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Attorneys for Moon Lake Electric Association, Inc.

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Moon Lake Electric Association, Inc. for Authority to Issue Securities in the form of a Loan Agreement and Secured Promissory Note	DOCKET NO. 22-030-01
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VERIFIED APPLICATION FOR APPROVAL TO ISSUE SECURITIES

Applicant Moon Lake Electric Association, Inc. (“Moon Lake”) hereby applies to the Commission pursuant to Utah Code Ann. § 54-4-31 for an Order authorizing Moon Lake to: (i) issue securities in the form of a Loan Agreement (attached as “Confidential Exhibit A”) with a Secured Promissory Note (attached as “Confidential Exhibit B”) to the National Rural Utilities Cooperative Finance Corporation (“CFC”) in an amount up to thirty-five million dollars (\$35,000,000.00), the proceeds of which will be used 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.

Moon Lake anticipates and represents that this matter is expected to be unopposed and uncontested. Pursuant to Rule R746-110-1 of the Utah Administrative Code, Moon Lake 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, Moon Lake 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 Moon Lake's board approval of the Loan at a special telephonic meeting held on March 9, 2022 and later ratified at its March 23, 2022 regular board meeting, Moon Lake asks the Commission to determine that no additional public notice of this proceeding is required under R746-110-2.

In support of this Application, Moon Lake represents as follows:

General Background

1. Moon Lake is a rural electrical cooperative that provides electric services at retail to its members/owners in the States of Utah and Colorado.
2. Moon Lake is a public utility subject to the jurisdiction of this Commission under the laws of the State of Utah.

Project, Public Input & Loan

3. Moon Lake load capacity infrastructure improvements have not kept up with the pace of general demand in the Uintah Basin. Industrial electricity demand has risen significantly during the past few years due to the dramatic price increase of natural resource commodities that are found in the Uintah Basin. Moon Lake has had to decline electrical utility service requests from industrial members who are connected to the natural resource industry in the Uintah Basin. Moon Lake is aware that a third-party plans to build a railroad project to transport oil and gas from the Uintah Basin to refineries, and Moon Lake expects this railroad project to increase economic

activity and electric needs in the Basin. Due to environmental concerns, Moon Lake considers this Project of top priority to allow sufficient electrification for the natural resource membership with the purpose of drastically reducing emissions which adversely impact the Uintah Basin. In order to accommodate current and expected future load growth, Moon Lake is in the midst of a capital-intensive program to add necessary transmission, distribution, and business infrastructure. This Project will improve general redundancy and improve the reliability of power for Moon Lake's membership.

4. This program is called the Bonanza II Project ("Project"), which consists of erecting a new electrical transmission line, buildings, and facilities. The Project will include the construction of an approximately 46 mile long, 138-kV transmission line to carry electricity from the Deseret Generation & Transmission Bonanza Power Plant (located south of Vernal, Utah) to a Moon Lake's future Pole Line Substation (located on the southern portion of Roosevelt City, Utah).

5. The anticipated cost to construct the transmission line is approximately \$24.5 million. The anticipated cost of the new Pole Line Substation and other related substation infrastructure is approximately \$13 million. To the extent that a certificate of public convenience and necessity is required for the construction or operation of the transmission line and substation, Moon Lake will file a separate application therefore. Moon Lake anticipates that construction of the Project will be completed by the end of 2025.

6. Moon Lake has analyzed the anticipated load and electrical needs to be served for its membership. By the end of the year 2024, Moon Lake expects to have its current load capacity

fully utilized based on Moon Lake’s existing infrastructure. The table below reflects the anticipated load growth and corresponding estimated revenues associated with this growth:

Year	Anticipated Added Load	Incremental Annual Revenues from Added Load	Cumulative Revenues from Added Load
2022	5 MW	\$2.53 million	\$2.53 million
2023	4 MW	\$2.00 million	\$4.53 million
2024	4 MW	\$2.00 million	\$6.53 million
2025	4 MW	\$2.00 million	\$8.53 million
2026	8 MW	\$4.00 million	\$12.52 million
2027	6 MW	\$3.00 million	\$15.52 million

7. Moon Lake expects that operating margins including those generated in serving new load, will be more than sufficient to ensure repayment of the loan discussed herein.

Board Authorizations/Terms

8. Moon Lake expects that the Project construction will require at least \$25,000,000 of the Loan proceeds, and that an additional \$10,000,000 may be necessary to address unforeseen circumstances caused by supply chain difficulties, supplemental infrastructure projects, and other system improvement. As such, Moon Lake has negotiated a Loan of up to \$35,000,000 from CFC. Moon Lake has secured Board approval to draw \$25,000,000 in Loan proceeds, but would require additional Board approvals should it seek to draw the remaining \$10,000,000 of the Loan.

9. In order to inform Moon Lake’s Membership of the Project and its overall financing, members of Moon Lake’s Management Team (“Management Team”) has shared numerous power point presentations with the Membership, on different dates, in which the Project itself was explained through GIS Mapping, depictions of the powerlines, poles, and substation

facilities along with the anticipated costs of the Project. Cost estimates were discussed with Membership pertaining to the proposed Project powerline routes in these meetings.

10. For example, the Management Team made a presentation regarding the Project on February 1, 2022 to city council members of Ballard City, Utah along with any attending residents from that area. Subsequently, the Management Team held a Public Input Meeting open to all Moon Lake Membership on March 3, 2022 at its corporate headquarters. Attendees were able to: (1) ask questions directly to the Management Team pertaining to the Project; (2) voice any concerns about the Project directly to the Management Team; and (3) Moon Lake was able to obtain the thoughts, ideas, and insight from its Membership. The related Meeting Agendas and Notices for said meetings are attached hereto as “Exhibit C.”

11. Moon Lake’s 5-year historical financial statements and related documents (attached as “Exhibit D”) reflect the year-over-year consistent operating margins that represent the organization’s solvency and ability to satisfy financial obligations. Moon Lake’s long-term debt to total asset ratio in 2021 was 6.15. After considering an additional twenty-five (\$25,000,000.00) million dollars of debt from the Loan, Moon Lake anticipates the ratio of total long-term debt to total assets to rise to 21.51. If Moon Lake were to require the additional \$10,000,000 in Loan proceeds, the total of \$35,000,000 in debt would cause the ratio of long-term debt to total assets to rise to 26.33. The State of Utah median from 2016 to 2020 was between 23 and 35, based on CFC’s Key Ratio Trend Analysis (“KRTA”) (this data is compiled from all those borrowers through CFC within the State of Utah). As such, Moon Lake’s ratio of total long-term debt to total assets would remain within or below the State of Utah median from 2016 to 2020 whether it borrows the anticipated \$25,000,000 or if it requires the total \$35,000,000 available from the Loan.

While Moon Lake has met some of the capital requirements to carry out a segment of the Project, the Loan will provide additional capital needed for the successful completion of the Project. Utilizing the Loan proceeds related to this Application, the direct assignment of some line extension costs, and operating margins, Moon Lake intends on the successful financing of this Project.

12. Anticipating that loan fixed interest rates would be increasing over the next twelve months of 2022, the Management Team exercised due diligence with multiple lending sources making final inquiry to CFC concerning a “rate lock” option which would allow Moon Lake to lock into the current fixed interest rate at that specific time. As such, Moon Lake sought the Board of Director’s approval to move forward with the rate lock and Project financing provided by CFC.

13. On March 9, 2022, the Board of Directors of Moon Lake held a special meeting via a telephonic conference to discuss the Project’s financing. During the meeting, the Board unanimously authorized Moon Lake to enter into the Loan and to execute the attached Loan documents. The Minutes of the Special Meeting of the Board of Directors (“Special Meeting Minutes”) and other related documentation is attached hereto as “Exhibit E.” As noted in the Special Meeting Minutes Moon Lake’s Board has authorized plans to use up to twenty-five million dollars (\$25,000,000.00) over the loan term of thirty (30) years for the Project. Any additional funds or loan term extensions would have to be approved by Moon Lake’s Board of Directors.

14. Subsequently, on March 23, 2022, at a duly-noticed and called meeting of the Board of Directors of Moon Lake, the Board of Directors ratified the CFC’s Loan by motion in the affirmative. The Proposed Agenda (“Proposed Agenda”) for the March 23, 2022 Board of Directors meeting is attached hereto as “Exhibit F.” Furthermore, the Board of Directors, by

motion, approved the execution of the Certificate of Resolutions and Incumbency authorizing the Loan (“Board Authorization”). A true and correct copy of the Board Authorization is attached hereto as “Exhibit G.”

15. In accordance with the Board Authorization, but contingent upon Commission approval of this Application, Moon Lake has executed and proposes to deliver to CFC the originals of the executed Loan Agreement and Secured Promissory Note attached as “Confidential Exhibit A” and “Confidential Exhibit B.”

16. On May 31, 2005, Moon Lake entered into a Restated Mortgage and Security Agreement with CFC, a copy of which is attached hereto as “Exhibit H.” All of Moon Lake’s loan obligations to CFC, including the Loan identified in this Application, is and will be secured by the lien filed with the Utah Department of Commerce, Division of Corporations and Commercial Code on June 2, 2005 as File #271265200532 (attached as “Exhibit I”) and the lien filed with the Colorado Secretary of State on June 3, 2005 as File #20052059573 (attached as “Exhibit J”) against virtually all of Moon Lake’s assets under the terms of the Restated Mortgage and Security Agreement.

17. Repayment on advances under the Loan will carry a term of up to thirty (30) years and will bear interest at a level principal fixed rate of 3.38%. The interest rate depicted is net of CFC discounts and patronage. Debt service payments will be due quarterly.

Public Interest

18. The Board of Directors of Moon Lake has approved the Loan as in the best interests of Moon Lake 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 Moon Lake to continue to satisfy its obligation to provide its members with safe, affordable and reliable utility services, now and in the future.

19. Moon Lake has sufficient total margins to service the additional debt represented by the Loan. Moon Lake's 2021 Debt Service Coverage Ratio ("DSC") was 14.92. After considering the additional twenty-five (\$25,000,000.00) million dollars of debt with this Project, Moon Lake anticipates the DSC ratio to lower to 4.14. If Moon Lake were to require the additional \$10,000,000 made available by the Loan, the total \$35,000,000 in debt would lower Moon Lake's DSC ratio to 3.35. The State of Utah median from 2016 to 2020 was between 2 and 5, based on CFC's KRTA (this data is compiled from all those borrowers through CFC within the State of Utah). As such, Moon Lake's DSC would remain within the State of Utah median from 2016 to 2020 whether it borrows the anticipated \$25,000,000 or if it requires the total \$35,000,000 available from the loan.

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

Requested Time of Approval

21. Moon Lake respectfully requests a final Order from this Commission approving the issuance of the securities and related documents by Moon Lake as contemplated by the Loan as soon as reasonably convenient in order to meet CFC timing requirements. If feasible, Moon Lake respectfully requests an order within 30 days.

DATED this 6th day of April 2022.

Respectfully submitted,



By:

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

Attorneys for Moon Lake Electric Association, Inc

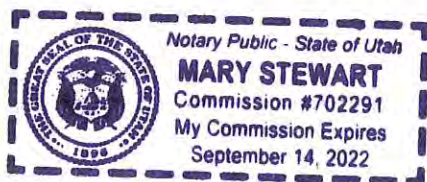
VERIFICATION

STATE OF UTAH)
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COUNTY OF Rachel)

The undersigned, Mr. Yankton Johnson, being first duly sworn upon oath, deposes and states that he is the Chief Executive Officer and/or General Manager of Moon Lake Electric Association, 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.

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Subscribed and sworn to before me this 6 day of April 2022.





Notary Public

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Application was served by email this 6th day of April 2022, upon the following:

Division of Public Utilities:

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/s/ Phillip J. Russell