FIRST SET OF INFORMATION REQUESTS TO
HORIZON WEST TRANSMISSION LLC FROM
THE CALIFORNIA DEPARTMENT OF WATER RESOURCES
STATE WATER PROJECT AND
THE NORTHERN CALIFORNIA POWER AGENCY

2025 True-Up Adjustment and 2027 Annual Projection

October 19, 2026

CDWR NCPA-HWT-1.1

Refer to section 2(a) of HWT's Protocols. With respect to the draft 2025 True-Up Adjustment, please provide "a variance analysis of, at minimum, actual revenue requirement components of rate base, operating and maintenance expenses, depreciation expense, taxes, return on rate base, and revenue credits as compared to the corresponding components in the projected revenue requirement that was calculated for the prior Rate Year [i.e., 2025] with an explanation of material changes."

Response:

Rate Base
Total Net Plant was immaterial.
CWIP is $22.3 MM lower because of a change in scope on the Recon project, under which HWT sold the T-Line portion of the project to SDG&E.
ADIT is $0.8 MM higher due to CPI adjustments made during the 2025 Rate Year
Total Working Capital is $0.6 MM higher due to increased O&M and A&G expenses.

Revenue Requirement
O&M and A&G (+$3.46M): Operating and Administrative cost increases stem from refining overhead allocation methodologies, intended to better reflect the actual cost of running the business. These refinements are part of Horizon West Transmission, LLC's ("HWT") ongoing efforts to align cost distribution with operational realities, enterprise support functions, and administrative activities to ensure transparency in financial reporting. The lower rate base reduced **Return** by $1.10M and **Total Income Taxes** by $0.42M, partially offsetting higher O&M and A&G.

Appendix III Line	Component	2025 Projection ($)	2025 True-Up ($)	True-Up vs Projection ($)
	Rate Base			
7	TOTAL GROSS PLANT (sum lines 5-6)	$75,538,203	$75,769,899	$231,696
11	TOTAL ACCUM. DEPRECIATION (sum lines 9-10)	$6,940,335	$7,174,176	$233,840
15	**TOTAL NET PLANT (sum lines 13-14)**	$68,597,867	$68,595,723	($2,144)
17	ADIT	($8,360,852)	($7,557,959)	$802,893
19	CWIP	$31,580,999	$9,262,330	($22,318,668)
21	Unamortized Regulatory Assets	$10,079,114	$10,079,114	-
23	**TOTAL ADJUSTMENTS (sum lines 17-22)**	$33,299,261	$11,783,485	($21,515,776)
24	LAND HELD FOR FUTURE USE	$2,036,138	$2,036,816	$678
26	CWC	$1,128,717	$1,561,676	$432,959
28	Prepayments (Account 165 - Note C)	$108,038	$257,859	$149,821
29	TOTAL WORKING CAPITAL (sum lines 26-28)	$1,236,755	$1,819,535	$582,780
30	**RATE BASE (sum lines 15, 23, 24, & 29)**	**$105,170,021**	**$84,235,560**	**($20,934,461)**
	Revenue Requirement			
32	Transmission	$8,757,112	$9,644,063	$886,951
34	A&G	$1,270,344	$3,847,065	$2,576,721
38	**TOTAL O&M and A&G (sum lines 32, 33a, 33b, 34, 36, 37 less lines 33 & 35)**	**$10,027,456**	**$13,491,128**	**$3,463,672**
43	**TOTAL DEPRECIATION (Sum lines 40-42)**	**$2,228,341**	**$2,276,555**	**$48,214**
52	TOTAL OTHER TAXES (sum lines 46-47 and lines 49-51)	$1,340,791	$1,729,520	$388,729
59a	Tax Effect of Permanent Differences, including AFUDC Equity (Note Q)	$277,229	$305,372	$28,144
60	Income Tax Calculation = line 55 * line 64	$2,501,011	$2,065,880	($435,131)
61a	Permanent Differences Tax Adjustment	$107,723	$118,659	$10,936
62	**Total Income Taxes**	**$2,608,734**	**$2,184,539**	**($424,195)**
64	[Rate Base (line 30) * Rate of Return (line 83)]	$8,127,539	$7,031,467	($1,096,072)
65	**Rev Requirement before Incenitive Projects (sum lines 38, 43, 52, 62, 64)**	**$24,332,862**	**$26,713,208**	**$2,380,347**
66	Return and Income Tax on Incentive Projects	-	-	-
67	**Total Revenue Requirement (sum lines 65 & 66)**	**$24,332,862**	**$26,713,208**	**$2,380,347**

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CDWR NCPA-HWT-1.2

Refer to section 3(e) of HWT's Protocols. With respect to the draft 2025 True-Up Adjustment, please provide: "details of any changes in Horizon West's accounting policies and practices from those in effect for the calendar year upon which the immediately preceding Annual Update Annual Update."

Response:

Pursuant to Section 3(e) of HWT's Protocols, HWT confirms that no changes have been made to its accounting policies or practices from those in effect for the calendar year upon which the immediately preceding Annual Update was based that would affect the Formula Rate or the calculation of the 2025 Annual Update.

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CDWR NCPA-HWT-1.3

Please provide:

a. The dollar amount of capital costs included in the 2025 True-Up Adjustment that are associated with the Suncrest Project.
b. The dollar amount of operations and maintenance costs included in the 2025 True-Up Adjustment that are associated with the Suncrest Project.
c. The dollar amount of administrative and general costs included in the 2025 True-Up Adjustment that are associated with the Suncrest Project.

Response:

a. The total capital costs in the 2025 True-up Adjustment associated with the Suncrest Project is $75,769,899 of Gross Property, Plant, and Equipment. This $75.8 MM includes $48,214,260 in Suncrest construction costs and $27,555,639 in operational capital projects. The nature and purpose of the costs contributing to this increase are primarily attributable to the inclusion of capital projects that represent strategic enhancements to support system reliability, cybersecurity posture, and operational continuity.

b. The total amount of Operations and Maintenance costs associated with the Suncrest Project on the 2025 True-up Adjustment is $9,644,063

c. The total amount of General and Administrative costs associated with the Suncrest Project on the 2025 True-up Adjustment is $3,847,065

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CDWR NCPA-HWT-1.4

Refer to HWT's January 5, 2026 Response to DWR's and NCPA's Preliminary Challenge to the 2024 Annual Update and 2026 Projection, Issue #2.1 and 2.2. Please explain whether the justification of how HWT is complying with its APSA capital cost cap and operations & maintenance cost cap for the Suncrest Project remains true and complete as to the 2025 True-Up Adjustment. If not, please supplement the explanation.

Response:

Yes, the justification of how HWT is complying with its APSA capital cost cap for the Suncrest Project remains true and complete as to the 2025 True-up Adjustment. The operations & maintenance cost cap in the APSA is for the first five years of operations, which expired at the end of 2024. Therefore, HWT is no longer bound by the $360,000 annual operations and maintenance cost cap.

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CDWR NCPA-HWT-1.5

Did HWT write off or otherwise not seek recovery of any costs associated with the Suncrest Project in 2025? If so, please:

a. describe the nature of and reasons for the write-offs or cost adjustments;
b. quantify the amount of the write-offs or cost adjustments and provide supporting calculations and documentation; and
c. identify how the write-offs or cost adjustments are reflected in the formula rate or HWT's FERC Form 1, as applicable.

Response:

HWT did not write-off or otherwise not seek recovery of any costs associated with the Suncrest Project in 2025.

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CDWR NCPA-HWT-1.6

Please explain how HWT recognizes any write-offs or adjustments to its recorded costs related to its APSA cost containment measures on an accounting basis.

Response:

On an accounting basis, HWT accounts for its Approved Project Sponsor Agreement ("APSA") cost containment measures in accordance with the FERC Uniform System of Accounts ("USofA") and Generally Accepted Accounting Principles ("GAAP") for regulated operations (ASC 980) so that any costs in excess of applicable binding APSA cost caps are excluded from recovery through HWT's Formula Rate:

- **Operating (O&M and A&G) Cost Caps:** When a binding APSA operating cost cap is in effect for an operational project, HWT performs a monthly assessment comparing actual project-related O&M (FERC 500-series accounts) and A&G (FERC 900-series accounts) expenses subject to the cap against the allotted cap. Any costs incurred more than the allotted cap are reclassified and recorded below the line to FERC Account 426.5 (Other Deductions) on HWT's books and reported on Page 114-117, Line 49 of HWT's FERC Form No. 1. Because HWT's Formula Rate Template (Appendix III, Lines 32–38) sources O&M and A&G expenses exclusively from FERC Form No. 1, Pages 321 and 323 (Accounts 560–573 and 920–935), recording costs in excess of the cap to FERC Account 426.5 removes them from utility operating expenses on an accounting basis and automatically excludes them from the Formula Rate calculation.
- **Capital Construction Cost Caps:** In accordance with FERC USofA instructions and ASC 980, if project construction costs exceed a binding APSA capital cost cap (after accounting for inflation adjustments or exclusions permitted under the APSA), the unrecoverable costs are written off below the line (to FERC Account 426.5) so that they are not capitalized to Electric Plant in Service (Account 101) and do not enter rate base in HWT's Formula Rate.
- **Revenue Requirement / Soft ROE Caps:** To the extent an APSA includes a post-commercial-operation annual revenue requirement cap or soft capital cost ROE cap that reduces the allowable revenue requirement below the standard Formula Rate calculation, such reduction is reflected as a Discount in Column L of Attachment 4 (*Transmission Enhancement Charge Worksheet*) of HWT's Formula Rate Template rather than as an accounting write-off of recorded costs.

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CDWR NCPA-HWT-1.7

Please provide:

a. The dollar amount of capital costs, if any, included in the 2025 True-Up Adjustment that are associated with the Estrella Project.
b. The dollar amount of operations and maintenance costs, if any, included in the 2025 True-Up Adjustment that are associated with the Estrella Project.
c. The dollar amount of administrative and general costs, if any, included in the 2025 True-Up Adjustment that are associated with the Estrella Project.

Response:

a. The 2025 True-up Adjustment includes $2,036,816 of Land Held for Future Use associated with the Estrella Project, as shown on Attachment 10, line 1a, and Appendix III, line 24.
b. The Estrella Project is not yet in-service, therefore, there are no operations and maintenance costs associated with the project.
c. The Estrella Project is not yet in service, therefore, there are no administrative and general costs associated with the project.

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CDWR NCPA-HWT-1.8

Please provide:

a. The dollar amount of capital costs included in the 2025 True-Up Adjustment that are associated with neither the Suncrest Project nor the Estrella Project, and a detailed description of the nature and purpose of any such costs.
b. The dollar amount of operations and maintenance costs included in the 2025 True-Up Adjustment that are associated with neither the Suncrest Project nor the Estrella Project, and a detailed description of the nature and purpose of any such costs.
c. The dollar amount of administrative and general costs included in the 2025 True-Up Adjustment that are associated with neither the Suncrest Project nor the Estrella Project, and a detailed description of the nature and purpose of any such costs.

Response:

a. The 2025 True-Up Adjustment includes $9,262,330 of construction work in progress in rate base, reflecting the thirteen-month average CWIP balances of two transmission projects for which HWT is the CAISO Approved Project Sponsor: North Gila and North of SONGS. The projects are described in Responses 1-9 and 1-10.

b. A total of $7,397,232 in Operations & Maintenance costs are unrelated to the Suncrest Project and Estrella Project. These expenditures were incurred as part of general CAISO System Planning activities under the 2024-2025 Transmission Planning Process, which encompasses 31 projects totaling $4.8 billion. Included in these costs are labor, materials, and other system planning expenses related to the interconnected bulk electric transmission systems, in accordance with 18 CFR Part 101.

c. There are no such costs.

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CDWR NCPA-HWT-1.9

Refer to the 2025 True-Up Adjustment, tab 8 - CWIP.

a. Please provide a description of work completed on the North Gila - Imperial Valley #2 500 kV Line Project during calendar year 2025.
b. Please provide an estimated schedule for completion of the North Gila - Imperial Valley #2 500 kV Line Project, including completed and projected milestone dates.
c. Please provide an estimate of total expected capital expenditures for the North Gila - Imperial Valley #2 500 kV Line Project, by calendar year.

Response:

a. During calendar year 2025, Horizon West Transmission continued development of the North Gila – Imperial Valley #2 500 kV Line Project. These activities included, but were not limited to:
    - Executed system impact study agreements and began conducting system impact studies in coordination with interconnecting utilities
    - Conducted outreach in Imperial and Yuma counties with federal, state, local, and tribal stakeholders
    - Completed desktop research and environmental field studies
    - Prepared a routing report
    - Prepared technical resource studies and plans
    - Began geotechnical investigation activities
    - Completed pre-filing activities with CPUC
    - Continued engineering design activities
    - Began procurement activities for long-lead items
    - Prepared and submitted a CPCN application and Proponent's Environmental Assessment to CPUC
    - Prepared and submitted a SF-299 application and Plan of Development to Bureau of Land Management
    - Evaluated route alternatives as proposed by various stakeholders
    - Conducted landowner outreach
    - Participated in recurring meetings with federal and state lead agencies
    - Submitted quarterly construction status reports to CAISO
    - Submitted quarterly project updates to and participated in quarterly meetings with CPUC

b.

Activity/Consultation	Estimated/Actual Completion Date	Status
Pre-filing consultations with CPUC	September 22, 2025	Complete
Pre-filing coordination with federal agencies	March 14, 2025	Complete
File CPCN / PEA application with CPUC	September 22, 2025	Complete
File SF-299 and Plan of Development with BLM	March 14, 2025	Complete
Arizona Corporation Commission Certificate of Environmental Compliance	December 2027	On Track
USFWS Section 7 ESA Consultation	May 2028	Not Yet Started
SHPO Section 106 Consultation	December 2027	Not Yet Started
USACE Section 404 Nationwide Permit	December 2027	Not Yet Started
SWRCB Construction General Permit for Stormwater Discharges Associated with Construction Activity	January 2028	Not Yet Started
CDFW Section 2081 Incidental Take Permit	November 2027	Not Yet Started
Section 402 NPDES Construction Stormwater Permit	February 2029	Not Yet Started
CDFW 1602 Lake and Streambed Alteration Agreement	December 2027	Not Yet Started
RWQCB Section 401 Certification	February 2028	Not Yet Started
Arizona Game and Fish Department Incidental Take Permit	September 2027	Not Yet Started
CPUC Notice to Proceed in CPCN/CEQA proceeding	June 2029	On Track
BLM Record of Decision	July 2028	On Track
Begin Construction	June 2029	On Track
Construction Complete	December 2030	On Track

c. Estimated annual soft cap expenditures will shift according to permitting results and procurement timelines as these activities progress.

Year	Estimated Expenditure ($MM)
2027	42
2028	6
2029	11
2030	59
2031	118

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CDWR NCPA-HWT-1.10

Refer to the 2025 True-Up Adjustment, tab 8 - CWIP.

a. Please provide a description of work completed on the Imperial Valley - North of SONGS 500 kV Line and 500/230 kV Substation Project during calendar year 2025.
b. Please provide an estimated schedule for completion of the Imperial Valley - North of SONGS 500 kV Line and 500/230 kV Substation Project, including completed and projected milestone dates.
c. Please provide an estimate of total expected capital expenditures for the Imperial Valley - North of SONGS 500 kV Line and 500/230 kV Substation Project, by calendar year.

Response:

a. During calendar year 2025, Horizon West Transmission continued development of the Imperial Valley – North of SONGS 500 kV Line and 500/230 kV Substation Project. Activities included, but were not limited to:
    - Assigned transmission line portion of the project to San Diego Gas & Electric Company
    - Began interconnection study activities with interconnecting utilities
    - Conducted initial outreach in Orange and San Diego counties with state, local, and tribal stakeholders
    - Conducted desktop research and environmental field studies
    - Brgan preparing technical resource studies and plans
    - Began pre-filing activities with CPUC
    - Continued engineering design activities
    - Began procurement activities for long-lead items
    - Began identifying substation location alternatives
    - Conducted landowner outreach
    - Participated in recurring meetings with CPUC
    - Submitted quarterly construction status reports to CAISO
    - Submitted quarterly project updates to and participated in quarterly meetings with CPUC

b.

Activity/Consultation	Estimated/Actual Completion Date	Status
Pre-filing consultations with CPUC	October 2026	In Progress
File PTC / DEIR application with CPUC	October 2026	On Track
National Pollution Discharge Elimination System Storm Water Permit	June 2028	On Track
California Fish and Game Code Section 2080.1 Consistency Determination and/or Section 2081 Incidental Take Permit	April 2028	On Track
California Fish and Game Code Section 1600 et seq. Lake or Streambed Alteration Agreement	April 2028	On Track
RWQCB Waste Discharge Requirement	April 2028	On Track
CPUC Notice to Proceed in PTC/CEQA	September 2028	On Track
Begin Construction	September 2028	On Track
Construction Complete	December 2031	On Track

c. Estimated annual soft cap expenditures will shift according to permitting results and procurement timelines as these activities progress.

Year	Estimated Expenditure ($MM)
2027	18
2028	22
2029	34
2030	166
2031	22

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CDWR NCPA-HWT-1.11

Refer to Appendix III of the 2025 True-Up Adjustment. Please provide the following:

a. The nature and purpose of the costs causing the increase in Total Gross Plant in Service from $75,023,492 in the 2024 True-Up Adjustment to $75,769,899 in the 2025 True-Up Adjustment, and an explanation of the reasons for the increase. Please provide any documentation supporting these costs.

b. The nature and purpose of the costs causing the increase in Transmission A&G from $506,359 in the 2024 True-Up Adjustment to $3,847,065 in the 2025 True-Up Adjustment, and an explanation of the reasons for the increase. Please provide any documentation supporting these costs.

Response:

a. The $746,407 increase in Gross Plant In Service is due to additional capital expenditures for Wildfire Hardening and to increase operational efficiencies (Air Drone).
b. HWT's increase in Transmission A&G from $506,359 in the 2024 True-up Adjustments to $3,847,065 is mainly due to the expiration of the 5-year operational cost cap in the Suncrest APSA.

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CDWR NCPA-HWT-1.12

Refer to the 2027 Annual Projection, tab 5 – True-Up.

a. Please explain the nature of, and source of, the $168,046 amount included in the formula in cell E10.
b. What formula rate or tariff mechanism allows HWT to include the additional $168,046 in its Actual Revenue Requirement for purposes of the true-up adjustment?
c. Please explain why the total amount in cell E10 ($26,713,208) differs from the amount in cell E10 in the 2025 True-Up Adjustment ($26,545,162).

Response:

a. The $168,046 value is the Net Revenue Requirement calculated in HWT's "2025 Formula Rate Actual True Up Incremental ROE" template.[1]

   In 2025, two different ROE values applied, necessitating the use of two different formula rate templates: 1) 10.2%, applicable from January 1, 2025 through November 29, 2025 for all of HWT's rate base, and applicable to the costs of the Suncrest and Estrella projects from January 1 - December 31, 2025;[2] and 2) 12.48%, applicable to HWT's rate base *except for* the Suncrest and Estrella costs from November 30 through December 31, 2025.[3] As a result, the HWT "2025 Formula Rate Actual True Up" file[4] contains HWT's Actual Revenue Requirement calculated using a 10.2% ROE through December 31, 2025 (i.e., $26,545,162), and the "2025 Formula Rate Actual True Up Incremental ROE" file contains HWT's

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[1] Available at: https://www.horizonwesttransmission.com/content/dam/horizonwest/us/en/pdf/formula_rate/hwt-formula-rate-actual-2025-true-up-incremental-roe-2-of-2.pdf.

[2] The Suncrest and Estrella Projects remain subject to the 2016 Settlement that established a 10.2% ROE; HWT's filing in ER25-2395 did not propose to change the ROE applicable to these two projects.

[3] HWT filed for an increase to its ROE from 10.2% to 12.48% in Docket No. ER25-2395. FERC accepted and suspended the 12.48% rate for five months, to become effective November 30, 2025 (subject to refund). *Horizon West Transmission, LLC*, 192 FERC ¶ 61,093, at P 21 (2025).

[4] Available at: https://www.horizonwesttransmission.com/content/dam/horizonwest/us/en/pdf/formula_rate/hwt-formula-rate-actual-2025-true-up.xlsx.

Actual Revenue Requirement from November 30, 2025 through December 31, 2025, using an incremental 2.28% ROE, applied to the affected capital (i.e., $168,046). This implements the ROE increase for the period from November 30-December 31, 2025, while carving out Suncrest and Estrella costs from the ROE increase.

The $26,713,208 value in Tab 5, cell E10 of HWT's 2027 Projection is HWT's total Actual Revenue Requirement for Rate Year 2025, which is the sum of the actual revenue requirements calculated by each file. ($26,545,162 + $168,046).

In preparing its response to this question, HWT discovered an error in its calculation of the November 30, 2025 – December 31, 2025 Net Revenue Requirement of $168,046. Roughly $84,000 of post-commercial operation Suncrest Project costs were erroneously included in the $168,046 figure. Accordingly, HWT will re-post corrected versions of the 2025 True-up Adjustment and 2027 Projection resolving the incremental ROE implementation error.

b. This is HWT's implementation of the filed rate,[5] as explained above in part (a) of this response.

c. Please see the response to part (a) above. The amount differs by the $168,046 found in the 2025 True-up Adjustment, and accounts for the incremental ROE increase from 10.2% to the accepted and suspended 12.48%.

[5] Under FPA §205(e), FERC may suspend a filed rate for at most five months; when the suspension ends, the rate becomes effective and the utility may bill it, but every dollar above what is ultimately found just and reasonable must be refunded with interest (18 C.F.R. §35.19a).

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CDWR NCPA-HWT-1.13

Refer to the 2027 Annual Projection, Appendix III, line 66 and tab 4 - Cap Adds, line 8, col. M.

a. Please provide a complete explanation of the nature of, and reasons for, the ($735,042) adjustment.
b. Please provide workpapers supporting the calculation of the ($735,042) adjustment and any documentation supporting these costs/credits.
c. What formula rate or tariff mechanism allows HWT to make this adjustment?

Response:

a. The $735,042 adjustment reflects the difference between the 10.2% ROE applicable to Suncrest and the requested 12.48% ROE reflected in Appendix III. HWT calculated this adjustment for Suncrest construction, operations and maintenance, and administrative and general costs to which the requested 12.48% ROE does not apply.

b. See attached workpapers.

c. Utilizing a 12.48% ROE on HWT's entire asset portfolio would have been incorrect; HWT reflected the difference between the 12.48% ROE filed in Docket No. ER25-2395 applicable to the Imperial Valley – North of SONGS 500 kV Line and 500/230 kV Substation Project and the North Gila – Imperial Valley #2 500 kV Line Project and the settlement ROE of 10.2% in Docket No. ER15-2239 for the Suncrest Project.