

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

DesertLink, LLC

)

Docket No. ES18-___-000

**APPLICATION UNDER SECTION 204
OF THE FEDERAL POWER ACT FOR AUTHORIZATION TO ISSUE DEBT**

Pursuant to Section 204 of the Federal Power Act¹ and Part 34 of the regulations of the Federal Energy Regulatory Commission,² DesertLink, LLC (“DesertLink” or “Applicant”) requests authorization to issue long-term debt securities in an amount not to exceed \$110,000,000. DesertLink will use the proceeds to finance the Harry Allen to Eldorado Project (the “Project”), for which it is the Approved Project Sponsor as selected by the California Independent System Operator, Inc. (“CAISO”) pursuant to an Order No. 1000³ competitive process.

DesertLink requests that the Commission grant its request by August 15, 2018 to allow DesertLink to issue the requested debt securities in support of the project schedule. As discussed more fully below, DesertLink also requests an authorization period of three years.

¹ 16 U.S.C. § 824c.

² 18 C.F.R. Part 34 (2016).

³ *Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities*, Order No. 1000, 136 FERC ¶61,051 (2011) (“Order No. 1000”), *order on reh’g and clarification*, Order No. 1000-A, 139 FERC ¶61,132 (2012) (“Order No. 1000-A”), *order on reh’g and clarification*, Order No. 1000-B, 141 FERC ¶61,044 (2012) (“Order No. 1000-B”), *aff’d sub nom., S.C. Pub. Serv. Auth. v. FERC*, 762 F.3d 41 (D.C. Cir. 2014).

I. INTRODUCTION

A. The Harry Allen to Eldorado Project

DesertLink is a transmission-only company whose initial business purpose is to develop, own, and operate transmission facilities, including the Harry Allen to Eldorado Project.

DesertLink was selected as the Approved Project Sponsor for the Harry Allen to Eldorado Project through CAISO's Order No. 1000 compliant Transmission Planning Process ("TPP").

The Project will consist of a new 500 kV transmission line to be constructed between the existing Harry Allen substation northeast of Las Vegas, Nevada, and the existing Eldorado substation southeast of Las Vegas. The Project will also include series compensation. In addition to the portions of the project DesertLink will construct directly, it will also be responsible for the cost of upgrades of existing facilities to be constructed by other parties. The Project is scheduled to begin construction later this year and to be placed into service prior to May 1, 2020.

On October 18, 2016,⁴ in Docket No. ER17-135-000, DesertLink filed with the Commission a transmission owner tariff, a formula rate template and formula rate protocols ("the Formula Rate Filing"), each to be applicable upon DesertLink becoming a participating transmission owner in the CAISO region and turning the operational control of the Project over to CAISO. The Formula Rate Filing described certain cost containment commitments, including a binding capital cost cap of \$145.5 million (subject to certain identified exclusions including interconnection costs), a cap on the ROE that prohibits DesertLink from receiving during the depreciable life of the Project an ROE greater than 9.8%, inclusive of any incentive, and a limit on the capital structure that limits the equity component to no more than 50%. On October 31,

⁴ DesertLink supplemented that filing on October 27, 2016.

2017 the Commission set the Formula Rate Filing for hearing and settlement judge proceedings. On May 24, 2018 an uncontested Offer of Settlement was certified by Judge Steven Sterner.

B. DesertLink’s Structure

DesertLink is organized under the law of the State of Delaware. All of the membership interests of DesertLink are owned by DesertLink Holdings, LLC. All of the membership interests of DesertLink Holdings are currently owned⁵ by LS Power Grid DRS Holdings, LLC, which is owned by LSP Transmission Holdings, LLC, which, in turn, is wholly owned by LSP Generation IV, LLC. All of the membership interests of LSP Generation IV, LLC are owned by LS Power Associates, L.P. (“LS Power”). LS Power is a Delaware limited partnership that is wholly owned by certain private individuals and associated entities.

Through various subsidiaries, including DesertLink, LS Power develops, owns, and operates electric transmission and other power projects in North America. LS Power is managed by LS Power Development, LLC (“LSP Development”) the general partner of LS Power. LSP Development employs the majority of the staff performing duties on behalf of LS Power and those LS Power subsidiaries that are controlled by LS Power, including DesertLink.

II. INFORMATION REQUIRED UNDER SECTION 34.3

In support of the requests made in this Application, as required by 18 CFR § 34 and Form 523, DesertLink states as follows:

A. The Official Name Of The Applicant And Its Principal Business Office

DesertLink, LLC
One Tower Center Blvd., 21st Floor
East Brunswick, NJ 08816

⁵ NV Energy Inc. has an option to participate in the Project after the commercial operation date through participation in DesertLink Holdings.

B. The State In Which The Utility Is Incorporated, The Date Of Incorporation, And Each State In Which It Operates.

DesertLink was incorporated in Delaware on March 4, 2015 and operates in Nevada and California.

C. The Name, Address And Telephone Number Of A Person Within The Utility Authorized To Receive Notices And Communications With Respect To The Application

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D. The Date By Which Commission Action Is Requested

DesertLink requests the Commission to act as quickly as possible, including an expedited notice period, but no later than August 15, 2018. Approval by this date will provide sufficient time to close its intended financing as described below and issue a notice to proceed for its construction contractors to support the schedule for the project.

As discussed more fully below, DesertLink further requests that the Commission's authorization be valid for a period of three years, to allow for issuance of debt in tranches throughout the construction period as well as allow DesertLink the possibility of entering into long-term debt upon placing the Project into commercial operation. While three years is longer than the Commission's practice, the fact set forth herein support an initial authorization of 3 years to allow the project to complete the construction cycle and, if the financial markets support doing so, refinance its construction debt with long-term financing.

E. A Full Description Of The Securities Proposed To Be Issued

(1) Type and nature of securities

The initial debt will be construction loans, with a term of five years, consistent with the expected length of construction plus approximately three years. The Project is scheduled to be placed in service on or before May 2020. Following placing the Harry Allen to Eldorado Project in commercial service, DesertLink will transition the construction loans to permanent financing, with a term of up to 40 years. The timing of that transition will depend on market conditions.

(2) Amount of securities (par or stated value and number of units)

DesertLink's agreements to borrow will not exceed \$110 million in aggregate outstanding at any given time. This maximum amount of debt is based on the scope of DesertLink constructed facilities within the cost containment commitment and an allowance for costs outside of the scope of the cost containment such as an Allowance for Funds Used During Construction and the cost of interconnection facilities, assuming a capital structure of 50% equity/50% debt.

(3) Interest Rate

a. Long-Term Debt

The drawn or funded portion of the construction debt will accrue interest at a rate to be determined at the time of issuance. DesertLink expects the interest rate to be based on the London Interbank Offered Rate ("LIBOR") plus an applicable margin based on market rates, expected to be no more than 400 basis points if issued at a variable rate or 7.0% if issued at a fixed rate. A commitment fee will be payable on the undrawn portion of the debt. Other fees such as an upfront fee and arranger fee may apply. The total of all fees, margins and rates will be based on market conditions.

The permanent financing interest rate is currently unknown but will be financed at an interest rate consistent with then prevailing market conditions, but is not expected to exceed LIBOR plus 400 basis points in the case of a variable rate or a rate not to exceed 7.00% if issued at a fixed rate.

b. Interest Expense

In Exhibit E of this Application, DesertLink uses an upper maximum interest rate of 7% for purposes of its calculation of the projected interest coverage ratio to issue new long-term debt. Prior to entering service and charging rates, DesertLink is aware that the Exhibit E interest coverage ratio does not meet the Commission's typical minimum threshold of 2.0 but upon entering service the projected interest coverage ratio comfortably exceeds the 2.0x threshold.⁶ DesertLink has submitted a formula rate to the Commission, which if approved through the pending uncontested settlement, provides for the recovery of all costs associated with the investment in the Project, including interest expense and financing costs.⁷ Upon commercial operation of the Project, interest expense will be fully recoverable under the formula rate and transmission owner tariff. Thus, DesertLink's cash flows through the formula rate will be sufficient to meet the debt service payments under any debt issuances when such payments become due. The Commission has found that a utility's ability to recover its transmission costs (including debt costs) as part of a formula rate, cost-based tariff provided an alternative basis for

⁶ *Transource Mo., LLC*, 145 FERC ¶ 61,146, at P 20 (2013). Pursuant to section 34.3(e) of the Commission's regulations, interest service coverage ratio is equal to income before interest and income taxes, divided by total interest expense.

⁷ If the Harry Allen to Eldorado Project were to be abandoned under the circumstances set forth in the Approved Project Sponsor Agreement, or such other terms as indicated that the abandonment was beyond the control of DesertLink, DesertLink will have the right to recover costs it has already incurred, including AFUDC. *DesertLink, LLC*, 156 FERC ¶ 61,118 (2016)(granting DesertLink certain incentive rates, including 100% abandonment recovery).

the Commission to determine that the issuance of the securities will not impair the applicant's ability to perform its public utility services notwithstanding a coverage ratio of less than 2.0.⁸ As DesertLink did not seek approval for Construction Work in Progress in rates, there will be no payments prior to commercial operation. DesertLink requests that the Commission determine that the interest coverage test of 2.0 should not apply in this case.

(4) Dates Of Issuance And Maturity

DesertLink will issue debt from time to time during the Authorization Period. The loans may be in one or more tranches or series, provided by a syndicate of banks, and will include bank loans and associated credit facilities. The initial issuances will be construction loans with a term of ten years or less, but expected to be for the period of construction plus three years. Following commercial operation of the Project, those initial issuances will be refinanced with longer-term arrangement with a term of forty years or less. This transition from construction to permanent financing, the initiation of the formula rate at commercial operation, and the debt coverage ratios at the maximum interest rate reflected, support DesertLink's request for an initial extended authorization period of 3 years. This extended period will allow DesertLink to seamlessly transition from construction financing to permanent financing if market conditions at the time of commercial operation warrant.

⁸ See, e.g., *Northern Pass Transmission LLC*, 149 FERC ¶ 61,012 (2014) at P 13; *American Transmission Company LLC*, 147 FERC ¶ 61,180 (2014) at P 15; *AEP Appalachian Transmission Company, Inc., et al.*, 147 FERC ¶ 61,076 (2014) at P 22; and *Transource MO, LLC*, 145 FERC ¶ 61,146 (2013) at P 23.

(5) Institutional Rating Of The Issued Securities

DesertLink is not currently rated by any of the rating agencies and the debt securities will not be rated. DesertLink does not expect to request a short-term or long-term rating prior to any issuance in the capital markets. The debt securities will not be rated.

(6) Stock Exchange Listing, If Any

None of the securities for which authorization is requested will be listed for trading on an exchange.

F. The Purpose For Which The Securities Are To Be Issued

The purpose of the debt will be to fund (and/or reimburse member contributions to fund) the Project including design, siting, permitting, right-of-way acquisition, engineering, procurement, construction, construction management, interest during construction, administrative costs, and other related activities for the project, interconnections, and related activities, and/or refinance outstanding debt. Associated credit facilities may include facilities for working capital, credit support, and debt service reserve.⁹

Construction of the Project is scheduled to begin in September 2018. The construction will consist of all requirements to complete the Harry Allen to Eldorado Project including but not limited to installing roads and foundations, erecting transmission poles and towers, stringing, clipping and sagging conductor and shield wire, constructing a fixed capacitor bank in series with the transmission line, and all associated compliance, testing and construction management.

G. Required State Authorizations

DesertLink is not required to obtain approval to issue debt by any state regulatory body.

⁹ A debt service reserve account (“DSRA”) represents an undrawn facility to cover interest and fees should Project income not meet levels sufficient to cover such interest and fees. Those drawn upon funds are repaid from project income in the next payment cycle.

H. Facts Showing Issuance Will Be Lawful, Necessary And Appropriate

DesertLink has an obligation under the Approved Project Sponsor Agreement with CAISO to diligently pursue completion of the Harry Allen to Eldorado Project, which has been included in CAISO's regions transmission plan developed as part of CAISO's FERC approved regional transmission planning process. Issuance of the debt covered by the requested authorizations furthers the completion of the Harry Allen to Eldorado Project, is consistent with the corporate purpose of DesertLink, and necessary for the proper performance of DesertLink as a public utility.

I. Statement On Limitations On Interest And Dividend Coverage

None.

J. Summary of Rate Changes

DesertLink does not have retail rates. As noted above, transmission rates will be determined by a formula rate and collected by CAISO through DesertLink's transmission owner tariff upon the Harry Allen to Eldorado Project meeting commercial operation and being turned over to CAISO operational control.

K. Exhibits

Section 34.4 requires applicants to submit a number of exhibits in support of their application. Section 34.4(f) requires submission of a copy of any registration statement filed with the Securities and Exchange Commission regarding the proposed issuance. DesertLink's proposed financing does not require registration with the Securities and Exchange Commission, and thus no such registration statement will be filed with this application.

Exhibits hereto include:

Exhibit A: Statement of Corporate Purpose – Amended and Restated Limited Liability Company Agreement of DesertLink, LLC

Exhibit B: Copy of Resolutions of Sole Member of DesertLink

Exhibit C: Balance Sheet

Exhibit D: Income Statement

Exhibit E: Statement of Cash Flows

Exhibit F: Inapplicable

III. REQUEST FOR WAIVER OF COMPETITIVE BIDDING/NEGOTIATED PLACEMENT REQUIREMENT

The Applicant requests a waiver of the Commission's competitive bidding and negotiated placement requirements set forth in Sections 34.2(a) and 34.2(c)(1) of the Commission's regulations, 18 C.F.R. §§ 34.2(a) and 34.2(c)(1), as applicable to the long-term debt securities proposed to be issued by DesertLink. DesertLink has every incentive to keep its debt costs as low as possible and DesertLink is committed to issuing securities with the best available terms and rates. LS Power has a long history of analyzing the bank loan market to obtain the best rates at the lowest cost available. DesertLink, therefore, requests an exemption from the competitive bidding and negotiated offer requirements for the following reasons:

(a) DesertLink's affiliates have significant experience and are a frequent issuer of debt for power infrastructure projects;

(b) The securities will be issued to commercial and investment banks, similar institutions or sophisticated investors and all securities will bear interest at rates related to prevailing market conditions;

(c) time is of the essence to fulfill the construction schedule to allow the Project to deliver expected ratepayer savings; and

(e) a cost advantage would not be achieved by the imposition of such requirement.

IV. REQUEST FOR THREE YEAR AUTHORIZATION

DesertLink recognizes that Commission practice is to grant authorizations under Section 204 for a period of 2 years. While not statutorily mandated, the 2-year authorization period ensures that the facts upon which the Commission grants the authorization remain viable and not stale. In this instance, the unique circumstances of DesertLink ensure that the facts upon which Commission authorization is granted will remain viable during the extended period of the authorization. Specifically, the *pro forma* financials for DesertLink reflect the fact that as an entity not receiving construction work in progress payments, DesertLink will not start recovering its revenue requirement until the project is placed in service, approximately at the very end of a two- year authorization. Yet the factual information upon which the Commission would review a renewed authorization in two years, in all likelihood, would look identical to the current information as it would still reflect the anticipated revenues upon commercial operation. Because the commercial operation date will straddle the expiration of a two-year authorization, the requested three-year authorization will allow DesertLink to seamlessly review the financial markets to determine whether it is appropriate to enter into permanent financing immediately upon placing the project in commercial operation, or to delay that decision in which case it would seek a new authorization as appropriate.

In this instance, granting an extended authorization will not harm rate-payers. The requested authorization has an upper limit on the applicable interest rate so that if market conditions change significantly, a renewed authorization will be required in any event. In addition, because the Commission has the “authority to issue supplemental orders, and modify the provisions of any previous order as to the particular purposes, uses, and extent to which, or

the conditions under which, any or associated proceeds may be applied”¹⁰ rate payers are offered additional protection if DesertLink’s circumstances change from those upon which the authorization was based.

Based on these factors, DesertLink requests an authorization of three years to allow it to fund its construction program and then transition, if appropriate, to permanent financing.

V. AGREEMENT TO RESTRICTIONS IDENTIFIED IN WESTAR ENERGY, INC.

In *Westar Energy, Inc.*,¹¹ the Commission imposed several restrictions on the authorization for a public utility to issue long-term debt, indicating that the announced restrictions would be applied to all future public utility issuances of secured and unsecured debt authorized by the Commission. As the Commission explained, the restrictions are intended to “prevent public utilities from borrowing substantial amounts of monies and using the proceeds to finance non-utility businesses” and to “ensure that future issuances of debt are compatible with the public interest, will not impair a public utility's ability to perform in the future and provide appropriate ratepayer protection.”¹²

Specifically, the Commission required:

First, public utilities seeking authorization to issue debt that is secured (i.e., backed) by utility assets must use the proceeds of the debt for utility purposes only. Second, with respect to such utility asset-secured debt issuances, if any utility assets that secure such debt issuances are divested or "spun off," the debt must "follow" the asset and be divested or "spun off" as well. . . . Third, if assets financed with unsecured debt are divested or "spun off," the associated unsecured debt must follow those assets. . . . Last, with respect to unsecured debt used for utility purposes, if utility assets

¹⁰ *Westar Energy, Inc.*, 102 FERC ¶ 61,186, at PP 20- 21, order on clarification, 104 FERC ¶ 61,018 (2003)(“*Westar Energy*”).

¹¹ 102 FERC ¶ 61,186, at PP 20- 21, *order on clarification*, 104 FERC ¶ 61,018 (2003)(“*Westar Energy*”)

¹² *Id.* at P 22.

financed by unsecured debt are divested or "spun off" to another entity, then a proportionate share of the debt also must be divested or "spun off".¹³

The Applicant agrees that any long-term debt obligation that it incurs pursuant to this Application will be subject to the restrictions specified in *Westar Energy, Inc.*¹⁴

VI. CONCLUSION

Based on the foregoing, DesertLink requests that the Commission grant it authorization to issue short-term and long-term debt, in amounts not to exceed \$110 million, and that the authorization remain effective for three years from the date of authorization.

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¹³ *Id.* at PP 20-21.

¹⁴ *See also, Trans-Elect NTD Path 15 LLC*, 109 FERC ¶ 62,140 (2004); *International Transmission Co.*, 102 FERC ¶ 62,128 (2003); *International Transmission Co.*, 104 FERC ¶ 62,187 (2003).

Exhibit A

AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT

OF

DESERTLINK, LLC

DATED: June 28, 2018

AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT
OF
DESERTLINK, LLC

This Amended and Restated Limited Liability Company Agreement of DesertLink, LLC (the “Company”), dated and effective as of June 28, 2018, is entered into by DesertLink Holdings, LLC, as the sole member of the Company (the “Member”). Capitalized terms used and not otherwise defined herein have the meanings set forth on Schedule A hereto.

The Company is a limited liability company formed pursuant to and in accordance with the Delaware Limited Liability Company Act (6 Del. C. § 18-101 et seq.), as amended from time to time (the “Act”) by the filing of its Certificate of Formation on March 4, 2015.

The Member hereby agrees as follows:

Section 1. Name.

The name of the limited liability company is DesertLink, LLC.

Section 2. Principal Business Office.

The principal business office of the Company shall be located at One Tower Center, 21st Floor, East Brunswick, New Jersey 08816, or such other location as may hereafter be determined by the Member.

Section 3. Registered Office.

The address of the registered office of the Company in the State of Delaware is c/o Corporation Service Company, 251 Little Falls Drive, Wilmington, DE, 19808.

Section 4. Registered Agent.

The name and address of the registered agent of the Company for service of process on the Company in the State of Delaware is Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, DE, 19808.

Section 5. Members.

The mailing address of the Member is set forth on Schedule B attached hereto. If one or more additional Members of the Company are admitted to the Company pursuant to Section 19 or 20, then Schedule B shall be updated to include the name and mailing address of such Member or Members and the respective percentage of the limited liability company interests in the Company (each such interest, a “Membership Interest”) held by each of the Members of the Company following the addition of such Member or Members.

Section 6. Certificate of Formation.

The Company was formed upon the filing of the Certificate of Formation of the Company with the Secretary of State of the State of Delaware (such filing being hereby approved and ratified in all respects). A Member or an Officer shall execute, deliver and file any other certificates (and any amendments and/or restatements thereof) necessary for the Company to qualify to do business in any other jurisdiction in which the Company may wish to conduct business. The existence of the Company as a separate legal entity shall continue until cancellation of the Certificate of Formation as provided in the Act.

Section 7. Purposes.

7.1 The purpose to be conducted or promoted by the Company is to engage in the following activities:

- 7.1.1 to acquire, own or control, directly or indirectly, entities engaged in the ownership, development, construction, design, engineering, finance, improvement, operation and/or maintenance of projects for the transmission of electricity and to engage in any other activities related or incidental thereto or in anticipation thereof;
- 7.1.2 to manage and administer its assets (including by acquiring and/or disposing of direct and/or indirect equity interests in other entities);
- 7.1.3 to execute, perform and enforce such agreements, documents and instruments as may be desirable or necessary to conduct its business, manage its assets and perform its obligations; and
- 7.1.4 to engage in any lawful act or activity and to exercise any powers permitted to limited liability companies organized under the laws of the State of Delaware.

Section 8. Powers.

The Company, and the Officers of the Company on behalf of the Company, (i) shall have and exercise all powers necessary, convenient or incidental to accomplish its purposes as set forth in Section 7 and (ii) shall have and exercise all of the powers and rights conferred upon limited liability companies formed pursuant to the Act.

Section 9. Management.

The business and affairs of the Company shall be managed by or under the direction of the Member, which Member may act through its directors, officers, employees, representatives, agents and designees.

Section 10. Officers.

10.1 Officers. The Officers as of the date of this Agreement are listed on Schedule C hereto. The additional or successor Officers of the Company shall be chosen by the Member and shall consist of at least a President, a Secretary and a Treasurer. The Member may also choose one or more Vice Presidents, Assistant Secretaries and Assistant Treasurers. Any number of offices may be held by the same person. The Member may appoint such other Officers and agents as the Member shall deem necessary or advisable who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Member. The Officers of the Company shall hold office until their successors are chosen and qualified. Any Officer may be removed at any time, with or without cause, by the Member. Any vacancy occurring in any office of the Company shall be filled by the Member. Any of the President, any Vice President and/or Treasurer may execute all bonds, mortgages and other contracts, except: (i) where required or permitted by law or this Agreement to be otherwise signed and executed, or (ii) where signing and execution thereof shall be expressly delegated by the Member to one of such Officers or some other Officer or agent of the Company.

10.2 Officers as Agents. The Officers, to the extent of their powers set forth in this Agreement or otherwise vested in them by an action of the Member not inconsistent with this Agreement, are agents of the Company for the purpose of the Company's business and the actions of the Officers taken in accordance with such powers shall bind the Company.

Section 11. Limited Liability.

Except as otherwise expressly provided by the Act, the debts, obligations and liabilities of the Company, whether arising in contract, tort or otherwise, shall be the debts, obligations and liabilities solely of the Company, and no Member or Officer shall be obligated personally for any such debt, obligation or liability of the Company solely by reason of being a Member or Officer of the Company.

Section 12. Capital Contributions.

The Member has contributed to the Company property of an agreed value as listed in the books and records of the Company.

Section 13. Additional Contributions.

The Member is not required to make any additional Capital Contribution to the Company. However, the Member may make additional Capital Contributions to the Company at any time. The provisions of this Agreement, including this Section 13, are intended to benefit the Member and, to the fullest extent permitted by law, shall not be construed as conferring any benefit upon any creditor of the Company (other than a Covered Person) (and no such creditor of the Company shall be a third-party beneficiary of this Agreement) and the Member shall not have any duty or obligation to any creditor of the Company to make any contribution to the Company or to issue any call for capital pursuant to this Agreement.

Section 14. Tax Status.

The Member intends that so long as there is only a single beneficial owner of the Company, the Company shall be treated as a disregarded entity for federal income tax purposes.

Section 15. Distributions.

15.1 Distributions shall be made to the Member at the times and in the aggregate amounts determined by the Member. Notwithstanding any provision to the contrary contained in this Agreement, the Company shall not be permitted or required to make a distribution to the Member on account of its interest in the Company if such distribution would violate Section 18-607 of the Act or any other applicable law.

15.2 The Company may withhold distributions or portions thereof if it is required to do so by any applicable rule, regulation, or law, and the Member hereby authorizes the Company to withhold from or pay on behalf of or with respect to such Member any amount of federal, state, local or foreign taxes that the Company is required to withhold or pay with respect to any amount distributable or allocable to such Member pursuant to this Agreement. Any amount withheld pursuant to this Section 15.2 shall be treated as having been distributed to such Member.

Section 16. Books and Records.

The Company shall keep or cause to be kept complete and accurate books of account and records with respect to the Company's business. The books of the Company shall at all times be maintained by the Company.

Section 17. Other Business.

Notwithstanding any duty otherwise existing at law or in equity, the Member and any Affiliate of the Member may engage in or possess an interest in other business ventures (unconnected with the Company) of every kind and description, independently or with others, and the Company shall not have any rights in or to such independent ventures or the income or profits therefrom by virtue of this Agreement.

Section 18. Exculpation and Indemnification.

18.1 To the fullest extent permitted by law, neither the Member, nor any Officer, employee or agent of the Company nor any employee, representative, agent or Affiliate of the Member (collectively, the "Covered Persons") shall be liable to the Company or any other Person who is bound by this Agreement for any loss, damage or claim incurred by reason of any act or omission performed or omitted by such Covered Person on behalf of the Company and in a manner reasonably believed to be within the scope of the authority conferred on such Covered Person by this Agreement, except that a Covered Person shall be liable for any such loss, damage or claim incurred by reason of such Covered Person's gross negligence or willful misconduct.

18.2 To the fullest extent permitted by applicable law, a Covered Person shall be entitled to indemnification from the Company for any loss, damage or claim incurred by such

Covered Person by reason of any act or omission performed or omitted by such Covered Person in good faith on behalf of the Company and in a manner reasonably believed to be within the scope of the authority conferred on such Covered Person by this Agreement, except that no Covered Person shall be entitled to be indemnified in respect of any loss, damage or claim incurred by such Covered Person by reason of such Covered Person's gross negligence or willful misconduct with respect to such acts or omissions; provided, however, that any indemnity under this Section 18 by the Company shall be provided out of and to the extent of Company assets only, and no Member shall have any personal liability on account thereof.

18.3 To the fullest extent permitted by applicable law, expenses (including legal fees) incurred by a Covered Person defending any claim, demand, action, suit or proceeding shall, from time to time, be advanced by the Company prior to the final disposition of such claim, demand, action, suit or proceeding upon receipt by the Company of an undertaking by or on behalf of the Covered Person to repay such amount if it shall be determined that the Covered Person is not entitled to be indemnified as authorized in this Section 18.

18.4 A Covered Person shall be fully protected in relying in good faith upon the records of the Company and upon such information, opinions, reports or statements presented to the Company by any Person as to matters the Covered Person reasonably believes are within such other Person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Company, including information, opinions, reports or statements as to the value and amount of the assets, liabilities, or any other facts pertinent to the existence and amount of assets from which distributions to any Member might properly be paid.

18.5 The provisions of this Agreement, to the extent that they restrict or eliminate the duties and liabilities of a Covered Person otherwise existing at law or in equity, are agreed by the Member to replace such other duties and liabilities of such Covered Person.

18.6 The foregoing provisions of this Section 18 shall survive any termination of this Agreement.

Section 19. Transfers.

The Member may sell, assign, transfer, convey, pledge or otherwise dispose of (collectively, "Transfer") in whole or in part its limited liability company interest in the Company. If the Member Transfers all or part of its limited liability company interest in the Company pursuant to this Section 19, the transferee shall be admitted to the Company as a Member of the Company upon its execution of an instrument signifying its agreement to be bound by the terms and conditions of this Agreement, which instrument may be a counterpart signature page to this Agreement. If such Member Transfers all of its limited liability company interest, such admission shall be deemed effective immediately prior to the Transfer and, immediately following such admission, the transferor Member shall cease to be a member of the Company.

Section 20. Admission of Additional Members.

One or more additional Members of the Company may be admitted to the Company in connection with a Transfer as described in Section 19 or with the written consent of the Member.

Section 21. Dissolution.

21.1 The Company shall be dissolved, and its affairs shall be wound up upon the first to occur of the following: (i) written consent of the Member, (ii) the termination of the legal existence of the last remaining Member of the Company or the occurrence of any other event which terminates the continued membership of the last remaining Member of the Company in the Company unless the Company, without dissolution, is continued in a manner permitted by this Agreement or the Act and (iii) the entry of a decree of judicial dissolution under Section 18-802 of the Act. Upon the occurrence of any event that causes the last remaining Member of the Company to cease to be a member of the Company (other than (i) upon an assignment by such Member of all of its limited liability company interest in the Company and the admission of the transferee pursuant to Sections 19 and 20, or (ii) the resignation of such Member and the admission of an additional member of the Company pursuant to Sections 19 and 20), to the fullest extent permitted by law, the personal representative of such Member is hereby authorized to, and shall, within 90 days after the occurrence of the event that terminated the continued membership of such Member in the Company, agree in writing (i) to continue the Company and (ii) to the admission of the personal representative or its nominee or designee, as the case may be, as a substitute Member of the Company, effective as of the occurrence of the event that terminated the continued membership of the last remaining Member of the Company.

21.2 Notwithstanding any other provision of this Agreement, the Bankruptcy of a Member shall not cause such Member to cease to be a member of the Company and upon the occurrence of such an event, the Company shall continue without dissolution.

21.3 In the event of dissolution, the Company shall conduct only such activities as are necessary to wind up its affairs (including the sale of the assets of the Company in an orderly manner), and the assets of the Company shall be applied in the manner, and in the order of priority, set forth in Section 18-804 of the Act.

21.4 The Company shall terminate when (i) all of the assets of the Company, after payment of or due provision for all debts, liabilities and obligations of the Company, shall have been distributed to the Member in the manner provided for in this Agreement and (ii) the Certificate of Formation shall have been canceled in the manner required by the Act.

Section 22. Miscellaneous.

22.1 Waiver of Partition; Nature of Interest. Except as otherwise expressly provided in this Agreement, to the fullest extent permitted by law, each Member hereby irrevocably waives any right or power that such Person might have to cause the Company or any of its assets to be partitioned, to cause the appointment of a receiver for all or any portion of the assets of the Company, to compel any sale of all or any portion of the assets of the Company pursuant to any applicable law or to file a complaint or to institute any proceeding at law or in equity to cause the dissolution, liquidation, winding up or termination of the Company. No Member shall have any interest in any specific assets of the Company, and such Member shall not have the status of a creditor with respect to any distribution pursuant to Section 15 hereof. The limited liability company interest or interests in the Company are personal property.

22.2 Benefits of Agreement; No Third-Party Rights. None of the provisions of this Agreement shall be for the benefit of or enforceable by any creditor of the Company or by any creditor of a Member. Nothing in this Agreement shall be deemed to create any right in any Person (other than Covered Persons) not a party hereto, and this Agreement shall not be construed in any respect to be a contract in whole or in part for the benefit of any third Person.

22.3 Severability of Provisions. Each provision of this Agreement shall be considered severable and if for any reason any provision or provisions herein are determined to be invalid, unenforceable or illegal under any existing or future law, such invalidity, unenforceability or illegality shall not impair the operation of or affect those portions of this Agreement which are valid, enforceable and legal.

22.4 Entire Agreement. This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof.

22.5 Binding Agreement. Notwithstanding any other provision of this Agreement, each Member agrees that this Agreement constitutes a legal, valid and binding agreement of such Member, and is enforceable against such Member, in accordance with its terms.

22.6 Governing Law. This Agreement shall be governed by and construed under the laws of the State of Delaware (without regard to conflict of laws principles), all rights and remedies being governed by said laws.

22.7 Amendments. This Agreement may be modified, altered, supplemented or amended pursuant to a written consent of the Member.

22.8 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original of this Agreement and all of which together shall constitute one and the same instrument.

22.9 Notices. Any notices required to be delivered hereunder shall be in writing and personally delivered, mailed or sent by telecopy, electronic mail or other similar form of rapid transmission, and shall be deemed to have been duly given upon receipt (a) in the case of the Company, to the Company at its address in Section 2, (b) in the case of a Member, to such Member at its address as listed on Schedule B attached hereto and (c) in the case of either of the foregoing, at such other address as may be designated by written notice to the other party.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the undersigned, intending to be legally bound hereby, has duly executed this Amended and Restated Limited Liability Company Agreement as of the first date written above.

SOLE MEMBER:

DesertLink Holdings, LLC

By: 

Name: **Mark Brennan**
Title: **Treasurer**

SCHEDULE A

Definitions

A. Definitions

When used in this Agreement, the following terms not otherwise defined herein have the following meanings:

“Act” has the meaning set forth in the preamble to this Agreement.

“Affiliate” means, with respect to any Person, any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such Person.

“Agreement” means this Amended and Restated Limited Liability Company Agreement of the Company, together with the schedules and exhibits attached hereto, as amended, restated or supplemented or otherwise modified from time to time.

“Bankruptcy” means, with respect to any Person, if such Person (i) makes an assignment for the benefit of creditors, (ii) files a voluntary petition in bankruptcy, (iii) is adjudged bankrupt or insolvent, or has entered against it an order for relief, in any bankruptcy or insolvency proceedings, (iv) files a petition or answer seeking for itself any reorganization, arrangement, composition, readjustment, liquidation or similar relief under any statute, law or regulation, (v) files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against it in any proceeding of this nature, (vi) seeks, consents to or acquiesces in the appointment of a trustee, receiver or liquidator of the Person or of all or any substantial part of its properties, or (vii) if 90 days after the commencement of any proceeding against the Person seeking reorganization, arrangement, composition, readjustment, liquidation or similar relief under any statute, law or regulation, if the proceeding has not been dismissed, or if within 90 days after the appointment without such Person’s consent or acquiescence of a trustee, receiver or liquidator of such Person or of all or any substantial part of its properties, the appointment is not vacated or stayed, or within 90 days after the expiration of any such stay, the appointment is not vacated. The foregoing definition of “Bankruptcy” is intended to replace and shall supersede and replace the definition of “Bankruptcy” set forth in Sections 18-101(1) and 18-304 of the Act.

“Capital Contributions” means, with respect to any Member, the total amount of cash and the fair market value of property (other than cash) contributed to the capital of the Company by such Member, whether as an initial Capital Contribution or as an additional Capital Contribution.

“Certificate of Formation” means the Certificate of Formation of the Company filed with the Secretary of State of the State of Delaware on March 4, 2015, as amended or amended and restated from time to time.

“Company” has the meaning set forth in the preamble to this Agreement.

“Covered Persons” shall have the meaning ascribed to such term in Section 18.1.

“Member” or “Members” means DesertLink Holdings, LLC, as the member of the

Company as of the date of this Agreement, and includes any Person admitted as an additional member of the Company or a substitute member of the Company pursuant to the provisions of this Agreement, each in its capacity as a member of the Company.

“Membership Interest” shall have the meaning ascribed to such term in Section 5.

“Officer” means an officer of the Company described in Section 10.

“Person” means any individual, corporation, partnership, joint venture, limited liability company, limited liability partnership, association, joint stock company, trust, unincorporated organization, or other organization, whether or not a legal entity, and any governmental authority.

“Transfer” shall have the meaning ascribed to such term in Section 19

B. Rules of Construction

The following interpretations and rules of construction shall apply to this Agreement:

(a) titles and headings are for convenience only and will not be deemed part of this Agreement for purposes of interpretation;

(b) unless otherwise stated, references in this Agreement to “Sections”, “Schedules”, or “Exhibits” refer, respectively, to Sections, Schedules or Exhibits of this Agreement;

(c) “including” means “including, but not limited to”, and “include” or “includes” means “include, without limitation” or “includes, without limitation”;

(d) “hereunder”, “herein”, “hereto” and “hereof”, when used in this Agreement, refer to this Agreement as a whole and not to a particular Section or clause of this Agreement;

(e) in the case of defined terms, the singular includes the plural and vice versa;

(f) unless otherwise indicated, all accounting terms not specifically defined shall be construed in accordance with generally accepted accounting practices in the United States;

(g) unless otherwise indicated, each reference to a particular law is a reference to such law as it may be amended, modified, extended, restated or supplemented from time to time, as well as to any successor law thereto;

(h) unless otherwise indicated, references to agreements shall be deemed to include all subsequent amendments, supplements and other modifications thereto; and

(i) unless otherwise indicated, each reference to any Person shall include such Person’s successors and permitted assigns.

SCHEDULE B

Members

<u>Name</u>	<u>Mailing Address</u>	<u>Percentage Interest</u>
DesertLink Holdings, LLC	One Tower Center Blvd., 21 st Floor, East Brunswick, New Jersey 08816	100%

SCHEDULE C

Officers

<u>Name</u>	<u>Office</u>	<u>Effective Date</u>
Paul Thessen	President	June 28, 2018
Joseph Esteves	Executive Vice President	June 28, 2018
Shimon Edelstein	Executive Vice President, Tax	June 28, 2018
Robert Colozza	Senior Vice President	June 28, 2018
Lawrence Willick	Senior Vice President	June 28, 2018
Mark Milburn	Vice President	June 28, 2018
Sandeep Arora	Vice President	June 28, 2018
Joseph Myers	Vice President	June 28, 2018
Scott Carver	Secretary	June 28, 2018
David Sass	Assistant Secretary	June 28, 2018
Mark Brennan	Treasurer	June 28, 2018
Jobey Eddleman	Assistant Treasurer	June 28, 2018

Exhibit B

RESOLUTION
OF THE SOLE MEMBER OF
DESERTLINK, LLC

Effective Date: June 29, 2018

The undersigned, being the sole member of DesertLink, LLC, a Delaware limited liability company (the "Company"), does hereby, pursuant to the Limited Liability Company Agreement of the Company dated as of March 4, 2015 (as amended, supplemented, or otherwise modified as of the date hereof), adopt the following resolutions pertaining to the Company:

RESOLVED, that the officers of this Company be and they are hereby authorized and empowered, for and in the name of this Company, to enter into one or more secured or unsecured loans, credit agreements or financing agreements, and issue, during the period from the date hereof through August 31, 2021, short-term and long-term debt securities (each a "Loan" and collectively, "Loans"), in one or more tranches or series, in an amount not to exceed an aggregate of \$110 million at any one time outstanding, in such amount or amounts as they may deem necessary or advisable.

RESOLVED FURTHER, that to effectuate such Loans the officers of this Company be and they are hereby authorized and empowered, for and in the name of this Company to issue first mortgage bonds, secured or unsecured promissory notes, commercial paper, letters of credit, debentures, or other securities and evidences of indebtedness issued from time to time in one or more public or private transactions; provided that any such short-term securities will be issued with a maturity date of not more than one year from the date of issuance and any such long-term securities will be issued with a maturity date of more than one year but no more than forty years from the date of issuance.

RESOLVED FURTHER, that the proper officers of this Company are hereby authorized and empowered, for and in the name of this Company, to sign, execute and deliver: (i) bonds, debentures, promissory notes, other evidences of indebtedness, guarantees and instruments of renewal to evidence the borrowings made pursuant to the provisions of the foregoing resolutions and (ii) any agreement, certificate or other document, including without limitation amendments, modifications or waivers, pertaining to such borrowings.

RESOLVED FURTHER, that the President or any Vice President, the Treasurer or any Assistant Treasurer, and the Secretary or any Assistant Secretary of the Company be and they are hereby authorized and instructed to prepare, cause to be prepared, to execute or cause to be executed, and to file or cause to be filed, at such times as they may deem appropriate, for and in the name and on behalf of this Company, such applications and amendments thereof as they may deem necessary or advisable to obtain an order or orders of the Federal Energy Regulatory Commission authorizing the Company to issue its bonds, debentures, promissory notes, other

evidences of indebtedness, guarantees and instruments of renewal, as provided in the foregoing resolutions.

RESOLVED FURTHER, that the officers of the Company be and they hereby are authorized and empowered to do any and all other acts and things and to incur all such fees and expenses as in their judgment may be necessary or advisable to carry out the foregoing resolutions.

IN WITNESS WHEREOF, the undersigned has hereunto set his name as of the date first written above.

DESERTLINK HOLDINGS, LLC

By: 

Name: Lawrence Willick

Title: Senior Vice President

Exhibit C

DESERTLINK, LLC
BALANCE SHEET (ASSETS AND OTHER DEBITS)
As of March 31, 2018
(Unaudited)

Line No.		ACTUAL	ADJUSTMENTS		PRO FORMA
1	<u>UTILITY PLANT</u>				
2	Utility Plant (101-106, 114)	\$ 15,765,413	\$ 209,395,227	See Note 6/7	\$ 225,160,640
3	Construction Work in Progress (107)	-	-		-
4	TOTAL Utility Plant	15,765,413	209,395,227		225,160,640
5	(Less) Accum. Prov. For Depr. Amort. Depl. (108, 110, 111, 115)	-	4,194,067	See Note 3	4,194,067
6	Net Utility Plant	<u>15,765,413</u>	<u>205,201,160</u>		<u>220,966,573</u>
7					
8	<u>OTHER PROPERTY AND INVESTMENTS</u>				
9	Nonutility Property (121)	-	-		-
10	(Less) Accum. Prov. For Depr. And Amort. (122)	-	-		-
11	Investments in Associated Companies (123)	-	-		-
12	Noncurrent Portion of Allowances	-	-		-
13	Other Investments (124)	-	-		-
14	Other Special Funds (128)	-	-		-
15	Special Funds (Non Major Only) (129)	-	-		-
16	Long-Term Portion of Derivative Assets (175)	-	-		-
17	Long-Term Portion of Derivative Assets-Hedges (178)	-	-		-
18	TOTAL Other Property and Investments	<u>-</u>	<u>-</u>		<u>-</u>
19					
20	<u>CURRENT AND ACCRUED ASSETS</u>				
21	Cash (131)	205,883	18,183,969		18,389,852
22	Special Deposits (132-134)	-	-		-
23	Working Fund (135)	-	-		-
24	Temporary Cash Investments (136)	-	-		-
25	Customer Accounts Receivable (142)	-	-		-
26	Other Accounts Receivable (143)	-	-		-
27	(Less) Accum. Prov. For Uncollectible Acct. - Credit (144)	-	-		-
28	Notes Receivable from Associated Companies (145)	-	-		-
29	Accounts Receivable from Assoc. Companies (146)	-	-		-
30	Fuel Stock (151)	-	-		-
31	Fuel Stock Expenses Undistributed (152)	-	-		-
32	Plant Materials and Operating Supplies (154)	-	-		-
33	Merchandise (155)	-	-		-
34	Other Materials and Supplies (156)	-	-		-
35	Allowances (158.1 and 158.2)	-	-		-
36	(Less) Noncurrent Portion of Allowances	-	-		-
37	Prepayments (165)	-	-		-
38	Interest and Dividends Receivable (171)	-	-		-
39	Rents Receivable (172)	-	-		-
40	Accrued Utility Revenues (173)	-	-		-
41	Miscellaneous Current and Accrued Assets (174)	-	-		-
42	Derivative Instrument Assets (175)	-	-		-
43	(Less) Long-Term Portion of Derivative Instrument Assets (175)	-	-		-
44	Derivative Instrument Assets - Hedges (176)	-	-		-
45	(Less) Long-Term Portion of Derivative Instrument Assets - Hedges	-	-		-
46	Total Current and Accrued Assets	<u>205,883</u>	<u>18,183,969</u>		<u>18,389,852</u>
47					
48	<u>DEFERRED DEBITS</u>				
49	Unamortized Debt Expense (181)	-	2,321,000	See Note 6	2,321,000
50	Unrecovered Plant and Regulatory Study Costs (182.2)	-	-		-
51	Other Regulatory Assets (182.3)	-	-		-
52	Prelim. Survey and Investigation Charges (183)	-	-		-
53	Clearing Accounts (184)	-	-		-
54	Temporary Facilities (185)	-	-		-
55	Miscellaneous Deferred Debits (186)	-	-		-
56	Unamortized Loss on Reacquired Debt (189)	-	-		-
57	Accumulated Deferred Income Taxes (190)	-	-		-
58	Total Deferred Debits	<u>-</u>	<u>2,321,000</u>		<u>2,321,000</u>
59					
60	TOTAL ASSETS	<u>\$ 15,971,296</u>	<u>\$ 225,706,128</u>		<u>\$ 241,677,424</u>

The accompanying Pro Forma Adjustments and Notes to the Financial Statements in Exhibit E are an integral part of this statement.

DESERTLINK, LLC
BALANCE SHEET (LIABILITIES AND OTHER CREDITS)
As of March 31, 2018
(Unaudited)

Line No.	ACTUAL	ADJUSTMENTS	PRO FORMA
1	PROPRIETARY CAPITAL		
2	\$ -	\$ -	\$ -
3	-	-	-
4	-	-	-
5	16,403,023	95,438,851 See Note 6	111,841,874
6	(547,375)	17,445,046	16,897,671
7	-	-	-
8	-	-	-
9	-	-	-
10	<u>15,855,648</u>	<u>112,883,897</u>	<u>128,739,545</u>
11	LONG-TERM DEBT		
12	-	-	-
13	-	-	-
14	-	-	-
15	-	110,000,000 See Note 6	110,000,000
16	-	-	-
17	-	-	-
18	<u>-</u>	<u>110,000,000</u>	<u>110,000,000</u>
19	OTHER NONCURRENT LIABILITIES		
20	-	-	-
21	-	-	-
22	-	-	-
23	-	-	-
24	-	-	-
25	-	-	-
26	-	-	-
27	-	-	-
28	-	-	-
29	-	-	-
30	<u>-</u>	<u>-</u>	<u>-</u>
31	CURRENT AND ACCRUED LIABILITIES		
32	-	-	-
33	-	-	-
34	16,331	(16,331) See Note 6	-
35	-	-	-
36	99,317	(99,317) See Note 6	-
37	-	-	-
38	-	2,937,879 See Note 4	2,937,879
39	-	-	-
40	-	-	-
41	-	-	-
42	-	-	-
43	-	-	-
44	-	-	-
45	-	-	-
46	-	-	-
47	-	-	-
48	<u>115,648</u>	<u>2,822,231</u>	<u>2,937,879</u>
49	DEFERRED CREDITS		
50	-	-	-
51	-	-	-
52	-	-	-
53	-	-	-
54	-	-	-
55	-	-	-
56	-	-	-
57	-	-	-
58	-	-	-
59	<u>-</u>	<u>-</u>	<u>-</u>
60	<u>\$ 15,971,296</u>	<u>\$ 225,706,128</u>	<u>\$ 241,677,424</u>
61			

The accompanying Pro Forma Adjustments and Notes to the Financial Statements in Exhibit E are an integral part of this statement.

Exhibit D

DESERTLINK, LLC
STATEMENT OF INCOME
12 Months Ending March 31, 2018
(Unaudited)

Line No.	ACTUAL	ADJUSTMENTS	PRO FORMA
1	UTILITY OPERATING INCOME		
2	\$ -	\$ 28,864,627 See Note 1	\$ 28,864,627
3			
4	Operating Expenses		
5	83,760	2,980,658 See Note 2	3,064,418
6	-	-	-
7	-	4,194,067 See Note 3	4,194,067
8	-	-	-
9	-	-	-
10	-	-	-
11	-	-	-
12	-	-	-
13	-	-	-
14	-	2,937,879 See Note 4	2,937,879
15	-	-	-
16	-	-	-
17	-	-	-
18	-	-	-
19	-	-	-
20	-	-	-
21	-	-	-
22	-	-	-
23	-	-	-
24	<u>83,760</u>	<u>10,112,605</u>	<u>10,196,365</u>
25	<u>(83,760)</u>	<u>18,752,022</u>	<u>18,668,262</u>
26			
27	OTHER INCOME AND DEDUCTIONS		
28	-	-	-
29	-	-	-
30	-	-	-
31	-	-	-
32	-	-	-
33	-	-	-
34	-	-	-
35	<u>-</u>	<u>-</u>	<u>-</u>
36			
37	Other Income Deductions		
38	-	-	-
39	-	-	-
40	-	-	-
41	-	-	-
42	-	-	-
43	-	-	-
44	<u>-</u>	<u>-</u>	<u>-</u>
45			
46	Taxes Applic. To Other Income and Deductions		
47	-	-	-
48	-	-	-
49	-	-	-
50	-	-	-
51	-	-	-
52	<u>-</u>	<u>-</u>	<u>-</u>
53	<u>-</u>	<u>-</u>	<u>-</u>
54			
55	INTEREST CHARGES		
56	-	7,700,000 See Note 5	7,700,000
57	-	-	-
58	-	-	-
59	-	-	-
60	-	-	-
61	-	-	-
62	-	-	-
63	-	-	-
64	<u>-</u>	<u>7,700,000</u>	<u>7,700,000</u>
65			
66	<u>\$ (83,760)</u>	<u>\$ 11,052,022</u>	<u>\$ 10,968,262</u>

The accompanying Pro Forma Adjustments and Notes to the Financial Statements in Exhibit E are an integral part of this statement.

Exhibit E

DESERTLINK, LLC
STATEMENT OF CASH FLOWS AND COMPUTATION OF INTEREST COVERAGE
12 Months Ended March 31, 2018
(Unaudited)

Line No.	ACTUAL	ADJUSTMENTS	PRO FORMA
1	<u>NET CASH FLOW FROM OPERATING ACTIVITIES</u>		
2	(83,760)	11,052,022	10,968,262
3	-	-	-
4	-	4,194,067	4,194,067
5	-	-	-
6	-	-	-
7	-	-	-
8	-	-	-
9	-	-	-
10	-	(8,535,769)	(8,535,769)
11	-	-	-
12	-	-	-
13	-	-	-
14	-	-	-
15	-	-	-
16	-	-	-
17	-	(2,321,000)	(2,321,000)
18	<u>(83,760)</u>	<u>4,389,321</u>	<u>4,305,561</u>
19			
20	<u>CASH FLOW FROM INVESTMENT ACTIVITIES</u>		
21	-	-	-
22	(4,197,259)	(191,644,203)	(195,841,462)
23	-	-	-
24	-	-	-
25	<u>(4,197,259)</u>	<u>(191,644,203)</u>	<u>(195,841,462)</u>
26			
27	<u>CASH FLOW FROM FINANCING ACTIVITIES</u>		
28	Proceeds from Issuance of:		
29	-	110,000,000	110,000,000
30	-	-	-
31	4,370,650	95,438,851	99,809,501
32	-	-	-
33	-	-	-
34	-	-	-
35	<u>4,370,650</u>	<u>205,438,851</u>	<u>209,809,501</u>
36	Cash Provided by Outside Sources		
37			
38	Payments for Retirement of:		
39	-	-	-
40	-	-	-
41	-	-	-
42	-	-	-
43	-	-	-
44	-	-	-
45	-	-	-
46			
47	<u>4,370,650</u>	<u>205,438,851</u>	<u>209,809,501</u>
48			
49	89,631	18,183,969	18,273,600
50			
51	116,252	-	116,252
52			
53	<u>205,883</u>	<u>18,183,969</u>	<u>18,389,852</u>

The accompanying Pro Forma Adjustments and Notes to the Financial Statements in Exhibit E are an integral part of this statement.

DESERTLINK, LLC
STATEMENT OF CASH FLOWS AND COMPUTATION OF INTEREST COVERAGE
12 Months Ended March 31, 2018
(Unaudited)

No.	Actual	Adjustments	Pro forma
1 Net Income	\$ (83,760)	\$ 11,052,022	\$ 10,968,262
2 Add:			
3 Total Interest Expense	-	7,700,000	7,700,000
4 Federal Income Taxes	-	2,937,879	2,937,879
5			
6 Income Before Interest and Income Taxes	<u>(83,760)</u>	<u>21,689,901</u>	<u>21,606,141</u>
7			
8 <u>Computation of Interest Coverage</u>			
9 Interest Coverage Ratio	-	2.82	2.81
10 <i>(Income before interest and income taxes/Total Interest Expense)</i>			

DESETELINK, LLC
Notes to Pro Forma Adjustments
As of March 31, 2018
(Unaudited)

<u>Income Statement</u>	<u>Dr.</u>	<u>Cr.</u>	<u>Comments</u>
1) Operating Revenues (400)	28,864,627		Projected based on \$225.2 million of assets in service - see Revenue Requirements Worksheet
2) Operating Expenses (401, 402)	2,980,658		To record first year operating expenses
3) Depreciation Expense (403)	4,194,067		Projected based on \$225.2 million of assets in service and weighted average depreciation rate - see Depreciation Worksheet
4) Income Taxes (409.1)	2,937,879		Projected based on income tax rate of 21% - see Revenue Requirement Worksheet
			Revenues
			28,864,627
			(2,980,658)
			(4,194,067)
			(7,700,000)
			13,989,901
			Federal tax 21%
			2,937,879
5) Interest on Long-Term Debt (427)	7,700,000		Based on maximum interest rate of 7.00% and \$110 million of outstanding long-term debt
			<u>Balance Sheet</u>
6) Utility Plant (101-106,114)	191,644,203		To record investment in utility plant and funding of investment at requested capital structure in Docket No. ER17-135-000 et seq
Unamortized Debt Expense (181)	2,321,000		To record cost of debt issuance
Retained Earnings (215)/Interest on Long-Term Debt (427)	11,358,000		To record interest expense on outstanding debt during the construction period
Long-term Debt (224)	110,000,000		Issuance of long-term debt to fund utility assets in proportion with capital structure requested in Docket No. ER17-135-000 et seq and maximum amount of debt outstanding as requested in this proceeding
Accounts payable (232)	16,331		To record payment of accounts payable for misc construction costs
Accounts Payable to Associated Companies (234)	99,317		To record payment of accounts payable to Associated Companies for misc construction costs
Other Paid-in Capital (208-211)	95,438,851		Equity infusion from Desertlink Holdings Company in proportion with capital structure requested in Docket No. ER17-135-000 et seq
7) Utility Plant (101-106, 114)	17,751,024		To record AFUDC income during construction period
Retained Earnings (215)/Allowance for Other Funds Used During Construction (419.1)	17,751,024		
3) Depreciation Expense (403)	4,194,067		Projected based on \$225.2 million of assets in service and weighted average depreciation rate - see Depreciation Worksheet
Accum. Prov. For Depr. Amort. Dept. (108, 110, 111, 115)	4,194,067		
4) Income Taxes-Federal (409.1)	2,937,879		Projected based on income tax rate of 21% - see Revenue Requirement Worksheet
Taxes Accrued (236)	2,937,879		

Line No.	Total	Notes
1	<u>Rate Base Calculation</u>	
2		
3	225,160,640	
4	<u>1,922,281</u>	Note A
5	223,238,359	
6		
7	<u>223,238,359</u>	
8		
9		
10	<u>Expenses, Income Taxes, Return on Rate Base, and</u>	
11	<u>Total Revenue Requirements Calculation</u>	
12		
13	2,980,658	Note B
14		
15	4,194,067	
16		
17	2,937,879	Note C
18		
19	<u>18,752,022</u>	
20		
21	<u>28,864,627</u>	
22		
23		
24		
25		
26	<u>Capital Structure & Weighted Cost of Capital (Return)</u>	
27		Note D
28	Capital Structure	Cost
29	50%	7.00%
30	0%	0.00%
31	<u>50%</u>	<u>4.90%</u>
32	100%	8.40%
33		
34		
35	<u>Supporting Notes</u>	

- 36 A) See Depreciation Worksheet for calculation of rate base calculation depreciation expense related to the asset.
37 B) The Company has included estimated O&M expense in this calculation.
38 C) The Proforma tax rate, where FIT is the Federal income tax rate; SIT is the State income tax rate, and p= the percentage of federal income tax deductible for state income taxes: "For the purpose of this schedule FIT is assumed to be [21%], which is conservative for the calculation of the debt coverage ratio. The actual value will be calculated per Attachment 7 of the Formula Rate Template."

39		
40		
41	FIT=	21%
42	SIT=	0% (State Income Tax Rate or Composite SIT)
43	p=	0% (percent of federal income tax deductible for state purposes)
44	Income Tax Factor for revenue requirement:	
45	Tax Factor = $(1/(1-FIT))*(FIT)$	26.58%
46		
47	Income Tax Calculation for revenue requirement:	
48	Return on Rate Base (Rate Base * Return)	18,752,022
49	Less Interest on Debt	<u>7,700,000</u>
50	Taxable Component of Return	11,052,022
51	Tax Factor = $(1/(1-FIT))*(FIT)$	<u>26.58%</u>
52	Income Tax for revenue requirement	<u>2,937,879</u>
53		

- 54 D) The capital structure and Return on Equity is consistent with the requested capital structure and return on equity in Docket No. ER17-135-000 et seq
55 E) Maximum interest rate based on 7%

Line No.	Month In-Service	Capitalized Balance	Composite Annual Depreciation Rate	Annual Depreciation	Monthly Depreciation	No. Months of Depreciation	Rate base Calculation Depreciation Expense
1	1	\$ 18,763,387	1.8627%	\$ 349,506	\$ 29,125.47	11	\$ 320,380
2	2	\$ 18,763,387	1.8627%	\$ 349,506	\$ 29,125.47	10	\$ 291,255
3	3	\$ 18,763,387	1.8627%	\$ 349,506	\$ 29,125.47	9	\$ 262,129
4	4	\$ 18,763,387	1.8627%	\$ 349,506	\$ 29,125.47	8	\$ 233,004
5	5	\$ 18,763,387	1.8627%	\$ 349,506	\$ 29,125.47	7	\$ 203,878
6	6	\$ 18,763,387	1.8627%	\$ 349,506	\$ 29,125.47	6	\$ 174,753
7	7	\$ 18,763,387	1.8627%	\$ 349,506	\$ 29,125.47	5	\$ 145,627
8	8	\$ 18,763,387	1.8627%	\$ 349,506	\$ 29,125.47	4	\$ 116,502
9	9	\$ 18,763,387	1.8627%	\$ 349,506	\$ 29,125.47	3	\$ 87,376
10	10	\$ 18,763,387	1.8627%	\$ 349,506	\$ 29,125.47	2	\$ 58,251
11	11	\$ 18,763,387	1.8627%	\$ 349,506	\$ 29,125.47	1	\$ 29,125
12	12	\$ 18,763,387	1.8627%	\$ 349,506	\$ 29,125.47	0	\$ -
23							
24	Gross plant in service	\$ 225,160,640				Depreciation Expense	\$ 1,922,281

I. Weighted Depreciation Rate (See Note below)

Weighted Average Depreciation Rate 1.8627%

II. Calculation of Property Place In-Service by Month and the Related Depreciation Expense

Notes:
 1 Weighted depreciation rate estimated based on the depreciation rates required in Docket No. ER17-135-000 et seq
 2 Estimated first year depreciation expense based on beginning of year gross plant in service amount multiplied by weighted depreciation rate

Gross plant in service	225,160,640
Weighted Depreciation Rate	1.8627%
First year depreciation expense	4,194,067