



September 30, 2022

DesertLink 2023 Projection Posting Notice and Disclosures

In accordance with its Formula Rate Implementation Protocols (“Protocols”), DesertLink, LLC (“DesertLink”) provides notice that its Annual Projection for the 2023 rate year (“2023 Projection”), including its projected Net Revenue Requirement for the 2023 rate year and the True-up Adjustment for 2021 rate year along with additional information contained herein, is available on the DesertLink website (desertlinktransmission.com/documents).

DesertLink will host an open meeting for the 2023 Projection between October 28 and November 11, 2022. Details will be posted to the DesertLink website at least seven days in advance.

Please direct any inquiries, information requests, and challenges to:

DesertLinkRates@desertlinktransmission.com

Accounting Changes

Section 1.d of the Protocols requires that, as part of the calculation of its Annual Projection, DesertLink identify changes in accounting that may affect inputs to the formula rate or the resulting charges billed under the formula rate (“Accounting Change”).

Accounting Changes

1. New standard or policy (Protocols Section 3.d.(iii).A.I)
None to report.
2. Issues of first impression (Protocols Section 3.d.(iii).A.II)
None to report.
3. Prior period adjustments (Protocols Section 3.d.(iii).A.III)
None to report.
4. Estimation methods (Protocols Section 3.d.(iii).A.IV)
None to report.
5. Tax elections (Protocols Section 3.d.(iii).A.V)

Order No. 864

In response to the requirements of Federal Energy Regulatory Commission’s (“Commission”) Order No. 864, DesertLink submitted on April 15, 2020, and amended on December 23, 2021, a

compliance tariff filing in Docket No. ER20-1573. On March 21, 2022, the Commission accepted DesertLink's amended revisions to its formula rate template in compliance with the requirements of Order No. 864.

DesertLink notes that, as stated in its compliance 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.

NV Energy Transaction

On November 17, 2020, NV Energy, Inc. ("NV Energy") and DesertLink filed an application in Docket No. EC21-23 requesting authorization for NV Energy to exercise an option to acquire a 20 percent interest in DesertLink (the "Transaction"). On January 29, 2021, the Commission authorized the Transaction which was consummated on April 30, 2021.

The Transaction has been treated as a taxable sale of a portion of the assets of DesertLink. The Transaction has caused a change to the tax basis of DesertLink assets (generally an increase) and to the timing of reversals of its book-tax differences that existed on the transaction date. The amounts of a company's book-tax differences determine the amounts of its deferred tax assets ("DTAs") and deferred tax liabilities ("DTLs"). In the DesertLink formula rate, DTAs and DTLs serve as adjustments to rate base. Importantly, the Transaction will not affect the lifetime amounts of expense recognition or associated taxable income.