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Department of Commerce Division of Public Utilities

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Director, Division of Public Utilities

Action Request Response

To: Public Service Commission of Utah

From: Utah Division of Public Utilities

Chris Parker, Director

Artie Powell, Manager

Doug Wheelwright, Utility Technical Consultant Supervisor

Date: April 6, 2020

Re: **Docket No. 20-506-01**, Deseret Generation & Transmission Co-Operative
Application to Issue Securities

Recommendation (Approval)

The Division of Public Utilities (Division) recommends that the Public Service Commission of Utah (Commission) approve the request to issue securities as set forth in the Application.

Issue

On April 3, 2020, Deseret Generation & Transmission Co-operative (Deseret) applied for Commission approval to issue securities pursuant to UCA § 54-4-31. On the same day, the Commission issued an action request to the Division. This memorandum is the Division's response to the action request.

Deseret Generation & Transmission is asking for Commission approval to execute certain documents in the form of one or more loan agreements, applications, and/or promissory note(s) in the amount up to \$2,555,584 in connection with a loan pursuant to the Coronavirus Aid Relief, and Economic Securities Act or CARES Act.

Background

In response to the unprecedented COVID-19 emergency, the United States Congress enacted the CARES Act, providing among other things, the Paycheck Protection Program (“PPP”) which authorizes forgivable government-guaranteed loans to small businesses in order to pay employees during the COVID-19 crisis. The PPP loans may be forgiven as long as the loan proceeds are used to cover payroll costs, mortgage interest, rent, and utility costs over an 8 week period after the loan is made.

Discussion

Deseret states that it has already experienced reduced prices and demand for electric generation, most likely attributable to the dramatic effect of the COVID-19 crisis. In order to maintain stable operations during the COVID-19 emergency and ensure continued retention of employees, Deseret would like to apply for a PPP loan. All proceeds from the loan would be used exclusively for payroll and related items as outlined in the CARES Act. Any amounts borrowed under the PPP Act will be unsecured and the loan has been authorized by its Board of Trustees, representing all six of the distribution cooperative members. Deseret has also received the consent from its secured lender to procure and borrow the full amount requested. The PPP loan is anticipated to be forgiven, without any tax consequence for loan forgiveness, and Deseret anticipates it will not be required to repay any portion of the loan. Deseret does not anticipate any change to its member rates or charges as a consequence of the PPP loan.

Deseret has requested that the application be expedited since the PPP loan program is intended to provide immediate, emergency relief during the ongoing COVID-19 crisis. The amount of funding under this program may become oversubscribed as numerous small businesses make application for similar loans under the CARES Act.

Conclusion

The Division is interested in the ongoing stability of all utilities in the State of Utah and recognizes the unprecedented conditions resulting from the COVID-19 crisis. The Paycheck Protection Program PPP, as authorized by the United States Congress, provides a way to help

small businesses maintain stable operations during the crisis. Based on the Division's review and understanding of the need for prompt action, the Division believes that the application is in the public interest and recommends that the Commission approve the application.

Cc: David F. Crabtree, Attorney for Deseret Generation & Transmission Co-operative
Michele Beck, Director, Office of Consumer Services