to save ratepayers billions of dollars per year over the next two decades.”

- 2) *Purpose and Key Definitions.* This legislation seeks to create a public financing mechanism to lower the cost of developing transmission projects, and ultimately reduce the financial burden on ratepayers. To support this purpose, it also defines key terms related to eligibility and participation in the financing program as follows:
 - i) “Public transmission sponsor” refers to any public owner of any portion of a new electric transmission project, including a state agency designated by the Governor, the Department of Water Resources, the California Consumer Power and Conservation Financing Authority, local public agencies, tribal organizations, or joint powers authorities. For purposes of this analysis, the public transmission sponsor will also mean public transmission owner.
 - ii) “Eligible transmission project” refers to any electric transmission project where an electrical corporation or local publicly owned electric utility has the primary responsibility for construction and ownership.
 - iii) “Participating party” refers to any person, company, corporation, association, state, or municipal governmental entity, partnership, firm, or other entity or group of entities, whether organized for profit or not for profit, engaged in business or operations within the state and that applies for financing from the bank in conjunction with a sponsor for the purpose of implementing a project.
- 3) *Public Transmission Financing Fund.* This legislation establishes the Public Transmission Financing Fund within the State Treasury to finance critical transmission projects needed to meet California’s clean energy goals, while helping to reduce or offset costs that would otherwise be passed on to ratepayers. For administration purposes, the bill also creates the Public Transmission Financing Program, administered by I-Bank to support the financing of public partnerships of transmission projects developed and primarily owned by the IOUs that are not subject to CAISO competitive solicitation. This measure provides that the Program and the Fund would be available to a range of public sponsors including state agencies, local public agencies, tribal organizations or joint powers authorities.
- 4) *Proposition 4 Funding.* SB 867 (Allen, Chapter 83, Statutes of 2024) — known as the Safe Drinking Water, Wildfire Prevention, Drought Preparedness, and Clean Air Bond Act of 2024 — authorized the issuance of \$10 billion in general obligation bonds to fund a range of environmental and climate resilience projects, including safe drinking water, wildfire prevention, drought preparedness, and clean air initiatives. The legislation was placed on the ballot as Proposition 4, which California voters approved during the

November 5, 2024 statewide general election. Of the \$10 billion authorized, \$850 million is allocated for clean energy projects, including \$325 million that may be made available—upon appropriation by the Legislature—to the I-Bank, the CEC, or another entity designated by the Legislature, for the public financing of clean energy transmission projects. This bill allows the Public Transmission Financing Fund to receive appropriations—including the potential \$325 million authorized under Proposition 4—subject to separate legislative action, to support efforts to lower the cost of eligible clean energy transmission projects.

- 5) *I-Bank*. Rather than establishing a new state agency to finance future transmission projects, California could leverage and expand the capabilities of existing institutions, such as the California Infrastructure and Economic Development Bank (I-Bank). This bill adopts that approach through broadening I-Bank’s legal authority to support public financing for eligible transmission projects. By building on an established agency with demonstrated financial and technical expertise, the state could accelerate the deployment of alternative financing mechanisms while avoiding the delays and costs associated with creating a new entity.

Established in 1994, I-Bank is a state-run financial institution that provides financing for public infrastructure and economic development projects.²⁴ For instance:

- Loans:
 - The Infrastructure State Revolving Fund ISRF provides low-cost infrastructure loans to eligible public agencies for projects such as road repairs, water supply and waste water treatment facilities, and public buildings. Financing is available in amounts from \$1 million to \$65 million, with loan terms of up to 30 years depending on project characteristics. Loans under the ISRF program are generally not available to private developers. However, through separate programs, the I-Bank may finance projects involving private entities when the project serves a broader public or environmental benefit.²⁵
 - The Climate Catalyst Fund provides flexible, low-cost financing and credit support to public and private sector applicants for projects that advance California’s climate goals, including clean energy transmission under specified conditions. While private entities are eligible to apply, projects must demonstrate a clear public or environmental benefit and address financing gaps that traditional markets have been unwilling to fill.
 - - Statute also allows Climate Catalyst Fund to provide credit enhancements—financial tools (e.g loan guarantees) that reduce the risk to lenders and investors and improve the creditworthiness of borrowers who might not otherwise qualify for loans or

²⁴ California Infrastructure and Economic Development Bank, About I-Bank, available at: <https://www.ibank.ca.gov/about/about-ibank/> (accessed March 21, 2024).

²⁵ California Infrastructure and Economic Development Bank, Infrastructure Loans, available at: <https://www.ibank.ca.gov/loans/infrastructure-loans/> (accessed March 21, 2025).

favorable terms. These guarantees are designed to help small businesses that may not meet conventional underwriting standards access term loans or lines of credit by reducing the risk to participating lenders, and making it more feasible for them to extend credit. Credit enhancements typically require less upfront cost compared to direct public loans because the state guarantees repayment to the lender rather than disbursing the full loan amount to the borrower.²⁶ This approach allows the state to stretch its financial resources and support more projects than it could through direct loans.

However, given credit enhancements do not provide direct public financing but rather serve as public support for private financing, the ultimate financing decisions remain under the discretion of private investors.²⁷

- Bonds: As a conduit issuer, I-Bank does not directly underwrite or guarantee the bonds it issues. Instead, it issues bonds on behalf of a qualified borrower and then lends the bond proceeds to that borrower to finance an eligible public or nonprofit project.²⁸ I-Bank can issue taxable and tax-exempt bonds to finance eligible projects that serve a public benefit, such as public infrastructure (e.g., educational facilities and municipal utilities, and non-profit facilities).
 - Tax-exempt Bonds: These bonds issued through I-Bank typically offer lower interest rates because the interest income earned by investors is exempt from federal income tax and, in some cases, state income tax. This tax advantage reduces the overall cost of financing for eligible public or nonprofit projects. Under specified conditions, I-Bank issues tax-exempt financing for projects that are government-owned or consist of private improvements within publicly-owned facilities, including local utility facilities and solid and hazardous waste disposal facilities.²⁹
 - Taxable Bonds: These bonds typically finance projects that, while serving public or economic development purposes, do not meet the stringent requirements for tax-exempt status under federal law. Therefore, taxable bonds may carry higher interest rates, but allow for broader financing flexibility.

²⁶ P.g 33; “Improving Transmission Financing in California: Alternative Models and Policy Strategies to Increase Affordability”; October 2024; As noted, “Compared to public loans, credit enhancements require less initial cost because the state would be guaranteeing a loan, reserving specified funds to cover partial loan losses, or making only an initial payment against loan interest, rather than issuing a loan in its entirety.”

²⁷ Ibid

²⁸ I-Bank; “Who is a conduit bond issuer?” <https://www.ibank.ca.gov/bonds/exempt-facility-bonds/>; Accessed April 25, 2025.

²⁹ I-Bank; “Exempt Facility Bonds”; <https://www.ibank.ca.gov/bonds/exempt-facility-bonds/>; Accessed April 25, 2025

This legislation authorizes the I-Bank to issue taxable or tax-exempt bonds to finance eligible transmission projects necessary to meet the state’s clean energy and reliability goals. Pursuant to this authority, the I-Bank may loan bond proceeds to public transmission sponsors—including state agencies, local public agencies, tribal organizations, and joint powers authorities—or deposit bond proceeds into the newly established Public Transmission Financing Fund to administer loans, repayments, and other financial assistance for eligible transmission projects. The measure further authorizes the I-Bank to utilize bond proceeds to refinance previously issued bonds in order to secure lower interest rates, reduce borrowing costs, or otherwise improve financial terms. By leveraging public bond financing, AB 825 provides a mechanism for public entities to access the upfront capital needed for transmission development without requiring immediate appropriations or imposing significant near-term costs on ratepayers. Repayment obligations are structured over an extended period and are intended to be supported by project-related revenues, such as transmission access charges.

- 6) *Flexibility*. Securing low-cost financing for transmission projects often requires customized approaches that account for diverse project risks and structures. Therefore, flexibility is critical because transmission projects are typically large, complex, and capital-intensive, with financing needs that may vary significantly depending on project size, ownership structure, and development timeline. By authorizing the I-Bank to operate either independently or in syndication with other lenders, AB 825 encourages co-investment from private and public financing entities, broadening the pool of available capital and helping to accelerate the development of transmission infrastructure beyond what state resources alone could support.
- 7) *Maximum Ratepayer Benefits*. This legislation prohibits the I-Bank from financing a transmission project that intends to recover its costs through a FERC-approved revenue requirement, unless the public transmission owner agrees to financial commitments. Specifically, If FERC approves a revenue requirement that exceeds the public transmission owner’s actual project costs, the public owner must refund any excess revenues. Excess revenues are defined as amounts collected above the true cost of capital, operations and maintenance, overhead, and wildfire liability. These refunds must be provided either through reducing in transmission access charges or direct bill credits to retail customers. This provision ensures that public financing cannot be used to generate windfall profits by requiring that the Public Transmission Owner pass through 100% of the savings from lower-cost public financing directly to ratepayers.
- 8) *CPA Authority*. This measure also proposes to expand the authority of the California Consumer Power and Conservation Financing Authority (CPA). For background, CPA was originally established in 2001 in response to the state’s energy crisis.³⁰ Its statutory mandate was to ensure a reliable supply of electricity, promote energy efficiency, and facilitate the development of clean, affordable power generation including to construct, own, and operate electric power facilities, and finance energy conservation projects.³¹ The CPA was authorized to issue up to \$5 billion in revenue bonds to finance new

³⁰ Public Utilities Code § 3300 et seq

³¹ U.S. Energy Information Administration; “Subsequent Events California’s Energy Crisis”; <https://www.eia.gov/electricity/policies/legislation/california/subsequentevents.html>

infrastructure, including power plants and conservation programs, and to enter into public-private partnerships to accelerate grid development.

However, as noted by the Legislative Analyst's Office (LAO) in multiple reports, the CPA struggled to establish a strong operational role amidst its overlapping functions with other agencies. By 2004, it had failed to develop or finance any major generation facilities, largely due to unfavorable market conditions and the absence of long-term power contracts. Its limited impact and overlapping functions ultimately led to its de facto dissolution. As such, its statutory authority, including its bond issuance powers, was formally repealed by SB 1222 (Hertzberg, Chapter 842, Statutes of 2016).

Given this history, AB 825 proposes to reestablish and expand the CPA's role by authorizing it to:

- Sponsor transmission partnerships,
- Finance transmission projects,
- Purchase, lease, own, operate, acquire, or construct projects in partnership with both:
 - A public transmission owner (such as a municipal utility, JPA, or state agency), and
 - An electrical corporation (like PG&E, SCE, SDG&E — the IOUs).

AB 825 grants new authority to the CPA beyond its original 2001 statute, which primarily focused on developing power generation facilities rather than transmission infrastructure. The legislation also authorizes the CPA to engage in public-private partnerships enabling shared ownership, financing, and development of new or upgraded transmission infrastructure.

- 9) *Repeal Bond Limit.* As noted above, CPA was authorized to issue bonds in an amount not to exceed \$5 billion exclusive of any refunds. This bill deletes the \$5 billion limit.
- 10) *Examples at Hand.* Examples of public-private partnership related to transmission financing already exists.³² In 2009, San Diego Gas & Electric (SDG&E) partnered with the nonprofit Citizens Energy Corporation through a Development and Coordination Agreement, granting Citizens Energy the option to lease 50% of the transfer capability of the 117 Sunrise Powerlink transmission line for a 30-year term. Citizens Energy provided approximately \$85 million³³ in upfront capital in exchange for an entitlement to a portion of the line's capacity. This entitlement allows Citizens Energy to collect a share of the

³² In Decision 11-05-048, the CPUC approved a similar Citizens investment of approximately \$85 million investment in a San Diego Gas & Electric Company ("SDG&E") high-voltage transmission line, the Sunrise Powerlink Project https://docs.cpuc.ca.gov/PublishedDocs/WORD_PDF/FINAL_DECISION/136211.PDF). In Decision 19-03-024, the Commission approved a similar investment by Citizens, of approximately \$27 million, in another SDG&E high-voltage transmission project, the Sycamore-Peñasquitos Project <https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M280/K049/280049415.PDF>). In both cases, Citizens was committed, as it will be if the Commission approves PG&E's proposal here, to use a substantial portion its after-tax profits to fund charitable programs benefiting disadvantaged communities and low-income families.

FERC-approved revenue requirement through the California Independent System Operator (CAISO) Transmission Access Charge (TAC), as well as a portion of transmission congestion revenues. Under this type of agreement, Citizens Energy committed to using a portion of its net after-tax profits to fund charitable programs benefiting utility ratepayers, with a particular focus on low-income and disadvantaged communities. For example, proceeds from the Sunrise Powerlink have been used to provide free rooftop solar systems to low-income homeowners in the Imperial Valley.³⁴

Similarly, AB 825 would authorize the CPA to partner with electrical corporations or other private entities by purchasing a long-term entitlement to a portion of a transmission asset. This arrangement would enable the CPA to receive a share of revenues collected through the CAISO TAC, following a model similar to the Citizens Energy arrangement. By leveraging public-private financing in this way, the measure seeks to ensure that all transmission cost savings are passed on to ratepayers.

11) *Related Legislation.*

AB 745 (Irwin, 2025) would consistent with the commission's authority to review and approve new transmission line projects undertaken pursuant to the CAISO planning process, require the commission to review and approve or deny transmission line projects, including the extension, expansion, upgrade, or other modification of existing transmission lines, initiated by an electrical corporation based on the appropriateness and cost-effectiveness of the projects. Status: Assembly Utilities & Energy Committee

AB 1182 (Irwin, 2025) would require the CEC to prepare and submit a report to the Governor and Legislature, by July 1, 2026, on the status of electrical transmission and distribution grid infrastructure manufacturing in California. Status: Assembly Committee on Appropriations

SB 254 (Becker, 2025) would create the Clean Energy Infrastructure Authority as a public instrumentality of the state for the purpose of leading the state's efforts to build critical clean energy infrastructure necessary to enable the state to transition to 100% clean energy, as specified. Status: Senate Utilities & Energy Committee

SB 330 (Padilla, 2025) would authorize the Governor to establish one or more pilot projects to develop, finance, or operate electrical transmission infrastructure that meet the specified criteria, including, among other things, that the transmission line is identified by the CAISO in its transmission planning process as necessary to support clean energy generation to meet the state's clean energy goals. Status: Senate Utilities & Energy Committee

SB 769 (Caballero, 2025) would establish the Golden State Infrastructure Corporation (Corporation) within the State Treasurer's Office as a not-for-profit corporation for the purpose of financing infrastructure projects. Status: Senate Judiciary Committee

³⁴ T&D World, "PG&E To Raise About \$1 Billion For Transmission Through Leases To Citizens Energy"; PG&E To Raise About \$1 Billion For Transmission Through Leases To Citizens Energy"

12) *Prior Legislation.*

SB 1032 (Becker, 2022) creates the Clean Energy Infrastructure Authority as a public instrumentality of the state for the purpose of leading the state's efforts to build critical electrical transmission infrastructure necessary to enable the state to transition to 100 percent clean energy, as specified. Status: Held under submission in the Assembly Committee on Appropriations.

SB 100 (De León) established the 100 Percent Clean Energy Act of 2018 which increases the RPS requirement from 50 percent by 2030 to 60 percent, and created the policy of planning to meet all of the state's retail electricity supply with a mix of RPS-eligible and zero-carbon resources by December 31, 2045, for a total of 100 percent clean energy. Status: Chapter 312, Statutes of 2018.

AB 1954 (Skinner) authorizes the CPUC to approve in advance the recovery through electricity rates of the costs of a transmission project proposed to meet the state's RPS goals. The bill provides that ultimate rate recovery is still subject to review by the CPUC to ensure that the utility incurred the costs reasonably and prudently. Status: Chapter 460, Statutes of 2010.

REGISTERED SUPPORT / OPPOSITION:

Support

Advanced Energy United
California Environmental Voters (formerly Clcv)
The Utility Reform Network (TURN)

Opposition

None on file.

Analysis Prepared by: Lina V. Malova / U. & E. / (916) 319-2083