

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

DesertLink, LLC

Docket No. ES18-43-000

ORDER AUTHORIZING ISSUANCES OF SECURITIES

(Issued August 17, 2018)

On June 29, 2018, DesertLink, LLC (DesertLink) filed an application pursuant to section 204 of the Federal Power Act¹ requesting authorization to issue long-term debt securities in an aggregate amount not to exceed \$110,000,000 outstanding at any one time. DesertLink states that the interest rate for the long-term debt securities will be based on the London Interbank Offered Rate plus a margin not more than 400 basis points if issued at a variable rate, or 7 percent if issued at a fixed rate.

DesertLink also requests waiver from the Commission's competitive bidding and negotiated placement requirements at 18 C.F.R. §§ 34.2(a) and 34.2(c)(1) (2017).

The filing was noticed on July 2, 2018, with comments, protests, or interventions due on or before July 20, 2018. Nevada Power Company and Southern California Edison Company filed timely motions to intervene. Notices of intervention and unopposed timely filed motions to intervene are granted pursuant to the operation of Rule 214 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.214 (2017)).

Authorization

On February 21, 2003, the Commission issued an order announcing four restrictions on all future public utility issuances of secured and unsecured debt.² First, public utilities seeking authorization to issue debt backed by a utility asset must use the proceeds of the debt for utility purposes. Second, if any utility assets that secure debt issuances are divested, the debt must follow the asset and also be divested. Third, if any of the proceeds from unsecured debt are used for non-utility purposes, the debt must follow the non-utility assets. Specifically, if the non-utility assets are divested, then a proportionate share of the debt must follow the divested non-utility asset. Finally, if utility assets financed by unsecured debt are divested to another entity, then a

¹ 16 U.S.C. § 824c (2012).

² *Westar Energy, Inc.*, 102 FERC ¶ 61,186, *order on reh'g*, 104 FERC ¶ 61,018 (2003) (*Westar*).

proportionate share of the debt must also be divested.

DesertLink is authorized to issue the long-term debt securities subject to the interest rates described above. Although DesertLink does not meet the two times interest coverage ratio, the Commission has stated that the recovery of interest expense through a formula rate revenue requirement provides an alternative basis to conclude that DesertLink may reasonably be expected to service its debt and interest expenses without impairing its ability to provide service as a public utility.³

This authorization is based upon the terms and conditions and for the purposes specified in the application subject to the following conditions:

- (1) This authorization is effective from August 17, 2018 through August 16, 2021;
- (2) The long-term debt securities are subject to the Commission's restrictions on secured and unsecured debt as outlined above and in *Westar*;
- (3) The requested waiver for the long-term debt securities from the Commission's competitive bidding and negotiated placement requirements at 18 C.F.R. §§ 34.2(a) and 34.2(c)(1) (2017) is granted;
- (4) DesertLink must file a Report of Securities Issued, under 18 C.F.R. §§ 34.9, 131.43, and 131.50 (2017), no later than 30 days after the sale or placement of the long-term debt securities;
- (5) This authorization is without prejudice to the authority of the Commission or any other regulatory body with respect to rates, service, accounts, valuation, estimates or determination of cost or any other matter whatsoever now pending or which may come before this Commission; and
- (6) Nothing in this letter order shall be construed to imply any guarantee or obligation on the part of the United States with respect to any security to which this letter order relates.

³ *AEP West Virginia Transmission Company, Inc.*, 152 FERC ¶ 61,153 (2015).

This action is taken pursuant to the authority delegated to the Director, Division of Electric Power Regulation - West, under 18 C.F.R. § 375.307 (2017). This order constitutes final agency action. Requests for rehearing by the Commission may be filed within 30 days of the date of issuance of this order, pursuant to 18 C.F.R. § 385.713 (2017).

A handwritten signature in blue ink that reads "Steve P. Rodgers". The signature is written in a cursive style and is positioned above the printed name.

Steve P Rodgers, Director
Division of Electric Power
Regulation -West