

- 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 to Renew Secured Line of)
Credit)

DOCKET NO. 03-066-01

REPORT AND ORDER

ISSUED: May 27, 2003

By The Commission:

INTRODUCTION

On April 29, 2003, Applicant Dixie-Escalante Rural Electric Association, Inc. (Dixie-Escalante), filed a Verified Application seeking authority pursuant to *Utah Code Ann.* Section 54-4-31 to issue certain securities and to execute documents reasonably incident thereto. Dixie-Escalante requested Informal Adjudication of the Application under R746-110, *Rules of the Public Service Commission*, and represented that the matter was anticipated to be unopposed and uncontested. Dixie-Escalante also requested approval of the line of credit transaction within fifteen days, if feasible, in order to meet funding commitments on a timely basis. Pursuant to R746-110-2, *Rules of the Public Service Commission*, Dixie-Escalante also requested waiver by the Commission of the 20-day tentative period for good cause. Finally, Dixie-Escalante requested Commission determination that no additional public notice of this proceeding is required under R746-110-2, *Rules of the Public Service Commission*.

FINDINGS OF FACT

1. Dixie-Escalante is a rural electric 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.
3. In a Report and Order dated December 31, 1998, in Docket 98-066-01, the Commission authorized Dixie-Escalante, among other things, to execute a Revolving Intermediate Term Loan Agreement in the amount of \$3,000,000. By this application, Dixie-Escalante seeks approval to renew the secured line of credit approved in Docket 98-066-01.
4. At a meeting held on April 2, 2003, the Board of Directors of Dixie-Escalante authorized it to renew the \$3,000,000 Secured Line of Credit.
5. In accordance with the authorization from its Board of Directors, Dixie-Escalante intends to execute a Secured Line of Credit Agreement with CFC in an amount up to \$3,000,000, and a Secured Promissory Note to reflect the Loan substantially in the forms appended to Dixie-Escalante's Application in this docket.
6. The Secured Promissory Note is to be secured by a lien against virtually all of Dixie-Escalante's assets under the terms of the Restated Mortgage and Security Agreement between Dixie-Escalante and CFC dated as of October 16, 1996, as supplemented by the Supplement to Restated Mortgage and Security Agreement between Dixie-Escalante and CFC dated as of March 4, 1998.
7. The Secured Promissory Note will carry a term of 60 months and will bear interest payable in accordance with CFC's regular billing cycles as may be in effect from time to time at an adjustable rate fixed by CFC from time to time, which rate will not exceed the bank prime rate published in the "Money Rates" column of the eastern edition of *The*

Wall Street Journal on the publication day immediately preceding the day on which any adjustment in the interest rate becomes effective, plus one percent (1%) per annum.

8. The Board of Directors of Dixie-Escalante has approved the Secured Line of Credit and related agreements as in the best interests of Dixie-Escalante and its members/ ratepayers. The purpose of the Secured Line of Credit is to assist and promote economic development, infrastructure expansion, and load growth within Dixie-Escalante's service area.

9. Dixie-Escalante has sufficient operating margins to service the additional debt represented by the Secured Line of Credit and related agreements.

10. The proposed transaction 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 perform those services.

11. In a Memorandum dated May 14, 2003, based on its review and heavy reliance on Dixie-Escalante's own investigations, analysis, and representations, the Division of Public Utilities recommended approval of the Application.

12. Good cause exists for waiver of the 20-day tentative period under R746-110-2, *Rules of the Public Service Commission*.

CONCLUSIONS OF LAW

1. Dixie-Escalante is a public utility subject to the jurisdiction of this Commission.
2. All legal and factual prerequisites and requirements for the issuance of this Order have been satisfied.
3. Dixie-Escalante has represented that the requested transaction has been approved by its Board of Directors following proper notice. No additional public notice of this proceeding is required under R746-110-2, *Rules of the Public Service Commission*.
4. Issuance by Dixie-Escalante of the proposed securities as described herein is in the public interest. As a result, Dixie-Escalante should remain in a strong position to provide reliable, reasonably priced services to consumers.
5. Issuance by Dixie-Escalante of the proposed securities and security interests is for lawful and proper purposes, within Dixie-Escalante's corporate powers, consistent with the public interest, sound financial practices, and the proper performance of Dixie-Escalante's public service, and is designed to enhance and not impair Dixie-Escalante's ability to perform its public services.

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED, that:

1. Dixie-Escalante is hereby authorized to issue the proposed securities and take the proposed actions described in this Report and Order, or on other terms and conditions substantially consistent with this Report and Order.
2. Dixie-Escalante is hereby authorized to issue securities pursuant to *Utah Code Ann.* Section 54-4-31 and to grant security interests in the amounts, for the purposes and in the forms as explained herein and as described in Dixie-Escalante's Application and documents submitted therewith, including a Secured Line of Credit Agreement with CFC in an amount up to \$3,000,000, and an associated Secured Promissory Note with a principal balance of \$3,000,000.
3. Dixie-Escalante is hereby authorized to execute such documents and take such actions as may be reasonably necessary or convenient for the completion of the transactions described herein.
4. The 20-day tentative period under R746-110-2, *Rules of the Public Service Commission*, is hereby waived for good cause shown and this Report and Order shall be a Final Order.

5. Nothing in this Order shall be construed to obligate the State of Utah to pay or guarantee in any manner whatsoever any securities authorized, issued, assumed, or guaranteed hereunder.

DATED at Salt Lake City, Utah, this 27th day of May, 2003.

/s/ Stephen F. Mecham, Chairman

/s/ Constance B. White, Commissioner

/s/ Richard M. Campbell, Commissioner

Attest:

Julie Orchard

Commission Secretary

gw#33838