HORIZONWEST TRANSMISSION

March 25, 2026

Leuwam Tesfai
Executive Director
California Public Utilities Commission
Attn.: txfinancing@cpuc.ca.gov

Dear Executive Director Tesfai:

Horizon West Transmission ("HWT") appreciates the opportunity to provide these informal comments in response to your letter requesting public input on the Commission Staff's *Working Concepts in Transmission Financing and Ownership* Concept Paper in support of Assembly Bill 3264 requirements. HWT is a participating transmission owner ("PTO") on the California Independent System Operator ("CAISO") grid, and owner and operator of transmission assets in California.

HWT appreciates the Commission's efforts to analyze how transmission development can meet the goals of expanding transmission to meet reliability, environmental, and ratepayer needs. As discussed in these comments, HWT:

- Encourages the CPUC to evaluate transmission solutions based on total ratepayer value, including on-time delivery, cost certainty, and risk allocation, in addition to upfront cost considerations. Private, equity-financed projects have consistently demonstrated the ability to deliver this broader value proposition.
- Provides a specific example, a case study of the Crossroads-Hobbs-Roadrunner ("Crossroads") Transmission Project in New Mexico, being built by NextEra Energy Transmission Southwest, LLC ("NEET Southwest"), a subsidiary of HWT's parent company, NextEra Energy Transmission ("NEET"), to demonstrate what private equity can deliver.
- Supports low-cost debt instruments and recommends they be made available to all transmission providers.

I. Transmission Ownership Structures

A. The Value of Private-Equity Financed and Constructed Transmission Aligns with the Public Interest and Should be Recognized

The draft concept paper emphasizes the cost of equity-financed transmission to ratepayers while overlooking the significant value it brings to ratepayers. HWT agrees with the draft concept paper's assertion that "transmission project delays can occur and do lead to higher development costs" that can "accumulate and compound." These costs are often born by ratepayers in several

ways. Well-financed and experienced independent transmission companies ("ITCs"), such as HWT, bring additional capital, know-how in permitting and construction, and sophisticated supply chains that can deliver large transmission infrastructure projects on-time and on-budget.

Delays in transmission development impose real and measurable costs on ratepayers, running counter to state affordability goals. Recent analysis further reinforces the importance of timely transmission development, as shown in a recent Grid Strategies report finding that delays on transmission projects can increase customer costs by approximately 15% to 37% per year.[1] Reducing the role of equity in the capital structure of state transmission development could very well have unintended negative consequences for California ratepayers. Policies that limit the availability of private capital or reduce participation by independent transmission developers could reduce the State's ability to deliver projects on schedule and at scale, particularly given the magnitude of California's projected transmission needs.

At this critical juncture of California's grid expansion to meet state policy goals, serve growing electrification-driven and data center loads, and deliver affordability to California ratepayers, California should not take an "either/or" approach to transmission financing and ownership. As described below, HWT's parent company, NextEra Energy Transmission ("NEET"), and its subsidiaries, have demonstrated experience completing transmission projects timely and cost-responsibly, thus yielding ratepayer value. But for California to receive these benefits, the state's policy framework should remain inclusive of both incumbent utilities and independent transmission developers to ensure sufficient competition, capital availability, and execution capability.

B. NEET Southwest's Crossroads Transmission Project is a Prime Example of Reducing Costs and Meeting Timelines

Independent transmission developers have demonstrated the ability to deliver projects on accelerated timelines with strong cost discipline. New Mexico's Renewable Transmission Authority ("NMRETA") and NEET Southwest's Crossroads–Hobbs–Roadrunner ("Crossroads") project in Roosevelt and Lea Counties, New Mexico, provides an illustrative example.[2] This 137-mile, 345-kV double-circuit transmission project will have been proposed, designed, permitted, constructed, and completed in far less time than a typical network upgrade. In partnership with NMRETA, by completion, NEET Southwest will have financed 100 percent of the $291.6 million project and developed it in five years, from planning concept to completion. The project is expected to be in service on-time by no later than June 1, 2026, due in large part to NEET Southwest and NMRETA's ability to successfully, plan, permit, prepare for and manage supply chain requirements,

[1] Grid Strategies (2025). *Delaying Transmission Increases Costs and Reduces Benefits for Consumers*.

[2] See project description at: https://www.nexteraenergytransmission.com/subsidiaries/neetsw/projects/crossroads-hobbs-roadrunner.html.

and execute construction. Due to increased access to lower-cost generation and a reduction in transmission congestion costs, it is estimated that the project will deliver approximately $13/month in immediate savings to the average residential customer in southeastern New Mexico.[3]

This case study illustrates the importance of evaluating total ratepayer value – including schedule performance, congestion reduction, and access to lower-cost resources – rather than focusing solely on upfront financing cost metrics. While the project included a return on equity provision that was evaluated and approved by FERC, the project still presented considerable value to ratepayers. In the final study, we encourage the Commission to qualify its discussion of ROE adders with the overall value ITC projects can provide to ratepayers.

II. Potential Options for Achieving Transmission Cost Savings

A. Low-Cost Debt Financing is Critical for Affordability, and These Solutions Should be Made Available to All Transmission Providers

HWT agrees that strategies to provide lower cost debt could contribute to addressing affordability challenges. The white paper briefly discusses public, tax-exempt bonds, project revenue bonds, utility securitization, and federal loan guarantees. HWT supports these financing instruments and encourages CPUC to recommend that policymakers should make these available, legislatively or programmatically, to both incumbent transmission providers and independent transmission developers, specifically where uncertainty and the risks of financing transmission are unmitigated or exceedingly high. Specific examples include transmission projects with inherently elevated risk profiles, such as facilities supporting emerging technologies like floating offshore wind off the California coast,[4] as well as projects located in Tier 3 High Fire Threat Districts (HFTD), where wildfire exposure, permitting challenges, and construction constraints significantly increase development and financing uncertainty. Another instrument to explore is securitized loans with Transmission Access Charge ("TAC") cost recovery as backing, an analog to utility securitization which independent transmission developers could use. HWT clarifies that the availability of low-cost debt instruments should not diminish opportunities to deploy capital and earn on equity.

HWT notes, however, that the scale and timeline of California's projected transmission buildout will continue to require significant private-equity financing. The CAISO's 20-year Transmission Outlook Update estimate of $45.8 billion to $63.2 billion to meet its 2045 environmental goals outpaces the ability of public finance instruments alone to meet California's transmission needs.[5] A balanced financing framework that combines low-cost debt instruments with

[3] SPP (2022). *2021 Integrated Transmission Planning Assessment Report & Addendum*, pp. 132 – 135

[4] CAISO (2024). *2023-2024 Transmission Plan*, p. 73.

[5] CAISO (2024). *2040 20-Year Transmission Outlook*.

private equity participation will be essential to meeting California's transmission needs in a timely and cost-effective manner.

B. Wildfire Liability Risks Present Obstacles to Independent Development of Transmission in California

Question 8: How does exposure to liability and other risk affect public utilities' willingness to own transmission?

Response:

Achieving California's ambitious climate goals while maintaining reliability and affordability for Californians will require an extraordinary buildout of new transmission lines by 2045, according to the CAISO. The state will need the capital and support of ITCs to finance, construct, and operate a significant percentage of this new infrastructure. Although the CAISO has awarded significant transmission projects to ITCs, ITCs face existential obstacles to participation in California transmission development due to increasing wildfire liability risks, despite the fact that much of the new transmission required to meet California's goals will inevitably need to cross regions of severe wildfire risk. [6]

HWT encourages the CPUC to acknowledge this in the final study and recommends focusing public financing on projects where uncertainty and liability risk in high-fire threat regions continues to pose a formidable obstacle to financing California transmission development.

Regards,

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[6] See, NEET contributions in support of California Energy Authority's SB 254 Study available at https://www.cawildfirefund.com/sites/wildfire/files/documents/2025/simon-baker-nextera-energy-resources-submission-to-cea-sb-254-study-report_signed.pdf