

Phillip J. Russell (10445)
JAMES DODGE RUSSELL & STEPHENS, P.C.
10 West Broadway, Suite 400
Salt Lake City, UT 84101
Telephone: 801-363-6363
Email: prussell@jdrsllaw.com

Attorneys for Garkane Energy Cooperative, Inc.

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Garkane Energy Cooperative, Inc. for Authority to Issue Securities in the form of a Loan Agreement and Secured Promissory Note	Docket No. 22-028-04
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VERIFIED APPLICATION FOR APPROVAL TO ISSUE SECURITIES

Applicant Garkane Energy Cooperative, Inc. (“Garkane Energy”) hereby applies to the Commission pursuant to Utah Code Ann. § 54-4-31 for an Order authorizing Garkane Energy to: (i) issue securities in the form of a Loan Agreement (attached as “Exhibit A”) with a Secured Promissory Note (attached as “Exhibit B”) to the National Rural Utilities Cooperative Finance Corporation (“CFC”) in an amount up to twenty million dollars (\$20,000,000), the proceeds of which will be used primarily to help finance the construction of new transmission and distribution infrastructure, buildings and related facilities (collectively, the “Loan”), and (ii) enter into and deliver such other documents, agreements, and arrangements as may reasonably be necessary or incident to the Loan.

Garkane Energy anticipates and represents that this matter is expected to be unopposed and uncontested. Pursuant to Rule R746-110-1 of the Utah Administrative Code, Garkane Energy 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. Pursuant to R746-110-2, and for good cause shown, Garkane Energy respectfully requests entry of a final Commission order approving the Loan as soon as practicable, and within 45 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, Garkane Energy further asks the Commission to determine that no additional public notice of this proceeding is required under R746-110-2.

In support of this Application, Garkane Energy represents as follows:

General Background

1. Garkane Energy is a rural electrical cooperative that provides electric services at retail to its members/owners in the States of Utah and Arizona.
2. Garkane Energy is a cooperative member/owned utility subject to the jurisdiction of this Commission under the laws of the State of Utah.

Loan

3. Population and load growth in southern Utah and northern Arizona continue at a brisk pace. In 2021, Garkane Energy added an average of approximately 41 new residential services each month, up from 26 per month in 2020. So far in 2022, Garkane Energy has added an average of approximately 41 new services each month. In order to accommodate past and expected future load growth, Garkane Energy is in the midst of a capital-intensive program to add and replace necessary transmission, distribution and business infrastructure. A 10-year plan for 2023-2032 (attached as "Exhibit D") contemplates a capital budget of approximately \$30 million. Included in the 10-year plan is Garkane Energy's updated yearly capital expenditure plan. An updated 5-year plan for the years 2023-2027 contemplates a capital budget of more than \$16

million. The budgeted dollars will be used primarily for Garkane's transmission and distribution lines, substations, and other infrastructure necessary to properly service Garkane Energy's members in the southern and central areas.

4. Garkane Energy has met the capital requirements necessary to carry out portions of these above-referenced plans using funds previously borrowed from CFC (through the issuance of securities approved by this Commission), and intends to meet additional capital requirements, both for these plans and to meet growing load demands, through a combination of resources, the balance of the Loan that is the subject of this Application, as well as through customer impact fees and general revenues from member rates.

Board Authorizations/Terms

5. At a duly-noticed and called meeting of the Board of Directors of Garkane Energy held on April 26, 2022, the Board authorized Garkane Energy to enter into the Loan and to execute the attached Loan documents. A true and correct copy of the Certificate of Resolutions and Incumbency authorizing the Loan ("Board Authorization") is attached hereto as "Exhibit E". A true and correct copy of the board meeting minutes for the April 26, 2022 meeting is attached hereto as "Exhibit F".

6. In accordance with the Board Authorization, but contingent upon Commission approval of this Application, Garkane Energy has executed and proposes to deliver to CFC the originals of the executed Loan Agreement, Secured Promissory Note, and Restated Mortgage and Security Agreement attached as Exhibits A, B, and C.

7. Garkane Energy has previously entered into a Mortgage and Security Agreement with CFC. As part of the transaction described in this Application, the Mortgage and Security

Agreement has been updated. All of Garkane's obligations to CFC, including the Loan identified in this Application, will be secured by a lien against virtually all of Garkane Energy's assets under the terms of the Restated Mortgage and Security Agreement. A true and correct copy of the recent Supplement to Restated Mortgage and Security Agreement is attached hereto as "Exhibit C".

8. Advances under the Loan will carry a term of no more than forty (40) years and will bear interest, at Garkane Energy's option, at fixed rates available for similar loans based on CFC policies then in effect or at variable rates established by CFC for similar variable interest rate long-term loans established by CFC. Payments will be due quarterly.

Public Interest

9. The Board of Directors of Garkane Energy has approved the Loan as in the best interests of Garkane Energy and its members/ratepayers in order to finance the construction of prudent and needed transmission and distribution infrastructure, buildings and related facilities that are reasonably necessary for Garkane Energy to continue to satisfy its obligation to provide its members with safe, affordable and reliable utility services, now and in the future.

10. Garkane Energy has sufficient operating margins to service the debt represented by the Loan.

11. The proposed Loan is for lawful objects within Garkane Energy's proper corporate purposes, is compatible with the public interest, is necessary or appropriate for or consistent with the proper performance by Garkane Energy of its services as a public utility, and will not impair Garkane Energy's ability to provide or perform those services.

Requested Time of Approval

12. Garkane Energy respectfully requests a final Order from this Commission approving the issuance of the securities and related documents by Garkane Energy as contemplated by the Loan as soon as reasonably convenient in order to meet CFC timing requirements. If feasible, Garkane Energy respectfully requests an order within 45 days.

DATED this 14th day of December 2022.

Respectfully submitted,



By:

Phillip J. Russell
JAMES DODGE RUSSELL & STEPHENS, P.C.

Attorneys for Garkane Energy Cooperative, Inc

VERIFICATION

STATE OF UTAH)
) :SS
COUNTY OF Wayne)

The undersigned, MARCUS LEWIS, being first duly sworn upon oath, deposes and states that he is the CFO of Garkane Energy Cooperative, Inc., 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/ 

Subscribed and sworn to before me this 13 day of December 2022.

[Seal]



/s/ 
Notary Public

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Application was served by email this 14th day of December 2022, upon the following:

Division of Public Utilities:

Chris Parker	chrisparker@utah.gov
Artie Powell	wpowell@utah.gov
Casey Coleman	ccoleman@utah.gov
Madison Galt	mgalt@utah.gov
Patricia Schmid	pschmid@agutah.gov
	dpudatarequest@utah.gov

Office of Consumer Services:

Michele Beck	mbeck@utah.gov
Alyson Anderson	akanderson@utah.gov
Bela Vastag	bvastag@utah.gov
Alex Ware	aware@utah.gov
Robert Moore	rmoore@agutah.gov
	ocs@utah.gov

/s/ Phillip J. Russell