



July 1, 2021

DesertLink Rate Year 2020 Annual Update Accounting Changes and Disclosures

The DesertLink, LLC (“DesertLink”) filed rate includes Formula Rate Implementation Protocols (“Protocols”). Section 3.d.(iii) of the Protocols requires that, as part of the calculation of its actual Net Revenue Requirement and the True-up Adjustment (“Annual Update”), DesertLink identify changes in accounting that may affect inputs to the formula rate or the resulting charges billed under the formula rate (“Accounting Change”). Additional disclosure requirements in the Protocols are also listed below.

Accounting Changes applicable during 2020:

1. New standard or policy (Protocols Section 3.d.(iii).A.I)

DesertLink began commercial operations in August 2020 but LS Power had previously effective standards and policies. As such, the procedures and policies initialized during the 2020 rate year will serve as the baseline for determining any changes in future years.

2. Issues of first impression (Protocols Section 3.d.(iii).A.II)

Nothing to report.

3. Prior period adjustments (Protocols Section 3.d.(iii).A.III)

Nothing to report.

4. Estimation methods (Protocols Section 3.d.(iii).A.IV)

Nothing to report.

5. Tax elections (Protocols Section 3.d.(iii).A.V)

In response to the requirements of Federal Energy Regulatory Commission’s (“FERC” or “Commission”) Order No. 864, DesertLink submitted, on April 15, 2020, a compliance tariff filing in Docket No. ER20-1573 (“April 15 Filing”) that is currently pending before the Commission. While these changes are not reflected in the template used for the Annual Update for the 2020 rate year, DesertLink notes that, as stated in the April 15 Filing, the federal corporate tax rate decrease resulting from the 2017 Tax Cuts and Jobs Act does not affect rate base or result in refundable excess ADIT amounts or recoverable deficient ADIT amounts because the initial provision of transmission services and collection of revenue requirement occurred after the effective date of the 2017 TCJA changes.



The decrease in the federal corporate tax rate reduced the regulatory asset in Account 182.3 and associated deferred tax liabilities in Accounts 282 and 283 related to accrued/capitalized AFUDC-equity. In addition, the decrease in the federal corporate tax rate reduced the regulatory asset in Account 182.3 and associated deferred tax liabilities in Account 283 related to equity carrying charges recorded with respect to deferred pre-commercial costs. The reduction of the regulatory asset reflects the reduced the revenue requirement associated with depreciation of AFUDC-equity accrued and capitalized before the associated plant was placed in service in August 2020.

Other Disclosures:

6. Cost valuation (Protocols Section 3.d.(iii).B)

Nothing to report.

7. Reorganization/merger (Protocols Section 3.d.(iii).B)

Nothing to report.

8. Affiliate cost allocation (Protocols Section 3.d.(v))

DesertLink has separately provided its Affiliate Cost Allocation Manual effective March 2020 in accordance with subsection A of the referenced section of the Protocols.

In accordance with subsection B of the referenced section of the Protocols, Desert Link provides, in the table below, the magnitude of affiliate costs by function that that have been allocated or directly assigned. All costs are for services provided to DesertLink by LSP Electric Services, LLC. This information may also be found on page 429 of DesertLink's 2020 FERC Form No. 1 resubmitted on July 1, 2021.

Function	2020 Cost
Capital Project	974,615
Regulatory Asset	271,524
Benefits & Payroll Taxes	139,353
Operations & Maintenance	27,727
Engineering & Project Oversight	74,611
Regulatory Compliance	57,970
Legal	8,135
Accounting & Financial Reporting, Tax Accounting	114,820
Treasury & Finance	148,876
Human Resources/Information Technology/Executive Management	34,240
Total	1,851,870