

- 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 Secured)
 Promissory Notes for Long-Term)
 Loans)

DOCKET NO. 00-066-02

REPORT AND ORDER

ISSUED: July 7, 2000

By The Commission:

INTRODUCTION

On May 30, 2000, Applicant Dixie-Escalante Rural Electric Association, Inc. ("Dixie-Escalante"), filed a Verified Application ("Application") seeking authority pursuant to *Utah Code Ann.* '54-4-31 to issue certain securities and to execute documents reasonably incident thereto. Dixie-Escalante requested Informal Adjudication of the Application under R746-110, *Rules of the Public Service Commission*, and represented that the matter was anticipated to be unopposed and uncontested. Dixie-Escalante also requested Commission determination as to the required service or public notice of this proceeding under R746-110-2, *Rules of the Public Service Commission*.

FINDINGS OF FACT

1. Dixie-Escalante is a rural electric 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.
3. Pursuant to a Board Resolution dated April 5, 2000, Dixie-Escalante's Board of Directors authorized Dixie-Escalante to borrow up to a maximum of \$10,000,000 over the next five years in long-term loans under CFC's "Power Vision" program.
4. In accordance with the Board Resolution, Dixie-Escalante intends to execute a Loan Agreement ("Loan Agreement") with CFC in an amount up to \$10,000,000 ("Maximum Loan Amount"), and Secured Promissory Notes ("Notes") to reflect the Loans. Each advance against the Maximum Loan Amount will be reflected in a separate Note.
5. The Notes are to 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 dated as of October 16, 1996, as supplemented, amended, consolidated or restated from time to time.
6. Under the Loan Agreement, Dixie-Escalante may, upon advance approval by its Board of Directors, request advances against the Maximum Loan Amount for a period of five years from the date the Loan Agreement is executed. In connection with each advance, Dixie-Escalante may elect a repayment term (not to exceed 35 years from the date of the Loan Agreement), fixed or variable interest rates available at the time from CFC for similarly classified loans, and to amortize the loan through quarterly principal payments or to make interest-only payments. Dixie-Escalante may prepay any Note in whole or in part and may convert to different available fixed or variable interest rates.
7. The Board of Directors of Dixie-Escalante has approved the Loans and related transactions as in the best interests of Dixie-Escalante and its members/ratepayers. The purpose of the Loans is to provide a ready source of long-term financing as needed for future electric facilities and related long-term needs of Dixie-Escalante that are consistent with

its Articles, Bylaws and applicable laws and regulations.

8. Dixie-Escalante has or will have sufficient operating margins to service any additional debt incurred pursuant to the Notes and Loan Agreement. Under the Loan Agreement, Dixie-Escalante will generally be required by CFC to maintain a Debt Service Coverage Ratio of at least 1.35 and Equity of at least 20% of Total Assets.

9. The proposed Loans and related transaction 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.

10. In a Memorandum dated June 16, 2000, based on its limited review, the Division of Public Utilities ("Division") recommended approval of the Application. The Division relied heavily on Dixie-Escalante's own investigations, analysis, and representations.

CONCLUSIONS OF LAW

1. Dixie-Escalante is a public utility subject to the jurisdiction of this Commission.

2. All legal and factual prerequisites and requirements for the issuance of this Order have been satisfied.

3. Dixie-Escalante has represented that the requested transaction has been approved by its Board of Directors following proper notice.

4. Issuance by Dixie-Escalante of the proposed securities as described herein is in the public interest. As a result, Dixie-Escalante should remain in a strong position to provide reliable, reasonably priced services to consumers.

5. Issuance by Dixie-Escalante of the proposed securities and security interests is for lawful and proper purposes, within Dixie-Escalante's corporate powers, consistent with the public interest, sound financial practices, and the proper performance of Dixie-Escalante's public service, and is designed to enhance and not impair Dixie-Escalante's ability to perform its public services.

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED, that:

1. Dixie-Escalante is hereby authorized to issue the proposed securities and take the proposed actions described in this Report and Order, or on other terms and conditions substantially consistent with this Report and Order.

2. Dixie-Escalante is hereby authorized to issue securities pursuant to *Utah Code Ann.* '54-4-31 and to grant security interests in the amounts, for the purposes and in the forms as explained herein and as described in Dixie-Escalante's Application and documents submitted therewith, including a Loan Agreement with CFC in an amount up to \$10,000,000, and Secured Promissory Notes with a principal balance of \$10,000,000.

3. Dixie-Escalante is hereby authorized to execute such documents and take such actions as may be reasonably necessary or convenient for the completion of the transactions described herein.

4. Pursuant to R746-110-2, *Rules of the Public Service Commission*, this Report and Order is tentative in form and shall not be effective until twenty days after its date of issuance as specified above. A copy of this Report and Order shall be served upon the parties hereto and any other person who has previously requested a copy of such Commission Orders. No additional service or public notice is required under R746-110-2, *Rules of the Public Service Commission*. Any person may file a protest to this Report and Order prior to its effective date. If the Commission finds any such protest to be meritorious, the effective date of this Report and Order shall be suspended pending further proceedings. Absent meritorious protest prior to the effective date, this Report and Order shall be effective and a Final Order without further action twenty days after issuance.

5. Nothing in this Order shall be constructed to obligate the State of Utah to pay or guarantee in any manner whatsoever any securities authorized, issued, assumed, or guaranteed hereunder.

DATED at Salt Lake City, Utah, this 7th day of July, 2000

/s/ Stephen F. Mecham, Chairman

/s/ Constance B. White, Commissioner

/s/ Clark D. Jones, Commissioner

Attest:

/s/ Julie Orchard

Commission Secretary