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Rural Electric Association, Inc.

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

Application of Dixie-Escalante Rural Electric Association, Inc. for Authority to Issue Securities in the form of a Secured Promissory, a Revolving Line of Credit Agreement and Related Documents	VERIFIED APPLICATION FOR APPROVAL TO ISSUE SECURITIES
	DOCKET NO. 08-066-01

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; (i) 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 Dixie-Escalante’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 are transferred to the Transmission/Substation Loan; (ii) to enter into and deliver to CFC a Restated Mortgage and Security Agreement; and (iii) to enter into and delivery such other documents, agreements and arrangements reasonably incident to said Transmission/Substation Loan and Line of Credit.

Dixie-Escalante anticipates and represents that this matter is expected to be unopposed and uncontested. Pursuant to R746-110, *Rules of the Public Service Commission* (“*Rules*”), Dixie-Escalante hereby requests Informal Adjudication of this Application. Dixie-Escalante desires to complete the Transmission/Substation Loan and the Line of Credit as soon as practicable. Dixie-Escalante requests entry of a tentative order pursuant to R746-110-2 of the *Rules* within 30 days, if feasible. Finally, Dixie-Escalante requests that the Commission 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 respectfully 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.

Transmission/Substation Loan

3. The Arizona portion of Dixie-Escalante’s service territory includes approximately 2,100 customers with a peak demand of approximately 9 MW. This area is currently served by

means of a 69 kV intertie with a Nevada-based public utility district, Overton Power, that has contracted with Dixie-Escalante to serve up to 10 MW of load. Dixie-Escalante's Arizona service territory has been growing at a rate of about 13% per year for the past ten years. Dixie-Escalante anticipates that it will reach the 10 MW limit by 2009. Overton Power has informed Dixie-Escalante that it will not be able to serve more than 10 MW of load without a significant contribution towards a new 138 kV line. Dixie-Escalante has concluded that it makes better economical sense for it to construct a new 138 kV line from St. George, Utah, to Beaver Dam in Littlefield, Arizona. The line will be constructed with a 1272 MCM ACSR conductors at a voltage level of 138 kV in order to provide adequate voltage support over the 30-mile distance of the line for up to 70 MW, which is the projected load in this area within the next 30 years. The estimated cost of the transmission line is approximately \$7.1 million.

4. Dixie-Escalante has determined that it must build a new substation in order to provide adequate service to the Washington Fields area in Washington County, Utah, and to meet its reliability standards. The Majestic View Substation will be a 138-69-12.47 kV substation that will include two 120 MVA 138-69 kV transformers and two 10 MVA 69-12.47 kV transformers, as well as associated buswork and breakers, at a cost of approximately \$15 million. The distribution portion of the substation is required to serve new subdivisions being developed in this area, particularly the Sand Mountain subdivision which is planned to contain over 2,000 building lots, as well as associated small commercial areas. The transmission portion of the substation is required due to its strategic location at the intersection of Dixie-Escalante's existing transmission lines and the planned transmission loops between St. George, Washington, and Hurricane Cities, and is needed for Dixie-

Escalante to meet its reliability criteria of not having any load over 50 MW on a single line contingency

Line of Credit

5. Dixie-Escalante currently has a revolving line of credit with CFC in the amount of \$2,000,000, which is used for general corporate purposes, to meet cash flow needs and to enable Dixie-Escalante to carry out its services as a public utility.

6. Dixie-Escalante has determined that its corporate purposes and cash flow needs may at times require a revolving line of credit of up to \$5,000,000. Among other purposes, the increased line of credit will be needed to provide necessary working capital for the transmission and substation improvements discussed above before the costs are transferred to the Transmission/Substation Loan. Dixie-Escalante thus requests permission to increase its Revolving Line of Credit to \$5,000,000.

Board Authorization/Documents/Terms

7 At a duly-noticed and called meeting of the Board of Directors of Dixie-Escalante held on February 8, 2008, the Board authorized Dixie-Escalante to enter into the Transmission/Substation Loan and the Line of Credit. True and correct copies of the Certificates of Resolutions and Incumbency and Board Meeting Minutes authorizing both transactions (collectively, the "Board Authorizations") are attached hereto as Exhibits "A," "B" and "C."

8 In accordance with the Board Authorizations, but subject to Commission approval, Dixie-Escalante has executed and proposes to deliver to CFC: (i) a Loan Agreement and a Secured Promissory Note in an amount up to \$20,000,000; (ii) a Restated Mortgage and Security Agreement; and (iii) a Revolving Line of Credit Agreement in an amount up to \$5,000,000, each dated March 17,

2008. True and correct copies of the executed documents are attached hereto as Exhibits “D,” “E,” “F” and “G.”

9. The Transmission/Substation Loan will 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.

10. Advances under the Transmission/Substation Loan will carry a term of no more than forty (40) years and will bear interest, at Dixie-Escalante’s option, at (i) 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 (ii) 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.

11. 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.

Public Interest

12. The Board of Directors of Dixie-Escalante has approved the Transmission/Substation Loan and the Line of Credit as in the best interests of Dixie-Escalante and its members/ratepayers in order to finance the construction of needed and prudent transmission, substation and related facilities

needed in order for it to satisfy its obligation to provide its members with safe, affordable and reliable utility service.

13. Dixie-Escalante has sufficient operating margins to service the additional debt represented by the Transmission/Substation Loan and Line of Credit and related documents.

14. The proposed Notes are for lawful objects within Dixie-Escalante's proper corporate purposes, are compatible with the public interest, are 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.

Requested Time of Approval

15. Dixie-Escalante requests an Order from this Commission approving the issuance of securities and related documents by Dixie-Escalante as soon as reasonably convenient in order to facilitate funding commitments on a timely basis. Dixie-Escalante respectfully requests a tentative order under R746-110-2 of the *Rules* within 30 days, if feasible.

DATED this 21st day of March, 2008.

Hatch, James & Dodge

Gary A. Dodge, Esq.
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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Application was served by email this 21st day of March, 2008, upon the following:

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