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

2024 Annual Update and 2026 Annual Projection
Received October 16, 2025

CDWR SWP 1.1 Refer to section 2(a) of Horizon West Transmission LLC's ("HWT") Protocols. With respect to the draft 2024 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 with an explanation of material changes."

Response:

Horizon West Transmission, LLC ("HWT") has identified several components contributing to the variance between the 2026 projected revenue requirement and actual revenue requirement for calendar year 2024. These variances are consistent with HWT's internal accounting framework and reflect prudent utility practice.

Rate Base Components

- Net Plant in Service: The variance is attributable to Accumulated Depreciation higher than the increase to Gross Plant in Service from 2024 to 2026.
- Adjustments to Rate Base: Construction Work in Progress (CWIP): The variance reflects the inclusion of active development efforts for the North Gila–Imperial Valley #2 500 kV Line Project and the Imperial Valley–North of San Onofre Nuclear Generating Station (SONGS) 500 kV Line and 500/230 kV Substation Project (ER24-2001-000). ADIT was immaterial between the 2024 true-up and 2026 Projection. Unamortized Regulatory Assets reduced by the $ 997K annual amortized expense.
- Working Capital: The working capital variance is tied to the increased operating expenses explained below. Working capital is defined as the sum of O&M and G&A divided by eight.
- Prepayments and Land Held for Future Use were immaterial between the 2024 True-Up and 2026 Annual Projection

Revenue Requirement Components

Operating & Maintenance (O&M) Expenses

- 2026 Projected O&M is lower than 2024 actual expenditures. This variance is primarily driven by a reduction to costs related to system planning activities and the expiration of the Suncrest Project Operating Cost Cap, allowing for full recoverability of O&M.

General & Administrative (G&A) Expenses

- 2026 Projected G&A is higher than 2024 actual expenditures. This variance is primarily attributable to the expiration of the Suncrest Operating Cost Cap, allowing for full recoverability of G&A expenses.

Depreciation Expense, Property Tax, Income Tax

- Depreciation Expense and Property Tax were immaterially different compared to the 2024 Revenue Projection.
- Income Taxes are higher for the 2026 Projection due to a higher Revenue Requirement.

CDWR SWP 1.2 Refer to section 3(e) of HWT's Protocols. With respect to the draft 2024 Annual Update, 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 was based that affect the Formula Rate or calculation of the Annual Update."

Response:

Pursuant to Section 3(e) of Horizon West Transmission, LLC's ("HWT") 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 2024 Annual Update.

CDWR SWP 1.3 Please refer to Appendix E of the Approved Project Sponsor Agreement ("APSA") for the Suncrest 230 kV 300 MVAr Dynamic Reactive Power Support Project ("Suncrest Project"), provided as Attachment 1 to the Response to Deficiency Letter of NextEra Energy Transmission West, LLC in Docket No. ER15-2239.

a. Please state the dollar amount of capital costs associated with the Suncrest Project included in the 2024 Annual Update.
b. Please provide a detailed explanation and supporting documentation demonstrating that capital costs associated with the Suncrest Project included in the 2024 Annual Update do not exceed the binding capital cost cap of $42,288,000 as stated in the Suncrest Project APSA Appendix E.

c. Please state the dollar amount of operations and maintenance costs associated with the Suncrest Project included in the 2024 Annual Update.
d. Please provide a detailed explanation and supporting documentation demonstrating that operations and maintenance costs included in the 2024 Annual Update do not exceed the binding cost cap of $360,000 as stated in the Suncrest Project APSA Appendix E.
e. For any costs associated with the Suncrest Project included in the 2024 Annual Update that HWT asserts are excluded from the cost containment provisions of the Suncrest Project APSA ("Excluded Costs"), please provide an explanation of how each of the claimed Excluded Costs are permitted by the APSA and any available documentation (contracts, invoices, etc.) demonstrating the nature and validity of the Excluded Costs.

Response:

a. The dollar amount of capital costs associated with the Suncrest Project included in the 2024 Annual Update is Total Gross Property, Plant, and Equipment (PPE): $75,023,492**.**
b. The total expenditures for the Suncrest Project remained within the inflation-adjusted cost cap of $48,214,260, as permitted under Note 2 in the Appendix of the APSA. Below is a detailed breakdown of the associated costs:

Development	430,923
Land Acquisition	1,956,123
Construction/Engineering – Substation	30,027,736
Construction/Engineering – Transmission	4,846,901
Regulatory/Permits/Legal	2,513,342
Environmental	2,894,565
Training and Capitalized Admin	1,152,016
Contingency	-
AFUDC	4,392,654
Total	**48,214,260**

c. The dollar amount of operations and maintenance costs associated with the Suncrest Project included in the 2024 Annual Update is $139,830 (excluding Pre-commercial Regulatory Asset amortization).
d. Horizon West Transmission, LLC ("HWT") confirms that the operations and maintenance ("O&M") costs included in the 2024 Annual Update for the Suncrest Project do not exceed the

binding cost cap of $360,000 as stated in Appendix E of the Suncrest Project APSA.

General & Administrative (G&A): As reported in FERC Form 1, Page 323, the sum of lines 182 through 186 equals $258,945. This amount includes approximately $40,000 in audit fees. In accordance with the APSA, audit fees and rent are excluded from the cap.

Operations & Maintenance (O&M): As reported in FERC Form 1, Page 321, the sum of lines 88, 93, 97, and 111 reflects the total O&M costs ($1,137,549). Notably, $997,719 of line 97 represents the FERC-approved 15-year amortization of pre-commercial costs, which is excluded from the O&M cap. After accounting for costs not subject to the cost cap, the total O&M costs associated with Suncrest equal $139,830.

The figures above amount to a total of $358,775 and demonstrate compliance with the binding cost caps and reflect HWT's adherence to the terms of the APSA and prudent utility practice.

e. None.

CDWR SWP 1.4 Please refer to Appendix E of the Approved Project Sponsor Agreement ("APSA") for the Estrella Substation Project ("Estrella Project"), provided as Attachment 2 to the Response to Deficiency Letter of NextEra Energy Transmission West, LLC in Docket No. ER15-2239.

a. Please state the dollar amount of capital costs associated with the Estrella Project included in the 2024 Annual Update.
b. Please provide a detailed explanation and supporting documentation demonstrating that capital costs associated with the Estrella Project included in the 2024 Annual Update do not exceed the binding capital cost cap of $23,228,000 as stated in the Estrella Project APSA Appendix E.
c. Please state the dollar amount of operations and maintenance costs and administrative and general costs associated with the Estrella Project included in the 2024 Annual Update.
d. Please provide a detailed explanation and supporting documentation demonstrating that operations and maintenance costs and administrative and general costs included in the 2024 Annual Update do not exceed the binding cost cap of $360,000 as stated in the Estrella Project APSA Appendix E.
e. For any costs associated with the Estrella Project included in the 2024 Annual Update that HWT asserts are excluded from the

cost containment provisions of the Estrella Project APSA ("Excluded Costs"), please provide an explanation of how each of the claimed Excluded Costs are permitted by the APSA and any available documentation (contracts, invoices, etc.) demonstrating the nature and validity of the Excluded Costs.

Response:

a. Capital costs related to the Estrella Project are 'Land Held for Future Use' in the amount of $2,036,138 in our 2024 Annual Update.
b. There are no other costs associated with the Estrella Project in the 2024 Annual Update besides the Land Held for Future Use, which is well below the $23.2 MM binding capital cost cap.
c. There are no operations and maintenance costs and administrative and general costs associated with the Estrella Project in the 2024 Annual Update.
d. This is not applicable as the Estrella Project's binding operating cost cap only applies once the project becomes operational.
e. There are no costs associated with the Estrella Project in the 2024 Annual Update that are excluded from the cost containment provisions outlined in the APSA.

CDWR SWP 1.5 Please provide the following:

a. The dollar amount of any capital costs included in the 2024 Annual Update 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 any operations and maintenance costs included in the 2024 Annual Update 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 any administrative and general costs included in the 2024 Annual Update 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. A total of $864,717 in capital expenditures included in the 2024 Annual Update has been classified as Construction Work In Progress (CWIP) and is not associated with either the Suncrest Project or the Estrella Project. This amount reflects Capital Costs paid during the year for transmission infrastructure projects that were not part of the original 2024 forecast. Specifically, the variance includes costs related to the North

Gila–Imperial Valley #2 500 kV Line Project and the Imperial Valley–North of San Onofre Nuclear Generating Station (SONGS) 500 kV Line and 500/230 kV Substation Project (ER24-2001-000).
For supporting documentation, please refer to:

- CDWR SWP 1-1
- 2024 Annual Update, Page 2, Line 19 and/or Page 28

b. A total of $10,274,842 in Operations & Maintenance costs are unrelated to the Suncrest or Estrella projects. These expenditures were primarily incurred in connection with Horizon West's participation, consistent with good utility practice and Horizon West's obligations as a Participating Transmission Owner, in CAISO's 2023–2025 Transmission Planning Process, which encompassed 57 projects totaling $10.9 billion. The expenditures included labor, materials, overheads, engineering, consulting, environmental services, and other system planning expenses related to Horizon West's evaluation of CAISO transmission system needs, solutions, and related reliability impacts, and were charged to Account 561.5, consistent with Part 101 of FERC's Regulations.
c. There are no administrative and general costs included in the 2024 Annual Update that are attributable to activities outside the scope of the Suncrest Project or the Estrella Project.

CDWR SWP 1.6 Please provide an explanation and supporting calculations demonstrating that the cost amounts identified in response to CDWR SWP 1.3, CDWR SWP 1.4, and CDWR SWP 1.5 equal the total costs included in the 2024 Annual Update, by cost category.

Response:

Rate Base
1-3

a. The dollar amount of capital costs associated with the Suncrest Project included in the 2024 Annual Update is Total Gross Property, Plant, and Equipment (PPE): $75,023,492. This includes costs up to the cost cap of the initial build, and additional capital projects after in-service. Reference: 2024 Annual Update, page 2, line 7.
b. The total expenditure for the Suncrest Project remained within the inflation-adjusted cost cap of $48,214,260, as permitted under Note 2 in the Appendix of the APSA. Reference: 2024 Annual Update, page 2, line 7.

c. The dollar amount of operations and maintenance costs associated with the Suncrest Project included in the 2024 Annual Update is $139,830 (excluding Pre-commercial Regulatory Asset amortization).
d. The total O&M and G&A dollar amount associated with the Suncrest Project did not exceed the binding cost cap of $360,000 as stated in Appendix E of the APSA. Breakdown is below:

   General & Administrative (G&A): As reported in FERC Form 1, Page 323, the sum of lines 182 through 186 equals $258,945. This amount includes approximately $40,000 in audit fees. In accordance with the APSA, audit fees and rent are excluded from the cap.

   Operations & Maintenance (O&M): As reported in FERC Form 1, Page 321, the sum of lines 88, 93, 97, and 111 reflects the total O&M costs ($1,137,549). Notably, $997,719 of line 97 represents the FERC-approved 15-year amortization of pre-commercial costs, which is excluded from the O&M cap. After accounting for costs not subject to the cost cap, the total O&M costs associated with Suncrest equal $139,830.

1-4

a. Capital costs related to the Estrella Project are 'Land Held for Future Use' in the amount of $2,036,138 in our 2024 Annual Update. Reference: 2024 Annual Update, page 2, line 24.
b. There are no other costs associated with the Estrella Project in the 2024 Annual Update besides the Land Held for Future Use, which is well below the $23.2 MM binding capital cost cap.
c. There are no operations and maintenance costs and administrative and general costs associated with the Estrella Project in the 2024 Annual Update.
d. This is not applicable as the Estrella Project's binding operating cost cap only applies once the project becomes operational.
e. There are no costs associated with the Estrella Project in the 2024 Annual Update that are excluded from the cost containment provisions outlined in the APSA.

1-5

a. A total of $864,717 in capital expenditures included in the 2024 Annual Update has been classified as Construction Work In Progress (CWIP) and is not associated with either the Suncrest Project or the Estrella Project. Reference: 2024 Annual Update, page 2, line 19.

b. A total of $10,274,842 in Operations & Maintenance costs are unrelated to the Suncrest or Estrella projects. These expenditures were incurred as part of general CAISO System Planning activities under the 2023–2025 Transmission Planning Process, which encompasses 57 projects totaling $10.9 billion. Included in these costs are labor, materials, and other system planning expenses related to the interconnected bulk electric transmission systems, in accordance with Part 101 of the Code of Federal Regulations.

c. There are no administrative and general costs included in the 2024 Annual Update that are attributable to activities outside the scope of the Suncrest Project or the Estrella Project.

	2024 True-Up Reference	Suncrest	Estrella	Other	Total
Rate Base		**1-3**	**1-4**	**1-5**	
Plant In-Service	Appendix III, Line 7, Col. 5	75,023	-	-	75,023
CWIP	Appendix III, Line 19, Col. 5	-	-	865	865
Acc Depreciation	Appendix III, Line 11, Col. 5	(4,934)	-	-	(4,934)
Net Plant In-Service		**70,089**	**-**	**865**	**70,954**
Land Held for Future Use	Appendix III, Line 24, Col. 5	-	2,037	-	2,037
Prepaids	Appendix III, Line 28, Col. 5	144	-	-	144
Working Capital	Appendix III, Line 26, Col. 5	81	-	1,284	1,365
Deferred Tax	Appendix III, Line 17, Col. 5	(5,670)	-	-	(5,670)
Pre-Comm. Reg. Asset	Appendix III, Line 21, Col. 5	11,077	-	-	11,077
Rate Base		**75,721**	**2,037**	**2,149**	**79,907**

Revenue Requirement		Suncrest	Estrella	Other	Total
Return Equity/Debt	Appendix III, Line 64, Col. 5	5,985	161	170	6,316
O&M	Appendix III, Lines 32, 33a less Lines 33&33b, Col. 5	140	-	10,275	10,415
A&G	Appendix III, Line 34, Col. 5	506	-	-	506
Depreciation	Appendix III, Line 43, Col. 5	2,225	-	-	2,225
Amort. Pre-Comm Reg. Asset	Appendix III, Line 33b, Col. 5	998	-	-	998
Property Tax	Appendix III, Line 49, Col. 5	1,268	-	-	1,268
Income Tax	Appendix III, Line 62, Col. 5	1,909	48	51	2,008
Rev Req excluding True-Up		**13,031**	**209**	**10,496**	**23,736**

CDWR SWP 1.7 Please provide a detailed explanation of how HWT allocates project-level capital costs, operations and maintenance costs, and administrative and general costs between individual transmission projects, including the Suncrest Project and the Estrella Project. Please include a copy of any rules or policies that govern how HWT allocates such project-level costs.

Response:

Horizon West Transmission, LLC (HWT) uses an internal accounting framework that follows generally accepted accounting principles and applicable regulatory guidance, including Federal Energy Regulatory

Commission (FERC) protocols. HWT tracks and manages project-level financial activities through a Work Breakdown Structure (WBS) system. The WBS framework allows HWT to link incurred costs with specific project components and phases, creating a consistent and traceable allocation methodology. This approach categorizes costs into capital, O&M, and A&G buckets and ensures expenditures are properly recorded and reported according to their underlying utility function and regulatory requirements.

CDWR SWP 1.8 Please refer to Appendix III of the 2026 Projection. Please provide the following:

a. The nature and purpose of the costs causing the increase in Total Gross Plant in Service from $75,538,203 in the 2025 Projection to 75,951,148 in the 2026 Projection, and an explanation of the reasons for the increase. Please provide any and all workpapers supporting these costs.
b. The nature and purpose of the costs causing the increase in Transmission O&M from $8,757,112 in the 2025 Projection to $9,500,491 in the 2026 Projection, and an explanation of the reasons for the increase. Please provide any and all workpapers supporting these costs.
c. The nature and purpose of the costs causing the increase in Transmission A&G from $1,270,344 in the 2025 Projection to $5,734,596 in the 2026 Projection, and an explanation of the reasons for the increase. Please provide any and all workpapers supporting these costs.

Response:

a. Horizon West Transmission, LLC (HWT) has projected an increase in Total Gross Plant in Service from $75,538,203 in the 2025 forecast to $75,951,148 in the 2026 forecast. The nature and purpose of the costs contributing to this increase are primarily attributable to the inclusion of reliability capital projects that will be executed by the end of 2026. Specifically, the 2026 projection incorporates capitalized investments related to:
    a. Fleet vehicle acquisition
    b. Firewall infrastructure upgrades
    c. AMP Sunset transition activities
    d. Drone in the Box

    These additions represent strategic enhancements to support system reliability, cybersecurity posture, and operational continuity. Their inclusion in the 2026 projection aligns with HWT's ongoing efforts to modernize its transmission

infrastructure and maintain compliance with evolving regulatory and safety standards.

b. Horizon West Transmission, LLC (HWT) has projected an increase in Transmission Operations & Maintenance (O&M) costs from $8,757,112 in the 2025 forecast to $9,500,491 in the 2026 forecast. This increase reflects a combination of operational adjustments and strategic refinements to cost allocation methodologies. The nature and purpose of the costs contributing to this increase are primarily attributable to:
    a. Operational drivers, including expanded wildfire mitigation efforts, enhanced inspection protocols, and increased support for CAISO Transmission Planning Process (TPP) activities.
    b. Deployment of new operational technologies, such as drone-based inspection systems and supervisory control enhancements, which are designed to improve system reliability and reduce long-term maintenance risk.
    c. Refinement of overhead allocation methodologies, intended to better reflect the actual cost of running the business. These refinements are part of HWT's ongoing efforts to align cost distribution with operational realities and ensure transparency in financial reporting.

c. Horizon West Transmission, LLC (HWT) has projected an increase in Transmission Administrative & General (A&G) costs from $1,270,344 in the 2025 forecast to $5,734,596 in the 2026 forecast. The costs driving this increase stem from refining our calculation methods to better capture the true cost of running the business. These refinements help align enterprise support functions and administrative activities more closely with what is actually happening operationally and the demands of individual projects.