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California State Assembly

UTILITIES AND ENERGY



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BACKGROUND

Thursday, January 15, 2026
Upon adjournment of bill hearing
1021 O Street, Room 1100

Transmission Accelerator Implementation

In September of last year, the Legislature passed, and the Governor signed into law, SB 254 (Becker, Petrie-Norris, Wahab). The measure is an expansive effort to address electricity affordability, with provisions that limit investor-owned utility (IOU) earnings on capital projects, clarify and improve wildfire mitigation plan oversight, modify clean energy permitting, and fund an account to stabilize utility wildfire liabilities.¹ SB 254 also created the California Transmission Infrastructure Accelerator (the Accelerator) at the Governor's Office of Business and Economic Development (GO-Biz), establishing a new mechanism to finance electrical transmission projects with public debt.

The logic behind the Accelerator policy is straightforward: public financing lowers borrowing costs, eliminates profit, and reduces federal and state tax burdens, which together can significantly reduce the overall cost of building transmission infrastructure. Given that the California Independent System Operator (CAISO), in its 2024 *20-year Outlook*,² estimated total transmission development costs of \$45.8–\$63.2 billion to meet the state's 2045 clean energy goals, even modest savings on individual projects could add up to significant savings when applied across multiple projects over time.

However, the implementation of the Accelerator and the execution of publicly financed transmission projects will be complex, requiring new expertise at state agencies, forging new partnerships between federal, state, and local governments and private companies, ensuring financial instruments uphold the promise of lower costs to ratepayers, and scrutinizing project operations to ensure efficient construction and delivery. Last week, the administration offered their initial proposal to implement the Accelerator,³ including 10 limited-term positions over the five years of the Accelerator's authority and \$322.5 million in Proposition 4 dollars for

¹ SB 254 (Chapter 119, Statutes of 2025);

https://www.leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202520260SB254

² CAISO, "2024 20-Year Transmission Outlook," July 31, 2024; <https://www.caiso.com/documents/2024-20-year-transmission-outlook-jul-31-2024.pdf>

³ GO-Biz Budget Change Proposal (0509-046-BCP-2026-GB); "Energy and Modernization Affordability (SB 254)"; January 9, 2026; https://bcp.dof.ca.gov/2627/FY2627_ORG0509_BCP8752.pdf

initial project funding. While the administration’s Accelerator budget proposal outlines how to build internal capacity and begin initial work, it focuses mainly on producing workplans and setting up organizational structures. It will be important for the Legislature to define the goals and milestones the Accelerator is expected to achieve between now and 2031—such as the total miles of new transmission or estimated ratepayer savings. Providing this guidance now can help the GO-Biz prepare strategic workplans that are aligned with legislative expectations.

The purpose of this hearing is to provide oversight of the state agencies as they implement this new law, to ensure the Accelerator is on track to not only operate effectively and in line with legislative intent but also is properly staffed to execute on its directives quickly and efficiently.

Oversight is a core responsibility of the Legislature, equally important as passing laws. This hearing demonstrates the Committee’s ongoing commitment to its oversight function and provides an opportunity to collaborate with our colleagues on the Assembly Committee on Budget, who regularly conduct essential oversight of policy implementation.

Brief Primer on Electrical Transmission and Cost.

Electrical transmission lines are the interstate highways that transport electrical energy from generating power plants (solar, nuclear, natural gas, etc.) to homes and businesses. The mechanics of how electrical energy moves is complex, but the basics are categorized by transmission lines carrying energy at relatively high voltages (usually greater than 69 kilovolts⁴) while distribution lines carry anything of lower voltage. Transmission lines may be owned and operated by IOUs, publicly owned utilities (POUs), or even independent third-party transmission owners that competitively bid for transmission projects.

The California Public Utilities Commission (CPUC) typically estimates that under ideal conditions major transmission projects require five to six years to move from initial concept and planning to full construction.⁵ However, these timelines are often extended, with many projects taking ten years or more to complete due to various delays in the transmission development process.

As the transmission system connects electricity generators to consumers, planning new transmission lines or upgrades requires knowing where future power will come from and how electricity use is expected to change. That planning occurs annually at the CAISO, a non-profit, public entity tasked with operating the electrical grid and planning for new transmission projects. CAISO receives supply and demand forecasts from both the CPUC and California Energy Commission (CEC), respectively, to then appropriately model transmission needs 10-, 15-, and sometimes 20-years out.

⁴ Though this is not a hard-and-fast rule, some utilities designate circuits >60kV “transmission.” >69kV is NERC’s definition, as provided by the U.S. Energy Information Administration glossary of terms. <https://www.eia.gov/tools/glossary/index.php?id=T>

⁵ California Public Utilities Commission (CPUC), “General Information on Permitting Electric Transmission Projects at the CPUC”, June 2009.

In its 2023–24 transmission planning cycle, CAISO identified 26 transmission projects with an estimated cost of \$ 6.1 billion.⁶ Overall, transmission costs are expected to rise to \$45–\$60 billion,⁷ adding to California’s already high electricity rates. In fact, as part of its budget proposal, GO-Biz noted CAISO’s current 2025-2026 transmission projections demonstrate an \$8.3 billion need for new transmission by 2035.⁸ This highlights the urgent need to explore alternative financing approaches for transmission infrastructure that reduce the strain on ratepayers.

Alternative Financing Models.

The estimated cost of CAISO’s 2024 *20-Year Outlook* is between \$39 and \$54 billion for engineering and construction costs only. According to a report by Net-Zero California (NZC) and the Clean Air Task Force (CATF), if financing and development costs are included, this number increases to up to \$216 billion over 40 years under an IOU financing and development scenario.⁹ This report proposed various financial models to help offset these costs, ranging from public financing made available to private companies to reduce their borrowing costs to wholly public ownership.

Public-private partnerships (or, “P3s”) are a popular alternative financing model. P3s are long-term (typically 25 or more years) performance-based contracts between public- and private-sector entities, where the private sector takes or shares responsibility and risk for specific elements of the infrastructure project.¹⁰ In 1989, California was one of the first states to pass P3 legislation, and two of the nation’s first P3 highway projects were built in Southern California under that legislation.¹¹ According to the Public Advocates Office, which has encouraged the state to explore P3 arrangements to finance transmission, “[P3] would likely result in intermediate ratepayer savings between the bookends of pure public and pure private investment options.”¹²

Two types of P3 are examined in the NZC-CATF report: P3-concession and P3-lease arrangements. In a P3-concession, a private company designs, builds, finances, and operates the asset for the life of the agreement, recouping its investment through fees, then returning the asset to the government. This reduces upfront public investment, and NZC-CATF estimated it can generate about \$1.3 billion in annual savings over 40 years. In a P3-lease, the government finances the asset but contracts a private partner to operate and maintain it,

⁶ California ISO, “2023-2024 Transmission Plan”. Board Approved on May 23-20234

⁷ Cumulative by 2045, to meet our 2045 goals

⁸ Table on pg. 11 of GO-Biz BCP; (0509-046-BCP-2026-GB); “Energy and Modernization Affordability (SB 254)”; January 9, 2026; https://bcp.dof.ca.gov/2627/FY2627_ORG0509_BCP8752.pdf

⁹ Pg. 5, CATF & NZC, “Wired for Savings;”

https://drive.google.com/file/d/1O7Rxq5FJhyf4Akj2_nZAtxcigSwiLy-l/view

¹⁰ Bay Area Council Economic Institute, *Public-Private Partnerships in California How Governments Can Innovate, Attract Investment, and Improve Infrastructure Performance* 1 (Aug. 2018), available at: <http://www.bayareaeconomy.org/files/pdf/P3inCaliforniaWeb.pdf>

¹¹ Alan T. Marks et. al, *California Public Private Partnership Developments*, Milbank (March 23, 2009), available at: https://www.milbank.com/a/web/606/032309_California_Public_Private_Partner-ship_Developments.pdf (discussing AB 680 (1989)); Assem. Bill 680 (1989-90 Reg. Sess.) available at: https://ppp.worldbank.org/public-private-partnership/sites/ppp.worldbank.org/files/ppp_testdumb/documents/CaliforniaTollRoadLaw.pdf.

¹² The Public Advocates Office, *Public investment infrastructure is a promising option to support California’s energy transition and reduce ratepayer costs* 4 (May 16, 2023), available at: <https://www.publicadvocates.cpuc.ca.gov/-/media/cal-advocates-website/filesreports/230516-caladvocates-public-investment-in-infrastructure.pdf>

combining lower-cost public financing with private-sector efficiency and risk management, producing higher savings: roughly \$3 billion per year over the same period.

The statutory authority of the Accelerator is sufficiently broad to be inclusive of all these models.¹³ It will be up to the Accelerator, through its P3 plan due to the Legislature by July 1, 2027, to articulate which financing options provide the appropriate balance in reducing overall capital costs while still garnering interest from both public sponsors and private partners.¹⁴

What is the Transmission Accelerator?

SB 254 directs the GO-Biz Energy Unit to establish the Accelerator to develop financing opportunities for eligible electric transmission projects. Low-cost public financing would be provided to eligible recipients by the California Infrastructure and Economic Development Bank (I-Bank); the recipients would then pay it back to the Accelerator Revolving Fund (Revolving Fund), enabling the financing to be used for other transmission projects.

By law,¹⁵ the Energy Unit is responsible for coordinating with other agencies – such as the CPUC, CEC, CAISO, IBank, and others – as well as outside parties when needed, to establish the Accelerator. Together, these entities will create a strategy for financing and developing eligible transmission projects. The Accelerator has until December 31, 2026, to coordinate these activities, and sequence them in a manner consistent with CAISO procedures.

The statute provides that the Accelerator and the Revolving Fund would be available to a range of public sponsors, so long as their project meets specified criteria. The Accelerator is required to maintain a list of qualified public entities interested in being public sponsors of Accelerator projects. Once a project is selected, the Accelerator will take steps to speed up its development and deployment, aiming to save money for ratepayers; although the statute provides little guidance on how this speeding up should occur.

Given these many directives of the Accelerator, the Committee may wish to ask panelists to comment upon:

- *Does GO-Biz believe it has sufficient authority to coordinate the public entities necessary to move Accelerator projects forward, or is further guidance needed?*
 - *This is inclusive of authority in coordinating state agencies to establish the Accelerator; as well as determining qualifications and maintaining the list of public entities seeking to participate in Accelerator projects.*
- *How will the Accelerator support projects beyond financing? – are activities such as permitting assistance, supply chain coordination, and project risk mitigation contemplated? If so, why and how?*
- *How will the Accelerator track and report progress transparently to the Legislature and stakeholders?*

¹³ “eligible applicants” are defined as any “public agency, local agency, nonprofit organization, special district, joint powers authority, tribe, public utility, local publicly owned utility, or mutual water company.” Public Resources Code § 90110, as referenced in Government Code § 63049.71 (g)

¹⁴ Government Code § 12100.112

¹⁵ Government Code § 12100.110 (h)

- *Statute requires a “financing and development strategy”¹⁶ for the Accelerator without a clear deadline nor requirement for Legislative filing. Does GO-Biz have an estimated delivery timeline for that strategy?*
- *Additionally, GO-Biz’s Energy Unit has annual reporting obligations each February. Has GO-Biz considered inclusion of Accelerator progress in that annual report on a moving-forward basis?*
- *CAISO’s TPP is annually released around May. Does GO-Biz envision the Accelerator being able to engage in the competitive process in 2027?*
 - *Does GO-Biz have clarity on how to manage collaboration with CAISO, consistent with federal rules, or is more guidance needed?*

Accelerator Project Financing.

While the Energy Unit coordinates with the other agencies, IBank manages the financing tools needed to fund the chosen projects. After a project is approved by the Accelerator, IBank can provide financial support either directly to eligible applicants or through a bank or other financial institution, using the California Transmission Accelerator Revolving Fund.

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, the law 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. It also establishes the Accelerator Program as a revolving program, so transmission developers would pay back the fund from their project revenues, growing the pool available for further transmission development.

The Committee may wish to ask panelists to comment upon:

- *Whether the \$322.5 million initial Proposition 4 allocation is sufficient relative to the projected need for \$8 billion plus in transmission investments?*
- *What other revenue sources will be tapped and how reliably can these sources be forecasted (such as the Cap and Invest revenue from AB 1207, Irwin, 2025)?*
- *What safeguards exist to ensure public financing does not expose the state to undue financial risk? Are there collateral requirements, project fail-safes, or risk sharing that I-Bank typically employs when structuring project financing?*
 - *For instance, are state agencies contemplating what accountability or recoupment mechanisms would need to be in place if Accelerator projects are delayed, canceled, or grossly over budget?*

Statutory Changes.

By law, projects eligible for Accelerator financing must meet specified conditions, including:

- a) Have at least one interconnection point within the CAISO balancing authority.

¹⁶ Government Code § 12100.110 (h)

- b) The applicant (or its affiliates) has previously completed a transmission project in the state.
- c) Be a project subject to the competitive solicitation process administered by the CAISO.
- d) Be a project consistent with the state’s reliability and greenhouse gas policy objectives.
- e) Reduce its cost recovery requests by the amount of savings achieved through tax credits received (20% tax credit for 10 years, not to exceed \$20 million);
- f) Commit to requesting a revenue requirement at the Federal Energy Regulatory Commission (FERC) that reflects only its actual capital structure to minimize ratepayer impacts.
- g) Consistency with state policy.

These project criteria have prompted discussion since the statute was proposed. The most notable gap needing to be addressed is clarification on what labor standards eligible project applicants must demonstrate. The administration, in its budget proposal, notes “[a request for] statutory changes to allow for implementation of the revolving fund” is necessary.

The Committee may wish to ask the panelists what other elements of statute need clarification or expansion?

Conclusion

Electrical transmission is critical infrastructure that underpins our economy and the transition to a cleaner and more resilient system. Yet the scale of future build and the required capital to finance that scale have made financing these projects in the traditional manner – through private capital – too expensive for ratepayers. Strategic public financing can serve as a cost-reduction tool. The Accelerator provides a targeted and pragmatic intervention, if deployed successfully, to address project costs without distorting the broader market. To succeed, the Legislature must work in close partnership with the administration to ensure the program is implemented effectively and remains faithful to the shared vision of affordability and long-term public value.

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