

-BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH-

In the Matter of the Application of Deseret Generation)
& Transmission Co-operative for Authority to Issue)
Securities in the Form of an Extended Existing Line of)
Credit)

DOCKET NO. 01-506-01
REPORT AND ORDER

ISSUED: January 18, 2002

By the Commission:

On November 29, 2001, Applicant Deseret Generation & Transmission Co-operative filed an application seeking authority pursuant to Utah Code Ann. § 54-4-31 to issue certain securities in the form of an Extension to an Existing Line of Credit in the amount of approximately \$20,000,000.00 on substantially the same terms and conditions as previously approved and authorized by the Commission in its Report and Order dated July 3, 1996 in Docket No. 96-506-01. Applicant requested Informal Adjudication of the Application under R746-110, Rules of the Public Service Commission, and represented that the matter was anticipated to be unopposed and uncontested. The Applicant further requested expedited consideration of the Application on the grounds that the current Line of Credit is expected to expire December 31, 2001 and that sufficient advance time will be needed prior to year-end to provide necessary evidence to Deseret's secured creditors that the necessary approval(s) have been obtained to circulate the executed documents and this Report and Order to give effect to the extension of the Line of Credit in a timely fashion in order to avoid any arguable or potential claim that Applicant had failed to comply with affirmative covenants set forth in a series of financial Restructuring and Recapitalization Agreements executed in 1996 and 1998. Finally, Applicant requested a waiver by the Commission of the 20-day tentative period under R746-110-2 for good cause shown on the basis that the Line of Credit, in order to provide maximum protection and flexibility to Deseret must be final and fully enforceable in full force and effect at all times without being subject to any appeal or protests in order to avoid any potential claims by creditors of a technical default in Deseret's ongoing affirmative obligations under its financial restructuring obligations.

Applicant has submitted copies of the relevant documents, certified and verified pursuant to the Verified Application, and other information to establish the facts pertinent to the Application.

On December 7, 2001, the Division of Public Utilities (DPU) filed a Memorandum recommending that the Commission approve the verified application with three conditions:

1. Deseret should be required to promptly notify the Commission and Division whenever the line of credit is used to service its restructured debt.
2. Deseret should be required to file the final version of the Third Amendment when it is completed, and to certify that the final version is substantially the same as the working copy filed with the application.
3. Deseret should be required to file the relevant portion of the minutes of the November 2001 Board of Directors minutes to show approval of the proposed line of credit.

FINDINGS OF FACT

1. In October, 1996, Deseret entered into a comprehensive financial restructuring involving secured creditors who, at that time, agreed to a long-term financial forbearance and, together with other major creditors in December 1998, finalized a substantially permanent financial recapitalization of the Company. As part of the 1996 Restructuring, as incorporated into and made a part of the 1998 Recapitalization, Deseret entered into a \$20 million line of credit (the "Existing Line of Credit") with the National Rural Utilities Cooperative Finance Corporation ("CFC") which can be

used for debt service and general corporate purposes. The Commission gave Deseret authorization to enter into and to secure the Existing Line of Credit pursuant to its Report and Order dated July 3, 1996 in Docket No. 96-506-01. Deseret has not drawn on the Existing Line of Credit to date.

2. The Existing Line of Credit was amended in August 1997 (the "First Amendment") to reflect an equipment lease financing arrangement involving Fleet Capital Corporation whereby Deseret agreed to set aside and dedicate a portion of the Existing Line of Credit to secure reimbursement of certain lease related obligations. The First Amendment was executed pursuant to authorization from the Commission granted in Docket No. 97-506-01. 3. The Existing Line of Credit was amended a second time (the "Second Amendment") in October 2001 to temporarily extend the Existing Line of Credit from October 16, 2001 until December 31, 2001.

4. Under its current terms, the Existing Line of Credit is set to expire effective December 31, 2001. Deseret and CFC have arranged to extend the Existing Line of Credit an additional five (5) years through October 16, 2006. The extension will be on substantially the same terms and conditions as the Existing Line of Credit (as amended pursuant to the First Amendment and the Second Amendment), and will be set forth pursuant to a proposed Third Amendment to Revolving Credit Line (the "Third Amendment") between Deseret and CFC.

5. The Existing Line of Credit, as extended pursuant to the Proposed Third Amendment can be used to avoid default in Deseret's minimum debt service obligations as a result of any short term or temporary financial difficulties; it can also be used as a source of working capital or other funds as Deseret may choose to make use of it.

6. Applicant analyzed and considered various alternatives to the proposed Extension of the Existing Line of Credit, including potential arrangement(s) for a Master Letter of Credit Agreement involving one or more creditors. Applicant has represented that the proposed Extension of the Existing Line of Credit represents the best available means available to Deseret to acquire a necessary financial working capital source in the event of liquidity needs for debt service or ongoing operations. The Extension to the Existing Line of Credit was approved by Deseret's Board of Trustees at a regularly scheduled meeting of the board during November, 2001.

7. The DPU recommended that the Commission approve the Application with three conditions.

CONCLUSIONS OF LAW

1. The Applicant is a public utility subject to the jurisdiction of this Commission.
2. All legal and factual prerequisites and requirements for the issuance of this Order have been satisfied.
3. Execution by Applicant of the Extension of the Existing Line of Credit as described herein is in the public interest.
4. Participation by Applicant in the Proposed Extension of the Existing Line of Credit, including the proposed issuance and/or renewal of securities and security interest in connection therewith is: (i) for lawful and proper purposes; (ii) within Applicant's corporate powers; (iii) consistent with the public interest, sound financial practices and the proper performance of Applicant's public service; and (iv) designed to enhance and not impair Applicant's ability to perform its public service.

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED, that:

1. Deseret is hereby authorized to secure and renew the Extension of the Existing Line of Credit in the amount of approximately \$20,000,000 through October 16, 2006, on substantially the same terms and conditions set forth in the Existing Line of Credit (as amended by the First Amendment and the Second Amendment), and to continue to provide security interests to secure repayment of the same, all under the terms and conditions generally as described in this Report and Order. This approval is conditioned by the three requirements the DPU recommended that are itemized in this order.

2. Applicant is hereby authorized to execute such documents and take such actions as may be reasonably necessary or convenient to the completion of the Proposed Extension of the Existing Line of Credit.
3. Nothing in this Order shall be construed to obligate the State of Utah to pay or guarantee in any manner whatsoever any securities authorized, issued, assumed, or guaranteed hereunder.
4. For good cause shown, the 20-day tentative period under R746-110-2 is hereby waived.

DATED at Salt Lake City, Utah, this 18th day of January, 2002.

/s/ Stephen F. Mecham, Chairman

/s/ Constance B. White, Commissioner

/s/ Richard M. Campbell, Commissioner

Attest:

/s/ Julie Orchard

Commission Secretary

G#27826