

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Application of Deseret)
Generation & Transmission Co-operative for) DOCKET NO. 07-506-01
Authority to Issue Securities in the Form of)
an Extended Existing Line of Credit) REPORT AND ORDER
)

ISSUED: October 12, 2007

SYNOPSIS

No detriment to the public interest appearing, the Commission granted the authority sought by the Applicant with certain conditions.

By the Commission:

PROCEDURAL HISTORY

On August 28, 2007, Deseret Generation & Transmission Co-operative (“Applicant” or “Company”) 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 (“Application”) 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, and its Report and Order dated January 18, 2002, in Docket No. 01-506-01. Applicant requested informal adjudication of the Application under Commission Rule 746-110 and represented the matter was anticipated to be unopposed and uncontested. Applicant further requested expedited consideration of the Application on the grounds that the current Line of Credit is expected to expire October 16, 2007. Finally, Applicant requested waiver of the 20-day tentative period under R746-110-2 on the basis that the

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Line of Credit, in order to provide maximum protection and flexibility to Applicant, 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 Applicant's ongoing affirmative obligations under its financial restructuring obligations.

On September 28, 2007, the Division of Public Utilities ("Division") filed a memorandum detailing its investigation of the Application and recommending approval.

BACKGROUND AND DISCUSSION

Applicant requests authority to extend its current \$20 million credit line by an additional four years to October 16, 2011. Applicant states that it has not drawn on the existing line of credit which has been and is expected to continue to be with the National Rural Utilities Cooperative Finance Corporation.

The Division recommends the Commission authorize Applicant to enter into the extended line of credit and that, in so doing, the Commission continue to impose the requirement previously ordered in Docket No. 01-506-01 that Applicant promptly notify the Commission and the Division whenever the line of credit is used to service its restructured debt.

Since no meritorious opposition has been raised, and Applicant has made out its *prima facie* case in support of the Application, there appears no reason to convene an evidentiary hearing on the matter. Accordingly, the Commission, having been fully advised in the premises, enters the following Report, containing Findings of Fact, Conclusions of Law, and the Order based thereon.

FINDINGS OF FACT

1. In October, 1996, Applicant 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, Applicant entered into a \$20 million line of credit (“Existing Line of Credit”) with the National Rural Utilities Cooperative Finance Corporation which can be used for debt service and general corporate purposes. The Commission authorized Applicant 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. Applicant states it has not drawn on the Existing Line of Credit to date.

2. The Existing Line of Credit was amended in August 1997 (“First Amendment”) to reflect an equipment lease financing arrangement involving Fleet Capital Corporation whereby Applicant 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 in October 2001 to temporarily extend the Existing Line of Credit from October 16, 2001 until December 31, 2001.

4. The Existing Line of Credit was amended a third time (“Third Amendment”) in December 2001 to extend the Existing Line of Credit an additional five (5) years through

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December 31, 2006. The Third Amendment was executed pursuant to authorization from the Commission granted in Docket No. 01-506-01.

5. The Existing Line of Credit was amended a fourth time pursuant to the terms of a Consolidated, Amended and Restated Revolving Credit Agreement in October 2006 to temporarily extend the Existing Line of Credit from December 31, 2006 until October 16, 2007, on substantially the same terms as the Existing Line of Credit.

6. Applicant intends to exercise its option to extend the Existing Line of Credit through October 16, 2011, on substantially the same terms as the Existing Line of Credit.

7. The Existing Line of Credit, as extended, can be used to avoid default in Applicant'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 Applicant may choose to make use of it.

8. Applicant represents it has analyzed and considered various alternatives to the proposed Extension of the Existing Line of Credit, including potential arrangements for a Master Letter of Credit Agreement involving one or more creditors. Applicant states the proposed Extension of the Existing Line of Credit represents the best available means available to Applicant to maintain 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 Applicant's Board of Trustees at a regularly scheduled meeting of the board on August 17, 2006.

CONCLUSIONS OF LAW

1. It is in the public interest to convert this matter to an informal proceeding, pursuant to § 63-46b-4(3), Utah Code Annotated 1953, as amended.
2. Applicant is a public utility subject to the jurisdiction of this Commission.
3. This Commission has jurisdiction over the Application pursuant to the provisions of § 54-4-31(1), UCA 1953, as amended.
4. Extension by Applicant of the Existing Line of Credit as described herein is in the public interest.
5. Pursuant to Rule 746-110-2, good cause exists to waive the 20-day tentative period for an order issued in an informally adjudicated proceeding. Accordingly, this order will become effective on the date of issuance.

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED, that:

1. This matter be, and it is, converted to an informal proceeding pursuant to §63-46b-4(3), UCA 1953, as amended.
2. Deseret Generation & Transmission Co-operative (“Company”) 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, 2011, as described *supra*.
3. The Company shall inform the Commission and the Division each time it accesses its line of credit for purposes of servicing its restructured debt obligations.

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4. The issuance of this Order does not constitute a determination by the Commission of any rate-making issues whatsoever, which issues are expressly reserved for decision until they are presented to the Commission in appropriate proceedings.

5. The issuance of this Order shall not be construed as prior acceptance by the Commission of any expenditures of the Company for any purpose.

6. Nothing in this Order shall be construed to obligate the State of Utah to pay or guarantee in any manner whatsoever any security issued, assumed or guaranteed by the Company.

7. The authority granted herein is effective the date of this Order.

Pursuant to Utah Code §§63-46b-12 and 54-7-15, agency review or rehearing of this order may be obtained by filing a request for review or rehearing with the Commission within 30 days after the effective date of the order. Responses to a request for agency review or rehearing must be filed within 15 days of the filing of the request for review or rehearing. If the Commission fails to grant a request for review or rehearing within 20 days after the filing of a request for review or rehearing, it is deemed denied. Judicial review of the Commission's final agency action may be obtained by filing a Petition for Review with the Utah Supreme Court within 30 days after final agency action. Any Petition for Review must comply with the requirements of Utah Code §§63-46b-14, 63-46b-16 and the Utah Rules of Appellate Procedure.

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DATED at Salt Lake City, Utah, this 12th day of October, 2007.

/s/ Ted Boyer, Chairman

/s/ Ric Campbell, Commissioner

/s/ Ron Allen, Commissioner

Attest:

/s/ Julie Orchard
Commission Secretary
G#54980