



July 1, 2021

**DesertLink Rate Year 2020 Explanation of Variances**

The DesertLink, LLC (“DesertLink”) filed rate includes Formula Rate Implementation Protocols (“Protocols”). Section 2.d of the Protocols requires that, as part of the calculation of its actual Net Revenue Requirement and the True-up Adjustment (“Annual Update”), DesertLink “include a variance analysis of, at minimum, actual Net 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 Net Revenue Requirement that was calculated for the prior Rate Year with an explanation of material changes.”

DesertLink began commercial operations in August 2020. The variances between the projected Net Revenue Requirement for the 2020 Rate Year (“2020 Projection”) and the actual Net Revenue Requirement (“2020 True-up”) are largely attributable to 2020 being the first (and only a partial) year of operations. For example, input values for items like plant in service or depreciation expense were lower due to only a partial year in service. Additionally, the 2020 Projection was prepared in 2019 using best estimates available at the time before commercial operations.