



**DesertLink, LLC**

2020 Annual Update/2022 Projection

Responses to Six Cities Data Request Set 1 received December 9, 2021

December 30, 2021

General Questions:

Six Cities 1-1. Please provide a copy of all data requests submitted by all parties pertaining to DesertLink's 2020 Annual Update and 2022 Projection, along with responses to those data requests. In addition, please provide this information on a continuing basis during the review period.

**DesertLink response:** In accordance with Section 4.a.iv of DesertLink's formula rate implementation protocols, DesertLink publishes information requests and responses on its website ([desertlinktransmission.com/documents](http://desertlinktransmission.com/documents)) and distributes this link to interested parties included in its service list. While DesertLink has received no other data requests to date, please refer to the aforementioned link for any future data requests and responses by DesertLink.

Six Cities 1-2. Please identify by nature and amount any revisions to the data used in the 2020 Annual Update and 2022 Projection that DesertLink has identified since the postings of each formula rate on DesertLink's website.

**DesertLink response:** DesertLink has not identified any revisions to the data used in the 2020 Annual Update and 2022 Projection posted on DesertLink's website.

Six Cities 1-3. Please provide information explaining all changes to DesertLink's accounting guidelines or procedures from 2019 to 2020 that impacted the recording of costs to DesertLink's Transmission, General, or A&G functions FERC accounts during 2020.

**DesertLink response:** As described in the DesertLink Rate Year 2020 Annual Update Accounting Changes and Disclosures document posted on DesertLink's website on July 1, 2020, DesertLink began commercial operations in August 2020. As such, the procedures and policies initialized during the 2020 rate year will serve as the baseline for determining any changes in future years. The DesertLink Rate Year 2022 Projection Accounting Changes and Disclosures document posted October 1, 2021 on the DesertLink website declared no changes to DesertLink's accounting guidelines and procedures.

Six Cities 1-4. Please identify the nature and amount of any one-time expenses that were written-off (e.g., abandoned CWIP) to any Transmission O&M account or A&G account during 2020. In addition, please identify the FERC account numbers where such write-offs were recorded.

**DesertLink response:** DesertLink did not incur any one-time expenses that were written-off to any Transmission O&M account or A&G account during 2020.

Six Cities 1-5. Please identify and quantify any extraordinary Transmission O&M expenses for 2020 included in the 2020 Annual Update (e.g., abnormal weather-related costs).

**DesertLink response:** DesertLink did not include any extraordinary Transmission O&M expenses for 2020 included in the 2020 Annual Update.

Six Cities 1-6. To the extent included in the 2020 Annual Update, please identify all expenditures for lobbying, regulatory affairs, and other civic, political, and related activities recorded in A&G accounts or Transmission O&M accounts during 2020, by FERC account and amount, and provide the basis for including such expenses in 2020 Annual Update.

**DesertLink response:** DesertLink did not include any expenditures for lobbying, regulatory affairs, and other civic, political, and related activities in the 2020 Annual update. DesertLink has interpreted the reference to “regulatory affairs” to mean expenses other than those properly recorded to FERC Account 928 (Regulatory Commission Expenses). If this interpretation is incorrect, DesertLink confirms that, consistent with Commission guidance and instructions for the Uniform System of Accounts, DesertLink included \$10,418 of expenses for external counsel in FERC Account 928 (Regulatory Commission Expenses).

Six Cities 1-7. Please identify all charitable donation expenditures incurred during 2020, by FERC account and amount, that are included in the 2020 Annual Update, and provide the basis for including such expenditures.

**DesertLink response:** DesertLink did not incur during 2020 and did not include in the 2020 Annual Update, any charitable donation expenditures.

Six Cities 1-8. Please identify any regulatory assets reported in DesertLink’s 2020 FERC Form 1 that now or in the future are expected to affect the annual revenue requirement calculated under DesertLink’s formula rate as a result of amortization through expenses. For each such item, specify the proceeding in which the deferral and/or amortization were authorized by the appropriate regulatory body.

**DesertLink response:** FERC authorized DesertLink to establish a regulatory asset to defer the recovery of pre-commercial costs that could not be capitalized and incur carrying charges for such deferred costs in Docket No. EL16-68. FERC authorized amortization in Docket

No. ER21-491. Please refer to page 232 and the Notes to Financial Statements in DesertLink's 2020 Form No. 1.

Six Cities 1-9. Please identify the FERC account number(s) in which DesertLink records monetary penalties assessed for violations of NERC Reliability Standards and explain whether these accounts and the costs of any such monetary penalties are included in the 2020 Annual Update. To the extent such penalties have been included in the 2020 Annual Update, please provide the following information:

- a. The amount of each such penalty included in the 2020 Annual Update;
- b. The FERC accounts where such penalties were recorded; and
- c. The nature of the alleged violation that gave rise to each such penalty.

**DesertLink response:** DesertLink would record monetary penalties assessed for violations of NERC Reliability Standards to FERC Account 426.3 (Penalties). FERC Account 426.3 is not included in DesertLink's formula rate so no such penalties have been included in the 2020 Annual Update.

Six Cities 1-10. Please identify the FERC account number(s) in which DesertLink records monetary penalties assessed for violations of the Internal Revenue Code and/or federal Treasury Regulations and explain whether these accounts and the costs of any such monetary penalties are included in the 2020 Annual Update. To the extent such penalties have been included in the 2020 Annual Update, please provide the following information:

- a. The amount of each such penalty included in the 2020 Annual Update; and
- b. The nature of the alleged violation that gave rise to each such penalty.

**DesertLink response:** DesertLink would record monetary penalties assessed for violations of NERC Reliability Standards to FERC Account 426.3 (Penalties). FERC Account 426.3 is not included in DesertLink's formula rate so no such penalties have been included in the 2020 Annual Update.

Six Cities 1-11. Please indicate whether the 2020 Annual Update includes any payments and expenses resulting from employment practices that were found to be discriminatory by a judicial or administrative decree or that were the result of a compromise settlement or consent decree. To the extent the 2020 Annual Update includes such costs, please identify the FERC account number(s) in which DesertLink recorded the payments and expenses, and provide the associated amounts booked to each account for 2020.

**DesertLink response:** DesertLink's 2020 Annual Update did not include any payments or expenses resulting from employment practices that were found to be discriminatory by a judicial or administrative decree or that were the result of a compromise settlement or consent decree.

Six Cities 1-12. Please identify the following related to major destructive events (i.e., storms, fires, etc.) that occurred in 2020 or the costs of which were incurred in 2020, and are included in the 2020 Annual Update:

- a. The FERC account(s) and corresponding amounts that were recorded related to restoration costs incurred for repair work;
- b. Any pending insurance claims and the amounts associated with anticipated reimbursements from these claims;
- c. The FERC account(s) in which the reimbursements in subpart “b” above will be or have been recorded; and
- d. Verify whether DesertLink self-insures against injuries or property losses by setting aside reserves. If so, please identify the FERC account where reserves are recorded, and specify the amount(s) of the reserve(s) as of (i) January 1, 2020; and (ii) December 31, 2020.

**DesertLink response:** DesertLink did not incur during 2020 and did not include in the 2020 Annual Update, any costs related to major destructive events that occurred in 2020.

Six Cities 1-13. Please provide a workable Excel spreadsheet that shows how DesertLink calculates its AFUDC rate for capitalizing transmission investment, including the ROE used in that calculation. In addition, please provide the derivation and the source of the capital structure and capital cost rates used in the AFUDC calculation.

**DesertLink response:** DesertLink’s hypothetical capital structure of 50 percent debt and 50 percent equity in place until commercial operations was authorized by the Commission in Docket No. EL16-68. An equity cap of 50 percent and an ROE cap of 9.8 percent was the result of an approved settlement agreement in ER17-135. In the same docket, a proxy cost of debt was approved as described in Note Q of Appendix III. Please refer to the worksheet Six Cities 1-13 in the exhibit workbook included with this response for the AFUDC formula that incorporates these components.

Six Cities 1-14. Please quantify by FERC account number any cancelled capital projects written off by DesertLink during 2020.

**DesertLink response:** DesertLink did not write off any capital projects during 2020.

Six Cities 1-15. Please explain DesertLink’s accounting policies with respect to the treatment of abandoned, cancelled, or postponed capital projects, including the list of accounts to which DesertLink writes off such costs.

**DesertLink response:** Treatment of abandoned, cancelled, or postponed capital projects, including the list of accounts to which DesertLink would write off such costs, would be determined consistent with guidance provided in the Uniform System of Accounts and by the Commission.

Six Cities 1-16. Please provide a list of all charges that DesertLink credited to FERC Account 107 (with the amounts of each credit specified) and the offsetting debits (with the FERC account number and amounts of each debit specified) for abandoned, cancelled, or postponed CWIP projects during 2020.

**DesertLink response:** DesertLink did not incur any charges for abandoned, cancelled, or postponed CWIP projects during 2020.

The following questions pertain to the spreadsheet file “20200701\_DesertLink\_2020\_Annual\_Update.xlsx” (“2020 Annual Update”) posted on DesertLink’s website, and DesertLink’s 2020 FERC Form 1:

Six Cities 1-17. In reference to DesertLink’s 2020 FERC Form 1 page 204, line 4, column c, Account 303 – Miscellaneous Intangible Plant, what is the nature of the 2020 Additions in the amount of \$48,384,766? Please provide a detailed listing of the 2020 Additions for this account.

**DesertLink response:** The 2020 additions to FERC Account 303 (Miscellaneous Intangible Plant) include items related to necessary interconnections and a license for use of towers procured for the construction of the Harry Allen to Eldorado 500 kV Transmission Project. Please refer to the worksheet Six Cities 1-17 in the exhibit workbook included with this response for a detailed listing of items.

Six Cities 1-18. In reference to DesertLink’s 2020 FERC Form 1 page 207, line 51, column c, Account 354 – Towers and Fixtures, what is the nature of the 2020 Additions in the amount of \$50,236,671? Please provide a detailed listing of the 2020 Additions for this account.

**DesertLink response:** The 2020 additions to FERC Account 354 (Towers and Fixtures) include items related to 155 towers procured for the construction of the Harry Allen to Eldorado 500 kV Transmission Project. Please refer to the worksheet Six Cities 1-18 in the exhibit workbook included with this response for a detailed listing of items.

Six Cities 1-19. In reference to DesertLink’s 2020 FERC Form 1 page 206, line 53, column c, Account 356 – Overhead Conductors and Devices, what is the nature of the 2020 Additions in the amount of \$60,408,229? Please provide a detailed listing of the 2020 Additions for this account.

**DesertLink response:** The 2020 additions to FERC Account 356 (Overhead Conductors) include items related to conductors procured for the construction of the Harry Allen to Eldorado 500 kV Transmission Project. Please refer to the worksheet Six C 1-19 in the exhibit workbook included with this response for a detailed listing of items.

Six Cities 1-20. In reference to DesertLink's 2020 FERC Form 1 page 321, line 97, Account 566 – Miscellaneous Transmission Expenses, please provide a detailed tabulation of each entry booked to this account during 2020, including name, description of cost item, and amount.

**DesertLink response:** Please refer to the worksheet Six Cities 1-20 in the exhibit workbook included with this response for a detailed listing of items.

Six Cities 1-21. In reference to DesertLink's 2020 FERC Form 1 page 323, line 184, Account 923 – Outside Services Employed, please provide a detailed tabulation of each entry booked to this account during 2020, including name, description of cost item, and amount.

**DesertLink response:** Please refer to the worksheet Six Cities 1-21 in the exhibit workbook included with this response for a detailed listing of items.

Six Cities 1-22. In reference to the 2020 Annual Update worksheet labeled "Appendix III," Excel cell D89, please confirm that the Source for Transmission O&M should be FERC Form 1 p.321.112.b plus p.322.131.b, not p.321.131.b.

**DesertLink response:** DesertLink confirms that the source should refer to Form No. 1 p.321.112.b plus p.322.131.b.

Six Cities 1-23. In reference to the 2020 Annual Update worksheet labeled "Appendix III," Excel cell F102, Account 566 – Amortization of Regulatory Asset, please describe the nature of the regulatory assets amortization, and identify the FERC order(s) that authorized the recovery of such regulatory assets in transmission rates.

**DesertLink response:** Please refer to DesertLink's response to Six Cities 1-8.

Six Cities 1-24. In reference to the 2020 Annual Update worksheet labeled "Appendix III," Excel cell F108, Depreciation Expense – Transmission, please reconcile the amount of \$1,068,039 to DesertLink's 2020 FERC Form 1. Six Cities calculates \$1,098,215 per the referenced sources.

**DesertLink response:** The values in cells F108 and F109 of Appendix III (Page 3, Lines 19 and 20), were taken from values inadvertently transposed in DesertLink Form No. 1 and should have been presented as indicated by the Six Cities. As shown in the table below, the itemization of depreciation components differs (due to transposed amortization) but the total depreciation expense of \$1,446,769 presented on page 336, Line 12, column (f) of DesertLink's 2020 Form No. 1 is correct and properly incorporated in the 2020 Annual Update in Appendix III, Page 3, Line 22. DesertLink regrets any confusion.

<b>Depreciation Expense</b>	<b>2020 Annual Update</b>	<b>Six Cities Calculation</b>
Transmission	\$ 1,068,039	\$ 1,098,215
General & Intangible	\$ 378,730	\$ 348,554
<b>Total</b>	<b>\$ 1,446,769</b>	<b>\$ 1,446,769</b>

Six Cities 1-25. In reference to the 2020 Annual Update worksheet labeled “Appendix III,” Excel cell F109, Depreciation Expense – General & Intangible, please reconcile the amount of \$378,730 to DesertLink’s 2020 FERC Form 1. Six Cities calculates \$348,554 per the referenced sources.

**DesertLink response:** Please refer to DesertLink’s response to Six Cities 1-24.

Six Cities 1-26. In reference to the 2020 Annual Update worksheet labeled “Att 4 – Rate Base,” Excel cell J23, Accumulated Depreciation – Transmission, please reconcile and show the calculation of the year-end amount of \$2,342,656 to DesertLink’s 2020 FERC Form 1. Please also provide the ARO accounting records that support this calculation.

**DesertLink response:** As shown in the table below, the values included in cells J23 and K23 of Attachment 4 – Rate Base (Page 1, Line 13, columns (h) and (i)) are components of the total year-end accumulated depreciation reported on DesertLink’s 2020 FERC Form 1 (page 219, line 29, column b). There are no asset retirement obligations associated with these values.

**Accumulated Depreciation**

Transmission (Attachment 4, Page 1, Line 13, column (h))	\$ 2,342,656
General & Intangible (Attachment 4, Page 1, Line 13, column (i))	\$ 348,544
<b>Total (2020 FERC Form 1, page 219, line 29, column b)</b>	<b>\$ 2,691,200</b>

Six Cities 1-27. In reference to the 2020 Annual Update worksheet labeled “Att 4 – Rate Base,” Excel cell K23, Accumulated Depreciation – General & Intangible, please reconcile and show the calculation of the year-end amount of \$348,544 to DesertLink’s 2020 FERC Form 1. Please also provide the ARO accounting records that support this calculation.

**DesertLink response:** Please refer to DesertLink’s response to Six Cities 1-26.

Six Cities 1-28. In reference to the 2020 Annual Update worksheet labeled “Att 4 – Rate Base,” Excel cells D30 through D42, Unamortized Regulatory Asset, please describe the nature of the regulatory assets included in the monthly balances and identify the FERC order(s) that authorized the recovery of such regulatory assets in transmission rates.

**DesertLink response:** Please refer to DesertLink’s response to Six Cities 1-8.

Six Cities 1-29. In reference to the 2020 Annual Update worksheet labeled “WP1 – ADIT,” for Account 282, Excel cells O25 (\$1,917,790), O32 (\$3,563,542), and O34 (\$1,930,672), please provide a detailed description of the items included in these balances.

**DesertLink response:** The values in WP1 cells O25 and O32 (Line 12 actual and Line 18 actual) are the federal and state deferred tax liabilities as result of AFUDC equity. The value in WP1 cell O34 (Line 20 actual) is the depreciation difference subject to normalization.

Six Cities 1-30. In reference to the 2020 Annual Update worksheet labeled “WP1 – ADIT,” for Account 283, Excel cells O66 (\$745,201) and O73 (\$1,427,358), please provide a detailed description of the items included in these balances.

**DesertLink response:** The values in WP1 cells O66 and O73 (Line 45 actual and Line 51 actual) are regulatory-asset-related deferred tax liabilities for gross up of AFUDC equity.

Six Cities 1-31. In reference to the 2020 Annual Update worksheet labeled “WP1 – ADIT,” for Account 190, Excel cell O97 (\$371,686), please provide a detailed description of the items included in this balance.

**DesertLink response:** The value in WP1 cell O97 (Line 69 actual) represents deferred tax assets resulting from net operating losses from prior years.

The following questions pertain to the PDF file “20211001\_DesertLink\_2022\_Projection-Attachment\_A.pdf” (“Attachment A”) posted on DesertLink’s website:

Six Cities 1-32. In reference to Attachment A, page 1, Line No. 6, Gross Plant In Service – Excluded Costs, please provide a detailed listing and description of the plant that is reflected in the amount of \$57,764,621.

**DesertLink response:** Please refer to the worksheet Six Cities 1-32 in the exhibit workbook included with this response for a detailed listing and description of items and the definitions for Excluded Costs in Appendix E of the Approved Project Sponsor Agreement.



Six Cities 1-33. In reference to Attachment A, page 1, Line No. 7, Gross Plant In Service – Other Costs, what is the nature of the amount of \$2,822,190?

**DesertLink response:** The “Gross Plant In Service – Other Costs” in the amount of \$2,822,190 are related to delayed interconnection items for the Harry Allen to Eldorado 500 kV Transmission Project and capital expenditures that have occurred outside of, and subsequent to, the original Harry Allen to Eldorado 500 kV Transmission Project.