



DesertLink, LLC

2023 Annual Update and 2025 Projection

Responses to Six Cities Data Request Set 1 received November 26, 2024

December 18, 2024

General Questions:

Six Cities 1-1

Please provide a copy of DesertLink's data responses provided to all other parties' data requests submitted during the review period for, and with respect to, DesertLink's 2023 Annual Update and 2025 Projection. In addition, please provide this information on a continuing basis during the review period.

DesertLink Response 1-1

In accordance with Section 4.a.iv of DesertLink's formula rate implementation protocols, DesertLink publishes information requests received and responses thereto in the 'Formula Rate Documents' section on the 'Documents' page of its website (desertlinktransmission.com/documents) with a link to the website distributed to the Service List. While DesertLink has received no other information requests to date, the Service List will be provided notice of future requests and responses thereto when available at the aforementioned link.

Six Cities 1-2

Please identify the nature and dollar impact of any revisions to the data used in the 2023 Annual Update and 2025 Projection that DesertLink has identified since the postings of the formula rates on DesertLink's website. Please update the response to this request if there are any subsequent revisions during the review period.

DesertLink Response 1-2

DesertLink has not identified any revisions to the data used in the 2023 Annual Update or 2025 Projection posted on DesertLink's website.

Six Cities 1-3

Please identify all costs that would be recorded for financial purposes in DesertLink's FERC accounts but are, for ratemaking purposes, treated differently in the determination of transmission rates in the 2023 Annual Update and 2025 Projection.

DesertLink Response 1-3

DesertLink has not identified any costs that would be recorded for financial purposes in DesertLink's FERC accounts but are, for ratemaking purposes, treated differently in the determination of transmission rates in the 2023 Annual Update or 2025 Projection.

Six Cities 1-4

Please provide information explaining all changes to DesertLink's accounting guidelines and procedures from 2022 to 2023 that impacted costs recorded to DesertLink's FERC accounts related to Transmission, General, or A&G functions during the review period.

DesertLink Response 1-4

Please refer to the file titled "2024-06-27 – DesertLink 2023 Annual Update Notice & Disclosures" in the 'Formula Rate Documents' section on the 'Documents' page of DesertLink's website for information explaining all accounting changes and other disclosures for 2023.

Six Cities 1-5

Please provide information addressing any reporting changes to DesertLink's 2023 FERC Form No. 1 that impacted the costs included in the 2023 Annual Update.

DesertLink Response 1-5

There are no reporting changes to DesertLink's 2023 FERC Form No. 1 that impacted the costs included in the 2023 Annual Update.

Six Cities 1-6

Other than Accounting Change #8 listed in the "DesertLink 2023 Annual Update Notice and Disclosures" document dated June 27, 2024, to the extent that there are any other charges from DesertLink affiliates that are included in the 2023 Annual Update or 2025 Projection, please provide detailed information supporting such costs by functional group and FERC account as charged by DesertLink's affiliates.

DesertLink Response 1-6

There are no additional charges from DesertLink affiliates that are included in the 2023 Annual Update or 2025 Projection.

Six Cities 1-7

Please provide an update on all audit findings of FERC and state commissions that were made available to DesertLink since January 1, 2023. In addition, please provide:

- a. A copy of the audit report;
- b. A copy of any refund reports associated with the audit; and
- c. Identification of all adjustments that have been incorporated into the 2023 Annual Update or 2025 Projection that were the result of the audit.

DesertLink Response 1-7

There were no audit findings of FERC or state commissions that were made available to DesertLink since January 1, 2023.

- a. N/A
- b. N/A
- c. N/A

Six Cities 1-8

Please identify the FERC account(s) in which DesertLink records revenues received and expenses incurred in connection with the provision of mutual aid services to other functions or companies. To the extent that DesertLink included such revenues and/or expenses in the 2023 Annual Update or 2025 Projection, please provide the amounts by FERC account.

DesertLink Response 1-8

DesertLink did not receive revenue or incur expenses in connection with the provision of mutual aid services to other functions or companies during 2023 and does not anticipate such for 2025. Therefore, no such revenues or expenses are included in the 2023 Annual Update or 2025 Projection.

Six Cities 1-9

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 2023. In addition, please identify the FERC account(s) where such write-offs were recorded as well as the FERC docket number and/or order authorizing the recovery of the canceled project costs in DesertLink's transmission rates.

DesertLink Response 1-9

DesertLink did not incur any one-time expenses that were written-off to any Transmission O&M accounting or A&G accounting during 2023. Consequently, no FERC accounts were used to record write-offs, and no FERC proceedings exist for DesertLink write-off recovery in transmission rates.

Six Cities 1-10

To the extent included in the 2023 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 2023, by FERC account and amount, and provide the basis for

including such expenses in 2023 Annual Update. In addition, if any such expenditures exist in the 2025 Projection, please provide the basis for including such expenses in the 2025 Projection.

DesertLink Response 1-10

DesertLink interprets the reference to “regulatory affairs” to mean expenses other than those properly recorded to FERC Account 928 (Regulatory Commission Expenses). Applying this interpretation, DesertLink did not include any expenditures for lobbying, regulatory affairs, and other civic, political, and related activities in the 2023 Annual Update or 2025 Projection.

Six Cities 1-11

To the extent included in the 2023 Annual Update, please identify all charitable donation expenditures incurred during 2023, by FERC account and amount, and provide the basis for including such expenditures in the 2023 Annual Update. In addition, if any such expenditures exist in the 2025 Projection, please provide the basis for including such expenses in the 2025 Projection.

DesertLink Response 1-11

DesertLink did not include any charitable donation expenditures in its 2023 Annual Update or 2025 Projection.

Six Cities 1-12

Please identify the FERC account(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 2023 Annual Update or 2025 Projection. To the extent such penalties have been included, please provide the following information:

- a. The amount of each penalty included in the 2023 Annual Update or 2025 Projection, by FERC account; and
- b. The nature of the alleged violation that gave rise to each penalty.

DesertLink Response 1-12

DesertLink would record monetary penalties assessed for violations to 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 2023 Annual Update or 2025 Projection.

Six Cities 1-13

Please identify the FERC account(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 2023 Annual Update or 2025 Projection. To the extent such penalties have been included, please provide the following information:

- a. The amount of each penalty included in the 2023 Annual Update or 2025 Projection, by FERC account; and
- b. The nature of the alleged violation that gave rise to each penalty.

DesertLink Response 1-13

DesertLink would record monetary penalties assessed for violations of the Internal Revenue Code and/or federal Treasury Regulations 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 2023 Annual Update or 2025 Projection.

Six Cities 1-14

Please indicate whether the 2023 Annual Update or 2025 Projection 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 2023 Annual Update or 2025 Projection includes such costs, please identify the FERC account(s) in which DesertLink recorded the payments and expenses, and provide the associated amounts booked to each account for 2023.

DesertLink Response 1-14

DesertLink's 2023 Annual Update and 2025 Projection do 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 1-15

Please identify the following related to major destructive events (*i.e.*, storms, fires, etc.) that occurred in 2023, or the costs of which were incurred in 2023, and are included in the 2023 Annual Update:

- a. The FERC account(s) and corresponding amounts that were recorded related to restoration costs incurred for repair work, separately identifying any amounts associated with plant and labor costs (non-capitalized portion);
- 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(s) in which reserves are recorded, and specify the amount(s) of the reserve(s) as of (i) January 1, 2023; and (ii) December 31, 2023.

DesertLink Response 1-15

DesertLink did not incur during 2023, and did not include in the 2023 Annual Update, any costs related to major destructive events that occurred in 2023.

- a. N/A
- b. None.
- c. N/A
- d. DesertLink does not self-insure against injuries or property losses and, consequently, does not have any such self-insurance reserves.

Six Cities 1-16

Please quantify by FERC account any cancelled capital projects written off by DesertLink during 2023.

DesertLink Response 1-16

DesertLink did not write off any capital projects during 2023.

The following questions pertain to DesertLink’s FERC Form No. 1 for 2023 (“2023 FERC Form 1”) dated and filed at FERC on April 15, 2024):

Six Cities 1-17

With reference to DesertLink’s 2023 FERC Form No. 1, pp. 320-323, line 89, FERC Account (561.5) Reliability, Planning and Standards Development, please provide the following:

- a. A detailed discussion of the major drivers for the increase in the expense from \$186,632 in 2022 to \$288,101 in 2023; and
- b. A detailed listing and a comprehensive description of all transactions, including individual amounts, recorded in the total amounts of \$186,632 and \$288,101, for the years 2022 and 2023, respectively, in workable Excel format.

DesertLink Response 1-17

- a. The major drivers for the increase in FERC Account 561.5 in 2023 is due to an increase in Compliance department and Planning department labor costs. The Compliance department labor increase is primarily due to additional assurance activities. The Planning department labor increase is primarily due to increased involvement in the CAISO planning process as the evolving CPUC resource portfolio is triggering the need for upgrades in this region. Additionally, planning staff also had increased participation in the studies for other regional projects going through the WECC process.
- b. Please refer to the ‘Six Cities 1-17’ tab of the attached document titled “20241218_DesertLink_Response_to_Six_Cities_DR_Set_1_Exhibit.xlsx”.

Six Cities 1-18

With reference to DesertLink's 2023 FERC Form No. 1, pp. 320-323, line 93, FERC Account (562) Station Expenses, please provide the following:

- a. A detailed discussion of the major drivers for the increase in the expense from \$6,435 in 2022 to \$29,516 in 2023; and
- b. A detailed listing and a comprehensive description of all transactions, including individual amounts, recorded in the total amounts of \$6,435 and \$29,516, for the years 2022 and 2023, respectively, in workable Excel format.

DesertLink Response 1-18

- a. The variance in FERC Account 562 from 2022 to 2023 is due to the fact that the cost of substation inspection and patrol services provided by NV Energy in 2022 are not representative of a full year of service. The costs in 2022 were lower as those costs were offset by over-estimated December 2021 services provided by NV Energy. The costs incurred in 2023 are representative of a full year of service for inspection and patrol services.
- b. Please refer to the 'Six Cities 1-18' tab of the attached document titled *"20241218_DesertLink_Response_to_Six_Cities_DR_Set_1_Exhibit.xlsx"*.

Six Cities 1-19

With reference to DesertLink's 2023 FERC Form No. 1, pp. 320-323, line 187, FERC Account (926) Employee Pensions and Benefits, please provide the following:

- a. A detailed discussion of the major drivers for the increase in the expense from \$307,171 in 2022 to \$352,152 in 2023; and
- b. A detailed listing and a comprehensive description of all transactions, including individual amounts, recorded in the total amounts of \$307,171 and \$352,152, for the years 2022 and 2023, respectively, in workable Excel format.

DesertLink Response 1-19

- a. The major driver for the increase in FERC Account 926 in 2023 is associated with the increase in affiliate labor charges included in other capital and O&M/A&G FERC accounts as well as an increase in the benefit rate.
- b. Please refer to the 'Six Cities 1-19' tab of the attached document titled *"20241218_DesertLink_Response_to_Six_Cities_DR_Set_1_Exhibit.xlsx"*.

The following questions pertain to the spreadsheet file "20240627_DesertLink_2023_Annual_Update.xlsx" ("2023 Annual Update") posted on DesertLink's website:

Six Cities 1-20

Please refer to Excel sheet "WP1 - ADIT" and the actual amounts shown in the following cells:

- a. Excel cell O23: (\$12,252,029)
- b. Excel cell O25: (\$3,435,579)
- c. Excel cell O27: (\$8,927,953)
- d. Excel cell O30: (\$15,029,239)
- e. Excel cell O32: (\$3,394,791)
- f. Excel cell O34: (\$11,885,093)

Please provide the detailed workpapers supporting the criteria and computation of the portions of ADIT in Account 282 associated with assets that are not related to transmission and not reflected in rate base. In addition, provide a detailed listing and description of those assets that are deemed to be not reflected in rate base with all supporting documentation concerning this determination.

DesertLink Response 1-20

Please refer to the 'Six Cities 1-20' tab of the attached document titled "20241218_DesertLink_Response_to_Six_Cities_DR_Set_1_Exhibit.xlsx" for the cumulative book/tax differences supporting and related deferred taxes comprising each of the amounts above. The amounts above are the three components of ADIT Account 282 as of the beginning and end of the 2023 test year.

DesertLink, LLC is a transmission utility without any other business operations. All of its ADIT balances relate to its transmission business. Items b. and e. relate to the transmission business but are not reflected in rate base because the corresponding regulatory asset recorded in Account 182.3 and its related ADIT in Account 283 are also not included in rate base. The sum of the three balances is zero. No portion of ADIT Account 282 relates to specific (entire) assets not included in rate base.

The portion of Account 282 subject to the normalization requirements, including the proration rules for future test periods, is based on Section 168(i)(9)(A) of the Internal Revenue Code. The portion of the Account 282 subject to the normalization requirements is based on the difference between tax depreciation for public utility property and what tax depreciation would be if the method and life used to compute regulatory depreciation expense were used for tax return reporting.

Six Cities 1-21

Please refer to Excel sheet "WP1 - ADIT" and the actual amounts shown in the following cells:

- a. Excel cell O27: (\$8,927,953)
- b. Excel cell O34: (\$11,885,093)

Please provide all workpapers and documentation supporting the proration calculation concerning Account 282.

DesertLink Response 1-21

Please refer to the 'Six Cities 1-21' tab of the attached document titled "20241218_DesertLink_Response_to_Six_Cities_DR_Set_1_Exhibit.xlsx" for the computation supporting the portion of ADIT Account 282 subject to the normalization requirements and the proration calculation. The beginning of this response includes information provided as part of DesertLink Response 1-20 with an additional note. The remainder of the Excel portion of this response provides the monthly activity in ADIT Account 282 and the portion subject to the normalization requirements.

Six Cities 1-22

Please refer to Excel sheet "WP1 - ADIT" and the actual amounts shown in the following cells:

- a. Excel cell O64: (\$1,371,765)
- b. Excel cell O66: (\$1,364,386)
- c. Excel cell O71: (\$1,341,767)
- d. Excel cell O73: (\$1,337,266)

Please provide the detailed workpapers supporting the criteria and computation of portions of ADIT in Account 283 associated with items or costs that are not related to transmission and not reflected in rate base. In addition, provide a detailed listing and description of those items or costs that are deemed to be not reflected in rate base with all supporting documentation concerning this determination.

DesertLink Response 1-22

Please refer to the 'Six Cities 1-22' tab of the attached document titled "20241218_DesertLink_Response_to_Six_Cities_DR_Set_1_Exhibit.xlsx" for the cumulative book/tax differences supporting and related deferred taxes comprising each of the amounts above. The amounts above are the two components of ADIT Account 283 as of the beginning and end of the 2023 test year.

DesertLink, LLC is a transmission utility without any other business operations. All of its ADIT balances relate to its transmission business. Items b. and d. relate to the transmission business but are not reflected in rate base. The component related to AFUDC-equity is not reflected in ratemaking because the corresponding regulatory asset recorded in Account 182.3 and the related ADIT in Account 282 are also not included in rate base. The sum of the three balances is zero. No portion of ADIT Account 282 relates to specific (entire) assets not included in rate base. Similarly, the three lines related to the equity carrying charge on the regulatory asset for pre-commercial costs were accrued at an after-tax return. The tax-related regulatory asset associated with the equity carrying charge is also recorded in Account 182320 and not included in rate base.

No portion of Account 283 is subject to the normalization requirements, including the proration rules for future test periods.

Six Cities 1-23

Please refer to Excel sheet “WP1 - ADIT” and the actual amounts shown in the following cells:

- a. Excel cell O85: \$998,309
- b. Excel cell O92: \$1,003,206

Please provide a detailed listing and description of the items comprising the Account 190 balances.

DesertLink Response 1-23

Please refer to the ‘Six Cities 1-23’ tab of the attached document titled “20241218_DesertLink_Response_to_Six_Cities_DR_Set_1_Exhibit.xlsx” for the cumulative book/tax differences supporting and related deferred taxes comprising each of the amounts above. The amounts above are the only components of ADIT Account 190 as of the beginning and end of the 2023 test year.

DesertLink, LLC is a transmission utility without any other business operations. All of its ADIT balances relate to its transmission business. None of the components of ADIT Account 190 pertain to items or costs not reflected in rate base. All of the book/tax differences resulting ADIT Account 190 relate to start-up costs, including pre-commercial costs. The pre-commercial costs also constitute start-up costs for income tax purposes. Additional costs were also required to be capitalized as start-up costs for income tax purposes. The amortization period for such costs is longer for income tax purposes (*i.e.*, 15 years) than the amortization period for regulatory reporting purposes (*i.e.*, five years).

No portion of Account 190 is subject to the normalization requirements, including the proration rules for future test periods.

The following questions pertain to PDF file

“20240627_DesertLink_2023_Annual_Update_Attachment_A.pdf” (“2023 Annual Update Attachment A”) posted on DesertLink’s website:

Six Cities 1-24

In reference to Attachment A, page 1, Line No. 7, “Gross Plant In Service – Other costs,” please explain the nature of the gross plant amount of \$1,216,296.

DesertLink Response 1-24

The “Gross Plant In Service – Other Costs” in the amount of \$1,216,296 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.

The following questions pertain to the spreadsheet file “20241001_DesertLink_2025_Projection” (“2025 Projection”) posted on DesertLink’s website:

Six Cities 1-25

In reference to the 2025 Projection worksheet labeled “Att 8 - Debt Proxy,” Excel cell C62, please explain the reason(s) for deleting the spread amount, which is 2.3500% in the 2023 Annual Update and the 2024 Projection.

DesertLink Response 1-25

The spread amount on Excel cell C62 of Att 8 – Debt Proxy of the 2025 projection was inadvertently deleted. However, this input has no impact on the ATRR and does not warrant a revised posting.

Six Cities 1-26

In reference to the 2025 Projection worksheet labeled “WP2 – Perm Tax,” Excel cell F11, please provide the source and support for the amount of \$220,590 of Depreciation of AFUDC-equity.

DesertLink Response 1-26

Please refer to the ‘Six Cities 1-26’ tab of the attached document titled “20241218_DesertLink_Response_to_Six_Cities_DR_Set_1_Exhibit.xlsx” for additional detail regarding the 2025 permanent difference between regulatory reporting and tax reporting with respect to depreciation of AFUDC-equity.

Six Cities 1-27

In reference to the 2025 Projection worksheet labeled “WP2 – Perm Tax,” Excel cell F12, please provide the source and support for the amount of \$16,920 of Amortization of carrying charge-equity.

DesertLink Response 1-27

Please refer to the ‘Six Cities 1-27’ tab of the attached document titled “20241218_DesertLink_Response_to_Six_Cities_DR_Set_1_Exhibit.xlsx” for additional detail regarding the 2025 permanent difference between regulatory reporting and tax reporting with respect to amortization of the equity carrying charge accrued on deferred pre-commercial costs. The 2025 amortization amount is based on a five-year amortization of the \$145,030 accrued and is recorded in Account 182.3 (Other Reg Carry Charge-Equity Rate). Amortization (rate recovery) began in 2020. The final seven months of amortization will occur during 2025.

The following questions pertain to the PDF file “20241001_DesertLink_2025_Projection_Att_A.pdf” (“2025 Projection Attachment A”) posted on DesertLink’s website:

Six Cities 1-28

Please explain the nature of the increase to Line No. 7, “Gross Plant in Service – Other costs,” from \$1,216,296 in the 2023 Annual Update Attachment A to \$3,014,256 in the 2025 Projection Attachment A.

DesertLink Response 1-28

The \$1,797,960 increase from the 2023 Annual Update to the 2025 Projection is primarily driven by a \$1.675M capital project to expand the existing sub-synchronous resonance (SSR) remedial action scheme as required by the DesertLink – NV Energy Transmission Interconnection Agreement, which was placed into service in 2024.