

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

Application of Deseret Generation & Transmission Co-operative for Approval to Issue Securities in the Form of Amended Secured Promissory Note	<u>DOCKET NO. 17-506-01</u>
	<u>ORDER</u>

ISSUED: October 20, 2017

On September 25, 2017, Deseret Generation & Transmission Co-operative (Deseret) filed a verified application (Application) requesting an order from the Public Service Commission (PSC), pursuant to Utah Code Ann. § 54-4-31, authorizing Deseret to issue securities in the form of a substitute amended promissory note to the National Rural Utilities Cooperative Finance Corporation (CFC) in connection with a working capital line of credit up to \$20 million.

Deseret represents its Board of Directors (Board) approved the terms of the Amended and Extended Line of Credit. Deseret anticipates this Application will be unopposed and uncontested. Accordingly, Deseret requests informal adjudication of this matter pursuant to Utah Admin. Code R746-110-1. Deseret also requests a final order, without hearing, within 30 days pursuant to Utah Admin. Code R746-110-2.

On October 10, 2017, the Division of Public Utilities (DPU) filed an action request response addressing Deseret's Application. The DPU's review notes the following:

1. Deseret requests authorization to issue securities in the form of an extension in the maturity date for the existing line of credit with the current lender, CFC.

2. The proposed extension is being requested in order to allow additional time to complete discussions with CFC concerning long term lending agreements. In addition, Deseret is

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exploring alternative sources of future potential working capital financing, which could involve other financial institutions.

3. The original \$20 million revolving line of credit was approved by the PSC on October 5, 2011 in Docket No. 11-506-01 with a maturity date of October 16, 2016.¹ On October 7, 2016, the PSC approved a one year extension with a maturity date of November 30, 2017.²

4. To date, Deseret has not drawn on this line of credit and there is no outstanding balance.

5. The revolving line is secured by an existing mortgage on all of Deseret's property, excluding the office building located in South Jordan, Utah. In addition to Deseret's assets, the loan agreement includes a guarantee from Deseret's wholly owned subsidiary, Blue Mountain Energy, Inc.

6. If approved, the maturity date for the revolving line of credit will be extended to November 30, 2018 with no change to the commitment amount.

7. Deseret has indicated the proposed extension has been reviewed and approved by Deseret's governing Board, which represents all six of Deseret's members.

8. Deseret does not anticipate any changes to its member rates due to extending the maturity date on the line of credit.

9. Deseret's most recent arrangement for restructuring and recapitalizing its indebtedness occurred within the 1996 to 1998 time frame and resulted in an agreement with CFC known as

¹ See *Application of Deseret Generation & Transmission Co-operative for Authority to Issue Securities in the form of Secured Promissory Note to National Rural Utilities Cooperative Finance Corporation* (Report and Order issued October 5, 2011); Docket No. 11-506-01.

² See *Application of Deseret Generation & Transmission Co-operative for Approval to Issue Securities in the form of Amended Secured Promissory Note* (Order issued October 7, 2016); Docket No. 16-506-01.

the Obligations Restructuring Agreement (ORA) and the 1998 Recapitalization Agreement. CFC is the primary lender and, as of June 30, 2017, Deseret had \$156.3 million in outstanding debt of various maturities.

10. Deseret's capital structure has remained consistent for the periods under review. As of year-end 2016, Deseret's regulatory capital structure was 72.4% debt and 27.6% equity, which is close to the historical average of 75.4% debt and 24.6% equity. The DPU notes Deseret is highly leveraged.

The DPU concludes the Application is a request to extend the existing credit facility for an additional 12 months with no increase to the dollar amount, and the current revolving credit line has not been utilized and has no outstanding balance. After the DPU's review of the Application and Deseret's 2013 through June 2017 financial history, the DPU recommends the PSC approve the Application.

No other comments were received, and the opportunity to oppose the Application closed on October 10, 2017. Therefore, considering the representations set forth in the Application, the DPU's recommendation to approve, and there being no opposition, we approve the Application pursuant to Utah Code Ann. § 54-4-31 as set forth below.

ORDER

1. This matter is converted to an informal adjudication pursuant to Utah Admin. Code 746-110-1; and
2. We approve Deseret's Application and, in doing so, we waive the 20-day tentative period for good cause and make this a final order pursuant to Utah Admin. Code 746-110-2.

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DATED at Salt Lake City, Utah, October 20, 2017.

/s/ Melanie A. Reif
Presiding Officer

Approved and Confirmed as the Order of the PSC, October 20, 2017.

/s/ Thad LeVar, Chair

/s/ David R. Clark, Commissioner

/s/ Jordan A. White, Commissioner

Attest:

/s/ Gary L. Widerburg
PSC Secretary
DW#297486

Notice of Opportunity for Agency Review or Rehearing

Pursuant to §§ 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 §§ 63G-4-401 and 63G-4-403 of the Utah Code and Utah Rules of Appellate Procedure.

CERTIFICATE OF SERVICE

I CERTIFY that on October 20, 2017, a true and correct copy of the foregoing was served upon the following as indicated below:

By Electronic-Mail:

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Deseret Generation & Transmission Co-operative

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