

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

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In the Matter of the Application of Deseret )  
Generation & Transmission Co-operative for ) DOCKET NO. 10-506-01  
Authority to Issue Securities in the Form of )  
an Extended Line of Credit ) REPORT AND ORDER  
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ISSUED: March 14, 2011

By The Commission:

On November 30th, 2010, Applicant Deseret Generation & Transmission Co-operative (“Deseret”) filed an application seeking authority pursuant to Utah Code Ann. § 54-4-31 to issue certain securities in the form of a Secured Promissory Note in the amount of approximately \$20,000,000.00, related to a revolving line of credit (the “Supplemental Credit Line”) for working capital financing. 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. 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 Supplemental Credit Line, 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.

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.

DOCKET NO. 10-506-01

- 2 -

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. The Existing Line of Credit was further amended and extended, as approved and authorized pursuant to the Commission's Report and Order dated January 18, 2002, in Docket No. 01-506-01 and its Report and Order dated October 12, 2007 in Docket No. 07-506-01. Deseret has not drawn on the Existing Line of Credit to date.
2. Applicant has stated that it anticipates potential liquidity needs during the coming months related to several factors, including without limitation repairs and maintenance at the Hunter 2 Unit ("Hunter 2") which it jointly owns with another public utility; reduction in anticipated revenue occasioned as a result of a planned maintenance outage at Hunter 2; increased expenditures for mine-safety related

DOCKET NO. 10-506-01

- 3 -

equipment and stores at the Deserado Mine operated by Deseret's wholly owned subsidiary, Blue Mountain Energy, Inc. ("BME"); and potential obligation to make payments for capital improvements at Hunter 2, payment of which might deplete Deseret's available cash and/or liquid assets otherwise available to finance working capital needs.

3. Applicant has negotiated the terms of the Supplemental Credit Line with CFC as an additional potential working capital financing resource for its liquidity needs. The Supplemental Credit Line will be secured by the lien of an existing mortgage from Deseret to CFC and will supplement, and will not replace, the Existing Line of Credit.
4. Applicant states that the Supplemental Credit Line would provide increased flexibility and additional credit resource(s) in the event that Applicant's liquidity needs in the coming months experience the full potential of possible demands for financing due to the factors identified above.
5. Applicant has represented that the proposed Supplemental Credit Line represents the best available means available to Deseret to maintain a necessary financial working capital source(s) in the event of liquidity needs for debt service or ongoing operations to address certain potential eventualities. The Supplemental Credit Line was approved by Deseret's Board of Trustees at a regularly scheduled meeting of the board on November 18, 2010.

DOCKET NO. 10-506-01

- 4 -

6. The Division of Public Utilities has reviewed the application, recommended that the granting of the application was in the public interest, and that the Commission should approve it.

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 of the Supplemental Credit Line by Applicant as described herein is in the public interest.
4. Participation by Applicant in the proposed Supplemental Credit Line, 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

The Commission orders as follows:

1. Deseret is hereby authorized to secure a supplemental Secured Revolving Line of Credit from the National Rural Utility Cooperative Finance Corporation in the amount of up to \$20,000,000 and to provide security interests to secure repayment

DOCKET NO. 10-506-01

- 5 -

of the same, all under the terms and conditions generally as described in this Report and Order;

2. Applicant is hereby authorized to execute and deliver such documents and take such actions as may be reasonably necessary or convenient to the completion of the Supplemental Credit Line;
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.

Pursuant to Sections 63G-4-301 and 54-7-15 of the Utah Code, an aggrieved party may request agency review or rehearing of this Order by filing a written request with the Commission within 30 days after the issuance of this 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 does not grant a request for review or rehearing within 20 days after the filing of the request, 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 Sections 63G-4-401 and 63G-4-403 of the Utah Code and Utah Rules of Appellate Procedure.

DOCKET NO. 10-506-01

- 6 -

DATED at Salt Lake City, Utah, this 14<sup>th</sup> day of March, 2011.

/s/ Ruben H. Arredondo  
Administrative Law Judge

Approved and confirmed this 14<sup>th</sup> day of March, 2011, as the Report and Order of  
the Public Service Commission of Utah.

/s/ Ted Boyer, Chairman

/s/ Ric Campbell, Commissioner

/s/ Ron Allen, Commissioner

Attest:

/s/ Julie Orchard  
Commission Secretary  
G#71119