

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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Deseret Generation & Transmission	)	
Co-operative, Bridger Valley Electric	)	<u>DOCKET NO.</u>
Association, Dixie-Escalante Rural	)	
Electric Association, Flowell Electric	)	Proposed Form of
Association, Garkane Power Association,	)	<u>REPORT AND ORDER</u>
Moon Lake Electric Association, and	)	
Mount Wheeler Power, Inc. for Approval	)	
to Issue Securities	)	
	)	

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By the Commission:

On June 29, 2018, Applicants Deseret Generation & Transmission Co-operative (“Deseret”), together with its six (6) distribution cooperative members (the “Distribution Members”), namely, Bridger Valley Electric Association, Dixie-Escalante Rural Electric Association, Flowell Electric Association, Garkane Power Association, Moon Lake Electric Association, and Mount Wheeler Power, Inc. (Deseret and the Distribution Cooperative Members are referred to herein collectively as the “Applicants”) filed an application seeking authority pursuant to Utah Code Ann. §54-4-31 to issue certain securities in the form of Secured Promissory Notes in conjunction with a restated long-term debt restructuring agreement (the “Obligations Restructuring Restatement” or “ORA Restatement”) and an extended and amended revolving line of credit (the “2018 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.

#### 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 line of credit (the “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 originally gave Deseret authorization to enter into and to secure the Line of Credit pursuant to its Report and Order dated July 3, 1996 in Docket No. 96-506-01. The Line of Credit has subsequently been amended and extended, and has been restated as approved and authorized pursuant to the Commission’s Report and Order dated January 18, 2002, in Docket No. 01-506-0; its Report and Order dated October 12, 2007 in Docket No. 07-506-01; its Report and Order dated March 14, 2011 in Docket No. 10-506-01; and its Report and Order dated October 7, 2016 in Docket No. 16-506-14. Deseret has not drawn on the Line of Credit to date.

2. Applicant Deseret has negotiated the terms of the 2018 Credit Line with CFC as an extension to the Line of Credit to: (i) increase the maximum available credit thereunder from the existing \$20 million up to \$40 million; (ii) extend the applicable period for draw requests thereunder through December 31, 2025; and (iii) extend the repayment term thereunder to December 31, 2030. In connection with the 2018 Credit Line, Deseret will execute a Secured Promissory Note in the amount of up to \$40 million (the “2018 Credit Line Note”). The 2018 Credit Line Note will be secured by the lien of an existing mortgage from Deseret to CFC.

4. Applicant has represented that the proposed 2018 Credit Line represents an appropriate 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 and/or unforeseen eventualities.

5. In addition, Deseret has negotiated a modification and restatement to its long-term debt restructuring arrangement with CFC which will include modifying certain scheduled minimum payment amounts under the ORA Restatement and executing an additional secured promissory note in the amount of \$10 million, payable in four (4) quarterly installments beginning March 31, 2026 (the “2026 Loan Note”) (the 2018 Credit Line Note and the 2026 Loan Note are referred to collectively as the “Notes”).

6. Each of the Distribution Member cooperatives has agreed to provide to CFC guarantees in the form of joint and several guarantees of Deseret’s repayment obligations under the Notes (“Member Guarantees”).

7. The 2018 Credit Line, the 2026 Loan Note, and the ORA Restatement have been approved by Deseret’s Board of Trustees at a regularly scheduled meeting of the board on May

17, 2018.

8. The Governing Board of each of the Distribution Members have approved and authorized the Member Guarantees at duly noticed meetings of the respective boards.

#### CONCLUSIONS OF LAW

1. The Applicant Deseret 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 2026 Loan Note by Applicant Deseret as described herein is in the public interest.

4. Execution of the 2018 Credit Line by Applicant Deseret as described herein is in the public interest.

5. Participation by Applicant Deseret in the proposed ORA Restatement, the 2026 Loan Note, and the 2018 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 Deseret's corporate powers; (iii) consistent with the public interest, sound financial practices and the proper performance of Deseret's public service; and (iv) designed to enhance and not impair Deseret's ability to perform its public service.

#### ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED AS FOLLOWS:

1. Deseret is hereby authorized to secure a Fourth Amended and Restated Revolving Credit Agreement from the National Rural Utility Cooperative Finance Corporation in the

amount of up to \$40,000,000 and to provide security interests to secure repayment of the same, all under the terms and conditions generally as described in this Report and Order.

2. Deseret is hereby authorized to execute and deliver a Secured Promissory Note in the amount of \$10 million to CFC and to provide security interests to secure repayment of the same, all under the terms and conditions generally as described in this Report and Order.

3. Deseret 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 ORA Restatement, the 2026 Loan Note, and the 2018 Credit Line.

4. 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.

5. For good cause shown, the 20-day tentative period under R746-110-2 is hereby waived.

DATED at Salt Lake City, Utah, this \_\_\_\_ day of \_\_\_\_\_, 2018.

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Attest:

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Commission Secretary