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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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| In the Matter of the Application of Deseret Generation and Transmission Co-Operative, Bridger Valley Electric Association, Dixie-Escalante Rural Electric Association, Garkane Power Association, Moon Lake Electric Association, and Mount Wheeler Power, Inc. for Authority to Issue Securities Related to Acquisition of Bonanza Recip 1 | Docket No. 23-506-02 23-022-02 23-066-02 23-028-01 23-030-01 23-031-01 |
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**REDACTED VERIFIED APPLICATION FOR AUTHORITY TO ISSUE
SECURITIES RELATED TO THE ACQUISITION OF THE
BONANZA RECIP 1 PROJECT**

This Verified Application for Approval to Issue Securities (Bonanza Recip 1) is submitted by Deseret Generation & Transmission Co-operative (“Deseret”), Bridger Valley Electric Association (“BVEA”), Dixie-Escalante Rural Electric Association (“Dixie”), Garkane Power Association (“Garkane”), Moon Lake Electric Association (“MLEA”), and Mount Wheeler Power, Inc. (“MWP”) (BVEA, Dixie, Garkane, MLEA, and MWP are referred to collectively as the “Members” and Deseret, together with the Members are referred to collectively as the “Applicants”).

As set forth more fully below, Applicants hereby apply to the Commission pursuant to Utah Code Ann. § 54-4-31 for an Order approving and authorizing the issuance of securities in the form of the following: (i) a Loan Agreement (the “Bonanza Recip 1 Agreement”) between Deseret

and the National Rural Utilities Cooperative Finance Corporation (“CFC”) in substantially the form attached as (“Confidential Exhibit A”); (ii) a Secured Promissory Note from Deseret to CFC in an amount not to exceed [REDACTED] in substantially the form attached as (“Confidential Exhibit B”); and (iii) one or more Joint and Several Guaranty(ees) of Deseret’s payment obligations under the Bonanza Recip 1 Agreement and related Promissory Note to be executed by each of the Distribution Members in substantially the form attached as (“Confidential Exhibit C”).

Deseret anticipates and represents that this matter is expected to be unopposed and uncontested. Pursuant to R746-110-1, Utah Administrative Code (“Rules”), Deseret 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, which documents are sufficient to establish the facts pertinent to this Application.

Pursuant to R746-110-2 of the Rules, and for good cause shown, Deseret respectfully requests entry of a final Commission order approving the Loans as soon as practicable, and within 30 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, Deseret further asks the Commission to determine that no additional public notice of this proceeding is required under R746-110-2 of the Rules.

In support of this Application, Deseret represents as follows:

Background

1. Deseret is a Utah not-for-profit corporation organized and operating as a wholesale electric generation and transmission cooperative. Deseret supplies and transmits electric power and energy for the benefit of its member-consumers and non-member contract patrons. Much of the electric service provided by Deseret is transmitted for use in primarily rural, agricultural areas in the State of Utah and surrounding states.

2. Communications regarding this Application should be directed to:

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Jeff Peterson
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Deseret Power
10714 South Jordan Gateway
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3. As a rural electric generation transmission cooperative, Deseret has no stock, shareholders, or Investors. It is governed by democratically selected directors elected from among its electric consumers. Deseret is regulated as a public utility by the relevant rate-making and administrative agencies under Utah and federal law.

Bonanza Recip 1 Loan Agreement

4. Deseret has, contemporaneously with this Application, filed an application for a Certificate of Public Convenience and Necessity for the acquisition and construction of the Bonanza Recip 1 Project (“Project”). The Project will produce up to 51 MW of electricity to help meet Deseret’s obligation to supply electric power to satisfy its Members’ electric load requirements. The Project is being undertaken and is scheduled to allow Deseret to meet load growth projections as soon as January 1, 2025.

5. Deseret and CFC have negotiated the terms of the Loan Agreement whereby CFC will provide the financial capital to Deseret to finance a portion of the cost for Deseret’s acquisition of the Bonanza Recip 1 Project. The aggregate CFC loan commitment is in an amount not to exceed [REDACTED] and will be available to draw beginning on July 1, 2023.

6. Under the terms of the Bonanza Recip 1 Loan Agreement, Deseret will repay any draws under the Loan Agreement as follows:

a. Level Debt Service or Level Principal as selected by Deseret in a written funds requisition at the time of each advance (each such advance an “Advance”) of funds by CFC to Deseret pursuant to the terms and conditions of the Bonanza Recip 1 Loan Agreement

b. The payment date months are March, June, September, and December.

7. All amounts due and owing for Advances under the Loan Agreement will become due and payable in full in all events no later than January 1, 2050.

8. Amounts received by Deseret pursuant to an Advance under the Bonanza Recip 1 Loan Agreement may be repaid and/or prepaid at any time without penalty.

9. Amounts owed by Deseret to CFC under the Bonanza Recip 1 Loan Agreement will be secured by the lien of an existing Secured Mortgage in favor of CFC (the “CFC Mortgage”), on all of Deseret’s real and personal property, excluding only certain limited excluded assets, and subject to certain permitted encumbrances, as set forth in the CFC Mortgage.

10. Repayments of amounts owed by Deseret to CFC under the Bonanza Recip 1 Loan Agreement will be guaranteed by: (i) a Secured Guaranty executed by Deseret’s wholly owned coal-producing subsidiary, Blue Mountain Energy, Inc. (“BME”); and (ii) the Member Guarantees.

11. Interest on amounts advanced under the Bonanza Recip 1 Loan Agreement will be computed at a rate equal to the variable and/or fixed interest rates established by CFC for long-term loans similarly classified pursuant to the long-term loan programs established by CFC from time to time pursuant to CFC’s policies and procedures then in effect.

Public Interest

12. The Bonanza Recip 1 Loan Agreement was negotiated and structured to avoid any adverse impact on the positions, rights, remedies, and risks of Deseret and/or Deseret's Members under Deseret's long-term debt restructuring and the debt recapitalization agreements, amendments, and arrangements between Deseret and CFC. To lend further financial stability to the Project, Deseret's membership will support a fuel adjustment charge ("FAC") to the base wholesale rate tariffs. Details regarding the FAC are set forth in "Confidential Exhibit D."

13. The representatives of all five Deseret Members on Deseret's Board of Trustees have actively participated in the development of, and the Board of Trustees has approved the terms of, the Bonanza Recip 1 Loan Agreement.

14. The Member Guarantees have been or are in the process of being approved by each of the Members' governing boards.

15. Deseret has determined that the financing transaction will add an increased level of certainty and stability to Deseret's financial position and will increase its ability to respond to opportunities currently available and advantageous to Deseret. Deseret's consolidated financial statements for years ended December 31, 2021 and 2020 and Independent Auditor's Report are attached hereto as "Confidential Exhibit E."

16. The Bonanza Recip 1 Loan Agreements and related documents are for lawful objects within Deseret's proper corporate purposes, are compatible with the public interest, are necessary or appropriate for or consistent with proper performance by Deseret of its services as a public utility and will not impair Deseret's ability to provide or perform those services.

Requested Timing of Approval

17. Deseret requests expedited and informal consideration of this Application on the grounds that the terms and conditions of the Loan Agreement have previously been reviewed by and approved by Deseret's governing board which represents all five (5) of Deseret's members.

18. Deseret desires to access Advances under the Bonanza Recip 1 Loan Agreement beginning as early as July 1, 2023. Accordingly, Deseret requests that a Report and Order be issued no later than July 1, 2023, in time for Deseret to draw on loan Advances for the Bonanza Recip 1 Project.

19. Pursuant to R746-110-2, Deseret requests waiver by the Commission of the 20-day tentative period for good cause, as shown above.


Requested Action

Wherefore, Deseret requests the Commission:

- A. Issue an order approving and authorizing the issuance of securities by Deseret in the form of the Bonanza Recip 1 Loan Agreement to CFC for the purposes specified herein;
- B. Enter an order as expeditiously as possible approving Deseret's Bonanza Recip 1 Loan Agreement, Promissory Note, and Member Guarantees; and
- C. Pursuant to Commission Rules R746-110 and R746-1-104(1)(a), and because the matter is anticipated to be unopposed and uncontested, handle the application request by Informal Adjudication.

DATED this 30th day of May 2023.

Respectfully submitted

By: 

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

Attorneys for Applicants

VERIFICATION

STATE OF UTAH)

:SS

COUNTY OF SALT LAKE)

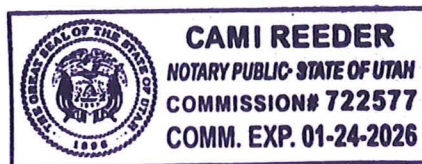
The undersigned, Gregory Humphreys, being first duly sworn upon oath, deposes and states that he is the Chief Financial Officer of Deseret Generation & Transmission Co-operative, the Applicant in this proceeding, that he has read the foregoing Application and is familiar with the transactions referred 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/ 
Gregory Humphreys

Subscribed and sworn to before me this 25th day of May 2023.

[Seal]

/s/ 
Notary Public



CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Application was served by email this 30th day of May, 2023, upon the following:

DIVISION OF PUBLIC UTILITIES

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