

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the matter of the Application of Dixie-)
Escalante Rural Electric Association, Inc.,) DOCKET NO. 08-066-01
for Authority to Issue Securities in the Form) REPORT AND ORDER
of a Secured Promissory, a Revolving Line) APPROVING ISSUANCE OF
of Credit Agreement and Related Documents) SECURITIES

ISSUED: June 11, 2008

SYNOPSIS

No detriment to the public interest appearing, the Commission granted the authority sought by the Applicant.

By the Commission:

PROCEDURAL HISTORY

On March 21, 2008, Dixie-Escalante Rural Electric Association, Inc. (“Applicant”) filed a Verified Application for Approval to Issue Securities (“Application”) pursuant to *Utah Code Ann.* § 54-4-31 seeking authority (1) to issue securities in the form of (a) a Loan Agreement with and a Secured Promissory Note 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 finance the construction of a 30-mile 138 kV transmission line from St. George, Utah, to Littlefield, Arizona, and a 138-69-12.47 kV substation in Washington County, along with ancillary and associated equipment (“Transmission/Substation Loan”) and (b) a Revolving Line of Credit Agreement that will increase Applicant’s current revolving line of credit from \$2,000,000 to \$5,000,000 (“Line of Credit”), the increased amount of which will be used, among other things, to provide working capital for system improvements before the costs

DOCKET NO. 08-066-01

-2-

are transferred to the Transmission/Substation Loan; (2) to enter into and deliver to CFC a Restated Mortgage and Security Agreement; and (3) to enter into and deliver such other documents, agreements and arrangements reasonably incident to said Transmission/Substation Loan and Line of Credit.

Applicant has submitted copies of the relevant documents, certified and verified pursuant to the Application, and other information to establish the facts pertinent to the Application.

On May 27, 2008, the Division of Public Utilities filed a memorandum detailing its investigation of the Application and recommending approval of the same.

BACKGROUND AND DISCUSSION

According to the Application, the Transmission/Substation Loan is to be made through the Loan Agreement and a Secured Promissory Note, and will be secured by a lien against virtually all of Applicant's assets under the terms of the Restated Mortgage and Security Agreement between Applicant and CFC. Advances under the Transmission/Substation Loan will carry a term of no more than forty (40) years and will bear interest, at Applicant's option, at (1) such fixed rate as is then available for loans similarly classified pursuant to CFC's policies and procedures then in effect or such other fixed rate as may be agreeable to both parties; or (2) a variable rate established by CFC for variable interest rate long-term loans similarly classified pursuant to the long-term loan programs established by CFC from time to time or such other variable rate as may be agreed to by the parties. Payments are due quarterly.

Advances under the Line of Credit will carry a term of up to 12 months. The Line of Credit will automatically renew each year until terminated. Advances under the Line of Credit will bear interest at CFC's Line of Credit Rate in effect from time to time, which will not exceed the bank prime rate published in the "Money Rates" column of the eastern edition of *The Wall Street Journal* plus one percent per annum. Payments are due quarterly.

The Division notes the Applicant, which has total access to financial information about its operations and budgets, has conducted an evaluation and has concluded that the proposed loan and line of credit increase are the most beneficial financing options available to Applicant. Applicant's Board of Directors has approved the proposed transaction. Based upon financial statements supplied by Applicant, the Division concludes Applicant has been financially stable for the last five years and has been able to meet its financial obligations. Based upon these considerations, the Division recommends the Commission approve the Application.

Since no meritorious opposition has been raised, and Applicant has made out its *prima facie* case in support of the Application, there appears no reason to convene an evidentiary hearing on the matter. Accordingly, the Commission, having been fully advised in the premises, enters the following Report, containing Findings of Fact, Conclusions of Law, and the Order based thereon.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

1. Applicant is a public utility subject to the jurisdiction of this Commission.
2. The Commission has jurisdiction over the Application pursuant to the provisions of § 54-4-31, UCA 1953, as amended.

DOCKET NO. 08-066-01

-4-

3. It is in the public interest to convert this matter to an informal proceeding, pursuant to § 63-46b-4(3), UCA 1953, as amended.

4. Applicant has requested Commission authority to issue certain securities in the form of Loan Agreement with and a Secured Promissory Note to the National Rural Utilities Cooperative Finance Corporation in an amount up to \$20,000,000. This Transmission/Substation Loan will be secured by a lien against virtually all of Applicant's assets under the terms of the Restated Mortgage and Security Agreement between Applicant and CFC. Advances under the Transmission/Substation Loan will carry a term of no more than forty (40) years and will bear interest, at Applicant's option, at (1) such fixed rate as is then available for loans similarly classified pursuant to CFC's policies and procedures then in effect or such other fixed rate as may be agreeable to both parties; or (2) a variable rate established by CFC for variable interest rate long-term loans similarly classified pursuant to the long-term loan programs established by CFC from time to time or such other variable rate as may be agreed to by the parties. Payments are due quarterly.

5. Applicant has requested Commission authority to increase its Line of Credit from \$2,000,000 to \$5,000,000. Advances under the Line of Credit will carry a term of up to 12 months. The Line of Credit will automatically renew each year until terminated. Advances under the Line of Credit will bear interest at CFC's Line of Credit Rate in effect from time to time, which will not exceed the bank prime rate published in the "Money Rates" column of the eastern edition of *The Wall Street Journal* plus one percent per annum. Payments are due quarterly.

DOCKET NO. 08-066-01

-5-

6. Execution and delivery of the Loan Agreement, Secured Promissory Note, Revolving Line of Credit Agreement, and Restated Mortgage and Security Agreement as described herein is in the public interest.

7. Pursuant to Rule 746-110-2, good cause exists to waive the 20-day tentative period for an order issued in an informally adjudicated proceeding. Accordingly, this Order will become effective on the date of issuance.

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED, that:

1. This matter be, and it is, converted to an informal proceeding pursuant to §63-46b-4(3), UCA 1953, as amended.
2. Applicant Dixie-Escalante Rural Electric Association, Inc., is hereby authorized to execute and to secure the Loan Agreement, Secured Promissory Note, Revolving Line of Credit Agreement, and Restated Mortgage and Security Agreement discussed above on substantially the same terms and conditions set forth in this Report and Order.
3. Applicant is hereby authorized to execute and deliver such documents and take such actions as may be reasonably necessary or convenient to the completion of the above-stated documents.
4. 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.
5. The authority granted herein is effective the date of this Order.

DOCKET NO. 08-066-01

-6-

Pursuant to Utah Code §§63-46b-12 and 54-7-15, agency review or rehearing of this order may be obtained by filing a request for review or rehearing with the Commission within 30 days after the effective date of the order. Responses to a request for agency review or rehearing must be filed within 15 days of the filing of the request for review or rehearing. If the Commission fails to grant a request for review or rehearing within 20 days after the filing of a request for review or rehearing, it is deemed denied. Judicial review of the Commission's final agency action may be obtained by filing a Petition for Review with the Utah Supreme Court within 30 days after final agency action. Any Petition for Review must comply with the requirements of Utah Code §§63-46b-14, 63-46b-16 and the Utah Rules of Appellate Procedure.

DATED at Salt Lake City, Utah, this 11th day of June, 2008.

/s/ Ted Boyer, Chairman

/s/ Ric Campbell, Commissioner

/s/ Ron Allen, Commissioner

Attest:

/s/ Julie Orchard
Commission Secretary
G#57662