



# **Empire Electric Association, Inc.**

801 N. Broadway P.O. Drawer K Cortez, CO 81321-0676 Phone (970) 565-4444

www.eea.coop

UTAH PUBLIC  
SERVICE COMMISSION

2007 OCT 16 A 9:38

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07-025-01

RECEIVED

October 10, 2007

State of Utah  
Utah Public Service Commission  
Heber M. Wells Building  
160 East 300 South  
Salt Lake City, Utah 84145

RE: Securities Filing

To Whom It May Concern:

Empire Electric Association, Inc. requests approval to enter into the attached security agreement and proceed with a \$9.68 million Government loan. Empire Electric possesses the capability to repay the loan associated with the accompanying securities filing. Sufficient documentation has been submitted to our lenders (Rural Utilities Service and National Rural Utilities Cooperative Finance Corporation) to satisfy their requirements.

I am enclosing a copy of Empire's most recent ten year financial forecast which indicates sufficient revenue will be generated based on current load forecasts to repay the loan over the next ten year period. Also attached are copies of applicable board resolutions. Electric rates may have to be adjusted based on the Association's future goals and objectives.

If you have any questions, please contact Mary Thiesing at our office.

Sincerely,

EMPIRE ELECTRIC ASSOCIATION, INC.

Neal E. Stephens  
General Manager

**Empire Electric**  
 Colorado 33 Dolores  
 Maria McDonald  
 September 7, 2008

AB44 Loan: Tri-State Announced Rate Increases; moderate inflation and wage increases; CC to pay \$758,210; OTIER 1.3; GF 4% of TUP; 2008 Load Forecast; 2006 - 2009 Work Plan & 3% increase thereafter.

**FINANCIAL FORECAST** RUS FORM 325A- RATIOS

	FUTURE YEARS										
LAST YEAR	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
1. EQUITY RATIO (WITH ADD. REV.) (%)	48.55	49.71	49.89	49.06	49.69	50.36	51.07	51.73	52.34	52.87	53.51
2a. DEBT SERVICE COVERAGE (WITH ADD. REV.)	1.31	3.19	2.34	2.27	2.22	2.16	2.12	2.09	2.06	2.09	2.17
2b. OPERATING DSC (including op. margins + G&T & lender CCs paid)	2.52	2.28	1.52	1.52	1.51	1.49	1.47	1.47	1.47	1.50	1.58
3a. TIMES INTEREST EARNED RATIO (WITH ADD. REV.)	6.67	3.80	2.58	2.45	2.38	2.34	2.30	2.26	2.22	2.18	2.15
3b. OPERATING TIER (including op. margins + G&T & lender CCs paid)	6.67	2.44	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30
4. AVERAGE REVENUE PER KWH SOLD (CENTS)	7.12	7.12	7.34	7.64	8.10	8.75	9.11	8.96	8.52	8.48	8.55
5. INCREASE IN AVERAGE REVENUE PER KWH SOLD (%)	6.85	3.02	4.07	6.06	6.06	8.06	4.04	-1.58	-4.91	-0.42	0.76
6. TOTAL UTILITY PLANT PER KWH SOLD (CENTS)	10.38	10.79	11.47	10.47	10.77	11.09	11.39	11.69	12.00	12.31	12.64
7. NET GENERAL FUNDS TO TOTAL UTILITY PLANT (%)	5.86	6.71	3.95	3.98	3.98	3.70	3.60	3.58	3.66	3.84	3.99
8. ACCUM. PROV. FOR DEP. & AMORT. TO T.U.P. (%)	38.85	39.17	38.25	37.71	38.69	39.48	41.42	42.36	42.36	43.28	44.18
9. OPERATIONS & MAINTENANCE EXP. PER CONSUMER (\$)	205.78	197.11	199.76	202.50	205.39	208.34	211.47	214.70	217.95	221.46	225.04
10. ADMIN. & GEN. EXPENSE PER CONSUMER (\$)	128.80	132.83	134.62	138.47	138.41	140.40	142.51	144.69	148.88	149.24	161.65
11. PLANT REVENUE RATIO	5.19	4.80	5.91	6.01	5.97	5.97	5.96	5.94	5.92	5.89	5.86
12. RATE OF RETURN ON RATE BASE (WITH ADD. REV.) (%)	10.33	4.66	4.67	4.67	4.97	5.09	5.24	5.41	5.61	5.84	6.06
13. RATE BASE = 104% OF NET UTILITY PLANT	34,550,708	37,429,148	40,058,758	40,735,470	41,510,028	42,082,072	42,655,444	43,230,470	43,807,480	44,386,819	

14. INCREASE OVER PRESENT RETAIL RATES REQUIRED (%)  
 15. MODIFIED DSC (FOR RUS USE)  
 16. MODIFIED TIER (NET OF G&T & OTHER CAP. CREDITS)

**FINANCIAL FORECAST** RUS FORM 325B - PRO FORMA BALANCE SHEET

	FUTURE YEARS										
LAST YEAR	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
1. ASSETS AND OTHER DEBITS											
a. TOTAL UTILITY PLANT	52,372,113	54,613,115	58,282,873	61,829,818	63,628,856	65,954,193	67,959,013	70,010,946	72,111,309	74,261,459	76,462,786
b. ACCUM. PROVISION FOR DEPREC. & AMORT.	20,348,372	21,391,280	22,293,407	23,313,704	24,660,134	26,040,704	27,465,482	28,996,095	30,543,550	32,188,882	33,783,153
c. NET UTILITY PLANT	32,023,741	33,221,835	35,989,466	38,516,114	39,168,722	39,913,489	40,493,531	41,014,850	41,567,759	42,122,577	42,679,634
d. NET GENERAL FUNDS	3,089,373	3,664,795	2,300,994	2,462,822	2,541,024	2,440,217	2,443,508	2,608,089	2,686,822	2,927,810	3,051,323
e. GENERAL FUNDS EXCLUDABLE ITEMS	1,399,513	1,399,513	1,399,513	1,399,513	1,399,513	1,399,513	1,399,513	1,399,513	1,399,513	1,399,513	1,399,513
f. OTHER ASSETS AND DEBITS	22,566,132	24,410,868	28,204,868	27,988,868	29,792,868	31,586,868	33,380,868	35,174,868	36,968,868	38,762,868	40,556,868
g. TOTAL ASSETS AND OTHER DEBITS	59,048,759	62,697,011	65,894,940	70,377,317	72,902,127	75,340,087	77,687,418	80,097,321	82,572,962	85,212,769	87,867,338
2. LIABILITIES AND OTHER CREDITS											
a. TOTAL MARGINS AND EQUITIES	27,485,155	31,169,618	32,877,737	34,527,683	36,221,622	37,940,214	39,675,149	41,433,539	43,221,884	45,047,844	46,918,823
b. LONG TERM DEBT - RUS	0	0	0	0	0	0	0	0	0	0	0
(1). LONG TERM DEBT - 2% & 5%	0	0	0	0	0	0	0	0	0	0	0
(2). LONG TERM DEBT - 5% MUNI & TREASURY	5,621,309	5,481,809	7,034,719	10,981,769	12,944,877	14,829,100	16,635,413	18,471,124	20,338,175	22,237,943	23,510,227
(3). LONG TERM DEBT - GUARANTEE	9,077,030	5,964,822	8,846,315	8,721,147	8,588,940	8,449,280	8,301,772	8,145,934	7,981,302	7,807,370	7,623,604
c. LONG TERM DEBT - OTHER	12,447,912	11,569,408	10,618,817	9,629,365	8,629,336	7,604,191	6,557,732	5,529,371	4,514,239	3,602,260	3,117,332
d. OTHER LIABILITIES AND CREDITS	4,417,353	5,517,353	6,517,353	8,517,353	6,517,353	6,517,353	6,517,353	6,517,353	6,517,353	6,517,353	6,517,353
e. TOTAL LIABILITIES AND OTHER CREDITS	59,048,759	62,697,011	65,894,940	70,377,317	72,902,127	75,340,087	77,687,418	80,097,321	82,572,963	85,212,769	87,867,338

RUS FORM 325C - STATEMENT OF OPERATIONS

FINANCIAL FORECAST

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
1. ACCRUAL BASIS										
a (1). ADDITIONAL REVENUE REQUIREMENTS FOR TIER/EQUITY	0	1,007,563	4,763,183	7,442,041	11,270,321	13,342,882	12,451,326	9,770,949	9,512,295	9,859,719
(2). OPER. REV. & PATRON. CAP. - PRESENT RATES										
b. COST OF POWER	36,037,815	36,288,678	40,328,773	40,557,221	40,786,362	41,009,509	41,231,869	41,458,602	41,674,109	41,889,652
c. OPER. REV. LESS COST OF POWER	24,652,598	27,434,705	34,810,738	37,308,055	41,007,634	42,941,689	41,895,303	39,041,400	38,570,689	38,700,632
d. OPERATIONS & MAINTENANCE EXPENSE	11,385,219	9,881,536	10,281,218	10,693,207	11,049,049	11,410,492	11,787,892	12,188,151	12,615,735	13,048,780
e. CONSUMER ACCOUNTS AND SALES EXPENSE	3,023,569	3,114,276	3,207,704	3,303,935	3,403,054	3,505,145	3,610,300	3,718,603	3,830,167	3,945,072
f. ADM. & GEN. & OTHER DEDUCTIONS EXPENSE	1,235,491	1,272,656	1,310,732	1,350,054	1,390,556	1,432,273	1,475,241	1,519,498	1,565,083	1,612,036
g. DEPRECIATION AND AMORTIZATION EXPENSE	2,037,588	2,098,716	2,161,677	2,228,527	2,293,323	2,362,123	2,432,987	2,505,976	2,581,156	2,658,590
h. TAX EXPENSE	1,518,761	1,632,938	1,732,311	1,788,319	1,847,865	1,904,035	1,961,525	2,020,372	2,080,613	2,142,269
i. INTEREST EXPENSE	0	0	0	0	0	0	0	0	0	0
j. TOTAL COST OF ELECTRIC SERVICE	1,581,873	1,566,962	1,663,687	1,783,362	1,852,501	1,923,781	2,001,415	2,090,535	2,194,397	2,295,985
k. PATRONAGE CAPITAL & OPERATING MARGINS	34,049,878	37,120,152	44,886,850	47,758,253	51,794,933	54,069,056	53,376,770	50,896,391	50,822,085	51,354,613
l. NON-OPERATING MARGINS	1,987,937	176,089	205,106	241,009	261,750	283,134	306,425	333,161	364,319	394,798
m. G&T AND OTHER CAPITAL CREDITS (CFC CTC's)	300,000	208,240	115,050	123,141	127,051	122,011	122,175	125,404	131,841	146,391
n. TOTAL ACCRUAL MARGINS	2,148,738	2,088,000	2,088,000	2,088,000	2,088,000	2,088,000	2,088,000	2,088,000	2,088,000	2,088,000
	4,436,673	2,472,328	2,408,156	2,452,150	2,476,801	2,469,145	2,516,600	2,546,565	2,584,160	2,628,189
2. CASH BASIS										
a. CASH FROM OPERATIONS BEFORE DEBT SERVICE	5,368,571	3,584,228	3,716,154	3,935,831	4,089,167	4,232,962	4,391,540	4,569,472	4,771,171	4,979,473
b. TOTAL DEBT SERVICE	2,363,637	2,421,870	2,558,728	2,714,466	2,855,425	2,987,545	3,102,337	3,234,067	3,286,707	3,290,346
c. CASH MARGINS AFTER DEBT SERVICE	3,024,935	1,162,359	1,157,426	1,221,365	1,233,742	1,245,416	1,289,203	1,335,406	1,484,464	1,729,127

RUS FORM 325D - GENERAL FUNDS SUMMARY

FINANCIAL FORECAST

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
1. SOURCES OF GENERAL FUNDS										
a. NET GENERAL FUNDS BEGINNING OF YEAR	3,068,373	3,664,795	2,300,894	2,462,822	2,541,024	2,440,217	2,443,506	2,508,089	2,636,822	2,927,810
b. CASH MARGINS AFTER DEBT SERVICE	3,024,935	1,162,359	1,157,426	1,221,365	1,233,742	1,245,416	1,289,203	1,335,406	1,484,464	1,729,127
c. OTHER PROCEEDS	294,000	294,000	294,000	294,000	294,000	294,000	294,000	294,000	294,000	294,000
d. SALE OF EXCLUDABLE ITEMS	0	0	0	0	0	0	0	0	0	0
e. REIMBURSEMENT FROM PRIORITY LOAN FUNDS	0	1,600,000	1,600,000	1,600,000	0	0	0	0	0	0
f. REIMBURSEMENT FROM SPECIAL LOANS (NON-PRIORITY)	0	0	0	0	0	0	0	0	0	0
2. TOTAL GENERAL FUNDS AVAILABLE	6,388,308	6,721,153	5,352,419	5,578,187	4,088,767	3,979,633	4,026,708	4,137,485	4,415,286	4,950,937
3. PROPOSED USE OF GENERAL FUNDS										
a. PURCHASE OF EXCLUDABLE ITEMS	0	0	0	0	0	0	0	0	0	0
b. CAPITAL CREDIT RETIREMENTS	758,210	758,210	758,210	758,210	758,210	758,210	758,210	758,210	758,210	758,210
c. GENERAL FUNDS INVESTED IN PLANT	2,716,855	4,300,844	1,757,084	1,906,386	500,000	400,000	400,000	400,000	400,000	1,091,041
d. OTHER USES OF GENERAL FUNDS	(1,100,000)	(1,000,000)	0	0	0	0	0	0	0	0
e. ADDITIONAL PRINCIPAL PAYMENTS	348,448	361,106	374,304	372,566	370,340	377,917	360,409	342,463	329,266	80,364
4. TOTAL PROPOSED USES OF GENERAL FUNDS	2,723,513	4,420,160	2,889,598	3,037,162	1,628,550	1,598,127	1,518,619	1,500,673	1,487,476	1,889,615
5. NET GENERAL FUNDS - END OF YEAR	3,664,795	2,300,994	2,462,822	2,541,024	2,440,217	2,443,506	2,508,089	2,636,822	2,927,810	3,051,323

## **SECRETARY'S CERTIFICATE**

I, James W. Lawrence, do hereby certify that: I am the secretary of Empire Electric Association, Inc, (hereinafter called the "Corporation"), the following are true and correct copies of resolutions duly adopted by the board of directors of the Corporation at the meeting held September 21, 2007, and entered in the minute book of the Corporation; the meeting was duly and regularly called and held in accordance with the bylaws of the Corporation; the attached forms of RUS Loan Contract, RUS Treasury Rate Note and security instruments(s) are true and exact copies of the forms thereof authorized and approved by the board of directors to be executed, and none of the following resolutions has been rescinded or modified:

### RESOLUTION 7-2007

RESOLVED that the President is authorized on behalf of the Corporation to execute and deliver under its corporate seal, which the secretary is directed to affix and attest:

- (a) as many counterparts respectively as shall be deemed advisable of an agreement with the Government, in the form of the RUS Loan Contract submitted to this meeting; and
- (b) a note payable to the order of the Government in the principal amount of \$9,680,000.00, bearing interest at the rate referred to therein and providing for the payment of the indebtedness evidenced thereby within 35 years after the date thereof, substantially in the form of the RUS note submitted to this meeting; and
- (c) as many counterparts as shall be deemed advisable of a Restated Mortgage and Security Agreement by and among the Corporation, the Government and National Rural Utilities Cooperative Finance Corporation, which, among other things, pledges all of the Corporation's property to secure notes payable to the Government in the aggregate principal amount not to exceed \$50,000,000.00 at any one time, and a financing statement, substantially in the form of the security instruments presented to this meeting; and

RESOLVED that the officers of the Corporation be, and each of them is authorized in the name and on behalf of the Corporation, to execute all such instruments, make all such payments and do all such other acts as in the opinion of the officer or officers acting may be necessary or appropriate in order to carry out the purposes and intent of the foregoing resolutions; and

**I FURTHER CERTIFY THAT** each member of the board of directors of the Corporation was furnished with notice of said meeting in compliance with the bylaws of the Corporation.

**I FURTHER CERTIFY THAT** the actual execution of the documents referred to above was authorized at the September 21, 2007, meeting of the Corporation's board of directors.

**FURTHER CERTIFY THAT** the following are the names and signatures, respectively, of the officers of the Corporation identified below who validly held and occupied their respective positions on said date of actual execution of the documents.

<u>Office</u>	<u>Name</u>	<u>Signature</u>
President	<u>William c Bauer</u>	<u>W. C. Bauer</u>
Vice President	<u>David W. Sifton</u>	<u>David W. Sifton</u>
Secretary/Treasurer	<u>James W. Lawrence</u>	<u>James W. Lawrence</u>

**IN WITNESS WHEREOF** I have hereunto set my hand and affixed the seal of the Corporation this 21st day of September, 2007.

James W. Lawrence  
James W. Lawrence, Secretary/Treasurer

**RESOLUTION 13-2006**

**Empire Electric Association, Inc.**

**REQUESTING GUARANTEED FEDERAL FINANCING BANK (FFB) LOAN**

WHEREAS, it has been determined on the basis of the current Construction Work Plan that financing is needed for electric facilities as shown on RUS Form 740c, Cost Estimates and Loan Budget for Electric Borrowers, as follows:

Rural Utilities Service (RUS) Guaranteed Federal Financing Bank (FFB) Loan Requested

\$ 9,680,000 for Facilities

NOW THEREFORE BE IT RESOLVED, that Empire Electric Association, Inc., 801 N Broadway, Cortez, Colorado make application to the RUS for a guaranteed FFB loan in the approximate amount of \$ 9,680,000 to be used in accordance with the provisions of 7 CFR Part 1710 and 7 CFR Part 1714 to finance the above mentioned facilities.

BE IT FURTHER RESOLVED, that Empire Electric Association, Inc. hereby authorizes the RUS to release appropriate information and data relating to this application to the FFB and any existing supplemental lenders.

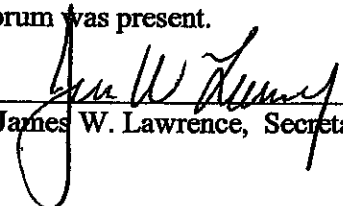
BE IT FURTHER RESOLVED, that the RUS loan shall cover a period of 35 years and shall provide for repayment of the loan in periodic installments, including interest and principal payments, which are equal in amount to every other such periodic installment (level payment method).

BE IT FURTHER RESOLVED, that the FFB note shall be in the full amount of the FFB loan and provide for the repayment of principal to begin approximately two years from the date thereof.

  
William C. Bauer President

**CERTIFICATION OF SECRETARY**

I, James W. Lawrence, Secretary/Treasurer of Empire Electric Association, Inc., do hereby certify that the above is a true and correct copy of a resolution passed at the regular meeting of the board of directors of Empire Electric Association, Inc. held on October 20, 2006 at which meeting a quorum was present.

  
James W. Lawrence, Secretary/Treasurer

(SEAL)