



DesertLink, LLC

2020 Annual Projection Stakeholder Meeting

October 23, 2019

11:00am PT

Agenda

- Introduction
- DesertLink Background
- Projected Net Revenue Requirement for 2020 Rate Year
- Questions
- Appendix

Legal Disclosure

This document and any related discussions contain certain statements that describe DesertLink, LLC's (DesertLink) management's beliefs concerning future financial performance, future business conditions and prospects, growth opportunities and the outlook for the electric transmission industry based upon information currently available. Such statements are "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts, and are often identified by words such as "anticipates", "believes", "intends", "estimates", "expects", "projects", "projected", "shall", "will", "should", "could", "may" and similar phrases. Such forward-looking statements are based upon assumptions management believes are reasonable. Such forward-looking statements are subject to important risks, uncertainties and other factors which could cause actual results, performance and achievements to differ materially from those expressed in, or implied by, these statements. These important risks, uncertainties and other factors include: future economic conditions in regional, national and international markets and their effects on prices, costs and availability of required goods and services; market perception of the energy industry and DesertLink; changes in business strategy, operations or development plans; the outcome of contract negotiations for goods and services; effects of current or proposed state and federal legislative and regulatory actions or developments, including deregulation, re-regulation and restructuring of the electric utility industry; decisions of regulators regarding rates that DesertLink may charge; adverse changes in applicable laws, regulations, rules, principles or practices governing tax, accounting and environmental matters; financial market conditions and performance, including changes in interest rates and credit spreads and in availability and cost of capital; impairments of long-lived assets or goodwill; credit ratings; inflation rates; effectiveness of risk management policies and procedures and the ability of counterparties to satisfy their contractual commitments; impact of terrorist acts, including cyber terrorism; and weather conditions, including weather-related damage. Given these uncertainties, you should not rely on forward-looking information.

DesertLink Background

Background & Formula Rate Timeline

DesertLink Background

About Us

DesertLink is a transmission-only company whose initial business purpose is to develop, own, and operate the Harry Allen to Eldorado 500kV Transmission Line Project.

The Project

The Harry Allen to Eldorado 500kV Transmission Line Project consists of: (a) a newly constructed 500 kV transmission line between the existing Harry Allen substation northeast of Las Vegas, Nevada, and the existing Eldorado substation just southeast of Las Vegas; and (b) series compensation (together, the “Harry Allen to Eldorado Project” or “the Project”). This Project is subject to certain cost cap, ROE, and equity capital structure commitments per DesertLink’s Approved Project Sponsor Agreement (APSA) with CAISO.

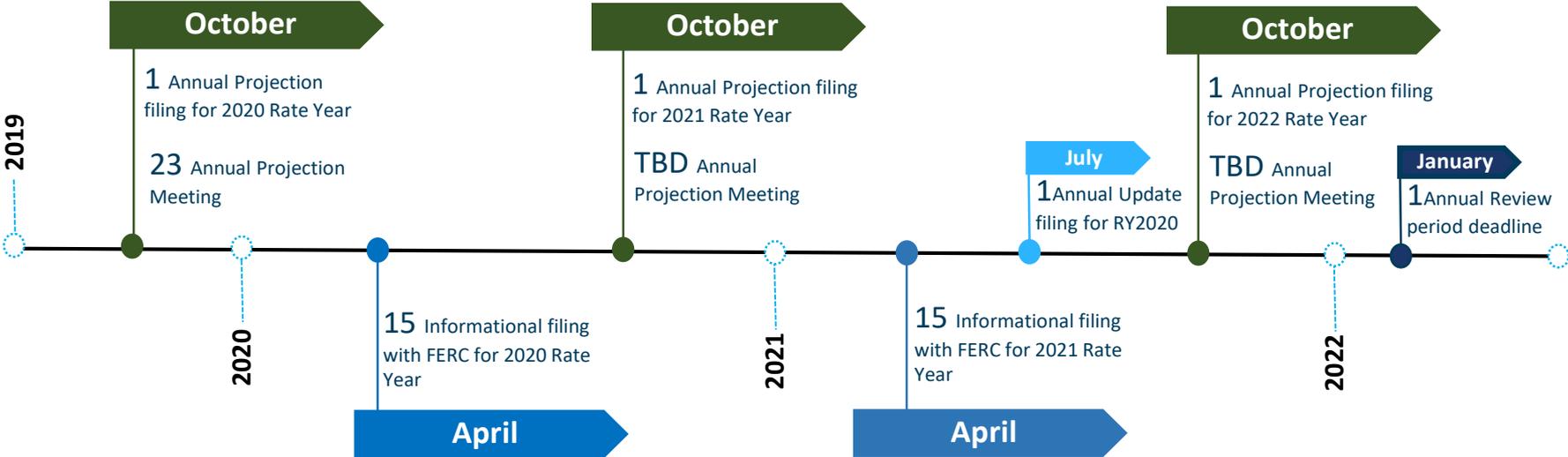
Background

On August 19, 2016, under Docket No. EL16-68-000, the Federal Energy Regulatory Commission (the Commission) approved certain transmission rate incentives requested by DesertLink in its May 2016 petition. The Order granted DesertLink: (1) regulatory asset incentive and accrual of carrying charges; (2) 100% recovery of prudently-incurred costs associated with abandonment of the Project; (3) a 50 bps RTO participation adder; and (4) a hypothetical capital structure of 50% debt and 50% equity prior to commercial operation.

On October 18, 2016, under Docket No. ER17-135-000, pursuant to Section 205 of the Federal Power Act, DesertLink filed a transmission owner tariff (TO Tariff) with the Commission to be applicable upon it becoming a participating transmission owner in the CAISO region (Formula Rate Filing). On October 31, 2017, the Commission set DesertLink’s proposed TO Tariff (including the formula rate, formula rate template, protocols, and ROE), for hearing and settlement procedures. The settlement discussions resulted in the April 18, 2018 Settlement Agreement, subsequently certified by the Commission on May 24, 2018.

Formula Rate Timeline

DesertLink's formula rate timeline in accordance with Appendix IV of its TO Tariff.



Annual Projected Net Revenue Requirement

2020 Rate Year

Key Rate Commitments

DesertLink made certain commitments in connection with its Harry Allen to Eldorado Project. Some of the key rate commitments are highlighted below.

- ◆ **Cost Cap**¹ – DesertLink’s Harry Allen to Eldorado Project costs may not exceed the binding cost cap of \$145.5M, subject to certain exclusions.
- ◆ **ROE Cap**¹ – During the depreciable life of the Project, DesertLink may not recover more than 9.8%, inclusive of adders. The Project is subject to an equity percentage cap of 50%.

¹As defined in and subject to the terms of the the APSA between DesertLink and CAISO.

Projected Revenue Requirement Summary

2020 Annual Revenue Requirement Projection (\$millions).

	2020 Projected
Average Rate Base	\$163.9
Rate of Return ²	6.49%
Return on Rate Base	\$10.6
Income Taxes	\$3.2
Total Return & Taxes	\$13.8
Recoverable Operating Expenses: O&M and A&G Expenses	\$1.9
Depreciation Expenses	\$3.9
Non-income taxes	\$0.9
Total Recoverable Operating Expenses	\$6.7
Gross Revenue Requirement	\$20.5
Revenue Credits	\$ 0
Net Revenue Requirement	\$20.5
Projected Revenue Received (Based on 8 months in service)	\$13.7



Key Rate Assumptions

- **Annualized Costs** – DesertLink’s Annual Projection reflects estimated annualized costs to align with CAISO’s billing frequency of 12 months.
- **Capital structure** – Anticipated capital structure of 50% debt, 50% equity.
- **Projected Revenue** – Received once assets are in service.

²Weighted Average Cost of Capital (WACC) calculation for projection provided in Appendix 1.

Questions

If you have any additional questions after this meeting, please contact
Jamie Saunders at jsaunders@lspower.com

Appendix

Appendix 1 - WACC calculation for 2020 Annual Projection

Appendix 1 – WACC

WACC Calculation for 2020 Rate Year projection.

Weighted Average Cost of Capital	Weight	Cost	Weighted	
Long Term Debt	50%	3.17%	1.59%	
Preferred Stock	-	-	-	
Common Stock	50%	9.80%	4.90%	
Total			6.49%	=Return