

Gary A. Dodge, #0897  
HATCH, JAMES & DODGE  
10 West Broadway, Suite 400  
Salt Lake City, UT 84101  
Telephone: 801-363-6363  
Facsimile: 801-363-6666  
Email: gdodge@hjdllaw.com  
Attorneys for Dixie-Escalante  
Rural Electric Association, Inc.

**- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -**

In the Matter of the Application of Dixie-Escalante Rural Electric Association, Inc. for Authority to Issue Securities in the form of a Loan Agreement and Secured Promissory Note	DOCKET NO. 16-066-01  VERIFIED APPLICATION FOR APPROVAL TO ISSUE SECURITIES
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Applicant Dixie-Escalante Rural Electric Association, Inc. (“Dixie-Escalante”) hereby applies to the Commission pursuant to *Utah Code Ann.* § 54-4-31 for an Order authorizing Dixie-Escalante to (i) issue securities in the form of: (A) a Loan Agreement (attached as Exhibit “A”) with and a Secured Promissory Note (attached as Exhibit “B”) to the National Rural Utilities Cooperative Finance Corporation (“CFC”) in an amount up to \$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 delivery such other documents, agreements and arrangements as may reasonably be necessary or incident to the Loan.

Dixie-Escalante anticipates and represents that this matter is expected to be unopposed and uncontested. Pursuant to Commission Rule R746-110-1, *Utah Administrative Code* (“Rules”),

Dixie-Escalante 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 of the *Rules*, and for good cause shown, Dixie-Escalante 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 its board's approval of the Loan at a duly-noticed public meeting, Dixie-Escalante 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, Dixie-Escalante represents as follows:

#### General Background

1. Dixie-Escalante is a rural electrical cooperative that provides electric services at retail to its members/owners in the States of Utah and Arizona.
2. Dixie-Escalante is a public 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 continue at a brisk pace; Dixie-Escalante is adding an average of about 80 new residential services each month. In order to accommodate past and expected future load growth, Dixie-Escalante is in the midst of a capital-intensive program to add and replace necessary transmission, distribution and business infrastructure. An initial 10-year plan for 2015 – 2024 (attached as Exhibit "C") contemplates a capital budget of approximately \$65 million. An updated 5-year plan for 2015-2019 (attached as

Exhibit “D”) contemplates a capital budget of more than \$71 million. These budgets are primarily for transmission lines, substations and other infrastructure necessary for Dixie-Escalante to tie into PacifiCorp’s new loop system at the Hurricane West Substation and the Southern Corridor, which is critical to meet the burgeoning transmission requirements of southern Utah; distribution infrastructure needed to meet load growth; and two new buildings needed to properly service Dixie-Escalante’s members, a member service office building and an engineering and operations building. Further details regarding the planned transmission and distribution infrastructure and the timing and amounts of expected expenditures are reflected in Exhibits “C” and “D.”

4. Dixie-Escalante intends to meet its capital requirements through a combination of sources, including the unused balance available under Dixie-Escalante’s 2008 Power Vision loan from CFC (previously approved by this Commission) of more than \$13 million, the \$20 million Power Vision loan from CFC that is the subject of this Application, approximately \$20 million in projected 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 Dixie-Escalante held on June 1, 2016, the Board authorized Dixie-Escalante to enter into the Loan and to execute the attached Loan documents. True and correct copies of the Certificate of Resolutions and Incumbency and the Board Meeting Minutes authorizing the Loan (collectively, the “Board Authorizations”) are attached hereto as Exhibits “E” and “F.”

6. In accordance with the Board Authorizations, but contingent upon Commission approval of this Application, Dixie-Escalante has executed and proposes to deliver to CFC the originals of the executed Loan Agreement and Secured Promissory Note attached as Exhibits “A” and “B.”

7. The Loan will be secured by a lien against virtually all of Dixie-Escalante’s assets under the terms of an existing Restated Mortgage and Security Agreement between Dixie-Escalante and CFC dated March 17, 2008 and existing UCC-1 Financing Statements in favor of CFC filed with the Utah Secretary of State on August 5, 2008, and with the Arizona Secretary of State on July 24, 2008.

8. Advances under the Loan will carry a term of no more than forty (40) years and will bear interest, at Dixie-Escalante’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 Dixie-Escalante has approved the Loan as in the best interests of Dixie-Escalante 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 in order for Dixie-Escalante to continue to satisfy its obligation to provide its members with safe, affordable and reliable utility services, now and in the future.

10. Dixie-Escalante has sufficient operating margins to service the additional debt represented by the Loan.

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

Requested Time of Approval

12. Dixie-Escalante respectfully requests a final Order from this Commission approving the issuance of the securities and related documents by Dixie-Escalante as contemplated by the Loan as soon as reasonably convenient in order to meet CFC timing requirements. If feasible, Dixie-Escalante respectfully requests an order within 30 days. For the convenience of the Commission, a proposed draft approval order is submitted simultaneously herewith.

DATED this 29<sup>th</sup> day of July, 2016.

Hatch, James & Dodge

/s/ \_\_\_\_\_  
Gary A. Dodge, Esq.  
Attorneys for Dixie-Escalante

**VERIFICATION**

STATE OF UTAH                                     )  
  :SS  
COUNTY OF \_\_\_\_\_                        )

The undersigned, Chery Hulet, being first duly sworn upon oath, deposes and states that she is the Chief Financial Officer of Dixie-Escalante Rural Electric Association, Inc., the Applicant in this proceeding, that she 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 her knowledge, information and belief, the statements therein are all true and accurate.

/s/ \_\_\_\_\_  
Chery Hulet

Subscribed and sworn to before me this \_\_\_\_ day of July, 2016.

[Seal]

/s \_\_\_\_\_  
Notary Public

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Application was served by email this 29<sup>th</sup> day of July, 2016, upon the following:

Division of Public Utilities:

Patricia Schmid	pschmid@utah.gov
Chris Parker	chrisparker@utah.gov
Artie Powell	wpowell@utah.gov

Office of Consumer Services:

Rex Olsen	rolsen@utah.gov
Michele Beck	mbeck@utah.gov

/s/ \_\_\_\_\_