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State of Utah

Department of Commerce Division of Public Utilities

CHRIS PARKER
Executive Director

ARTIE POWELL
Director, Division of Public Utilities

Action Request Response

To: Public Service Commission of Utah

From: Utah Division of Public Utilities

Artie Powell, Director

Brenda Salter, Utility Technical Consultant Supervisor

Ron Slusher, Utility Technical Consultant

Date: December 1, 2020

Re: **Docket No. 20-066-03**, In the Matter of the Joint Application of Dixie Escalante Rural Electric Assn. for Approval of Acquisition of Electric Utility Plant and Equipment and Addition to Certificate of Public Convenience and Necessity.

Recommendation (Approve)

The Division of Public Utilities (“Division”) has reviewed the joint application between Dixie Escalante Rural Electric Association (“Dixie”) and Flowell Electric Association, Inc. (“Flowell”) whereby, Dixie will acquire substantially all of the electric utility plant and equipment and the territory covered in the Certificate of Public Convenience and Necessity (“CPCN”) of Flowell. The public interest will be promoted by the Public Service Commission (“Commission”) approval of the application and granting the requested sale of Flowell to Dixie and the modifications to Dixie’s CPCN.

The Division expects that, based on history that a filing of this type and with the information submitted by the company, there will be no objections or opposition to this recommendation. Therefore, the Division requests that this docket be adjudicated informally in accordance with Commission Rule R746-110-1.

Discussion

On or about October 28, 2020, Dixie Escalante Rural Electric Association and Flowell Electric Association, Inc. (collectively, the “Applicants”) notified the Commission of a transaction that will result in the acquisition of the electric utility plant and equipment of Flowell Electric Association, Inc. and a modification to Dixie’s Certificate of Convenience and Public Necessity (“CPCN”) to include all of the service territory included in the CPCN that was granted to Flowell.

Dixie Escalante Rural Electric Association is a member owned rural electric distribution cooperative providing electric distribution services to customers in Utah and Arizona. Dixie was issued a CPCN on June 30, 1966, Certificate No. 1556. With modifications made to its certificate on October 7, 1970, March 2, 1976, and December 20, 1977.

Flowell Electric Association, Inc. is a member owned rural electric distribution cooperative providing electric distribution services to customers in Millard County, Utah. Flowell was issued a CPCN on October 04, 1966, Certificate No. 1573.

On or about January 06, 1999, Dixie and Flowell entered into a Letter of Intent contemplating an eventual purchase of the utility plant, equipment, and other used and useful assets of Flowell

Dixie has provided extensive professional and other back office services to Flowell, since 1999, and has become familiar with almost all aspects of Flowell's operational, engineering, planning, and financial operations.

The acquisition of Flowell has been approved unanimously by the governing boards of both Dixie and Flowell on October 07, 2020. After closing, the current customers located in the service territory served by Flowell will form a service district recognized by Dixie and will be entitled to a representative on the governing board of Dixie. As part of the purchase, Dixie is asking the Commission to amend its CPCN to cover to service territory that was owned and operated by Flowell.

After completing the acquisition of Flowell, Dixie projects that the debt/equity ratio of the cooperative will be reasonable and that Dixie will continue to enjoy a strong financial condition that will support sustained, reliable customer rates and charges for the combined customers of the two companies. Dixie states that Flowell's customers will see no increase in retail rates as a result of the acquisition.

The Applicants submit that the transaction described herein will serve the public interest. The Applicants expect that the merger will enable the combined entities to better meet the needs of enterprises, wholesale buyers, and other customers. The transaction will help create a stronger competitor by bringing together each organization's respective strengths. The Applicants further submit that the transaction will be conducted in a manner that will be largely transparent to their customers. The transaction will not result in a change of carrier for customers or any assignment of authorizations, and in no event will it result in the discontinuance, reduction, loss, or impairment of service to customers.

Conclusion

The Division has reviewed the request of Dixie Escalante Rural Electric Assn. for acquisition of the electric utility plant and equipment of Flowell Electric Association, Inc. and a modification to Dixie's Certificate of Convenience and Public Necessity and believes it is in the public interest. From this review, the Division concludes that the acquisition will service the public interest and therefore, the Division recommends the Commission approve the application.

Cc: David F. Crabtree, Attorney for Dixie Escalante Rural Electric Association
LaDel Laub, President and CEO, Dixie Escalante Rural Electric Association
Durand Robison, CFO, Flowell Electric Association, Inc.
Justin Jetter, Assistant Attorney General, State of Utah
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