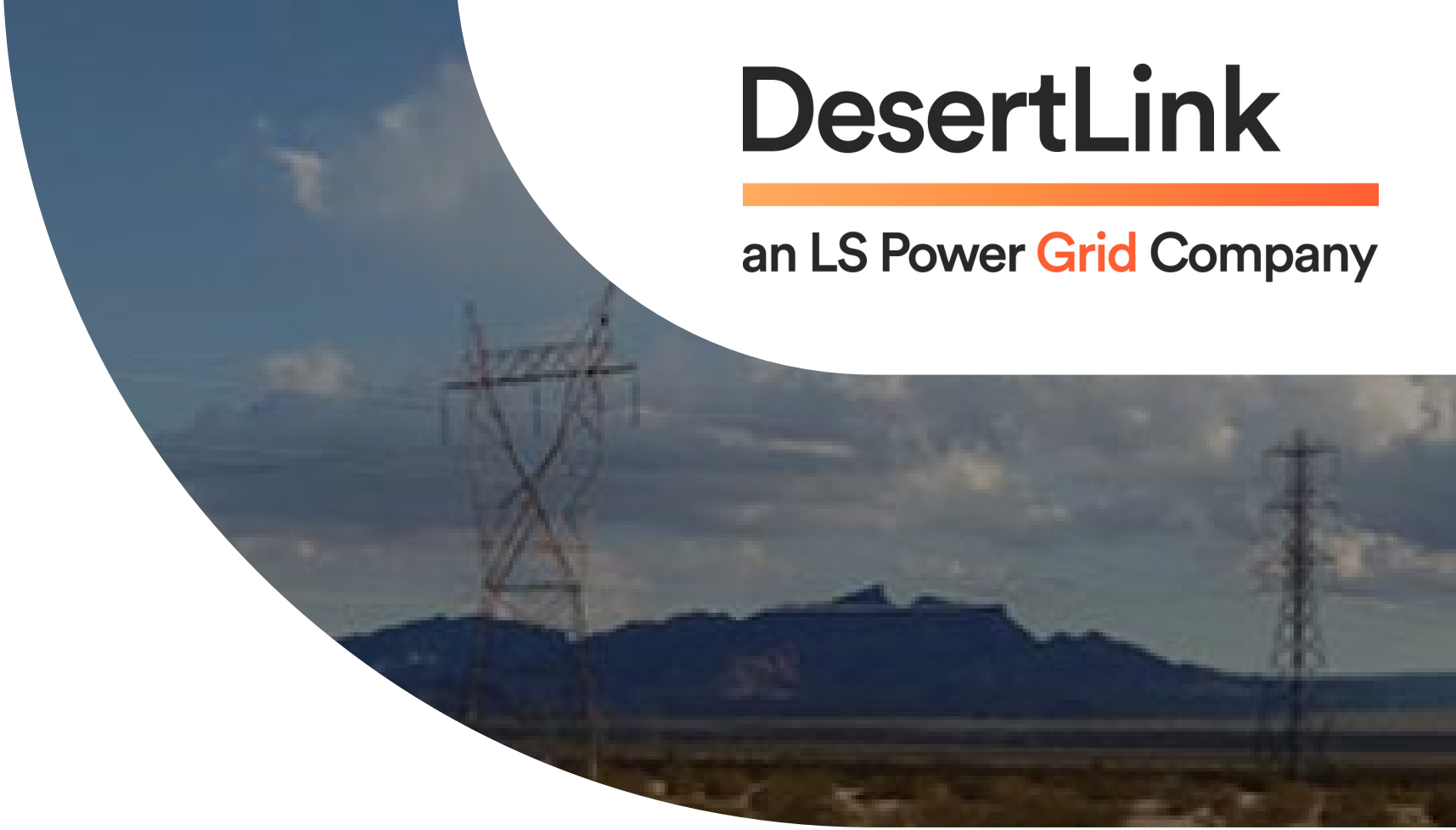


DesertLink

an LS Power Grid Company

OCTOBER 30, 2026

2027 Projection Stakeholder Meeting

DesertLink, LLC



Outline

1. **Introductions**

2. **Background**
   - Company and Project(s)
   - Formula Rate

3. **2027 Projection**
   - Annual Projection
   - True-up Adjustment
   - Weighted Average Cost of Capital

4. **Discussion**

Background

Company, Project(s), and Formula Rate

Background – General

Overview of the Company

- DesertLink is a transmission-only company initially formed to develop, own, and operate the Harry Allen to Eldorado 500 kV Transmission Line Project in Nevada.

- The Project consists of a newly constructed 500 kV transmission line (between the existing Harry Allen and Eldorado substations, located northeast and southeast, respectively, 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.

- The 2027 Projection includes the anticipated completion of DesertLink's portion of the GLW Upgrades Project, which was approved in CAISO's 2022-2023 Transmission Plan.

- More information is available at https://www.lspowergrid.com/utilities/desertlink/

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:
  - Regulatory asset incentive and accrual of carrying charges;
  - 100% recovery of prudently-incurred costs associated with abandonment of the Project;
  - 50 bps RTO participation adder (subject to 9.8% maximum ROE);
  - 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) in Docket No. ER17-135 to be applicable upon becoming a participating transmission owner in CAISO.
  - 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
- March 21, 2022 – FERC accepts formula revisions submitted April 16, 2020, and amended December 23, 2021, to comply with FERC Order No. 864 (ADIT) in Docket No. ER20-1573.
- May 2, 2022 – FERC accepts formula revisions submitted April 16, 2022, and amended March 16, 2022, to enable recovery of gross receipts taxes in Docket No. ER22-1050.
- September 30, 2026 – FERC accepts revisions to depreciation rates for certain accounts in DesertLink's formula rate template, effective November 1, 2026, in Docket No. ER26-3479.

Background – Cost Commitments

Key Provisions

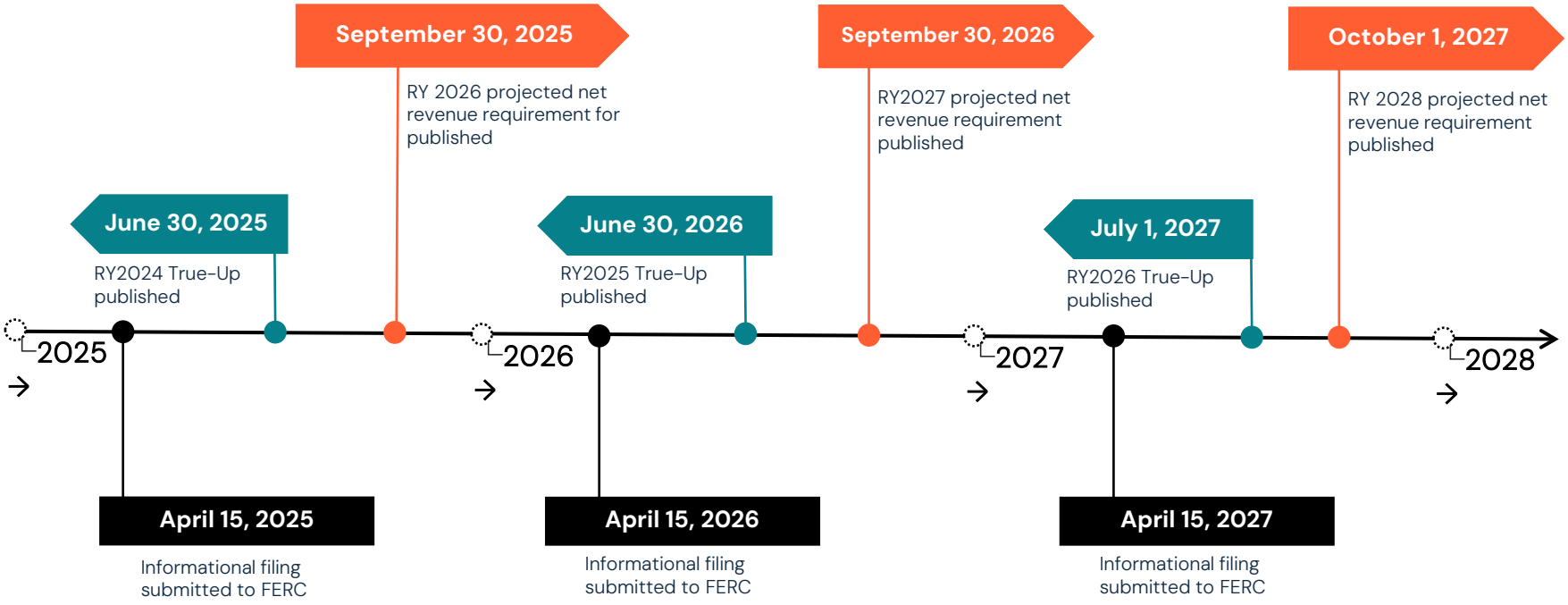
DesertLink made certain cost commitments for the Harry Allen to Eldorado Project

- **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 Annual Update package for additional details.

Formula Rate Timeline

General Update Process



Formula Rate Timeline

Selected Milestones

- April 15, 2026 – Informational filing submitted to FERC in Docket No. ER26-2235
- April 15, 2026 – 2025 FERC Form No. 1 submitted to FERC
- June 30, 2026 – 2025 Annual Update published
- August 7, 2026 – Stakeholder meeting for 2025 Annual Update
- September 30, 2026 – Publication of 2027 Projection
- October 30, 2026 – Stakeholder meeting for 2027 Projection
- November 1, 2026 – TRBAA filing
- December 1, 2026 – Last day to incorporate corrections into 2027 Projection
- January 1, 2027 – Scheduled end of information request period

Annual Projection

2027 Rate Year

Projected Revenue Requirement Summary

2027 Rate Year

Appendix III Item	Appendix III Reference	2027 Projection
Average Rate Base[1]	Page 2, Line 35	$ 164,396,240
Rate of Return[2]	Page 4, Line 18	6.38%
Return on Rate Base	Page 3, Line 48	10,491,150
Income Taxes	Page 3, Line 46	3,233,009
Total Return & Income Taxes		**13,724,159**
Operating Expenses: O&M and A&G Expenses Depreciation Expenses Non-income taxes	 Page 3, Line 17 Page 3, Line 22 Page 3, Line 32	 2,533,900 4,358,444 1,185,129
Total Operating Expenses		**8,077,473**
Gross Revenue Requirement	Page 3, Line 49 (Page 1, Line 1)	**21,801,632**
Less: Revenue Credits	Page 1, Line 6	0
Less: Prior Period Adjustments (including True-up Adjustment) with Interest[3]	Page 1, Line 7 + Line 8	224,373
Net Revenue Requirement	**Page 1, Line 9**	**21,577,529**

[1] Rate Base reduced for estimated unpaid portion of unfunded plant.
[2] Weighted Average Cost of Capital (WACC) calculation for projection provided in a separate slide.
[3] Refer to Slide 10 in the published 2025 True-Up Adjustment

True-up Adjustment

Rate Year 2025

True-Up Adjustment and Interest Calculation[1]	Published June 30, 2026
Actual 2025 Net Annual Revenue Requirement (Appendix III, Page 1, Line 9)	$ 21,949,834
Projected 2025 Net Annual Revenue Requirement (Projection Appendix III: Page 1, Line 1 minus Page 1, Line 6)	$ 22,142,617
Under/(Over) Recovery of Revenue Requirement	$ (192,783)
Monthly Interest Rate	0.622%
Interest For 24 Months	$ (31,590)
Total Under/(Over) Recovery Including Interest	$ (224,373)

[1] Refer to Attachment 6 (Interest on True-up), and Attachment 6a (Interest Rate) in the published Annual Update for more detail.

Weighted Average Cost of Capital

WACC Calculation

WACC Element[1]	Weight	Cost	Weighted	
Long Term Debt	50%	2.96%	1.48%	
Preferred Stock	-	-	-	
Common Stock	50%	9.80%	4.90%	
Total			6.38%	= Return

[1] Refer to Attachment 5 (Return on Rate Base worksheet) in the published 2027 Projection for more detail.

Discussion

Formula rate materials are posted online:

- https://www.lspowergrid.com/utilities/desertlink/

Direct inquiries, information requests, and challenges to:

- rates@desertlinktransmission.com

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.