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Attorneys for Dixie-Escalante Rural Electric Association, Inc.

- 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 in the form of a Loan Agreement and Secured Promissory Note	DOCKET NO. 19-066-01
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VERIFIED APPLICATION FOR APPROVAL TO ISSUE SECURITIES

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 to issue securities in the form of: 1) a Loan Agreement with National Rural Utilities Cooperative Finance Corporation (“CFC”) (attached as Exhibit A), 2) a Secured Promissory Note to CFC (attached as Exhibit B) in an amount up to \$20,000,000, the proceeds of which will be used primarily to help finance the construction of new transmission and distribution infrastructure, buildings and related facilities (collectively, the “Loan”), and 3) a Restated Mortgage and Security Agreement with CFC (attached as Exhibit C). Dixie-Escalante also applies for an Order authorizing it to enter into and deliver such other documents, agreements and arrangements as may reasonably be necessary or incident to the above-referenced securities.

Dixie-Escalante anticipates and represents that this matter is expected to be unopposed and uncontested. Pursuant to Commission Rule R746-110-1, Utah Administrative Code (“Rules”), Dixie-Escalante hereby requests Informal Adjudication of this Application. This Application is supported by the sworn statements in this Verified Application and true and correct copies of the documents attached hereto. Pursuant to R746-110-2, and for good cause shown, Dixie-Escalante respectfully requests entry of a final Commission order approving the Loan as soon as practicable, and within 30 days if feasible, in order to meet CFC timing requirements. In light of its board’s approval of the Loan at a duly-noticed public meeting, Dixie-Escalante further asks the Commission to determine that no additional public notice of this proceeding is required under R746-110-2.

In support of this Application, Dixie-Escalante 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.

Loan

3. Population and load growth in southern Utah continue at a brisk pace. In 2018, Dixie-Escalante added an average of about 120 new residential services each month. In order to accommodate past and expected future load growth, Dixie-Escalante is in the midst of a capital-intensive program to add and replace necessary transmission, distribution and business infrastructure. An initial 10-year plan for 2015 – 2024 (attached as Exhibit D) contemplated a capital budget of approximately \$65 million. An updated 5-year plan for 2015-2019 (attached as

Exhibit “E”) contemplated a capital budget of more than \$71 million. These budgets were primarily for transmission lines, substations and other infrastructure necessary for Dixie-Escalante to complete the 138kV tie into PacifiCorp’s new Purgatory Flats Substation (formerly known as the Hurricane West Substation) and St. George City’s Green Valley Substation; reconductoring the existing 138kV transmission line from PacifiCorp’s St. George Substation to Dixie’s Fort Pierce Substation; constructing new distribution substations and associated transmission taps to serve them; and two new buildings needed to properly service Dixie-Escalante’s members.

4. Dixie-Escalante has met the capital requirements necessary to carry out portions of these above-referenced plans using funds previously borrowed from CFC (through the issuance of securities approved by this Commission), and intends to meet additional capital requirements, both for these plans and to meet growing load demands, through the Loan that is the subject of this Application, as well as through customer impact fees and general revenues from member rates.

Board Authorizations/Terms

5. At a duly-noticed and called meeting of the Board of Directors of Dixie-Escalante held on January 3, 2019, the Board authorized Dixie-Escalante to enter into the Loan and to execute the attached Loan documents. A true and correct copy of the Certificate of Resolutions and Incumbency authorizing the Loan (“Board Authorization”) is attached hereto as Exhibit F. A true and correct copy of the board meeting minutes for the January 3, 2019 meeting is attached hereto as Exhibit G.

6. In accordance with the Board Authorization, but contingent upon Commission approval of this Application, Dixie-Escalante has executed and proposes to deliver to CFC the originals of the executed Loan Agreement, Secured Promissory Note, and Restated Mortgage and Security Agreement attached as Exhibits A, B, and C.

7. Dixie-Escalante's prior loans with CFC have been secured by a lien against virtually all of Dixie-Escalante's assets under the terms of an existing Restated Mortgage and Security Agreement between Dixie-Escalante and CFC, dated March 17, 2008, and existing UCC-1 Financing Statements in favor of CFC filed with the Utah Secretary of State on August 5, 2008, and with the Arizona Secretary of State on July 24, 2008.

8. In connection with the Loan identified in this Application, if approved by the Commission, Dixie-Escalante will enter into a new Restated Mortgage and Security Agreement with CFC, a copy of which is attached hereto as Exhibit C. All of Dixie-Escalante's loan obligations to CFC, including the Loan identified in this Application, will be secured by a lien against virtually all of Dixie-Escalante's assets under the terms of the new Restated Mortgage and Security Agreement.

9. Advances under the Loan will carry a term of no more than forty (40) years and will bear interest, at Dixie-Escalante's option, at fixed rates available for similar loans based on CFC policies then in effect or at variable rates established by CFC for similar variable interest rate long-term loans established by CFC. Payments will be due quarterly.

Public Interest

10. The Board of Directors of Dixie-Escalante has approved the Loan as in the best interests of Dixie-Escalante and its members/ratepayers in order to finance the construction of prudent and needed transmission and distribution infrastructure, buildings and related facilities that are reasonably necessary in order for Dixie-Escalante to continue to satisfy its obligation to provide its members with safe, affordable and reliable utility services, now and in the future.

11. Dixie-Escalante has sufficient operating margins to service the additional debt represented by the Loan.

12. The proposed Loan 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 provide or perform those services.

Requested Time of Approval

13. Dixie-Escalante respectfully requests a final Order from this Commission approving the issuance of the securities and related documents by Dixie-Escalante as contemplated by the Loan as soon as reasonably convenient in order to meet CFC timing requirements. If feasible, Dixie-Escalante respectfully requests an order within 30 days. For the convenience of the Commission, a proposed draft approval order is submitted simultaneously herewith.

DATED this 22nd day of January, 2019.

Respectfully submitted



By:

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Attorneys for Dixie-Escalante

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Application was served by email this 22nd day of January, 2019, upon the following:

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