



**DesertLink, LLC**

2021 Annual Update/2023 Projection

Responses to Six Cities Data Request Set 1 received December 27, 2022

January 19, 2022

*General Questions:*

Six Cities 1-1. Please provide a copy of all data requests submitted by all parties pertaining to DesertLink's 2021 Annual Update and 2023 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 the 'Documents' page of its website ([desertlinktransmission.com/documents](https://desertlinktransmission.com/documents)) and distributes this link to interested parties included on its service list. While DesertLink has received no other data requests to date for this update cycle, 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 2021 Annual Update and 2023 Projection that DesertLink has identified since the postings of each formula rate on DesertLink's website.

**DesertLink response:** During the August 5 and November 10, 2022 stakeholder meetings, DesertLink explained that the Annual Update published July 1, 2022, inadvertently included a Workpaper 4 which introduced a 'revenue received' value into the Attachment 6 True-up Adjustment calculation rather than the required 2021 projected revenue requirement value. For CAISO Participating Transmission Owners, revenue true-up is achieved through the TRBA Adjustment mechanism outside of the annual formula rate true-up process. Importantly, this initial miscalculation of the True-up Adjustment did not affect calculation of 2021 actual net revenue requirement. On September 30, 2022, DesertLink published a revised version of the 2021 Annual Update with the corrected 2021 True-up Adjustment and included the corrected 2021 True-Up Adjustment value in the 2023 Projection. Related files are available on the 'Documents' page of DesertLink's website ([desertlinktransmission.com/documents](https://desertlinktransmission.com/documents)).

DesertLink has not identified any revisions to the data used in the 2023 Projection posted on DesertLink's website.

Six Cities 1-3. Please identify and explain all changes to DesertLink’s accounting guidelines or procedures from 2020 to 2021 that impacted the recording of costs to DesertLink’s Transmission, General, or A&G-related FERC accounts during 2021.

**DesertLink response:** Please refer to the documents below posted on the ‘Documents’ page of the DesertLink website ([desertlinktransmission.com/documents](https://desertlinktransmission.com/documents)) for tax-related disclosures and explanations. There are no additional Accounting Changes to report.

- [2022-09-30 – DesertLink 2023 Projection Notice & Disclosures](#)
- [2022-07-01 – DesertLink 2021 Annual Update Notice & Disclosures](#)
- [2021-10-01 – DesertLink 2022 Projection Accounting Changes & Disclosures](#)
- [2021-07-01 – DesertLink 2020 Annual Update Accounting Changes & Disclosures](#)

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 2021. In addition, please identify the FERC account numbers to which 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 2021.

Six Cities 1-5. Please identify and quantify any extraordinary Transmission O&M expenses (*e.g.*, abnormal weather-related costs) for 2021 included in the 2021 Annual Update.

**DesertLink response:** DesertLink did not include any extraordinary Transmission O&M expenses for 2021 included in the 2021 Annual Update.

Six Cities 1-6. To the extent included in the 2021 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 2021, by FERC account and amount, and provide the basis for including such expenses in 2021 Annual Update.

**DesertLink response:** DesertLink did not include any expenditures for lobbying, regulatory affairs, and other civic, political, and related activities in the 2021 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 \$18,054 of expenses for external counsel in FERC Account 928 (Regulatory Commission Expenses).

Six Cities 1-7. To the extent included in the 2021 Annual Update, please identify all expenditures for charitable donations incurred during 2021, by FERC account and amount, and provide the basis for including such expenses in the 2021 Annual Update.

**DesertLink response:** DesertLink did not incur during 2021 and did not include in the 2021 Annual Update, any charitable donation expenditures.

Six Cities 1-8. Please identify the FERC account number(s) to 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 2021 Annual Update. To the extent such penalties have been included in the 2021 Annual Update, please provide the following information:

- a. The amount of each such penalty included in the 2021 Annual Update;
- b. The FERC accounts where each such penalty was 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 2021 Annual Update.

Six Cities 1-9. Please identify the FERC account number(s) to 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 2021 Annual Update. To the extent such penalties have been included in the 2021 Annual Update, please provide the following information:

- a. The amount of each such penalty included in the 2021 Annual Update;
- b. The FERC accounts where each such penalty was recorded; and
- c. The nature of the alleged violation that gave rise to each such penalty.

**DesertLink response:** DesertLink would record monetary penalties 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 2021 Annual Update.

Six Cities 1-10. Please indicate whether the 2021 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 2021 Annual Update includes such costs, please identify the FERC account number(s) to which DesertLink recorded the payments and expenses, and provide the associated amounts booked to each account for 2021.

**DesertLink response:** DesertLink’s 2021 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 1-11. Please identify the following information related to major destructive events (i.e., storms, fires, etc.) that occurred in 2021, or the costs of which were incurred in 2021, and are included in the 2021 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; and
- c. The FERC account(s) to which the reimbursements in subpart “b” above will be or have been recorded.

**DesertLink response:** DesertLink did not incur during 2021, and did not include in the 2021 Annual Update, any costs related to major destructive events that occurred in 2021.

Six Cities 1-12. Verify whether DesertLink self-insures against injuries or property losses related to major destructive events (i.e., storms, fires, etc.) by setting aside reserves. If so, please identify the FERC account(s) to which such reserves are recorded, and specify the amount(s) of the reserves as of: (i) January 1, 2021; and (ii) December 31, 2021.

**DesertLink response:** DesertLink does not self-insure against injuries or property losses.

Six Cities 1-13. Please quantify by FERC account number any cancelled capital projects written off by DesertLink during 2021.

**DesertLink response:** DesertLink did not write off any capital projects during 2021.

Six Cities 1-14. Please identify and 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 1-15. 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 2021.

**DesertLink response:** DesertLink did not incur any charges for abandoned, cancelled, or postponed CWIP projects during 2021.

*The following questions pertain to the spreadsheet file "20220930\_DesertLink\_2023\_Projection.xlsx" ("2023 Projection") posted on DesertLink's website:*

Six Cities 1-16. In reference to the 2023 Projection worksheet labeled "Appendix III," Excel cell K21, please explain the reasons for the increase in the True-up Adjustment with Interest from \$1,053,550 in the 2022 Projection to \$1,330,585 in the 2023 Projection.

**DesertLink response:** The True-up Adjustment with Interest included in the 2022 Projection was due to the variance in 2020 actual values from 2020 projected values. DesertLink only began commercial operations in August 2020, so the year 2020 was only a partial year in service. As explained in the "DesertLink 2020 Annual Update Explanation of Variances" document posted July 1, 2022, on the 'Documents' page of the DesertLink website ([desertlinktransmission.com/documents](https://desertlinktransmission.com/documents)), 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 using best estimates available before commercial operations.

The True-up Adjustment with Interest included in the 2023 Projection was due largely to the variance in 2021 actual values from 2021 projected values for construction materials (rate base) and the amortization of regulatory asset (O&M). For more detail, please refer to *Table 1 – Summary and Explanation of Variances* in the "2021 Annual Update Notice & Disclosures" document posted July 1, 2022, on the 'Documents' page of the DesertLink website.

Despite an increase in absolute value, the 2021 True-up with Interest, as a proportion of projected ATRR, is *lower* versus the corresponding measure of the 2020 True-up with Interest:

- [2020 True-up: \$1,053,550] / [2020 Projected ATRR: \$8,155,495] = 0.13
- [2021 True-up: \$1,330,585] / [2021 Projected ATRR: \$22,885,782] = 0.06

Six Cities 1-17. In reference to the 2023 Projection worksheet labeled "Appendix III," Excel cell K90, please explain the reasons for the increase in Transmission O&M expense from \$1,270,026 in the 2021 Annual Update to \$1,403,313 in the 2023 Projection.

**DesertLink response:** This increase in transmission O&M expense is primarily due to increases in labor rates from 2021 to 2023 and software licenses in 2023 not yet active in 2021.

Six Cities 1-18. In reference to the 2023 Projection worksheet labeled "Appendix III," Excel cell K45, please explain the reasons for the increase in Accumulated Depreciation for Transmission plant from \$3,795,923 in the 2021 Annual Update to \$9,646,576 in the 2023 Projection.

**DesertLink response:** Accumulated depreciation increases as monthly depreciation expense is recorded for the DesertLink's fixed assets. Annual depreciation expense for transmission plant in 2022 and 2023 is expected to be \$2.9 million each year.

Six Cities 1-19. In reference to the 2023 Projection worksheet labeled "Appendix III," Excel cell K47, please explain the reasons for the increase in Accumulated Depreciation for General & Intangible plant from \$827,275 in the 2021 Annual Update to \$2,822,138 in the 2023 Projection.

**DesertLink response:** Accumulated depreciation (or amortization) increases as monthly depreciation (or amortization) expense is recorded for the DesertLink's fixed assets. Annual depreciation (or amortization) expense for general & intangible plant in 2022 and 2023 is expected to be \$1.0 million each year.

Six Cities 1-20. In reference to the 2023 Projection worksheet labeled "Appendix III," Excel cell K59, please explain the reasons for the large variance in Account No. 282 from (\$3,639,739) in the 2021 Annual Update to (\$10,157,816) in the 2023 Projection.

**DesertLink response:** The increased variance is due to tax depreciation of transmission assets greater than book depreciation resulting in higher deferred tax liability. Please refer to the worksheet "Six Cities 1-20" in the exhibit workbook included with this response.

Six Cities 1-21. In reference to the 2023 Projection worksheet labeled "Appendix III," Excel cell K66, please explain the reasons for the decrease in the Unamortized Regulatory Asset from \$1,701,912 in the 2021 Annual Update to \$868,322 in the 2023 Projection.

**DesertLink response:** DesertLink's regulatory asset amortizes over a five-year period. The expected amortization for 2022 and 2023 is \$416 thousand per year.

Six Cities 1-22. In reference to the 2023 Projection worksheet labeled "WP1 – ADIT," for Account 282, Excel cells F23 (\$12,269,418), F25 (\$3,430,513), F27 (\$8,931,149), F30 (\$15,066,763), F32 (\$3,370,191), and F34 (\$11,921,593), please provide a detailed description of the items included in these balances.

**DesertLink response:** Please refer to the worksheet "Six Cities 1-22" in the exhibit workbook included with this response.

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

Six Cities 1-23. 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 \$57,963,904.

**DesertLink response:** Please refer to the worksheet “Six Cities 1-23” 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 1-23. In reference to Attachment A, page 1, Line No. 7, “Gross Plant In Service – Other costs,” what is the nature of the amount of \$3,633,550?

**DesertLink response:** The “Gross Plant In Service – Other Costs” in the amount of \$3,633,550 includes post-construction obligations related to interconnections with adjacent utilities 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, including a minor substation capital project in 2021.