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Attorney for Deseret Generation & Transmission Co-operative

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of)	Docket No.
Deseret Generation & Transmission)	
Co-operative for Approval to Issue)	Verified Application
Securities in the form of Amended)	For Approval to
Secured Promissory Note)	Issue Securities
)	

Deseret Generation & Transmission Co-operative ("Deseret" or "Deseret"), hereby applies to the Commission pursuant to *Utah Code Ann. § 54-4-31* for an Order authorizing Deseret to issue securities in the form of an amended promissory note to the National Rural Utilities Cooperative Finance Corporation ("CFC") in connection with a working capital Line of Credit described below. The amount of the promissory note to be executed by Deseret is expected to be up to \$20,000,000.00, as set forth in Exhibit "A" to this Application. Proceeds of advances under

the Line of Credit will be used for working capital cash needs of Deseret.

Deseret anticipates and represents that this matter is expected to be unopposed and uncontested. Pursuant to R746-110-1, *Utah Administrative Code* ("Rules") Deseret hereby requests Informal Adjudication of this Application. This Application is supported by the sworn statements in this Verified Application and true and correct copies of the documents attached hereto, which documents are sufficient to establish the facts pertinent to this Application.

Pursuant to R746-110-2 of the *Rules*, and for good cause shown, Deseret respectfully requests entry of a final Commission order approving the Loan as soon as practicable, and within 30 days if feasible, in order to meet CFC timing requirements. In light of its board's approval of the Loan at a duly-noticed public meeting, Deseret further asks the Commission to determine that no additional public notice of this proceeding is required under R746- 110-2 of the *Rules*.

In support of this Application, Deseret represents as follows:

Background

1. Deseret 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. Historically, Deseret has faced challenging financial difficulties. In 1996 Deseret entered into a long-term debt restructuring and forbearance arrangement with its creditors (the "Obligations Restructuring Agreement" or "ORA"), and again in 1998, Deseret entered into a series of further arrangements with its major creditors for restructuring and recapitalizing Deseret's secured indebtedness.

3. Pursuant to the 1996 ORA, Deseret entered into a Revolving Credit Agreement with its single largest creditor, the National Rural Utilities Cooperative Finance Corporation ("CFC"). Pursuant to a Second Amended and Restated Revolving Credit Agreement dated as of October 16, 2011 (the "Existing Line of Credit"), Deseret and CFC renewed and extended the original line of credit agreement for a commitment period having a term of five (5) years through October 16, 2016.

4. Deseret and CFC have now negotiated the terms of a Third

Amended and Restated Line of Credit (the "Extended Line of Credit") whereby the commitment period for funding under the credit line will be extended through November 30, 2017.

5. 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.

6. Deseret will rely on the Extended Line of Credit as a source of continued and/or additional letter of credit support from CFC, working capital liquidity, and other financing support through at least the extended commitment period.

Extended Line of Credit

7. Deseret and CFC have negotiated the terms of the Extended Line of Credit whereby Deseret will: (a) issue an Amended and Restated Secured Promissory Note (the "2016 CFC Line of Credit Note") (a copy of which in substantially final form is attached hereto as Exhibit "A"), in an amount not to exceed \$20 million; (b) enter into a Third Amended and Restated Revolving Credit Agreement with CFC (the "Extended Line of Credit Agreement") (a

copy of which in substantially final form is attached hereto as Exhibit ``B``); and (c) execute and deliver a Second Supplement and Amendment to Amended and Restated Mortgage and Security Agreement (the ``Second Supplemental Mortgage``)(a copy of which in substantially final form is attached hereto as Exhibit ``C``) granting a security interest in and to substantially all of Deseret's utility plant and equipment, together with certain other assets, in favor of CFC as security for the Extended Line of Credit and other indebtedness outstanding to CFC.

8. Under the terms of the Extended Line of Credit Agreement and the 2016 CFC Line of Credit Note, Deseret will repay any draws under the Extended Line of Credit as follows:

a. Principal amounts of advances under the Extended Line of Credit, together with unpaid interest accrued thereon, will become due and payable on the last day of the commitment period (November 30, 2017).

b. Interest payments on amounts of advances under the Extended Line of Credit are payable in accordance with CFC's regular billing cycles as may be in effect from time to time. As of the date hereof, interest is due and payable on the last day of each of March, June, September and December. CFC must provide reasonable prior written notice to Deseret of any

change to the billing cycle or due dates for the payment of interest. CFC must also invoice Deseret at least five days prior to the due date of any interest payment.

9. Interest on amounts advanced under the Extended Line of Credit will be computed at a rate equal to the CFC Line of Credit Rate, which is the rate published by CFC from time to time, by electronic or other means, for similarly classified lines of credit extended to CFC borrowers, or if such rate is not published, then the rate determined for such lines of credit by CFC from time to time.

10. All amounts due and owing for advances under the Extended Line of Credit will become due and payable in full in all events no later than November 30, 2017.

11. Amounts advanced under the Extended Line of Credit may be repaid and/or prepaid at any time without penalty.

12. Amounts owed by Deseret to CFC under the 2016 CFC Line of Credit Note will be secured by the Second Supplemental Mortgage.

Public Interest

13. The Extended Line of Credit was negotiated and structured to avoid any adverse impact on the positions, rights, remedies and risks of Deseret and/or Deseret's Members under the 1996 ORA 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 does not anticipate any changes to its member rates or charges as a consequence of the Extended Line of Credit.

14. The representatives of all six Deseret Members on Deseret's Board of Trustees have actively participated in the development of, and the Board of Trustees has approved the terms of the Extended Line of Credit.

15. Deseret has determined that the Financing Transaction will add an increased level of certainty and stability to Deseret's financial position, will increase its ability to respond to potential working capital cash demands during the coming months, and will otherwise present opportunities to Deseret on terms that are advantageous to Deseret. The Extended Line of Credit will help avoid and/or delay financing(s) as may become necessary from time to time in support of ongoing operations.

16. The Extended Line of Credit is for lawful objects within Deseret's proper corporate purposes, is compatible with the public interest, is necessary or appropriate for or consistent with the proper performance by Deseret of its services as a public utility, and will not impair Deseret's ability to provide or perform those services.

Requested Timing of Approval

17. Deseret requests expedited and informal consideration of this Application on the grounds that the terms and conditions of the Extended Line of Credit have previously been reviewed by and approved by Deseret's governing board which represents all six (6) of Deseret's members.

18. Deseret desires to avoid any period(s) during which Deseret has no access to advances, should a need arise for working capital cash, under the Existing Line of Credit, which commitment period will expire October 16, 2016, and the effective date of the Extended Line of Credit. Accordingly, Deseret requests that a Report and Order be issued no later than October 15, 2016, in time for Deseret to execute the 2016 CFC Line of Credit Note, sign and record the Second Supplemental Mortgage, and proceed to put the Extended Line of Credit in effect prior to or concurrent with the end of the commitment period under the Existing Line of Credit on October 16, 2016.

19. Pursuant to R746-110-2, Deseret requests waiver by the Commission of the 20-day tentative period for good cause, as shown above.

Requested Action

Wherefore, Deseret asks this Commission to issue an order approving and authorizing the issuance of securities by Deseret in the form of the 2016 CFC Line of Credit Note to CFC in connection with the Extended Line of Credit in the amounts and for the purposes specified herein.

DATED this 19th day of September, 2016.

David F. Crabtree

/s/ _____
Attorney for Deseret Generation
& Transmission Co-operative

VERIFICATION

STATE OF UTAH)
 :SS
COUNTY OF SALT LAKE)

The undersigned, Robert Dalley, being first duly sworn upon oath, deposes and states that he is the Chief Financial Officer 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 herein and the documents attached hereto, and that, to the best of his knowledge, information and belief, the statements therein are all true and accurate.

/s/ _____
Robert Dalley

Subscribed and sworn to before me this 19th day of September, 2016.

[Seal]

/s/ _____
Notary Public

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Application was served by email this 19th day of September, 2016, upon the following:

Division of Public Utilities:

Patricia Schmid	pschmid@utah.gov
Chris Parker	chrisparker@utah.gov
Artie Powell	wpowell@utah.gov

Office of Consumer Services:

Rex Olsen	rolsen@utah.gov
Michele Beck	mbeck@utah.gov

/s/ _____