

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

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In the Matter of the Application of Empire )  
Electric Association, Inc. for Authority to ) DOCKET NO. 11-025-01  
Issue Securities )  
) REPORT AND ORDER  
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ISSUED: January 26, 2011

SYNOPSIS

*With this Report and Order, the Commission approves the application of Empire Electric Association to issue securities in the form of \$42,174,000 in additional debt obligations. The financing shall be obtained from the Federal Financing Bank (FFB) and guaranteed by the Rural Utilities Service (RUS), payable over a thirty-four year term (Note).*

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By The Commission:

This matter is before the Commission on the Application of Empire Electric Association, Inc. (Company) for Authority to Issue Securities. The Company filed its Application on January 5, 2011. The Company desires to issue securities to obtain a loan of \$42,174,000 to finance construction of distribution facilities, transmission and headquarters— with Commission approval. The financing will be obtained from the Federal Financing Bank (FFB) and guaranteed by the Rural Utilities Service (RUS), payable over a thirty-four year term (Note). The Note will be secured under a supplemental mortgage dated November 1, 2010, in supplement to the Restated Mortgage and Security Agreement of August 1, 2007 date. The Company represents it has sufficient revenue to service the loan and that the issuance of securities is in the public interest, as the loan will allow the Company to provide electric service to present and future customers in the Company’s service territory.

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The Company further requests this application be adjudicated informally, per Utah Admin. Code as it is not expected to be opposed. It also requests expedited treatment of this matter so that it may obtain the favorable loan terms currently available for the financing. It also requests a waiver of the 20-day tentative period contained in Utah Admin. Code R.746-110-2 and the 30-day period contained in 746-401-3.

The Division of Public Utilities (Division) submitted its recommendation moving for approval of the application on January 19, 2010. In making its recommendation, the Division reviewed the application and its attachments, and the Company's audited financial reports for 2004 through 2009. Additionally, the Division reviewed the current RUS Form 7 which included interim financial information through November 2010. The Company also provided the Division with additional cost estimates and loan budget information for the proposed projects along with the Company's four-year plan. The Division also spoke with the Company's accounting manager, Mary Thiesing about details of the proposed loan, and also discussed questions about the historical financial statements and projections included in the application. The Division found that the Company tentatively plans to use the loan proceeds as follows: \$27.3MM for transmission projects, \$12.7MM for a new Company headquarters facility, and \$2.2MM for transmission projects. The Division noted that the proposed debt could have a significant impact on the balance sheet and Company's income. If fully funded, the long-term debt could increase from \$30.7MM to about \$70MM and could more than double the interest expense. The proposed loan would alter the capital structure and reduce common equity from

54.8% to 44.7%. The Division noted, however, that the change was within the lending guidelines and required loan covenants.

The Division also noted that the Company's Board of Directors approved the proposed transaction during a November 19, 2010 meeting.

The Division concluded that the Company would remain healthy and able to meet its current obligations, and also the obligations of the proposed loan. It also found that the loan funds will be used for lawful purposes consistent with the executed loan documents. It further noted that the Company had the ability to raise customer charges in order to meet its financial obligations.

The Commission finds this matter can be reasonably expected to be unopposed and uncontested. There were no intervenors and no opposition to the Application. The Applicant has filed in support of its Application sworn statements and other supporting documents and made its *prima facie* case in support of the Application. The application's approval is in the public interest as it will allow the Company to provide electric service to present and future customers in the Company's service territory.

#### ORDER

Based on the previous findings, the Commission orders as follows:

1. This matter is converted to an informal adjudication;
2. The Company's application is approved as represented in its application and as amended by its letter of January 18, 2011;

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3. The 20-day tentative period contained in Utah Admin. Code R.746-110-2 is waived;
4. The 30-day notice contained in Utah Admin. Code R.746-401-3 is waived;
5. This is a final order;
6. Pursuant to Sections 63G-4-301 and 54-7-15 of the Utah Code, an aggrieved party may request agency review or rehearing of this Order by filing a written request with the Commission within 30 days after the issuance of this 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 does not grant a request for review or rehearing within 20 days after the filing of the request, 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 Sections 63G-4-401 and 63G-4-403 of the Utah Code and Utah Rules of Appellate Procedure.

DATED at Salt Lake City, Utah, this 26<sup>th</sup> day of January, 2011.

/s/ Ruben H. Arredondo  
Administrative Law Judge

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Approved and confirmed this 26<sup>th</sup> day of January, 2011, as the Report and Order  
of the Public Service Commission of Utah.

/s/ Ted Boyer, Chairman

/s/ Ric Campbell, Commissioner

/s/ Ron Allen, Commissioner

Attest:

/s/ Julie Orchard  
Commission Secretary  
G#70757