

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of)	Docket No. _____
Deseret Generation & Transmission)	
Co-operative for Authority to Issue)	
Securities in the form of Secured)	Verified Application
Promissory Note to National Rural)	For Authority to
Utilities Cooperative Finance)	Issue Securities
Corporation)	

Applicant Deseret Generation & Transmission Co-operative (ADeseret@ or "Applicant"), hereby applies for authority to issue securities in the form of a promissory note to the National Rural Utilities Cooperative Finance Corporation ("CFC") in connection with a Supplemental Credit Line described below. The amount of the promissory note to be executed by Applicant is expected to be \$20,000,000.00, as set forth in the Appendix submitted with this Application.

Pursuant to R746-110, Rules of the Public Service Commission, Applicant hereby requests Informal Adjudication of this Application. Applicant represents that the matter is anticipated to be unopposed and uncontested. Submitted herewith is an Appendix that includes Sworn Statements from the Applicant, Certified Documents and other relevant information necessary to establish the facts pertinent to this Application.

In support of this Application, Applicant represents as follows:

Background

1. Applicant is a wholesale electric cooperative providing electric generating and transmission services to its six member rural electrical cooperatives who, in turn, provide retail electric services to their member/owners in the States of Utah, Wyoming, Arizona, Colorado, and Nevada. Deseret is a public utility subject to the jurisdiction of this Commission.

2. For several years, Deseret has faced severe financial difficulties. In 1996 and again in 1998, Deseret entered into a series of arrangements with its major creditors for restructuring and recapitalizing Deseret's secured indebtedness. As part of the 1998 Recapitalization Agreement (the "Recapitalization Agreement"), Deseret entered into a long-term debt restructuring arrangement with its single largest creditor, the National Rural Utilities Cooperative Finance Corporation ("CFC").

3. Deseret depends upon CFC as a primary source of additional financing, and has from time to time, arranged through CFC or through facilities of CFC, for needed financing support in the form of, among other things: letter(s) of credit for marketing and sales transactions; revolving working capital loan(s) for finance liquidity and other working capital needs, among other things.

4. Deseret anticipates a number of likely developments which will require Deseret to raise additional cash to be able to pay for certain operational and other needs expected during the coming months. These include, without limitation: (i) a significant maintenance outage and concomitant repair overhauls taking place at the Hunter Unit 2 ("Hunter 2") during the spring of 2011; (ii) a reduction in anticipated revenue due to loss of sales occasioned as the result of the 2011 outage at Hunter 2; (iii) ongoing replacement of aging equipment used to operate and maintain the

345kV transmission system owned and operated by Deseret; (iv) increased expenditures for mine-safety related equipment and stores at the Deserado Mine operated by Deseret's wholly owned subsidiary, Blue Mountain Energy, Inc. ("BME"), to name a few.

5. In addition to the routine repair and replacement taking place at Hunter 2 during the 2011 maintenance outage, the operator of that Unit is also proposing substantial capital improvements to various plant systems and has demanded that Deseret pay a share of those costs as well. Although it is uncertain at this time how much, if any, of the proposed capital costs for these proposed projects Deseret will be obligated to pay, Deseret's existing cash and liquid investments, combined with the existing secured line of credit described below, which could otherwise be used by Deseret for ongoing cash and/or other liquidity needs, may in any event be insufficient to meet potential liquidity needs, given the demands for operating and capital financing requirements that Deseret anticipates during 2011 and beyond.

Supplemental Secured Credit Line

6. In connection with its 1996 financial restructuring, Deseret, BME and CFC executed a Revolving Credit Agreement dated as of October 16, 1996 with respect to a secured revolving line of credit loan from CFC to the Borrower in the original principal amount of \$20,000,000.00 as amended by certain amendments, letters, and agreements, which is currently set to expire October 16, 2011 (the "Expiring Credit Line"). The Expiring Credit Line was approved and authorized by the Commission in its Report and Order dated July 3, 1996, in Docket No. 96-506-01, with amendments and extensions thereto approved and authorized in its Report and Order dated January 19, 2002, in Docket No. 01-506-

01, and its Report and Order dated October 12, 2007, Docket No. 07-506-01. To date, Deseret has not drawn on the Expiring Credit Line, and there is currently no outstanding balance due thereon.

7. Deseret, BME, and CFC have negotiated the terms of an additional secured line of credit (the "Supplemental Credit Line") which will be available as an addition to (and not a replacement of) the Expiring Credit Line. The Supplemental Credit Line will be in an amount up to \$20,000,000.00, will be secured by an existing mortgage (the "Mortgage") encumbering substantially all of Deseret's property, including after-acquired property, but excluding Deseret's right, title, and interest in and to its primary office building located in South Jordan, Utah. Repayment of amounts advanced to Deseret under the Supplemental Credit Line will also be guaranteed by BME, which guarantee will be secured by a mortgage encumbering substantially all of BME's assets. A draft of the Revolving Line of Credit Agreement and the Secured Promissory Note reflecting the substantially final terms of the Supplemental Credit Line are set forth in the Appendix hereto.

8. In connection with the Supplemental Credit Line, Deseret will issue a Secured Promissory Note in the amount of \$20,000,000 (the "2010 CFC Note"). Under the terms of the 2010 CFC Note, Deseret will repay advances received from CFC under the Supplemental Credit Line as follows:

a. Interest on advances shall be paid at intervals consistent with CFC's regular billing cycles, over a period of up to and through the maturity date, which shall be 36 months after the effective date of the Supplemental Line of Credit (the "Maturity Date"). Payment of principal and interest on advances under the Supplemental Credit Line shall be paid in full no later than the Maturity Date, and, in addition, for each 12-month period during the term of

the Supplemental Credit Line, Deseret shall, for a period of at least five consecutive Business Days, pay down the entire outstanding principal balance on all advances thereunder. The 2010 CFC Note will become due and payable in full in all events no later than the Maturity Date.

b. Subject to certain provisions pertaining to prepayments of the 2010 CFC Note, Deseret's existing obligations to CFC will not be modified, and Deseret will be required to make payments of the 2010 CFC Note in accordance with the terms thereof, regardless of Deseret's cash flow during any given year and prior to calculating the amount payable to CFC on existing debt from such Deseret cash flows.

9. The 2010 CFC Note may be prepaid at any time without penalty.

10. The 2010 CFC Note will bear interest at a variable rate, set at the rate published or otherwise determined by CFC from time to time for similarly classified lines of credit, as set forth in the terms of the draft Loan Agreement included in the Appendix. The effective date(s) of interest rate adjustments will be as determined from time to time by CFC.

11. Amounts owed by Deseret to CFC under the 2010 CFC Note will be secured by the consolidated mortgage and financing statement executed by Deseret in connection with the 1996 debt restructuring arrangement with CFC, as previously modified to reflect the terms of various financing transactions preceding this one.

Public Interest

12. The rates and terms of the Supplemental Credit Line were negotiated and structured to avoid any adverse impact on the positions, rights, remedies and risks of Deseret's Members under

the 1996 and the 1998 debt restructuring and the Recapitalization Agreements, respectively, as well as all other existing agreements, amendments, and arrangements between Deseret and CFC. Deseret cannot at this time determine what effect, if any, may result and/or what changes may be required to its member rates or charges as a consequence of potential advances under the Supplemental Credit Line.

13. The Board of Trustees of Deseret has approved the terms of the Supplemental Credit Line.

14. Applicant has determined that the addition of the Supplemental Credit Line will add an increased level of certainty and stability to Deseret's financial position will increase its ability to meet potential cash demands that may occur during the coming months, and will otherwise present opportunities to Deseret on terms that are advantageous to Deseret.

Timing

15. Applicants request expedited and informal consideration of this Application on the grounds that the terms and conditions of the Supplemental Credit Line have previously been reviewed by and approved by Deseret's governing board which represents all six (6) of Deseret's members. Accordingly, Applicant requests that a Report and Order be issued no later than January 31, 2010.

Requested Action

Wherefore, Applicant asks this Commission to issue an order approving and authorizing the issuance of securities by Deseret in the form of the 2010 CFC Note to CFC in connection with the

Financing Transaction in the amounts and for the purposes specified herein.

DATED this 30th day of November, 2010.

David F. Crabtree

Attorney for Applicant
Deseret Generation & Transmission Co-operative
10714 South Jordan Gateway, Suite 300
South Jordan, Utah 84095

VERIFICATION

STATE OF UTAH)
 :SS
COUNTY OF SALT LAKE)

The undersigned, being first duly sworn upon oath, deposes and states that he is the Vice President and CFO of Deseret Generation & Transmission Co-operative, the Applicant in this proceeding, that he has read the foregoing Application and is familiar with the transactions referred to therein, and that, to the best of his knowledge, information and belief, the statements therein are true and accurate.

Robert R. Dalley

Subscribed and sworn to before me the 30th day of November, 2010.

Notary Public

My Commission Expires:

Residing in: _____

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Verified Application for Authority to Issue Securities was served by U.S. mail this 30th day of November, 2010, upon the following:

Artie Powell
Utah Division of Public Utilities
Box 146751
Salt Lake City, Utah 84114-6751

Committee of Consumer Services
160 East 300 South, 4th Floor
Salt Lake City, Utah 84114

Mr. Dan Lyzinski
CFC
2201 Cooperative Way
Herndon, VA 20171-3025

APPENDIX
TO THE
VERIFIED APPLICATION FOR AUTHORITY TO
ISSUE SECURITIES