



DesertLink, LLC

2020 Annual Update (True-up) Stakeholder Meeting

August 11, 2021

Outline

- Introductions
- Background
- True-up for 2020 Rate Year
- Discussion
- Appendices

Background

Company, Project, and Formula Overview

Background – General

Overview of the Company and the Project

- DesertLink is a transmission-only company whose initial business purpose is to develop, own, and operate the Harry Allen to Eldorado 500 kV Transmission Line Project.
- The Project consists of a newly constructed 500 kV transmission line (between the existing Harry Allen substation northeast of Las Vegas, Nevada, and the existing Eldorado substation southeast of Las Vegas) along with series compensation
- This Project is subject to certain cost cap, ROE, and equity capital structure commitments per DesertLink's Approved Project Sponsor Agreement (APSA) with CAISO.
- More information is available at desertlinktransmission.com

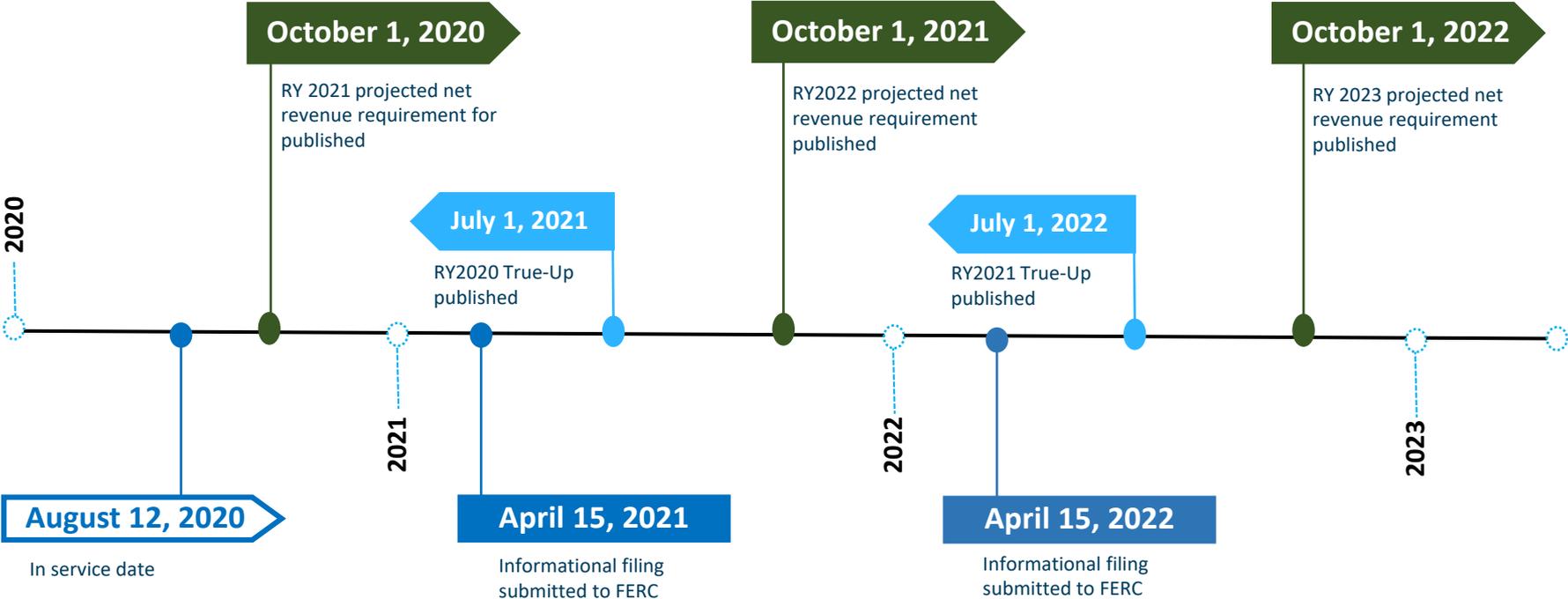
Background – Regulatory

Selected Regulatory Filings and Orders

- August 19, 2016 – FERC approves certain transmission rate incentives requested by DesertLink in its May 2016 petition in Docket No. EL16-68:
 1. Regulatory asset incentive and accrual of carrying charges;
 2. 100% recovery of prudently-incurred costs associated with abandonment of the Project;
 3. 50 bps RTO participation adder (subject to 9.8% maximum ROE);
 4. Hypothetical capital structure (50% debt/50% equity) prior to commercial operation, then a 50% equity cap.
- October 18, 2016 – DesertLink files a transmission owner tariff (TO Tariff) with the Commission to be applicable upon it becoming a participating transmission owner in the CAISO region in Docket No. ER17-135.
 - October 31, 2017 – the Commission sets proposed formula rate, protocols, and ROE for hearing and settlement procedures.
 - April 18, 2018 – Parties reach settlement agreement
 - May 24, 2018 – Commission approval of settlement agreement
- April 16, 2020 – DesertLink submits tariff revisions to comply with FERC Order No. 864 (ADIT) in Docket No. ER20-1573. This matter remains pending before the Commission.

Formula Rate Timeline

General Update Process



Formula Rate Timeline

Selected milestones

- January 8, 2021 – Informational update submitted in TRBAA Docket No. ER21-88
- April 14, 2021 – 2020 FERC Form No. 1 submitted to FERC
- April 15, 2021 – Informational filing submitted to FERC in Docket No. ER21-1684
- July 1, 2021 – 2020 True-up published
- August 11, 2021 – Annual True-up meeting
- October 1, 2021 – Publication of 2022 Projection
- TBA – Stakeholder meeting for 2022 Projection
- January 1, 2022 – Scheduled end of information request period

Annual Update (True-up)

2020 Rate Year

2020 True-up vs. 2020 Projection

Comparison of Revenue Requirement Components

Appendix III Line Item	2020 Projection ¹ (Annualized)	2020 True-up (Partial year)
Average Rate Base	\$ 171,879,443	79,124,430
Rate of Return ²	6.49%	6.13%
Return on Rate Base	11,147,177	4,853,249
Income Taxes	3,345,686	1,542,807
Total Return & Taxes	14,492,862	6,396,056
Operating Expenses:		
O&M and A&G Expenses	1,890,831	791,468
Depreciation Expenses	3,665,501	1,446,769
Non-income taxes	913,874	494,471
Total Operating Expenses	6,470,206	2,732,708
Gross Revenue Requirement	20,963,068	9,128,764
Less: Revenue Credits	0	0
Net Revenue Requirement	20,963,068	9,128,764



Key Driver of Variances

Annualized projection vs. partial year of actual service

DesertLink's 2020 Projection reflected estimated *annualized* costs (as if the Project were in service a full year) while the 2020 True-up reflects actual, *partial year* costs in the first year of commercial operations with an August 2020 in service date.

¹ Revised December 2, 2019.

² Weighted Average Cost of Capital (WACC) calculation for true-up provided in Appendix.

True-up Adjustment

True-up adjustment and interest calculation

True-Up Adjustment (including interest)	
Projected 2020 Annual Revenue Requirement ¹	\$ 8,155,495
Actual 2020 Annual Revenue Requirement	\$ 9,128,764
Under/(Over) Recovery of Revenue Requirement	\$ 973,269
Monthly Interest Rate	0.321%
Interest For 24 Months	\$ 80,281
Total Under/(Over) Recovery Including Interest	\$ 1,053,550


Adjustment to be incorporated into
2022 Projection

¹Projected annual revenue requirement adjusted for days in service. Refer to Work Paper No. 4 (Attachment 6 Support) and Attachment 6 (Interest on True-up) in the published 2020 Annual Update for more detail.

Discussion

Formula rate materials are posted online:

desertlinktransmission.com/documents

Direct inquiries, information requests, and challenges to:

DesertLinkRates@desertlinktransmission.com

Appendices

WACC, Cost Commitments, Disclaimer

Appendix – WACC

Weighted Average Cost of Capital Calculation for 2020 True-up

WACC Element	Weight	Cost	Weighted	
Long Term Debt	50%	2.47%	1.23%	
Preferred Stock	-	-	-	
Common Stock	50%	9.80%	4.90%	
Total			6.13%	= Return

Refer to Attachment 5 (Return on Rate Base worksheet) in the published 2020 Annual Update for more detail.

Appendix – Key Cost Commitments

DesertLink made certain cost commitments for the Harry Allen to Eldorado Project

- **Cost Cap**¹ – DesertLink’s 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.
- **Equity Cap**¹ – The Project is subject to an equity percentage cap of 50%.

¹ As defined in and subject to the terms of the APSA between DesertLink and CAISO. Refer to Attachment A included in the 2020 True-up package for additional details.

Disclaimer

Notwithstanding requirements and terms defined in DesertLink, LLC's (DesertLink) formula rate implementation protocols and terms commonly used in FERC ratemaking (e.g., 'projected', 'projection'), this document and any related discussions may contain certain statements that describe 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.