

ORIGINAL

NEW APPLICATION



0000139973

BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

GARY PIERCE, Chairman
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ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

Arizona Corporation Commission

DOCKETED

SEP 25 2012

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IN THE MATTER OF THE APPLICATION OF) DOCKET NO. E-02044A-12-0419
DIXIE ESCALANTE RURAL ELECTRIC)
ASSOCIATION, INC. FOR A DETERMINATION)
OF THE FAIR VALUE OF ITS PROPERTY AND)
FOR AN ORDER SETTING JUST AND)
REASONABLE RATES)

Dixie Escalante Rural Electric Association, Inc. ("Dixie") in support of its application states as follows:

1. Dixie is a nonprofit cooperative corporation incorporated in Utah that provides electric distribution service to approximately 13,000 customers in Utah, and approximately 2,200 customers in Mohave County, Arizona.

2. Dixie is a Class B Utility as defined by A.A.C. R14-2-103. Filed herewith and incorporated by reference, are the Schedules and other materials in support of its application. Dixie stipulates that Commission may use its original cost less depreciation rate base for determining a return on fair value in this application. Dixie's rate relief is premised upon receiving the same rates in Arizona that it charges to its Utah customers. This has resulted in a requested Times Interest Earned Ratio ("TIER") and Debt Service Coverage Ratio ("DSC") for Dixie that is lower than in other cooperatives' rate cases.

3. By this Application, Dixie seeks a revenue increase of approximately 10 percent over current rates. The proposed revenue increase would produce a rate of return of a

1 negative 0.86 percent on its rate base of \$5,022,201 and would yield an operating margin of a
2 negative \$45,156 before interest expense.

3 4. The reasons underlying the Company's request for an overall 10 percent
4 increase include Dixie's investment of over \$4.5 million in plant improvements and
5 replacements since its last Test Year ending December 31, 1987. Since its last Test year Dixie
6 has incurred approximately \$1.1 million in long-term debt to fund its investments in plant
7 improvements.

8 5. In Dixie's last rate case, the Commission authorized a 22.74 percent
9 decrease in gross annual revenues (Decision No. 60806, dated April 8, 1998). The revenue
10 decrease was due to lower purchased power costs from Dixie's power supplier Deseret
11 Generation and Transmission Cooperative, Inc. ("Deseret"). Desert had restructured its debt in
12 October of 1996.

13 6. Dixie's last rate increase occurred in Decision No. 56655, dated October
14 6, 1989. In this rate case the Commission authorized a 37.26 percent decrease in gross annual
15 revenues based on a Test Year ended December 31, 1987.

16 7. For the 12 months ended December 31, 2011, the Test Year in this case,
17 the present rates produced an operating margin deficit or loss of approximately \$238,471 before
18 interest expense on an adjusted test year basis.

19 8. Dixie's proposed \$193,315 increase in revenues produces a negative
20 operating margin of \$45,156 before interest expense.

21 9. Given the amount of negative margins that Dixie is experiencing every
22 month and Dixie's current negative financial position in Arizona, Dixie requests that the
23 Commission process this application and enter a decision as soon as possible. Dixie has
24 purposefully limited the number of pro forma adjustments it has made in this case in an effort to
25 limit the issues that may arise in processing its case.

26 WHEREFORE, having fully stated its Application, Dixie requests that the
27 Commission enter its Order approving the requested rate increase, the new rates, fees and
28 charges set forth in the Application.

1 Further communications and notices concerning this Docket should be directed to:

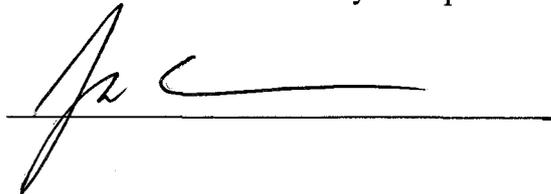
2 John V. Wallace
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7 With a copy to:

8 LaDel Laub
9 DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION
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11 BERYL, UTAH 84714
12 Email: ladell@dixiepower.com

13 RESPECTFULLY SUBMITTED this 25th day of September, 2012.

14 By



15 John V. Wallace
16 Grand Canyon State Electric Cooperative Assn., Inc.
17 Consultant for Dixie Escalante Rural Electric Association
18
19
20

21 **Original** and thirteen (13) copies filed
22 this 25th day of September, 2012, with:

23 Docket Control
24 Arizona Corporation Commission
25 1200 W. Washington
26 Phoenix, AZ 85007
27
28

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OF THE FAIR VALUE OF ITS PROPERTY AND)
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REASONABLE RATES)
_____)

DIRECT

TESTIMONY

OF

JOHN V. WALLACE

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.

September 25, 2012

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1 **I. INTRODUCTION**

2 Q. Please state your name address and occupation.

3 A. My name is John V. Wallace. I am the Director of Regulatory and Strategic Services of
4 Grand Canyon State Electric Cooperative Association ("GCSECA"). I am filing
5 testimony on behalf of Dixie Escalante Rural Electric Association, Inc. ("Dixie" or
6 "Cooperative").

7
8 Q. Please describe your professional qualifications and experience.

9 A. I have been the Director of Regulatory and Strategic Services since August 1, 2000. In
10 this position, I am responsible for preparing rate, financial and other utility related
11 analysis and testimony for the GCSECA member Arizona Electric Cooperatives. Before
12 I accepted a position with GCSECA, I worked for the Arizona Corporation Commission
13 ("ACC") for approximately 10 years. While working for the ACC, I held a number of
14 positions within the Accounting and Rates Section of the Utilities Division of the ACC;
15 the last of these positions was Manager, Revenue Requirements Analysis. In this
16 capacity, I was responsible for managing six analysts and preparing staff reports and
17 testimony on Certificate of Convenience and Necessity ("CC&N"), financing, rate and
18 other utility matters. In addition to my work experience, I have a Masters Degree in
19 Business Administration from the University Of North Dakota.

20
21 Q. On whose behalf are you appearing in this proceeding?

22 A. I am appearing on behalf of the applicant, Dixie. Dixie is a nonprofit cooperative
23 corporation that provides electric service to approximately 15,200 customers, 13,000 that
24 are located in Utah and 2,200 in Mohave County, Arizona.

25
26 Q. Was this testimony prepared by you or under your direction?

27 A. Yes, it was.

28

1 Q. What exhibits are you sponsoring in this case?

2 A. In addition to the schedules attached to this testimony, I am responsible for the
3 preparation of all the test year materials contained in Dixie's filing, except for the
4 historical financial statements prepared by Dixie and the report of its Certified Public
5 Accountants. I will be referring to these materials from time to time throughout my
6 direct testimony.

7
8 Q. What areas does your testimony address?

9 A. My testimony addresses four primary areas: revenue requirements, cost of service and
10 class revenue allocations, rate design.

11
12 Q. Please summarize your recommendations.

13 A. The reasons underlying the Cooperative's request for an overall \$193,000 (10.17 percent)
14 increase in revenues are as follows. Dixie's request to increase its base cost of purchased
15 power results in an increase in base rates of 40 percent (approximately \$77,000) of the 10
16 percent increase. The increase in purchased power costs is a result of increases in rates
17 from Dixie's power supplier, Deseret Generation Cooperative, Inc. ("Deseret").

18
19 The remaining 60 percent (approximately \$116,000) increase is due to the fact that since
20 its last Test Year ending December 31, 1987, Dixie has been investing over \$4.5 million
21 in plant improvements and replacements. Since its last Test year Dixie has incurred
22 approximately \$1.1 million in long-term debt to fund its investments in plant
23 improvements. As a result, the amount of Dixie's debt service payments (principle and
24 interest) has increased significantly. Dixie has also experienced increases in its other
25 expenses since its last Test Year. An increase of this magnitude is needed to eliminate
26 negative margins produced by the current rates, to provide adequate interest and debt
27 service coverage's and to provide the internally generated cash flows required to support
28 the utility's on-going operations and plant improvements.

1 Q. Please explain Schedule A-2 of the filing.

2 A. Schedule A-2, page 2 of 2, summarizes operating results at present and proposed rates for
3 the 12 months ended December 31, 2011, the test year in this case. The present rates
4 produced an operating margin deficit or loss before interest expense of approximately
5 \$238,471 on an adjusted test year basis. The proposed \$193,000 increase in revenues
6 produces a operating margin deficit or loss of \$45,156. In an effort to keep the rates the
7 same for Dixie's Arizona and Utah customers, Dixie is limiting its increase on Arizona
8 customers even though it could justify a higher increase for Arizona customers alone.

9
10 Q. Do you view the indicated increase in revenues of approximately 10 percent at proposed
11 rates as a reasonable in this case?

12 A. Yes. Cooperatives' revenue requirements are normally determined by the level of
13 operating expenses plus an additional amount of margin for interest coverage. However,
14 as mentioned previously, Dixie has kept the rates the same for Dixie's Arizona versus
15 Utah customers. This results in a Net Times Interest Earned Ratio ("TIER") of 1.06.
16 While this recommended TIER is low compared to the standard 2.0 Net TIER commonly
17 used to set a cooperative's rate cases, Dixie's board of directors and management have
18 made a decision to charge Arizona and Utah customers the same rates. If Dixie's amount
19 of plant investment, debt and interest on long term debt continues to increase, it will be
20 necessary for Dixie to file more frequent future rate cases. Finally, Dixie's equity level
21 of approximately 75 percent is well above the 30 percent which has been required by the
22 Commission in other cooperatives' rate and financing cases and has been a factor for
23 setting higher TIER ratios in cases where cooperatives have equity ratios that are less
24 than 30 percent.

25

26

27

28

1 Q. Please summarize your rate design recommendations.

2 A. The main factor in setting rates for Dixie's Arizona customers was to keep the rates the
3 same for Dixie's Arizona versus Utah customers. Considering the Cost of Service Study
4 prepared for the case and other factors, the rate design on each customer class results in
5 increases equal to approximately the 10 percent overall increase in revenues with the
6 exception of the Large Commercial, Interruptible Irrigation and Street/Area Lighting
7 classes.

8
9 I am recommending significant increases in the customer charges for most classes to
10 reflect the fixed cost nature of the majority of Dixie costs/expenses.

11
12 The kWh and kW charges for each class result in an increase to a level that would result
13 in an approximate 10 percent increase in customer class revenues with the exception of
14 the Large Commercial, Interruptible Irrigation classes and Street/Area Lighting.

15
16 I am recommending the elimination of two rates in Arizona; Interruptible Irrigation and
17 General Service.

18
19 I am recommending increases in the service charges to reflect the current costs of
20 providing those services. The present and proposed service charges are detailed on the
21 bottom of Schedule H-3.1.

22
23 Q. Is Dixie requesting that the Commission process its application and enter a decision as
24 soon possible?

25 A. Yes, it is. Given the amount of negative margins that Dixie is experiencing every month
26 and Dixie's current negative financial position, it requests that the Commission process
27 this application and enter a decision as soon as possible. Dixie has purposefully limited
28

1 the number of pro forma adjustments it has made in this case in an effort to limit the
2 issues that may arise in processing its case.

3
4 **II. REVENUE REQUIREMENTS**

5 Q. Are the amounts shown in the revenue requirements section of your testimony for Dixie's
6 Arizona operations?

7 A. Yes. Dixie used allocation methodologies to allocate expenses, assets, etc. to its Arizona
8 Operations.

9
10 Q. Please explain the original cost rate base (OCRB) calculation shown on Schedule B-1.

11 A. I am recommending that the Commission adopt an OCRB of \$5,222,201 for Dixie. In an
12 effort to limit the potential issues that may arise during the processing of this case, I have
13 made no pro-forma adjustments to Rate Base, Plant-in-Service and Accumulated
14 Provision for Depreciation, etc.

15
16 I have subtracted \$49,053 of customer deposits and \$435,000 of impact fees from the rate
17 base. I have added the materials and supplies and prepayments to Dixie's rate base.

18
19 Q. Why hasn't Dixie included its Reconstruction Cost New less Depreciation (RCND)
20 information (Schedules B-3 and B-4) in its application?

21 A. Dixie stipulates that the Commission may use its original cost data for the calculation of a
22 rate of return on fair value for this proceeding. Therefore, the RCND information
23 contained on Schedules B-3 and B-4 is unnecessary for a determination of this matter.

24
25 Q. Why hasn't a provision for working capital (Schedule B-5) been included in the
26 development of rate base?

27 A. The Cooperative decided not to incur the additional expense required to conduct a
28 lead/lag study. Accordingly, no cash working capital allowance is sought in this case.

1 Q. Please explain Schedule C-1 of the filing.

2 A. Schedule C-1 shows the actual and adjusted operating income statement for the test year.

3 As described on Schedule C-2, actual test year results were adjusted as follows:

4 A. Adjustment A. increased Purchase Power expense by a total of \$77,349 to adjust the
5 cost of energy to actual. Dixie's power supplier, Desert, has increased its rates
6 effective January 1, 2012.

7
8 B. Adjustment B. increased Rate (Case) Related Expense by \$12,000 for actual and
9 estimated rate case expenses that will be incurred in the preparation and completion
10 of this case. I have estimated the total amount of rate case expense of \$36,000 in this
11 case. I then amortized this expense over a three-year period.

12 These adjustments reduce operating margins for the test year by \$89,349 resulting in an
13 adjusted deficit in operating margins of \$238,471.

14
15 **III. COST OF SERVICE AND RATE DESIGN**

16 Q. Why should electric rates be based upon cost of service?

17 A. Cost of service is an important criterion in the development of revenues by class of
18 consumer and the development of rates that will produce those revenues. If rates are not
19 cost based, the inevitable results may create subsidies among the classes of consumers
20 and consumers within a class. This is not only perceived as inequitable, but may result in
21 distorted consumer decisions concerning the use of utility services. Other factors, such as
22 customer class price sensitivity, continuity, simplicity and stability are valid
23 considerations in the rate design process and had to be considered given Dixie's
24 circumstances. However, the controlling factor in setting rates for Dixie's Arizona
25 customers was to keep the rates the same in Arizona vs. Utah.

26
27 Q. Did you prepare the class bundled cost of service analysis contained in this filing?
28

1 A. Yes. The study was prepared to provide guidance in setting class revenue targets and
2 designing the rates required to meet these targets. However, the controlling factor in
3 setting rates for Dixie's Arizona customers was to keep the rates the same in Arizona vs.
4 Utah.

5
6 Q. Would you briefly describe the approach used to develop the study?

7 A. The basic method used in the study is commonly known as the embedded or average cost
8 method as contrasted with the marginal cost method. This method, properly applied,
9 produces a guide for ratemaking purposes.

10

11 The initial step was to establish, for costing purposes, consumer classes with similar
12 usage characteristics. For the purposes of present rates these classes are: residential,
13 small commercial, large commercial, etc. The next step in the study was to classify all
14 elements of rate base and operating expenses as demand-related, usage-related or
15 customer-related. The results of this process are shown on Schedules G-3 through G-5.
16 The final step in the analysis was to allocate rate base and operating expenses to each
17 class of consumer. The results of these allocations are shown on Schedules G-1 (Present
18 Rates) and G-2 (Proposed Rates). The class allocation factors used in the study are
19 provided on Schedules G-7 through G-7.4.

20

21 Q. Please summarize the results of your study.

22 A. The results of my study, at present and proposed rates, are summarized on Schedules G-1
23 and G-2, respectively. At present rates, the overall system rate of return (ROR) on rate
24 base is a negative 4.57 percent. All classes are producing negative returns with the
25 exception of the General Service, Irrigation, Off-Peak (interruptible) and Area/Street
26 Light classes. At present rates, the residential class has a negative return of 5.42 percent;
27 the Small Commercial class has a negative return of 4.21 percent; the General Service
28 class has a positive return of 12.51 percent; the Large Commercial class has a negative

1 return of 3.22 percent; the Irrigation class has a positive return of 2.75 percent; the
2 Irrigation Interruptible class has a negative return of 15.03 percent; the Off-peak
3 Interruptible class has a positive return of 39.03 percent; and the Area/Security light
4 class has a positive return of 2.80 percent.

5
6 Q. Typically the cost of service study is used as the basis to allocate revenues among
7 customer classes. Did you use the cost of service study to allocate revenues to customer
8 classes?

9 A. No. Dixie's circumstances merit a deviation from strictly using the cost of service study
10 to set rates for the reasons stated in my testimony.

11
12 Q. How did you allocate revenues to the customer classes?

13 A. The rate design that I am recommending resulted from the board policy to keep Arizona
14 and Utah rates the same. This policy resulted in Residential, Small Commercial and
15 Irrigation class revenues were increased by approximately 10 percent which is
16 approximately the same as the overall increase in revenues. The Large Commercial end
17 up a slightly lower increase than 10% (6.77%) and Interruptible Irrigation ended up with
18 approximately a 20% increase. (Refer to Schedule H-1). Dixie's residential customers
19 with average usage (approximately 1,000 kWh/month) as well as other customers with
20 average usage in other customers classes will actually experience an increase of
21 approximately 7 to 10 percent in their bills as shown on Schedules H4, pages 1 -8. An
22 average customer who experiences a lower increase than the 10 percent overall increase
23 due to the higher increase in the monthly customer charge as discussed below.

24
25 Q. What monthly customer charge are you recommending for the residential customer class
26 and why?

27 A. I am proposing the monthly residential customer charge increase by \$6.00 from \$8.00 to
28 \$14.00 increases to the present monthly minimum service charges for the various classes.

1 I am recommending that the customer charge be increased substantially for the other
2 customer classes as well (Refer to Schedule H-3).

3
4 I am recommending the monthly system charges be increased because of the following
5 reasons. The first is the majority of the Dixie's distribution related costs are fixed and do
6 not vary with the number of kWh used. The second reason is that using fixed charges to
7 collect fixed costs helps to alleviate cash flow shortages and surpluses that result from a
8 rate design that is heavily weighted toward a kWh charge. Changes in the number of
9 kWh sold after the Test Year due to weather and other factors can have a dramatic affect
10 on a utilities' financial condition. Typically, the unbundled Cost of Service Study
11 demonstrates that a cooperative's fixed costs for serving each customer class are
12 significantly higher than its monthly minimum customer charges.

13
14 Q. How were the per kWh charges determined in each customer class?

15 A. As mentioned above, the primary determinant for the kWh rates were the rates that were
16 adopted for Dixie's customers in Utah. In the case of the Residential and Small
17 Commercial rates for the first block of 1,500 kWh actually declined due to Dixie's
18 recommendation that the declining block rates be eliminated for these classes.

19
20 Q. What kWh rate is Dixie recommending for the Residential customer class?

21 A. I am recommending the per kWh rate for residential service be set at \$0.0520 for all
22 kWh. The current kWh rate is \$0.0535 for the first 1,500 kWh and \$0.0425 for any
23 additional kWh. The monthly bill for a residential customer who uses 1,000 kWh will
24 increase by \$4.50 (7.32%), from \$61.50 to \$66.00. Residential customers who use less
25 than 1,000 kWh per month will experience a higher percentage increase due to the higher
26 percentage increase in the monthly system charge versus the kWh charge. (Refer to
27 Schedule H4, Page 1 of 8.)
28

1 Q. What kWh rate is Dixie recommending for the Small Commercial customer class?

2 A. I am recommending the per kWh rate for Small Commercial service be set at \$0.0470 for
3 all kWh. The current kWh rate is \$0.0510 for the first 1,500 kWh and \$0.0390 for any
4 additional kWh. I am also recommending that the kW charge be increased from \$8.40 to
5 \$9 for all kW. The monthly bill impacts for a Small Commercial customer are
6 demonstrated on Schedule H4, Page 2 of 8.

7
8 Q. Is Dixie recommending a new rate for Small Commercial customers that have a service
9 size between 0-60 amps?

10 A. Yes. Dixie is recommending that the smallest of Small Commercial class customers who
11 have a service size that is 60 amps or lower be charged a rate equal to the proposed
12 Residential rate. I am recommending the per kWh rate for this service be set at \$0.0520
13 for all kWh and a customer charge of \$14. Dixie is recommending this rate be allowed
14 for Small Commercial customers because their usage and demand characteristics are very
15 similar to Residential customers and therefore should be charged similar rates to
16 Residential customers.

17
18 Q. Please explain Dixie's proposed rate design for Large Commercial customers.

19 A. I am recommending the per kWh rate for all kWh for large commercial service remain
20 the same as the existing rate of \$0.0220. I am also recommending that the kW charge be
21 increased from \$8 to \$9 for all kW. Since large commercial customers have higher load
22 factors, Dixie is recommending that the kW charge be increased rather than the kWh
23 charge for this class. Dixie is also recommending that the monthly minimum demand
24 charge be eliminated due to the higher recommended customer charge. The monthly bill
25 impacts for large commercial customers are reflected on Schedule H-4, page 3 of 8.

26

27

28

1 Q. Please explain Dixie's proposed rate design for Irrigation customers.

2 A. I am recommending the current 0 to 134 kWh per kW rate for irrigation service be
3 increased from \$0.0737 to \$0.0811. I am recommending the current over 134 kWh per
4 kW rate for irrigation service be increased from \$0.0350 to \$0.0355. The monthly bill
5 impacts for irrigation customers are shown on Schedule H-4, page 4 of 8.

6
7 Q. Please explain Dixie's proposed rate design for the Off-Peak customer class?

8 A. I am recommending the per kWh rate for Off-Peak service be increased from \$0.0216 to
9 \$0.0220 for all kWh. I am also recommending that the kW charge be increased from
10 \$3.60 to \$4 for all kW. Finally, I am recommending the monthly minimum kWh charge
11 of \$120 be eliminated and that a new customer charge of \$40, which is the same as the
12 recommended customer charge for Large Commercial and Irrigation customer classes, be
13 adopted. The monthly bill impacts for Off-Peak customer are demonstrated on Schedule
14 H-4, Page 6 of 8.

15
16 Q. What rate design are you recommending for the Street/Area Lighting class?

17 A. I am recommending no changes to the current Arizona Street/Area Lighting class rates
18 due to the fact that this class has a positive ROR under existing rates. Dixie is concerned
19 that any increase would cause some areas/security light customers to disconnect their
20 area/security lights. In addition, for the majority of the months in the year, area/security
21 and street lights use power during off-peak periods.

22
23 Q. Please explain why Dixie is recommending that the current Interruptible Irrigation and
24 General Service rates be eliminated in Arizona.

25 A. Concerning the elimination of the Interruptible Irrigation rate, Dixie does not have the
26 automated equipment in place to facilitate the interruption of irrigation customers and the
27 cost to upgrade the equipment would be excessive for the one customer that is currently
28 on this rate. Concerning the General Service rate, this is a rate that does not have any

1 purpose and is obsolete given that Dixie has a Small and Large Commercial customer
2 class. The one customer that is currently on this rate would see a rate decrease to be
3 moved to the Small Commercial rate so this is an obsolete rate. This rate has been
4 eliminated in Utah as well.

5
6
7 Q. What changes is Dixie recommending to service charges?

8 A. I am recommending increases to connect, connect after hours, disconnect, insufficient
9 funds and tampering service charges. These service fees/charges need to be increased to
10 reflect the increased costs (labor, materials, overheads, etc.) of providing these services.
11 Dixie is proposing three new service charges for trip charges, landlord rollover fees and
12 meter tampering. Concerning the trip charge, this will be charged if a customer is subject
13 to disconnection for a lack of payment and the service order has been processed, and a
14 meter technician has been dispatched at the time payment is made. Landlord rollover
15 fees will apply when a landlord has a renter move out but the power needs to stay in the
16 landlord's name. This fee is much less than the regular connect/disconnect fee and is
17 deemed to be fair and equitable based on the service being provided for this particular
18 situation. Finally, an explanation of the meter tampering fee and when it will apply is
19 contained in the Dixie's Electric Service Regulations included in its application. Please
20 refer to Schedule H-3.1 for the increases to service charges.

21
22 **IV. PURCHASED POWER BASE COST AND BANK BALANCE**

23 Q. Does Dixie currently have a Commission approved purchased power adjustor mechanism
24 ("PPAM")?

25 A. No, it does not.

26 Q. Is Dixie requesting the Commission approve a PPAM as a part of this case and why?

27 A. Yes, it is. Dixie's purchased power expense has been more variable in the past several
28 years than in the past. Since purchased power expense accounts for approximately 58

1 percent of its total operating expenses, Dixie is requesting this PPAM to allow the
2 fluctuations in the cost to flow through to customers. Dixie can not continue to absorb
3 these costs until its next rate case. If purchased power costs decline, the PPAM will also
4 flow these decreases in costs back to customers.

5 Q. What are Dixie's recommendations with regard to how the PPAM would work?

6 A. Dixie is requesting the same PPAM that has been approved for the majority of electric
7 cooperatives. The Commission would approve a base cost of purchased power for Dixie
8 in this case. To the extent that Dixie's actual purchased power expense was above
9 (below) this base cost, once a month, Dixie would charge a positive (negative) adjustor
10 rate to reflect the changes in these costs. To the extent that it is not reasonable to collect
11 (refund) these higher (lower) purchased power costs through a single adjustment to the
12 adjustor rate, a bank balance will be accumulated for future collections or refunds.

13 Q. What are your recommendations regarding the purchased power base cost?

14 A. In this case, the total purchased power expense in Arizona and Utah is \$13,781,199
15 divided by the total number of kWh sold in Arizona and Utah of 373,163,930 equals a
16 base cost of purchased power of \$0.03693. I am recommending the \$0.03693 base cost
17 of purchased power for the following reasons. First, Dixie's power and transmission
18 provider (Deseret) have implemented a rate increase effective on January 1, 2012. Dixie
19 believes the current base cost is a reasonable starting point for its base cost. Finally, as is
20 the case with the Dixie's other rates and charges, Dixie is recommending the same base
21 cost of purchased power in Arizona as it has in Utah.
22

23 **V. Impact Fees**

24 Q. Please discuss the Impact Fees that are contained in Decision No. 56655.

25 A. As part of the rate case Decision No. 56655, Dixie's was authorized to collect an Impact
26 Fee of \$750 for residential installed capacity of over 20 KW and \$60 per KW of
27 maximum installed capacity for the other customer classes. Dixie is recommending this
28 fee be increased to \$1,950 for Residential and Single Phase Commercial overhead system

1 connections and \$2,950 for Residential and Single Phase Commercial underground
2 system connections. Dixie recommends that the \$60 per KW of maximum installed
3 capacity remain unchanged for the other customer classes. Dixie has made significant
4 plant investments in new transmission lines, substations and main feeder lines since its
5 last Test Year of 1987. The recommended Impact Fees reflect the costs of these new
6 plant investments. Please refer to the Calculation of Impact Fees in Arizona included in
7 the application.

8
9 **VI. UNBUNDLED COST OF SERVICE AND UNBUNDLED RATES, REST AND EE**
10 **RULES**

- 11 Q. Is Dixie required to provide unbundled cost of service study or rates as part of this case?
12 A. No. Dixie is not an Affected Utility under the Commission's Retail Electric Competition
13 Rules. Dixie is also not subject to the Commission's Renewable Energy Standard Tariff
14 ("REST") or Energy Efficiency ("EE") Rules.

15
16 **VII. LINE EXTENSION POLICY**

- 17
18 Q. Is Dixie recommending any changes to its line extension policy as part of this case?
19 A. Yes. Dixie is recommending the section of its line extension policy that addresses the
20 reimbursement of pro-rata shares to original payers be deleted. This has become a very
21 difficult policy to administer from both a practical and equitable basis. The policy works
22 if the line extension is the only extension on a line that has been paid by an original
23 payer. However, in most cases Dixie has multiple line extensions from multiple points
24 on a line making it is impossible to calculate a fair distribution of reimbursement among
25 all parties. For these reasons, Dixie has done away with the policy in Utah and desires to
26 do the same in Arizona.
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1 Q. Does that conclude your direct testimony?

2 A. Yes, it does.

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**DIXIE ESCALANTE REA INC.
COMPUTATION OF INCREASE IN
GROSS REVENUE REQUIREMENTS**

TEST YEAR ENDED DECEMBER 31, 2011 - AZ ONLY

SCHEDULE A-1

ORIGINAL COST

1. ADJUSTED RATE BASE	5,222,201 (a)
2. ADJUSTED OPERATING MARGINS	(238,471) (b)
3. CURRENT RATE OF RETURN	-4.57%
4. REQUIRED OPERATING MARGINS	(45,156)
5. REQUIRED RATE OF RETURN	-0.86%
6. OPERATING INCOME DEFICIENCY	193,315
7. INCREASE IN GROSS REVENUE REQUIREMENTS	193,315

<u>CUSTOMER CLASSIFICATION</u>	<u>REVENUE AT PROPOSED RATES</u>	<u>% DOLLAR INCREASE</u>
AZ		
RESIDENTIAL	1,520,354	10.92%
SMALL COMMERCIAL	279,055	9.60%
LARGE COMMERCIAL	190,911	6.77%
IRRIGATION	79,414	11.14%
INTERUPTABLE IRR.**	1,871	19.69%
OFF PEAK	1,382	-23.48%
GENERAL SERVICE*	3,083	-18.12%
STREET/AREA LIGHTS	18,000	-0.46%
TOTALS	2,094,069	10.17%
	(c)	(c)

*This rate will be eliminated - the proposed amount shown is the amount of revenue generated with these customers included in the Small Commercial rate.

**This rate will be eliminated - the proposed amount shown is the amount of revenue generated with these customers included in the Irrigation rate.

SUPPORT SCHEDULES:

- (a) B-1 (b) C-1
- (c) H-1

DIXIE ESCALANTE REA INC.

SUMMARY RESULTS OF OPERATIONS

SCHEDULE A-2
Page 1 of 2

	UT & AZ PRIOR YEARS		UT & AZ TEST YEAR ENDED 12/31/11		AZ PROJECTED YEAR	
	ENDED 12/31/09 (a)	ENDED 12/31/10 (a)	ACTUAL (b)	ADJUSTED (b)	PRESENT (c)	PROPOSED (c)
1. Gross Revenues	20,501,053	20,741,304	20,814,291	20,814,291	1,915,571	2,108,887
2. Revenue Deductions & Operating Exp.	19,234,990	20,020,001	20,467,109	21,312,380	2,154,042	2,154,042
3. Operating Margins	1,266,062	721,304	347,182	(498,089)	(238,471)	(45,156)
4. Interest Expense - Ltd	564,381	518,476	503,192	503,192	61,394	61,394
5. Other Margins & Deductions	1,775,929	1,356,373	1,190,612	1,204,517	109,943	109,943
6. Net Margins	2,477,611	1,559,201	1,034,602	203,236	(189,922)	3,393
7. Times Interest Earned (Tier)	5.39	4.01	3.06	1.40	(2.09)	1.06

SUPPORTING SCHEDULES:

- (a) E-2 (c) F-1
- (b) C-1

DIXIE ESCALANTE REA INC.

SCHEDULE A-2
Page 2 of 2

SUMMARY RESULTS OF OPERATIONS
TEST YEAR ENDED DECEMBER 31, 2011 - AZ ONLY

	UTAH & AZ PRIOR YEARS		UT & AZ TEST YEAR ENDED 12/31/11		ARIZONA RATES	
	ENDED 12/31/09	ENDED 12/31/10	ACTUAL	ADJUSTED	PRESENT	PROPOSED
1. Gross Revenues	(a) 20,501,053	(a) 20,741,304	(b) 20,814,291	(b) 20,814,291	(c) 1,915,571	(c) 2,108,887
2. Revenue Deductions & Operating Exp.	19,234,990	20,020,001	20,467,109	21,312,380	2,154,042	2,154,042
3. Operating Margins	1,266,062	721,304	347,182	(498,089)	(238,471)	(45,156)
4. Interest Expense - Ltd	564,381	518,476	503,192	503,192	61,394	61,394
5. Operating Margins After Interest	701,682	202,828	(156,010)	(1,001,281)	(299,865)	(106,550)
6. Other Margins & Deductions	1,775,929	1,356,373	1,190,612	1,204,517	109,943	109,943
7. Net Margins	2,477,611	1,559,201	1,034,602	203,236	(189,922)	3,393
8. Principle Payments	54,539	59,181	62,890	62,890	62,890	62,890
9. Times Interest Earned (Tier)	5.39	4.01	3.06	1.40	(2.09)	1.06
10. Debt Service Coverage (DSC)	7.32	6.07	5.34	3.88	10.93	12.49

SUPPORTING SCHEDULES:

- (a) E-2 (c) F-1
- (b) C-1

**DIXIE ESCALANTE REA INC.
SUMMARY OF CAPITAL STRUCTURE
TEST YEAR ENDED DECEMBER 31, 2011 - AZ ONLY**

**SCHEDULE A-3
PRO FORMA**

	PRIOR YEARS		TEST YEAR	YEAR
	12/31/2009	12/31/2010	12/31/2011	12/31/2012
	<u>(a)</u>	<u>(a)</u>	<u>(a)</u>	<u>(b)</u>
Short-Term Debt	-	-	-	-
Long-Term Debt	1,225,572	1,190,057	1,160,095	1,160,095
Total Debt	1,225,572	1,190,057	1,160,095	1,160,095
Margins And Equity	2,541,064	2,888,489	2,514,623	2,514,623
Total Capital	3,766,636	4,078,545	3,674,718	3,674,718
Capitalization Ratios: (%)				
Short-Term Debt	0.00%	0.00%	0.00%	0.00%
Long-Term Debt	32.54%	29.18%	31.57%	31.57%
Total Debt	32.54%	29.18%	31.57%	31.57%
Margins And Equity	67.46%	70.82%	68.43%	68.43%
	100.00%	100.00%	100.00%	100.00%
Weighted Cost Of				
Short-Term Debt	0.00%	0.00%	0.00%	0.00%
Weighted Cost Of				
Long-Term Debt	6.90%	7.13%	6.66%	6.26%

Debt & Equity allocated bases on total utility plant

SUPPORTING SCHEDULES:

- (a) E-1
- (b) D-1
- PLANT
- PLANT 10
- PLANT 09

**DIXIE ESCALANTE REA INC.
 CONSTRUCTION EXPENDITURES AND GROSS UTILITY PLANT IN SERVICE
 TEST YEAR ENDED DECEMBER 31, 2011 - AZ ONLY**

SCHEDULE A-4 AZ

<u>YEAR</u>	CONSTRUCTION EXPENDITURES	NET PLANT ADDITIONS	GROSS UTILITY PLANT IN SERVICE
Year Ended 12/31/03			3,806,162
Year Ended 12/31/04*		78,164	3,884,325
Year Ended 12/31/05*		383,642	4,267,967
Year Ended 12/31/06*		624,892	4,892,859
Year Ended 12/31/07*		245,319	5,138,178
Year Ended 12/31/08*		97,612	5,235,790
Year Ended 12/31/09		286,729	5,522,519
Year Ended 12/31/10		35,353	5,557,872
Year Ended 12/31/11		1,530,723	7,088,595
Year Ended 12/31/12	193,847		7,282,442
Year Ended 12/31/13	237,787		7,520,230
Year Ended 12/31/14	345,106		7,865,335
Year Ended 12/31/15	1,020,345		8,885,680
Year Ended 12/31/16	655,772		9,541,452

*Plant additions are allocated bases on 2009 electric plant in service (PLANT 09) for these years.

SUPPORT SCHEDULES:

F-3
 A-4
 PLANT
 PLANT 10
 PLANT 09

DIXIE ESCALANTE REA INC.
SUMMARY CHANGES IN FINANCIAL POSITION
- UT and AZ

SCHEDULE A-5

	PRIOR YEARS		TEST YEAR	TEST YEAR AS ADJ. PRESENT	PROJECTED
	12/31/2009	12/31/2010	12/31/2011	RATES	PROPOSED RATES
	(a)	(a)	(a)	(b)	(b)
CASH FLOWS					
FROM OPERATING ACTIVITIES:					
NET MARGINS	1,775,930	2,185,434	1,034,602	189,331	2,034,842
ADJUSTMENTS	-	-	-	-	-
DEPRECIATION & AMORTIZATION	1,429,185	1,487,459	1,631,468	1,631,468	1,631,468
GAIN ON DISPOSAL OF FIXED ASSETS	(15,259)	(33,342)	(27,169)	(27,169)	(27,169)
ACCRETION OF DEFERRED REVENUE	(774,752)	(822,348)	(869,966)	(869,966)	(869,966)
ACCRETION OF DERERED GAIN ON DEBT RESTRUCTURING	(20,031)	(20,031)	(20,031)	(20,031)	(20,031)
CHANGES IN ASSETS AND LIABILITIES:	-	-	-	-	-
(INCREASE)/DECREASE IN CFC INVESTMENT	(624,576)	(39,039)	(23,619)	(23,619)	(23,619)
(INCREASE)/DECREASE IN ACCOUNTS RECEIVABLE	2,381,740	638,851	(50,369)	(50,369)	(50,369)
(INCREASE)/DECREASE IN MATERIALS & SUPPLIES	389,521	607,264	(59,629)	(59,629)	(59,629)
(INCREASE)/DECREASE IN OTHER ASSETS	(3,145)	(6,999)	(1,365)	(1,365)	(1,365)
(INCREASE)/DECREASE IN NOTES RECEIVABLE	(17,018)	(47,225)	81,827	81,827	81,827
INCREASE/(DECREASE) IN ACCOUNTS PAYABLE	1,245,163	(730,756)	(616,983)	(616,983)	(616,983)
INCREASE/(DECREASE) IN CUSTOMER DEPOSITS	285,560	(133,686)	(7,824)	(7,824)	(7,824)
INCREASE/(DECREASE) IN ACCRUED EXPENSES	37,774	50,156	1,923	1,923	1,923
INCREASE/(DECREASE) IN ACCRUED PERSONAL LEAVE	42,780	(11,724)	47,158	47,158	47,158
INCREASE/(DECREASE) IN UNCLAIMED CAPITAL CREDITS	(26,728)	(7,376)	(17,962)	(17,962)	(17,962)
TOTAL FROM OPERATIONS	6,106,144	3,116,638	1,102,061	256,790	2,102,301
FROM INVESTING ACTIVITIES:					
CONSTRUCTION OF UTILITY PLANT	(5,276,956)	(7,228,297)	(5,002,924)	(5,002,924)	(5,002,924)
PURCHASE OF NON UTILITY PLANT PROPERTY	(29,000)	(17,454)	-	-	-
PROCEEDS FROM THE SALE OF FIXED ASSETS	62,027	88,489	43,484	43,484	43,484
INVESTMENTS IN JOINT PROJECTS	-	(651,785)	-	-	-
TOTAL FROM FINANCING	(5,243,929)	(7,809,047)	(4,959,440)	(4,959,440)	(4,959,440)
FROM FINANCING:					
PROCEEDS FROM NEW BORROWINGS	496,232	-	2,000,000	2,000,000	2,000,000
REPAYMENTS OF LONG-TERM DEBT	(3,470,313)	(498,159)	(529,378)	(529,378)	(529,378)
CUSTOMER ADVANCES OF IMPACT FEES	868,991	1,427,864	1,428,551	1,428,551	1,428,551
CUSTOMER ADVANCES FOR CONSTRUCTION	3,104,255	2,976,035	1,707,314	1,707,314	1,707,314
REFUND OF CUSTOMER ADVANCES	(53,782)	(77,236)	(456,239)	(456,239)	(456,239)
REFUND OF CAPITAL CREDITS	(402,752)	(279,148)	-	-	-
TOTAL FROM FINANCING	542,631	3,549,356	4,150,248	4,150,248	4,150,248
INCREASE (DECREASE) IN CASH EQUIVALENTS	1,404,846	(1,143,053)	292,869	(552,402)	1,293,109
BALANCE AT BEGINNING OF YEAR	891,545	2,296,391	1,148,903	1,148,903	1,148,903
BALANCE AT END OF YEAR	2,296,391	1,153,338	1,441,772	596,501	2,442,012

SUPPORT SCHEDULES:

- (a) E-3
- (b) F-2

**DIXIE ESCALANTE REA INC.
TEST YEAR ENDED DECEMBER 31, 2011 - AZ ONLY
SUMMARY OF ORIGINAL COST**

SCHEDULE B-1

	ORIGINAL COST RATE BASE
1. GROSS UTILITY PLANT IN SERVICE	7,088,595
2. LESS: ACCUMULATED DEPRECIATION	(2,122,835)
3. NET UTILITY PLANT IN SERVICE	4,965,760 (a)
4. CONSTRUCTION WORK IN PROGRESS	179,961
5. ALLOWANCE FOR WORKING CAPITAL	561,236 (b)
6. LESS: CUSTOMER DEPOSITS	49,053
7. LESS IMPACT FEES	435,703
8. TOTAL RATE BASE	5,222,201 (c)

SUPPORTING SCHEDULES:

(a) B-2 (b) B-5

RECAP SCHEDULES:

(c) A-1

**DIXIE ESCALANTE REA INC.
ORIGINAL COST RATE BASE
PRO FORMA ADJUSTMENTS
TEST YEAR ENDED DECEMBER 31, 2011 - AZ ONLY**

SCHEDULE B-2

	ACTUAL AT END OF TEST YEAR 12/31/11	PROFORMA ADJUSTMENTS	ADJUSTED END OF TEST YEAR 12/31/11
<u>TRANSMISSION:</u>			
GROSS PLANT	1,838,826	-	1,838,826
ACCUMULATED DEPRECIATION	408,115	-	408,115
NET PLANT	1,430,711	-	1,430,711
<u>DISTRIBUTION:</u>			
GROSS PLANT	3,553,521	-	3,553,521
ACCUMULATED DEPRECIATION	828,734	-	828,734
NET PLANT	2,724,787	-	2,724,787
<u>GENERAL & INTANGIBLE</u>			
GROSS PLANT	1,696,248	-	1,696,248
ACCUMULATED DEPRECIATION	885,986	-	885,986
NET PLANT	810,263	-	810,263
<u>TOTAL</u>			
GROSS PLANT	7,088,595	-	7,088,595
ACCUMULATED DEPRECIATION	2,122,835	-	2,122,835
NET PLANT	4,965,760	-	4,965,760
PLUS:			
CONSTRUCTION WORK IN PROGRESS	179,961	-	179,961
ALLOWANCE FOR WORKING CAPITAL	561,236	-	561,236
LESS: CUSTOMER DEPOSITS	49,053	-	49,053
LESS IMPACT FEES	435,703	-	435,703
TOTAL RATE BASE	5,222,201	-	5,222,201

RECAP SCHEDULES:

(b) B-1

**DIXIE ESCALANTE REA INC.
RCND RATE BASE PRO FORMA ADJUSTMENTS
TEST YEAR ENDED DECEMBER 31, 2011 - AZ ONLY**

SCHEDULE B-3

NOT APPLICABLE

**DIXIE ESCALANTE REA INC.
RCND RATE BASE BY MAJOR PLANT ACCOUNTS
TEST YEAR ENDED DECEMBER 31, 2011 - AZ ONLY**

SCHEDULE B-4

DIXIE ESCALANTE REA INC.
COMPUTATION OF WORKING CAPITAL
TEST YEAR ENDED DECEMBER 31, 2011 - AZ ONLY

SCHEDULE B-5 AZ

1. CASH WORKING CAPITAL	-
2. MATERIALS AND SUPPLIES INVENTORIES	558,080
3. PREPAYMENTS	3,156
4. INTANGIBLE RATE BASE	-
5. TOTAL WORKING CAPITAL ALLOWANCE	561,236

SUPPORT SCHEDULES:

B-5
PLANT

RECAP SCHEDULES:

(b) B-1

DIXIE ESCALANTE REA INC.
 ADJUSTED TEST YEAR INCOME STATEMENT
 TEST YEAR ENDED DECEMBER 31, 2011 - AZ ONLY

SCHEDULE C-1

	TEST YEAR 12/31/2011 (a)	PRO FORMA ADJUSTMENTS (b)	ADJUSTED TEST YEAR
REVENUES			
SALES OF ELECTRIC ENERGY	1,900,754		1,900,754
OTHER ELECTRIC REVENUE	14,817		14,817
	1,915,571		1,915,571
EXPENSES			
PURCHASED POWER	1,208,637	77,349	1,285,986
TRANSMISSION EXPENSE - O&M	13,586	-	13,586
DISTRIBUTION EXPENSE - OPERATIONS	169,255	-	169,255
DISTRIBUTION EXPENSE - MAINTENANCE	113,509	-	113,509
CONSUMER ACCOUNTS EXPENSE	127,469	-	127,469
ADMINISTRATIVE & GENERAL	212,087	12,000	224,087
DEPRECIATION & AMORTIZATION	167,166	-	167,166
TAX EXPENSE - PROPERTY	50,667	-	50,667
TAX EXPENSE - OTHER	-	-	-
INTEREST EXPENSE - OTHER	2,317	-	2,317
	2,064,693	89,349	2,154,042
OPERATING MARGINS	(149,122)	(89,349)	(238,471)
INTEREST EXPENSE - LTD	61,394	-	61,394
NON-OPERATING MARGINS			
INTEREST INCOME	20,640	-	20,640
OTHER NON-OPERATING INCOME	83,044	-	83,044
CAPITAL CREDITS	6,259	-	6,259
OTHER DEDUCTIONS	-	-	-
	109,943	-	109,943
NET MARGINS	(100,573)	(89,349)	(189,922)

SUPPORT SCHEDULES:

(a) E-2

(b) C-2

RECAP SCHEDULES:

(C) A-1

DIXIE ESCALANTE REA INC.
 INCOME STATEMENT PROFORMA ADJUSTMENTS
 TEST YEAR ENDED DECEMBER 31, 2011 - AZ ONLY

SCHEDULE C-2 AZ

DESCRIPTION	PROFORMA ADJUSTMENTS		TOTAL (a)
	A	B	
REVENUES			
SALES OF ELECTRIC ENERGY	-	-	-
OTHER ELECTRIC REVENUE	-	-	-
EXPENSES			
PURCHASED POWER	77,349	-	77,349
TRANSMISSION EXPENSE - O&M	-	-	-
DISTRIBUTION EXPENSE - OPERATIONS	-	-	-
DISTRIBUTION EXPENSE - MAINTENANCE	-	-	-
CONSUMER ACCOUNTS EXPENSE	-	-	-
ADMINISTRATIVE & GENERAL	-	12,000	12,000
DEPRECIATION & AMORTIZATION	-	-	-
TAX EXPENSE - PROPERTY	-	-	-
TAX EXPENSE - OTHER	-	-	-
INTEREST EXPENSE - OTHER	-	-	-
OPERATING MARGINS	77,349	12,000	89,349
INTEREST EXPENSE - LTD	(77,349)	(12,000)	(89,349)
NON-OPERATING MARGINS	-	-	-
INTEREST INCOME	-	-	-
OTHER NON-OPERATING INCOME	-	-	-
CAPITAL CREDITS	-	-	-
OTHER DEDUCTIONS	-	-	-
NET MARGINS	(77,349)	(12,000)	(89,349)

SUPPORTING SCHEDULES:
 A - TO ADD DESERET G&T RATE INCREASE (EFFECTIVE JANUARY 1st 2012)
 B - TO ADD RATE CASE EXPENSE
 Purchases
 ProForma Purchases

**DIXIE ESCALANTE REA INC.
GROSS REVENUE CONVERSION FACTOR
TEST YEAR ENDED DECEMBER 31, 2011 - AZ ONLY**

SCHEDULE C-3

NOT APPLICABLE

**DIXIE ESCALANTE REA INC.
SUMMARY COST OF CAPITAL
TEST YEAR ENDED DECEMBER 31, 2011 - AZ ONLY**

SCHEDULE D-1

INVESTED CAPITAL	END OF ACTUAL TEST YEAR			12/31/2011
	AMOUNT	%	COST RATE	COMPOSITE
	(b)			
LONG-TERM DEBT (a)	1,160,094	100.00%	4.75%	4.75%
SHORT-TERM DEBT (a)	-	0.00%	0.00%	0.00%
TOTAL	1,160,094	100.00%	4.75%	4.75%

INVESTED CAPITAL	END OF PRO FORMA YEAR			12/31/2012
	AMOUNT	%	COST RATE	COMPOSITE
	(b)			
LONG-TERM DEBT (a)	1,086,470	100.00%	3.77%	3.77%
SHORT-TERM DEBT (a)	-	0.00%	0.00%	0.00%
TOTAL	1,086,470	100.00%	3.77%	3.77%

SUPPORTING SCHEDULES:
(a) D-2 AZ

RECAP SCHEDULES:
(b) A-3

DIXIE ESCALANTE REA INC.
COST OF LONG-TERM AND SHORT-TERM DEBT
TEST YEAR ENDED DECEMBER 31, 2011 - AZ ONLY
SCHEDULE D-2

	END OF YEAR		12/31/2011		2011	
	OUTSTANDING INTEREST RATE (a)	WEIGHTED ANNUAL INTEREST RATE	OUTSTANDING INTEREST	WEIGHTED INTEREST RATE	Principle Pd	
LONG-TERM:						
NRUCFC 9001001	15,631	6.76%	1,057	6.20%	4,601	
NRUCFC 9002001	98,478	6.39%	6,289	6.20%	17,312	
NRUCFC 9004001	24,283	6.23%	1,513	6.20%	3,090	
NRUCFC 9005001	21,585	6.23%	1,345	6.20%	2,747	
NRUCFC 9008001	107,932	5.68%	6,136	6.25%	1,970	
NRUCFC 9008002	56,105	5.74%	3,221	5.90%	4,008	
NRUCFC 9008003	161,296	5.72%	9,218	5.90%	10,143	
NRUCFC 9008004	172,799	5.80%	10,015	6.00%	9,574	
NRUCFC 9008006	105,259	7.00%	7,371	7.25%	3,568	
NRUCFC 9008007	105,259	7.00%	7,371	7.25%	3,568	
NRUCFC 9008008	53,868	2.93%	1,579	3.20%	2,309	
NRUCFC 9010002	237,600	0.00%	0	2.95%	-	
TOTAL LONG-TERM DEBT	1,160,094	4.75%	55,116		62,890	
SHORT-TERM:						
COST RATE	0	0	0	0	0	
SUPPORTING SCHEDULES:						
(b) E-1						
RECAP SCHEDULES:						
(a) D-1						

Nature of Obligation	Date Issued	Date of Maturity	Principal Balance	Face Rate	Annual Interest
NRUCFC 9001001	05/05/80	01/03/15	15,631.32	6.20%	969.14
NRUCFC 9002001	10/16/96	10/16/16	98,477.57	6.20%	6,105.61
NRUCFC 9004001	03/04/98	03/04/18	24,282.92	6.20%	1,505.54
NRUCFC 9005001	03/04/98	03/04/18	21,584.74	6.20%	1,338.25
NRUCFC 9008001	07/17/00	05/31/35	107,931.66	6.25%	6,745.73
NRUCFC 9008002	12/28/01	11/30/21	56,105.12	5.90%	3,310.20
NRUCFC 9008003	12/17/02	11/30/22	161,295.60	5.90%	9,516.44
NRUCFC 9008004	12/31/03	11/30/23	172,799.46	6.00%	10,367.97
NRUCFC 9008006	05/31/07	05/31/27	105,259.02	7.25%	7,631.28
NRUCFC 9008007	05/31/07	05/31/27	105,259.14	7.25%	7,631.29
NRUCFC 9008008	02/28/09	02/28/29	53,868.48	3.20%	1,723.79
NRUCFC 9010002	11/30/11	11/30/31	237,599.66	2.95%	7,009.19
Total			1,160,094.59		63,854.43

BLENDING INTEREST RATE 5.50%

**DIXIE ESCALANTE REA INC.
COST OF PERFERRED STOCK
TEST YEAR ENDED DECEMBER 31, 2011 - AZ ONLY**

SCHEDULE D-3

NOT APPLICABLE

**DIXIE ESCALANTE REA INC.
COST OF COMMON STOCK
TEST YEAR ENDED DECEMBER 31, 2011 - AZ ONLY**

SCHEDULE D-4

NOT APPLICABLE

DIXIE ESCALANTE REA INC.
 COMPARATIVE BALANCE SHEET
 - UT and AZ

SCHEDULE E-1

	<u>TEST YEAR</u> <u>ENDED 12/31/11</u>	<u>PRIOR YEARS</u>	
		<u>ENDED 12/31/10</u>	<u>ENDED 12/31/09</u>
<u>ASSETS:</u>			
UTILITY PLANT IN SERVICE	57,374,547	53,842,555	51,464,806
CONSTRUCTION WORK IN PROGRESS	3,808,672	13,129,589	9,687,309
TOTAL UTILITY PLANT	61,183,219	66,972,144	61,152,115
ACCUMULATED DEPRECIATION	20,194,557	18,693,511	17,192,640
NET UTILITY PLANT	40,988,662	48,278,633	43,959,475
OTHER PROPERTY & INVESTMENTS	2,442,603	2,436,437	2,380,948
<u>CURRENT ASSETS:</u>			
CASH IN BANK/INVESTMENTS	1,441,773	1,148,903	2,296,391
INVESTMENTS ASSOC. ORG.	-	-	-
NOTES RECEIVABLE	3,431,881	3,513,708	3,466,483
ACCOUNTS RECEIVABLE	1,231,385	1,161,294	1,052,747
ACCOUNTS RECEIVABLE - Other	443,033	462,755	1,210,153
INTEREST & RENT RECEIVABLE	-	-	-
MATERIALS AND SUPPLIES	4,473,755	4,414,126	5,021,390
PREPAYMENTS	25,299		
OTHER CURRENT & ACCRUED ASSETS	9,385	33,319	25,315
	11,056,511	10,734,105	13,072,478
OTHER ASSETS - DEFERRED DEBITS	617,901	651,785	-
	55,105,676	62,100,960	59,412,901
<u>LIABILITIES AND EQUITY:</u>			
MEMBERSHIPS	8,595	8,595	8,595
PATRONAGE CAPITAL	10,261,478	8,080,479	7,660,066
OPERATING MARGINS - PRIOR YEARS	-	-	-
OPERATING MARGINS - CURRENT YEAR	(169,915)	1,027,453	699,561
NON OPERATING MARGINS	10,276,265	10,225,293	9,071,748
OTHER EQUITIES	790,472	790,472	790,472
TOTAL EQUITY	21,166,895	20,132,293	18,230,441
LONG-TERM DEBT	9,765,122	8,294,500	8,792,659
<u>CURRENT LIABILITIES:</u>			
ACCOUNTS PAYABLE - PURCHASED POWER	2,056,480	2,673,463	3,404,219
CONSUMER DEPOSITS	361,566	369,390	503,076
OTHER CURRENT AND ACCRUED LIABILITIES	1,137,402	1,088,321	1,049,889
	3,555,448	4,131,174	4,957,184
<u>OTHER LIABILITIES:</u>			
DEFERRED CREDITS	20,618,211	29,542,993	27,432,618
	20,618,211	29,542,993	27,432,618
	55,105,676	62,100,960	59,412,901

SUPPORT SCHEDULES:

RECAP SCHEDULES:

(b) A-3

(c) B-5

**DIXIE ESCALANTE REA INC.
COMPARATIVE INCOME STATEMENT
TEST YEAR ENDED DECEMBER 31, 2011 - AZ ONLY**

SCHEDULE E-2

	TEST YEAR	PRIOR YEARS	
	<u>12/31/2011</u>	<u>12/31/2010</u>	<u>12/31/2009</u>
REVENUES:			
SALES OF ELECTRIC ENERGY	1,900,754	1,897,107	1,895,823
OTHER ELECTRIC REVENUE	14,817	15,626	19,438
	<u>1,915,571</u>	<u>1,912,733</u>	<u>1,915,261 (a)</u>
EXPENSES:			
PURCHASED POWER	1,208,637	1,181,769	1,161,720
TRANSMISSION EXPENSE	13,586	316	3,756
DISTRIBUTION EXP. - OPER.	169,255	167,311	174,122
DISTRIBUTION EXP. - MAINT.	113,509	91,234	106,926
CONSUMER ACCOUNTS EXP.	127,469	124,208	120,823
ADMIN. & GENERAL	212,087	205,560	220,194
DEPRECIATION & AMORT.	167,166	126,459	128,250
TAXES - PROPERTY	50,667	36,366	33,173
TAXES - OTHER	-	-	-
INTEREST EXPENSE - OTHER	2,317	3,317	1,307
	<u>2,064,693</u>	<u>1,936,539</u>	<u>1,950,272 (a)</u>
OPERATING MARGINS	<u>(149,122)</u>	<u>(23,806)</u>	<u>(35,010) (a)</u>
INTEREST EXPENSE - LTD	61,394	-	70,896 (a)
NON-OPERATING MARGINS:			
INTEREST INCOME	20,640	21,298	20,015
OTHER NON-OPERATING INCOME	83,044	75,942	72,233
CAPITAL CREDITS	6,259	8,006	6,805
OTHER DEDUCTIONS	-	62,197	-
	<u>109,943</u>	<u>43,048</u>	<u>99,053 (a)</u>
NET MARGINS	<u>(100,573)</u>	<u>19,243</u>	<u>(6,854) (a)</u>
	<u>(311,088)</u>	<u>(4,563)</u>	<u>(112,760)</u>

SUPPORT SCHEDULES:

C1
CONS 10
CONS 09
EXPENSES 10
EXPENSES 09

RECAP SCHEDULES:

(a) A-2

**GRAHAM COUNTY ELECTRIC COOPERATIVE, INC.
COMPARATIVE STATEMENT OF CASH FLOWS
TEST YEAR ENDED DECEMBER 31, 2011 - UT and AZ**

SCHEDULE E-3

	TEST YEAR ENDED 12/31/11	PRIOR YEAR ENDED 12/31/10	PRIOR YEAR ENDED 12/31/09
CASH FLOWS			
FROM OPERATING ACTIVITIES:			
NET MARGINS	1,034,602	2,185,434	1,775,930
ADJUSTMENTS			
DEPRECIATION & AMORTIZATION	1,631,468	1,487,459	1,429,185
GAIN ON DISPOSAL OF FIXED ASSETS	(27,169)	(33,342)	(15,259)
ACCRETION OF DEFERRED REVENUE	(869,966)	(822,348)	(774,752)
ACCRETION OF DERERED GAIN ON DEBT RESTRUCTURING	(20,031)	(20,031)	(20,031)
CHANGES IN ASSETS AND LIABILITIES:			
(INCREASE)/DECREASE IN CFC INVESTMENT	(23,619)	(39,039)	(624,576)
(INCREASE)/DECREASE IN ACCOUNTS RECEIVABLE	(50,369)	638,851	2,381,740
(INCREASE)/DECREASE IN MATERIALS & SUPPLIES	(59,629)	607,264	389,521
(INCREASE)/DECREASE IN OTHER ASSETS	(1,365)	(6,999)	(3,145)
(INCREASE)/DECREASE IN NOTES RECEIVABLE	81,827	(47,225)	(17,018)
INCREASE/(DECREASE) IN ACCOUNTS PAYABLE	(616,983)	(730,756)	1,245,163
INCREASE/(DECREASE) IN CUSTOMER DEPOSITS	(7,824)	(133,686)	285,560
INCREASE/(DECREASE) IN ACCRUED EXPENSES	1,923	50,156	37,774
INCREASE/(DECREASE) IN ACCRUED PERSONAL LEAVE	47,158	(11,724)	42,780
INCREASE/(DECREASE) IN UNCLAIMED CAPITAL CREDITS	(17,962)	(7,376)	(26,728)
TOTAL FROM OPERATIONS	1,102,061	3,116,638	6,106,144
FROM INVESTING ACTIVITIES:			
CONSTRUCTION OF UTILITY PLANT	(5,002,924)	(7,228,297)	(5,276,956)
PURCHASE OF NON UTILITY PLANT PROPERTY	-	(17,454)	(29,000)
PROCEEDS FROM THE SALE OF FIXED ASSETS	43,484	88,489	62,027
INVESTMENTS IN JOINT PROJECTS	-	(651,785)	-
TOTAL FROM FINANCING	(4,959,440)	(7,809,047)	(5,243,929)
FROM FINANCING:			
PROCEEDS FROM NEW BORROWINGS	2,000,000	-	496,232
REPAYMENTS OF LONG-TERM DEBT	(529,378)	(498,159)	(3,470,313)
CUSTOMER ADVANCES OF IMPACT FEES	1,428,551	1,427,864	868,991
CUSTOMER ADVANCES FOR CONSTRUCTION	1,707,314	2,976,035	3,104,255
REFUND OF CUSTOMER ADVANCES	(456,239)	(77,236)	(53,782)
REFUND OF CAPITAL CREDITS	-	(279,148)	(402,752)
TOTAL FROM FINANCING	4,150,248	3,549,356	542,631
INCREASE (DECREASE) IN CASH EQUIVALENTS	292,869	(1,143,053)	1,404,846
BALANCE AT BEGINNING OF YEAR	1,148,903	2,296,391	891,545
BALANCE AT END OF YEAR	1,441,772	1,153,338	2,296,391

RECAP SCHEDULES:

A-5

DIXIE ESCALANTE REA INC.
STATEMENT OF CHANGE IN MEMBERS EQUITY **SCHEDULE E-4**
TEST YEAR ENDED DECEMBER 31, 2011 - UT and AZ

	<u>TOTAL MARGINS AND EQUITIES</u>
BALANCE DECEMBER 31, 2007	15,631,488
NET EARNINGS (LOSS)	1,171,328
CHANGE IN PATRONAGE CAPITAL	54,447
 BALANCE DECEMBER 31, 2008	 16,857,264
NET EARNINGS (LOSS)	1,193,238
CHANGE IN PATRONAGE CAPITAL	179,939
 BALANCE DECEMBER 31, 2009	 18,230,441
NET EARNINGS (LOSS)	1,481,438
CHANGE IN PATRONAGE CAPITAL	420,413
 BALANCE DECEMBER 31, 2010	 20,132,293
NET EARNINGS (LOSS)	(1,146,396.8)
CHANGE IN PATRONAGE CAPITAL	2,180,998.8
 BALANCE DECEMBER 31, 2011	 21,166,895

SUPPORT SCHEDULES:

- (a) E-1
- (b) E-2

RECAP SCHEDULES:

DIXIE ESCALANTE REA INC.
 DETAIL OF UTILITY PLANT
 TEST YEAR ENDED DECEMBER 31, 2011 - AZ ONLY

SCHEDULE E-5
 Page 1 of 1

	G/L BALANCE PRIOR YEAR		END OF TEST YEAR	
	<u>12/31/2010</u>	<u>NET ADDITIONS</u>	<u>12/31/2011</u>	
Transmission Plant				
350 Land & Land Rights	\$ 13,665	\$ -	\$ 13,665	
353 Station Equipment	-	515,817	515,817	
354 Towers & Fixtures	-	5,047	5,047	
355 Poles & Fixtures	306,094	62,449	368,544	
356 Overhead Conductor & Devices	507,664	428,089	935,753	
Totals	\$ 827,423	\$ 1,011,402	\$ 1,838,826	
Distribution Plant				
360 Land & Land Rights	\$ 3,883	\$ -	\$ 3,883	
362 Station Equipment	805,236	83,035	888,272	
364 Poles, Towers & Fixtures	504,993	9,701	514,694	
365 Overhead Conductor & Devices	485,413	2,747	488,160	
366 Underground Conduit	11,676	267	11,942	
367 Underground Conductor & Devices	378,153	5,019	383,172	
368 Line Transformers	509,623	79,118	588,741	
369 Services	186,694	(4,266)	182,428	
370 Meters	409,342	3,007	412,349	
371 Security Lights	39,146	-	39,146	
373 Street Lighting	37,634	3,101	40,735	
Totals	\$ 3,371,792	\$ 181,729	\$ 3,553,521	
General Plant				
389 Land & Land Rights	\$ 49,901	\$ 9,788	\$ 59,689	
390 Structures & Improvements	384,267	76,050	460,317	
391 Office Furniture & Equipment	139,229	59,360	198,589	
392 Transportation Equipment	456,308	122,058	578,366	
393 Stores Equipment	2,338	459	2,796	
394 Tools, Shop & Garage Equipment	51,674	13,060	64,734	
395 Laboratory Equipment	27,430	5,380	32,810	
396 Power Operated Equipment	122,595	23,974	146,569	
397 Communication Equipment	120,885	26,550	147,435	
398 Miscellaneous Equipment	4,029	914	4,943	
Totals	\$ 1,358,657	\$ 337,592	\$ 1,696,248	
Total Utility Plant in Service	\$ 5,557,872	\$ 1,530,723	\$ 7,088,595	
Other Utility Plant				
107 CWIP	\$ 4,050,983	\$(3,887,755)	\$ 163,228	
107 Projects to be Reclassified	-	\$ 16,733	\$ 16,733	
108 Temporary Services	-	-	-	
Totals	\$ 4,050,983	\$(3,871,022)	\$ 179,961	
TOTAL UTILITY PLANT	\$ 9,608,855	\$(2,340,299)	\$ 7,268,556	

SUPPORTING SCHEDULES:
 PLANT
 PLANT 10

RECAP SCHEDULES:
 A-4 E-1

**DIXIE ESCALANTE REA INC.
COMPARITIVE DEPARTMENTAL OPERATING STATEMENTS
TEST YEAR ENDED DECEMBER 31, 2011 - AZ ONLY**

SCHEDULE E-6

NOT APPLICABLE

DIXIE ESCALANTE REA INC.
 OPERATING STATISTICS
 TEST YEAR ENDED DECEMBER 31, 2011 - UT and AZ

SCHEDULE E-7

<u>ELECTRIC STATISTICS (a)</u>	<u>TEST YEAR ENDED 12/31/11</u>	<u>PRIOR YEAR ENDED 12/31/10</u>	<u>PRIOR YEAR ENDED 12/31/2009</u>
<u>KWH SALES</u>			
RESIDENTIAL	214,650,560	210,967,566	207,009,157
IRRIGATION	27,045,524	30,076,459	31,622,834
COMMERCIAL - SMALL	92,838,705	92,859,809	93,987,402
COMMERCIAL - LARGE	36,858,868	37,168,377	37,041,636
STREET LIGHTS	1,770,273	1,577,141	1,333,937
TOTALS	373,163,930	372,649,352	370,994,966
<u>AVERAGE NUMBER OF CUSTOMERS</u>			
RESIDENTIAL	13,326	12,861	12,457
IRRIGATION	199	199	200
COMMERCIAL - SMALL	1,564	1,547	1,565
COMMERCIAL - LARGE	2	2	2
STREET LIGHTS	122	113	105
TOTALS	15,213	14,722	14,329
<u>AVERAGE KWH USE</u>			
RESIDENTIAL	16,618	16,404	16,618
IRRIGATION	158,114	151,138	158,114
COMMERCIAL - SMALL	60,056	60,026	60,056
COMMERCIAL - LARGE	18,520,818	18,584,189	18,520,818
STREET LIGHTS	12,704	13,957	12,704
TOTALS	18,768,310	18,825,713	18,768,310
TOTAL RESIDENTIAL REVENUE	11,868,437	11,627,350	11,390,207
AVERAGE ANNUAL REVENUE PER RESIDENTIAL CUSTOMER	953	904	914
AVERAGE REVENUE PER KWH - RESIDENTIAL	0.0573	0.0551	0.0550

SUPPORTING SCHEDULES:

(a) RUS FORM 7 FOR RESPECTIVE YEARS

DIXIE ESCALANTE REA INC.
TAXES CHARGES TO OPERATIONS
TEST YEAR ENDED DECEMBER 31, 2011 - AZ ONLY

SCHEDULE E-8

	<u>12/31/2011</u>	<u>12/31/2010</u>	<u>12/31/2009</u>
PAYROLL & OTHER	-	-	-
PROPERTY	50,667	36,366	33,173
TOTAL TAXES	50,667	36,366	33,173

**DIXIE ESCALANTE REA INC.
NOTES TO FINANCIAL STATEMENTS
TEST YEAR ENDED DECEMBER 31, 2011 - UT and AZ**

SCHEDULE E-9

SEE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

DIXIE ESCALANTE REA INC.
PROJECTED INCOME STATEMENTS
PRESENT AND PROPOSED RATES
TEST YEAR ENDED DECEMBER 31, 2011 - AZ ONLY

SCHEDULE F-1

	TEST YEAR	PROJECTED YEAR ENDED 12/31/2011	
	ENDED 12/31/2011	PRESENT	PROPOSED
	<u>(a)</u>	<u>(b)</u>	<u>(b)</u>
REVENUES:			
SALES OF ELECTRIC ENERGY	1,900,754	1,900,754	2,094,069
OTHER ELECTRIC REVENUE	14,817	14,817	14,817
	1,915,571	1,915,571	2,108,887
EXPENSES:			
PURCHASED POWER	1,208,637	1,285,986	1,285,986
TRANSMISSION EXPENSE	13,586	13,586	13,586
DISTRIBUTION EXP. - OPER.	169,255	169,255	169,255
DISTRIBUTION EXP. - MAINT.	113,509	113,509	113,509
CONSUMER ACCOUNTS EXP.	127,469	127,469	127,469
ADMIN. & GENERAL	212,087	224,087	224,087
DEPRECIATION & AMORT.	167,166	167,166	167,166
TAXES - PROPERTY	50,667	50,667	50,667
TAXES - OTHER	-	-	-
INTEREST EXPENSE - OTHER	2,317	2,317	2,317
	2,064,693	2,154,042	2,154,042
OPERATING MARGINS	(149,122)	(238,471)	(45,156)
INTEREST EXPENSE - LTD	61,394	61,394	61,394
NON-OPERATING MARGINS:			
INTEREST INCOME	20,640	20,640	20,640
OTHER NON-OPERATING INCOME	83,044	83,044	83,044
CAPITAL CREDITS	6,259	6,259	6,259
OTHER DEDUCTIONS	-	62,197	-
	109,943	109,943	109,943
NET MARGINS	(100,573)	(189,922)	3,393

SUPPORTING SCHEDULES:

(a) E-2

RECAP SCHEDULES:

(b) A-2

DIXIE ESCALANTE REA INC.
 PROJECTED CHANGES IN CASH FLOWS
 - UT and AZ

SCHEDULE F-2

	PROJECTED YEAR		
	AT PRESENT	AT PROPOSED	
	RATES	RATES	
TEST YEAR	YEAR ENDED	YEAR ENDED	
ENDED 12/31/11	12/31/2011	12/31/2011	
CASH FLOWS			
FROM OPERATING ACTIVITIES:			
NET MARGINS	1,034,602	189,331	2,034,842
ADJUSTMENTS		-	-
DEPRECIATION & AMORTIZATION	1,631,468	1,631,468	1,631,468
GAIN ON DISPOSAL OF FIXED ASSETS	(27,169)	(27,169)	(27,169)
ACCRETION OF DEFERRED REVENUE	(869,966)	(869,966)	(869,966)
ACCRETION OF DERERED GAIN ON DEBT RESTRUCTURING	(20,031)	(20,031)	(20,031)
CHANGES IN ASSETS AND LIABILITIES:		-	-
(INCREASE)/DECREASE IN CFC INVESTMENT	(23,619)	(23,619)	(23,619)
(INCREASE)/DECREASE IN ACCOUNTS RECEIVABLE	(50,369)	(50,369)	(50,369)
(INCREASE)/DECREASE IN MATERIALS & SUPPLIES	(59,629)	(59,629)	(59,629)
(INCREASE)/DECREASE IN OTHER ASSETS	(1,365)	(1,365)	(1,365)
(INCREASE)/DECREASE IN NOTES RECEIVABLE	81,827	81,827	81,827
INCREASE/(DECREASE) IN ACCOUNTS PAYABLE	(616,983)	(616,983)	(616,983)
INCREASE/(DECREASE) IN CUSTOMER DEPOSITS	(7,824)	(7,824)	(7,824)
INCREASE/(DECREASE) IN ACCRUED EXPENSES	1,923	1,923	1,923
INCREASE/(DECREASE) IN ACCRUED PERSONAL LEAVE	47,158	47,158	47,158
INCREASE/(DECREASE) IN UNCLAIMED CAPITAL CREDITS	(17,962)	(17,962)	(17,962)
TOTAL FROM OPERATIONS	1,102,061	256,790	2,102,301
FROM INVESTING ACTIVITIES:			
CONSTRUCTION OF UTILITY PLANT	(5,002,924)	(5,002,924)	(5,002,924)
PURCHASE OF NON UTILITY PLANT PROPERTY	-	-	-
PROCEEDS FROM THE SALE OF FIXED ASSETS	43,484	43,484	43,484
INVESTMENTS IN JOINT PROJECTS	-	-	-
TOTAL FROM FINANCING	(4,959,440)	(4,959,440)	(4,959,440)
FROM FINANCING:			
PROCEEDS FROM NEW BORROWINGS	2,000,000	2,000,000	2,000,000
REPAYMENTS OF LONG-TERM DEBT	(529,378)	(529,378)	(529,378)
CUSTOMER ADVANCES OF IMPACT FEES	1,428,551	1,428,551	1,428,551
CUSTOMER ADVANCES FOR CONSTRUCTION	1,707,314	1,707,314	1,707,314
REFUND OF CUSTOMER ADVANCES	(456,239)	(456,239)	(456,239)
REFUND OF CAPITAL CREDITS	-	-	-
TOTAL FROM FINANCING	4,150,248	4,150,248	4,150,248
INCREASE (DECREASE) IN CASH EQUIVALENTS	292,869	(552,402)	1,293,109
BALANCE AT BEGINNING OF YEAR	1,148,903	1,148,903	1,148,903
BALANCE AT END OF YEAR	1,441,772	596,501	2,442,012

DIXIE ESCALANTE REA INC.
PROJECTED CONSTRUCTION REQUIREMENTS
TEST YEAR ENDED DECEMBER 31, 2011 - AZ ONLY

SCHEDULE F-3

	ACTUAL TEST YEAR ENDED YEAR ENDED	PROJECTED YEAR ENDED	PROJECTED YEAR ENDED	PROJECTED YEAR ENDED	PROJECTED YEAR ENDED	PROJECTED YEAR ENDED
PROPERTY CLASSIFICATION:	<u>12/31/11</u>	<u>12/31/12</u>	<u>12/31/13</u>	<u>12/31/14</u>	<u>12/31/15</u>	<u>12/31/16</u>
TRANSMISSION PLANT	1,011,402	19,000	56,703	139,072	200,000	52,213
DISTRIBUTION PLANT	181,729	100,000	100,000	100,000	714,311	510,000
GENERAL PLANT	337,592	74,847	81,084	106,034	106,034	93,559
TOTAL PLANT (a)	1,530,723	193,847	237,787	345,106	1,020,345	655,772

SUPPORTING SCHEDULES:

RECAP SCHEDULES:

(a) F-2 & A-4

**DIXIE ESCALANTE REA INC.
ASSUMPTIONS USED IN DEVELOPING PROJECTIONS
- UT and AZ**

SCHEDULE F-4

PURCHASED POWER - See the Purchases worksheets for details

Schedule A

DEMAND	6.518 PER KW
ENERGY	0.015 PER KWh

Schedule A with 2012 Rate increase

DEMAND	7.039 PER KW
SYSTEM CONTROL & DISPATCH	0.01620 PER KW

DEPRECIATION RATES

TRANSMISSION PLANT	2.75%
DISTRIBUTION PLANT	2.87%
CONSTRUCTION EXPENDITURES - SCHEDULE F-3	

DIXIE ESCALANTE REA INC.
 COST OF SERVICE SUMMARY - PRESENT RATES
 FULLY DISTRIBUTED EMBEDDED COST OF SERVICE STUDY - ARIZONA
 TEST YEAR ENDED DECEMBER 31, 2011

Schedule G-1

	ARIZONA TOTAL	Residential	SC Sm Comm	GS Gen Service	Lg Comm	IR Irrigation	IR I Irrig+Interrupt	Off Peak	Area Lights	SC + GS	IR + IR I
REVENUES-Sales	1,900,754	1,370,675	254,608	3,765	178,803	71,451	1,563	1,806	18,082	258,373	73,014
Other Operating Revenues	14,817	12,822	1,798	10	43	67	10	7	60	1,808	77
TOTAL OPERATING REVENUES	1,915,571	1,383,498	256,406	3,775	178,846	71,518	1,573	1,812	18,143	260,181	73,091
TOTAL OPERATING EXPENSES	2,154,042	1,579,500	286,262	2,883	198,635	66,782	3,344	1,064	15,571	289,146	70,126
NET OPERATING INCOME	(238,470)	(196,003)	(29,856)	892	(19,789)	4,737	(1,771)	749	2,571	(28,965)	2,966
TOTAL RATE BASE	5,222,201	3,615,120	708,399	7,130	613,629	172,290	11,780	1,918	91,936	715,529	184,070
% RETURN ON RATE BASE	-4.57%	-5.42%	-4.21%	12.51%	-3.22%	2.75%	-15.03%	39.03%	2.80%	-4.05%	1.61%
Cost of Service with Target ROR= RETURN (\$)	7.50%										
EXPENSES	391,665	271,134	53,130	535	46,022	12,922	883	144	6,895	53,665	13,805
LESS REVENUE CREDITS	2,154,042	1,579,500	286,262	2,883	198,635	66,782	3,344	1,064	15,571	289,146	70,126
TOTAL COST OF SERVICE	14,817	12,822	1,798	10	43	67	10	7	60	1,808	77
	2,530,889	1,837,812	337,594	3,408	244,614	79,636	4,218	1,201	22,406	341,002	83,854
TOTAL SALES REVENUES	1,900,754	1,370,675	254,608	3,765	178,803	71,451	1,563	1,806	18,082	258,373	73,014
DEFICIT	630,135	467,137	82,986	(357)	65,811	8,185	2,654	(605)	4,324	82,629	10,840
% RATE INCREASE FOR EQ ROR	33.15%	34.08%	32.59%	-9.49%	36.81%	11.46%	169.81%	-33.49%	23.91%	31.88%	14.85%

DIXIE ESCALANTE REA INC.
 FULLY DISTRIBUTED EMBEDDED COST OF SERVICE STUDY - ARIZONA
 TEST YEAR ENDED DECEMBER 31, 2011

Schedule G-2

	ARIZONA										
	TOTAL	Residential	Sm Comm	GS	Lg Comm	IR	IR I	Off Peak	Area Lights	SC + GS	IR + IR I
REVENUES-Sales	2,094,089	1,520,354	279,055	3,083	190,911	79,414	1,871	1,382	18,000	282,138	81,285
Other Operating Revenues	14,817	12,822	1,798	10	43	67	10	7	60	1,808	77
TOTAL OPERATING REVENUES	2,108,887	1,533,176	280,853	3,093	190,954	79,481	1,881	1,389	18,060	283,946	81,361
TOTAL OPERATING EXPENSES	2,154,042	1,579,500	286,262	2,883	198,635	66,782	3,344	1,064	15,571	289,146	70,126
NET OPERATING INCOME	(45,155)	(46,324)	(5,410)	210	(7,681)	12,699	(1,463)	325	2,489	(5,200)	11,236
TOTAL RATE BASE	5,222,201	3,615,120	708,399	7,130	613,629	172,290	11,780	1,918	91,936	715,529	184,070
% RETURN ON RATE BASE	-0.86%	-1.28%	-0.76%	2.94%	-1.25%	7.37%	-12.42%	16.93%	2.71%	-0.73%	6.10%
Cost of Service with Target ROR=	7.50%										
RETURN (\$)	391,665	271,134	53,130	535	46,022	12,922	883	144	6,895	53,665	13,805
EXPENSES	2,154,042	1,579,500	286,262	2,883	198,635	66,782	3,344	1,064	15,571	289,146	70,126
LESS REVENUE CREDITS	14,817	12,822	1,798	10	43	67	10	7	60	1,808	77
TOTAL COST OF SERVICE	2,530,889	1,837,812	337,594	3,408	244,614	79,636	4,218	1,201	22,406	341,002	83,854
TOTAL SALES REVENUES	2,094,089	1,520,354	279,055	3,083	190,911	79,414	1,871	1,382	18,000	282,138	81,285
DEFICIT	436,820	317,458	58,540	325	53,703	223	2,347	(181)	4,406	58,865	2,569
% RATE INCREASE FOR EQ ROR	20.86%	20.88%	20.98%	10.54%	28.13%	0.28%	125.43%	-13.08%	24.48%	20.86%	3.16%

DIXIE ESCALANTE REA INC.
 RATE BASE CLASSIFICATION
 COST OF SERVICE STUDY - ARIZONA
 TEST YEAR ENDED DECEMBER 31, 2011

	CF	TOTAL **	DEM-CP	DEM-PRI	DEM-SEC	ENERGY	CUST-PLT-M	CUST-SER	CUST-PLT-S	DIR-Deposits	DIR-Lighting	DIR-Impact
INTANGIBLE PLANT		0										
TRANSMISSION PLANT	1	1,838,826	1,838,826	-	-	-	-	-	-	-	-	-
DISTRIBUTION PLANT												
360-Land	2	3,883	-	3,883	-	-	-	-	-	-	-	-
362-Station equipment	2	888,272	-	888,272	-	-	-	-	-	-	-	-
364-Poles,towers & fixtures	2	514,694	-	514,694	-	-	-	-	-	-	-	-
365-Overhead conductors	2	488,160	-	488,160	-	-	-	-	-	-	-	-
366-Undergrd conduit	2	11,942	-	11,942	-	-	-	-	-	-	-	-
367-Undergrd conductors	2	383,172	-	383,172	-	-	-	-	-	-	-	-
368-Line transformers	11	588,741	-	-	412,119	-	-	-	176,622	-	-	-
369-Services	7	182,428	-	-	-	-	-	-	182,428	-	-	-
370-Meters	5	412,349	-	-	-	-	412,349	-	-	-	-	-
371-Install on cust premises	9	39,146	-	-	-	-	-	-	-	-	39,146	-
373-St Lighting	9	40,735	-	-	-	-	-	-	-	-	40,735	-
Total Distribution Plant	9	3,553,521	-	2,290,122	412,119	-	412,349	-	359,051	-	79,880	-
GENERAL PLANT	13	1,696,248	578,432	720,394	129,638	-	129,711	-	112,945	-	25,128	-
TOTAL PLANT IN SERVICE		7,088,595	2,417,257	3,010,517	541,757	-	542,060	-	471,996	-	105,008	-
CWIP - Transmission	16	70,447	70,447	-	-	-	-	-	-	-	-	-
CWIP - Distribution	12	30,461	-	19,631	3,533	-	3,535	-	3,078	-	685	-
CWIP - General	17	79,053	26,957	33,574	6,042	-	6,045	-	5,264	-	1,171	-
Subtotal CWIP		179,961	97,405	53,205	9,574	-	9,580	-	8,342	-	1,856	-
Materials & Supplies	13	558,080	190,309	237,016	42,652	-	42,676	-	37,160	-	8,267	-
Prepayments	13	3,156	1,076	1,340	241	-	241	-	210	-	47	-
Cash Working Capital		-	-	-	-	-	-	-	-	-	-	-
Subtotal		741,197	288,790	291,561	52,468	-	52,497	-	45,712	-	10,170	-
LESS Accumulated deprec & amort												
Transmission	16	408,115	408,115	-	-	-	-	-	-	-	-	-
Distribution	12	828,734	-	534,091	96,112	-	96,166	-	83,736	-	18,629	-
General	17	885,986	302,127	376,277	67,713	-	67,751	-	58,994	-	13,125	-
Intangible-Amortization	13	-	-	-	-	-	-	-	-	-	-	-
Subtotal		2,122,835	710,242	910,368	163,825	-	163,917	-	142,730	-	31,754	-
LESS Cust impact fees	10	435,703	-	-	-	-	-	-	-	-	-	435,703
LESS Cust deposits	8	49,053	-	-	-	-	-	-	-	49,053	-	-
TOTAL RATE BASE		5,222,201	1,995,806	2,391,709	430,400	-	430,641	-	374,978	(49,053)	83,424	(435,703)

DIXIE ESCALANTE REA INC.
EXPENSE CLASSIFICATION
COST OF SERVICE STUDY - ARIZONA
TEST YEAR ENDED DECEMBER 31, 2011

	CF	TOTAL **	DEM-CP	DEM-PRI	DEM-SEC	ENERGY	CUST-PLT-M	CUST-SER	CUST-PLT-S	DIR-Deposits	DIR-Lighting	DIR-Impact
POWER PRODUCTION												
555-Purchased Power-Demand	1	727,326	727,326	-	-	-	-	-	-	-	-	-
555-Purchased Power-Energy	4	557,577	-	-	-	557,577	-	-	-	-	-	-
555-Purchased Power-Other	14	1,008	571	-	-	437	-	-	-	-	-	-
557-Other power supply	14	75	43	-	-	33	-	-	-	-	-	-
Subtotal		1,285,986	727,939	-	-	558,047	-	-	-	-	-	-
TRANSMISSION O&M	16	13,586	13,586	-	-	-	-	-	-	-	-	-
DISTRIBUTION OPER												
580-Supervision	12	18,496	-	11,920	2,145	-	2,146	-	1,869	-	416	-
581-Load dispatching	12	1,764	-	1,150	207	-	207	-	180	-	40	-
582-Station	2	8,014	-	8,014	-	-	-	-	-	-	-	-
583-Overhead lines	2	41,606	-	41,606	-	-	-	-	-	-	-	-
584-Undergrd lines	2	4,469	-	4,469	-	-	-	-	-	-	-	-
585-Street Lights	9	8	-	-	-	-	-	-	-	-	8	-
586-Meters	5	38,749	-	-	-	-	38,749	-	-	-	-	-
587-Cust installations	6	18,782	-	-	-	-	-	18,782	-	-	-	-
588-Misc	12	37,287	-	24,030	4,324	-	4,327	-	3,768	-	838	-
589-Rents	12	60	-	39	7	-	7	-	6	-	1	-
Subtotal		169,255	-	91,228	6,683	-	45,436	18,782	5,823	-	1,304	-
DISTRIBUTION MAINT												
590-Maint suprv & engrt	12	-	-	-	-	-	-	-	-	-	-	-
592-Station equipment	2	5,459	-	5,459	-	-	-	-	-	-	-	-
593-Overhead lines	2	51,323	-	51,323	-	-	-	-	-	-	-	-
594-Undergrd lines	2	11,183	-	11,183	-	-	-	-	-	-	-	-
595-Line transformers	18	25,336	-	-	17,735	-	-	-	7,601	-	-	-
596-Maint of St Lights	9	3,919	-	-	-	-	16,290	-	-	-	3,919	-
597-Meters	5	16,290	-	-	-	-	16,290	-	-	-	-	-
598-Misc	12	-	-	-	-	-	-	-	-	-	-	-
Subtotal		113,509	-	67,964	17,735	-	16,290	-	7,601	-	3,919	-
CUSTOMER EXPENSES												
901-Supervision-accts	6	7,280	-	-	-	-	-	7,280	-	-	-	-
902-Meter reading	6	90,531	-	-	-	-	-	90,531	-	-	-	-
903-Records & collection	8	3,673	-	-	-	-	-	3,673	-	3,673	-	-
904-Uncollectibles	6	7,780	-	-	-	-	-	7,780	-	-	-	-
908-Cust assistance	6	3,878	-	-	-	-	-	3,878	-	-	-	-
909-Info & instruc advertising	6	-	-	-	-	-	-	-	-	-	-	-
910-Misc cust svc & info	6	-	-	-	-	-	-	-	-	-	-	-
912-1-Demonstrating & selling	6	14,327	-	-	-	-	-	14,327	-	-	-	-
912-2-Rebate expense	1	-	-	-	-	-	-	-	-	-	-	-
Subtotal		127,469	-	-	-	-	-	123,796	-	3,673	-	-
ADMINISTRATIVE & GEN												
920-Admin & gen salaries	15	100,045	3,207	37,578	5,764	-	14,571	33,656	3,169	867	1,233	-
921-Office supplies & expenses	15	17,749	589	6,667	1,023	-	2,585	5,971	562	154	219	-
923-Outside services	15	2,835	84	990	152	-	384	886	83	23	32	-
924-Property insurance	13	9,453	3,224	4,015	722	-	723	629	629	-	140	-
925-Injuries & damages	15	297	10	111	17	-	43	100	9	3	4	-
928-Regulatory expenses	15	14,751	473	5,541	850	-	2,148	4,962	467	128	182	-
929-Duplicate charges - Cr	15	(4,631)	(148)	(1,739)	(267)	-	(674)	(1,558)	(147)	(40)	(57)	-
930-Misc general expenses	15	64,268	2,060	24,140	3,703	-	9,360	21,621	2,036	557	792	-
931-Rents	13	-	-	-	-	-	-	-	-	-	-	-
935-Maint of general plant	17	19,521	6,657	8,291	1,492	-	1,493	-	1,300	-	289	-
Subtotal		224,087	16,135	85,592	13,456	-	30,632	65,638	8,109	1,691	2,834	-
DEPRECIATION & AMORT EXP												
Transmission	16	44,691	44,691	-	-	-	-	-	-	-	-	-
Distribution	12	70,719	-	45,576	8,202	-	8,206	-	7,146	-	1,590	-
General	17	51,755	17,649	21,980	3,955	-	3,958	-	3,446	-	767	-
Intangible-Amortization	13	-	-	-	-	-	-	-	-	-	-	-
Subtotal		167,166	62,340	67,556	12,157	-	12,164	-	10,592	-	2,356	-
Taxes-Property-Electric Utility	13	50,867	17,278	21,518	3,872	-	3,874	-	3,374	-	751	-
Interest on cust deposits	8	2,317	-	-	-	-	-	-	-	2,317	-	-
TOTAL EXPENSES		2,154,042	837,279	333,858	53,904	558,047	108,396	208,217	35,498	7,691	11,163	-

DIXIE ESCALANTE REA INC.
 EXPENSE ALLOCATION
 COST OF SERVICE STUDY - ARIZONA
 TEST YEAR ENDED DECEMBER 31, 2011

Schedule G-4.1

	AF	TOTAL	Residential	SC	GS	Lg Comm	IR	IR I	Off Peak	Area Lights	SC + GS	IR + IR I
Demand-CP	1	837,279	603,149	108,601	747	94,063	27,735	1,375	-	1,609	109,348	29,110
-Primary	2	333,858	221,856	43,865	495	52,152	13,620	1,021	174	674	44,360	14,641
-Secondary	3	53,904	38,672	6,656	85	6,660	1,640	103	24	64	6,741	1,744
Total Demand	4	1,225,040	863,676	159,122	1,327	152,876	42,995	2,500	198	2,347	160,448	45,495
Energy	4	558,047	417,786	73,893	1,004	43,055	19,768	241	409	1,890	74,898	20,009
Customer-Plant-Meters	5	108,396	81,720	22,917	383	1,661	1,491	224	-	-	23,300	1,714
-Services	6	208,217	179,138	25,118	140	607	2,334	350	389	140	25,258	2,685
-Plant-Services	7	35,498	30,532	4,281	24	414	159	24	64	-	4,305	183
Total Customer	8	352,111	291,391	52,315	547	2,682	3,984	598	453	140	52,863	4,582
Direct-Cust Deposits	8	7,681	6,647	932	5	23	35	5	3	31	937	40
Direct-Lighting	9	11,163	-	-	-	-	-	-	-	11,163	-	-
Direct-Impact Fees	11	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENSES		2,154,042	1,579,500	286,262	2,883	198,635	66,782	3,344	1,064	15,571	289,146	70,126

DIXIE ESCALANTE REA INC.
 REVENUE ALLOCATION
 COST OF SERVICE STUDY - ARIZONA
 TEST YEAR ENDED DECEMBER 31, 2011

Schedule G-5

	AF	DIR	TOTAL	Residential	SC Sm Comm	GS Gen Service	Lg Comm	IR Irrigation	IR I Irrig-Interrupt	Off Peak	Area Lights	SC + GS	IR + IR I
REVENUES-Sales			1,900,754	1,370,675	254,608	3,765	178,803	71,451	1,563	1,806	18,082	258,373	73,014
REVENUE CREDITS													
450-Penalties	10		3,302	2,858	401	2	10	15	2	1	13	403	17
451-Conn, Disc & ret ck fees	10		11,515	9,965	1,397	8	34	52	8	5	47	1,405	60
Subtotal			14,817	12,822	1,798	10	43	67	10	7	60	1,808	77
TOTAL REVENUES			1,915,571	1,383,498	256,406	3,775	178,846	71,518	1,573	1,812	18,143	260,181	73,091

DIXIE ESCALANTE REA INC.
 DEVELOPMENT OF AVERAGE UNIT COSTS
 COST OF SERVICE STUDY - ARIZONA
 TEST YEAR ENDED DECEMBER 31, 2011

Schedule G-6

	TOTAL	Residential	SC	GS	Lg Comm	IR	IR I	Off Peak	Area Lights	SC + GS	IR + IR I
Total Return (\$) with Target ROR =	7.50%										
Total COS (Return+Exp-Rev Credits)											
Demand Total	1,545,279	1,082,163	201,456	1,725	198,061	55,325	3,295	290	2,966	203,181	58,620
Energy Total	554,208	414,464	73,428	1,002	43,044	19,750	239	408	1,875	74,429	19,989
Customer Total	431,402	341,185	62,711	681	3,509	4,561	684	504	17,566	63,393	5,245
Total Cost of Service	2,530,889	1,837,812	337,594	3,408	244,614	79,636	4,218	1,201	22,406	341,002	83,854
			SC	GS		IR	IR I				
ANNUAL BILLING UNITS	TOTAL	Residential	Sm Comm	Gen Service	Lg Comm	Irrigation	Irrig-Interrupt	Off Peak	Area Lights	SC + GS	IR + IR I
Cust-months or lamp-months	28,003	23,022	3,228	18	78	120	18	12	1,507	3,246	138
KWH (@ meter)	30,696,490	22,981,155	4,064,655	55,234	2,368,320	1,087,357	13,274	22,520	103,975	4,119,889	1,100,631
KW (MCD @ meter)	236,978	191,028	23,227	161	14,872	7,002	277	102	309	23,388	7,279
AVERAGE UNIT COST OF SERVICE											
Cust-\$/Cust/mo or Tot \$/lamp/mo	15.41	14.82	19.43	37.86	44.99	38.01	38.01	41.98	14.87	19.53	38.01
Energy--Cents/kwh	1.81	1.80	1.81	1.81	1.82	1.82	1.80	1.81		1.81	1.82
Demand--\$/Kw	6.52	5.66	8.67	10.74	13.32	7.90	11.88	2.85		8.69	8.05
Demand+Energy(Avg)--Cents/kwh		6.51	6.76	4.94	10.18	6.90	26.62	3.10		6.74	7.14
Unit COS with flat cents/Kwh	8.24	8.00	8.31	6.17	10.33	7.32	31.77	5.33	21.55	8.28	7.62
Actual 2011 Ave Price(C/Kwh)	6.19	5.96	6.26	6.82	7.55	6.57	11.78	8.02	17.39	6.27	6.63

DIXIE ESCALANTE REA INC.
 DEVELOPMENT OF ALLOCATION FACTORS
 COST OF SERVICE STUDY - ARIZONA
 TEST YEAR ENDED DECEMBER 31, 2011

ALLOCATION FACTORS	AF	TOTAL	Residential	Sm Comm	Gen Service	Lg Comm	Irrigation	Irrig-Interrupt	Off Peak	Area Lights
Demand-CP (Sys 12 CP)	1	1,0000	0.7204	0.1297	0.0009	0.1123	0.0331	0.0016	0.0000	0.0019
Demand-Primary (sch peak)	2	1,0000	0.6645	0.1314	0.0015	0.1562	0.0408	0.0031	0.0005	0.0020
Demand-Secondary (MCDXdcf)	3	1,0000	0.7174	0.1235	0.0016	0.1236	0.0304	0.0019	0.0004	0.0012
Energy (KWH) @ Input	4	1,0000	0.7487	0.1324	0.0018	0.0772	0.0354	0.0004	0.0007	0.0034
Customer-Plant-Meters	5	1,0000	0.7539	0.2114	0.0035	0.0153	0.0138	0.0021	0.0000	0.0000
Customer-Services	6	1,0000	0.8603	0.1206	0.0007	0.0029	0.0112	0.0017	0.0019	0.0007
Cust-Plant-Svc drops	7	1,0000	0.8601	0.1206	0.0007	0.0117	0.0045	0.0007	0.0018	0.0000
Cust Deposits	8	1,0000	0.8654	0.1213	0.0007	0.0029	0.0045	0.0007	0.0005	0.0041
Direct-Lighting	9	1,0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	1,0000
Average customers	10	1,0000	0.8654	0.1213	0.0007	0.0029	0.0045	0.0007	0.0005	0.0041
Impact fees on MCD	11	1,0000	0.7470	0.1106	0.0014	0.1106	0.0272	0.0017	0.0004	0.0011

SUMMARY Estimated Loads

KWH @ Meter	30,696,490	22,981,155	4,064,655	55,234	2,368,320	1,087,357	13,274	22,520	103,975
KWH @ Input	32,500,504	24,331,743	4,303,532	58,480	2,507,505	1,151,260	14,054	23,843	110,086
Max Cust Dem-NCP mo (kw) (MCD)	25,316	18,910	2,799	36	2,801	690	44	10	27
Distr In transf design CF (DCF)		0.86	1.00	1.00	1.00	1.00	1.00	1.00	1.00
MCD (kw) X DCF	22,668	16,263	2,799	36	2,801	690	44	10	27
Sched Pk Month @ Input (kw)	14,464	9,612	1,900	21	2,259	590	44	8	29
Sys 12CP @ Input (kw)	87,449	62,995	11,343	78	9,824	2,897	144	0	168

Weighted Customer Factors AZ

	12	6	72	6.0	100	1.0	1,000	1.0	1,919	1,919	2,217
1. Type of meter	12	6	72	6.0	100	1.0	1,000	1.0	1,919	1,919	2,217
2. # meter reads/bills per yr	6	72	6.0	200	2.0	1,000	1.0	269	538	1,919	2,545
3. rel.labor-meter reading,billing, svc	72	6.0	600	600	6.0	1,000	1.0	39	150	1,511	13,380
4. line 2 X line 3	6.0	100	600	600	6.0	1,000	1.0	26	150	1,511	13,380
5. Relative wgt-services	1.0	1,000	1,000	1,000	1.0	1,000	1.0	2	150	1,511	13,380
6. est cost of metering to D/E	1.0	1,000	1,000	1,000	1.0	1,000	1.0	2	150	1,511	13,380
7. Relative wgt-plant-meters	1.0	1,000	1,000	1,000	1.0	1,000	1.0	2	150	1,511	13,380
8. est cost of service drops	1.0	1,000	1,000	1,000	1.0	1,000	1.0	2	150	1,511	13,380
9. Relative wgt-plant-svc drops	1.0	1,000	1,000	1,000	1.0	1,000	1.0	2	150	1,511	13,380
10. Average No. Customers	1.0	1,000	1,000	1,000	1.0	1,000	1.0	2	150	1,511	13,380
11. Wgt'd Cust-Plant-Meters line 7x10	1.0	1,000	1,000	1,000	1.0	1,000	1.0	2	150	1,511	13,380
12. Wgt'd Cust-Services line 5x10	1.0	1,000	1,000	1,000	1.0	1,000	1.0	2	150	1,511	13,380
13. Wgt'd Cust-Plant-Svc drop line 9x10	1.0	1,000	1,000	1,000	1.0	1,000	1.0	2	150	1,511	13,380

Wgt'd Cust-Plant-Svc drop UT **13,210**
 Wgt'd Cust-Plant-Meters line UT **15,095**
 Average # area lights **125.6**

DIXIE ESCALANTE REA INC.
 DEVELOPMENT OF LOADS FOR ALLOCATION FACTORS
 COST OF SERVICE STUDY - ARIZONA
 TEST YEAR ENDED DECEMBER 31, 2011

	L#	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
1. Residential														
KWH @ Meter **	1	2,367,867	2,083,089	1,702,396	1,221,895	1,198,212	1,829,758	2,254,118	2,706,334	2,335,913	1,936,952	1,867,026	2,198,615	22,981,155
Load Factor (P)U calc	2	2,507,025	2,205,490	1,802,445	1,293,705	1,268,630	1,937,292	2,386,591	2,865,384	2,473,193	1,477,991	1,786,171	2,327,826	24,331,743
Max Cust Demand (KW) **	3	0.1699	0.1702	0.1390	0.1066	0.1170	0.1848	0.2067	0.2475	0.2226	0.1313	0.1376	0.1563	0.166 avg
Schedule Coincidence Factor	4	18,736	18,216	16,466	15,927	13,753	14,656	14,696	14,696	14,577	14,294	17,033	18,910	191,028
Sched PK @ Meter (KW)	5	0.473	0.448	0.344	0.320	0.359	0.481	0.472	0.550	0.556	0.363	0.335	0.389	0.424 avg
Sched PK @ Meter (KW)	6	8,867	8,164	5,671	5,104	4,942	6,614	6,922	8,087	8,109	5,189	5,708	7,356	80,792
Sched PK @ Meter (KW)	7	9,612	8,850	6,147	5,533	5,356	7,169	7,503	8,766	8,187	5,625	6,187	7,974	87,510
System Coincidence Factor	8	0.744	0.744	0.760	0.474	0.485	0.910	0.800	0.841	0.568	0.620	0.629	0.800	0.717 avg
Coincident PK @ Input (KW)	9	6,017	6,580	4,837	2,623	2,865	6,524	6,002	7,372	4,995	3,488	3,893	6,379	62,995
2. Small Commercial														
KWH @ Meter **	1	490,984	460,742	410,533	315,437	300,132	378,817	282,976	323,044	277,627	222,044	284,580	337,739	4,064,655
Load Factor (P)U calc	2	519,839	487,820	434,660	333,975	317,771	401,080	278,431	342,029	293,943	235,093	301,305	357,588	4,303,532
Max Cust Demand (KW) **	3	0.2358	0.2492	0.2286	0.1803	0.1933	0.2484	0.2515	0.3418	0.2779	0.2183	0.2693	0.2623	0.246 avg
Schedule Coincidence Factor	4	2,799	2,752	2,414	2,430	2,087	2,118	1,405	1,270	1,367	1,367	1,468	1,731	23,227
Sched PK @ Meter (KW)	5	0.626	0.624	0.554	0.574	0.539	0.561	0.612	0.607	0.662	0.565	0.597	0.531	0.588 avg
Sched PK @ Meter (KW)	6	1,753	1,717	1,337	1,395	1,125	1,187	860	771	918	773	876	919	13,633
Sched PK @ Meter (KW)	7	1,900	1,861	1,450	1,512	1,219	1,287	932	836	995	837	950	997	14,778
System Coincidence Factor	8	0.775	0.775	0.760	0.765	0.757	0.762	0.772	0.772	0.781	0.763	0.770	0.755	0.767 avg
Coincident PK @ Input (KW)	9	1,473	1,442	1,102	1,157	923	981	720	845	778	639	731	752	11,343
3. General Service														
KWH @ Meter **	1	11317	10737	11295	8450	8141	671	554	695	765	760	951	898	55234
Load Factor (P)U calc	2	11,982	11,368	11,959	8,947	8,619	710	587	736	810	805	1,007	951	58,480
Max Cust Demand (KW) **	3	0.568	0.519	0.425	0.402	0.455	0.461	0.370	0.462	0.529	0.506	0.651	0.595	0.495 avg
Schedule Coincidence Factor	4	27	31	36	29	24	2	0.612	0.607	0.662	0.565	0.597	0.531	160.67
Sched PK @ Meter (KW)	5	0.626	0.624	0.554	0.574	0.539	0.561	0.612	0.607	0.662	0.565	0.597	0.531	0.5877 avg
Sched PK @ Meter (KW)	6	17	19	20	17	13	1	1	1	1	1	1	1	94
Sched PK @ Meter (KW)	7	18	21	21	18	14	1	1	1	1	1	1	1	102
System Coincidence Factor	8	0.775	0.775	0.760	0.765	0.757	0.762	0.772	0.772	0.781	0.763	0.770	0.755	0.767 avg
Coincident PK @ Input (KW)	9	14	16	16	14	11	1	1	1	1	1	1	1	78
4. Large Commercial														
KWH @ Meter **	1	525,840	236,160	8,000	149,760	157,560	145,120	129,920	219,400	212,440	160,960	213,200	209,960	2,368,320
Load Factor (P)U calc	2	556,743	250,039	8,470	158,561	166,820	153,649	137,555	232,284	224,925	170,420	225,730	222,299	2,507,505
Max Cust Demand (KW) **	3	2.801	1.408	382	1.238	1.143	0.986	0.819	1.204	1.200	1.173	1.269	1.248	14.872
Schedule Coincidence Factor	4	0.744	0.745	0.687	0.754	0.755	0.743	0.740	0.706	0.789	0.718	0.761	0.711	0.738 avg
Sched PK @ Meter (KW)	5	2.084	1.050	282	934	863	732	606	921	947	842	966	888	11,024
Sched PK @ Meter (KW)	6	2,259	1,138	284	1,012	936	794	657	921	1,026	913	1,047	962	11,950
System Coincidence Factor	7	0.793	0.793	0.785	0.794	0.900	0.900	0.857	0.860	0.798	0.790	0.795	0.850	0.826 avg
Coincident PK @ Input (KW)	8	1,792	903	223	804	842	714	563	792	820	721	832	818	9,824
5. Irrigation 04														
KWH @ Meter **	1	35,244	48,494	71,387	100,089	144,300	183,669	117,409	87,941	98,872	76,862	75,758	47,332	1,087,357
Load Factor (P)U calc	2	37,315	51,344	75,582	105,971	152,780	194,463	124,309	93,109	104,683	81,379	80,210	50,114	1,151,260
Max Cust Demand (KW) **	3	0.077	0.105	0.147	0.202	0.306	0.405	0.244	0.229	0.269	0.199	0.210	0.159	0.213 avg
Schedule Coincidence Factor	4	614	690	652	688	635	630	647	517	510	519	500	400	7,002
Sched PK @ Meter (KW)	5	0.099	0.204	0.298	0.374	0.494	0.774	0.841	0.871	0.944	0.579	0.568	0.132	0.515 avg
Sched PK @ Meter (KW)	6	61	141	194	257	314	450	544	488	488	522	284	53	3,867
Sched PK @ Meter (KW)	7	66	152	210	279	340	529	590	488	522	326	308	57	3,867
System Coincidence Factor	8	0.171	0.541	0.650	0.699	0.745	0.797	0.804	0.807	0.813	0.766	0.763	0.351	0.659 avg
Coincident PK @ Input (KW)	9	11	82	137	195	253	421	474	394	424	250	295	20	2,897
6. Irrigation-Interruptible														
KWH @ Meter **	1	129	353	557	3,286	3,064	2,490	1,470	212	1,056	50	301	306	13,274
Load Factor (P)U calc	2	137	374	590	3,479	3,244	2,636	1,556	224	1,118	53	319	324	14,054
Max Cust Demand (KW) **	3	0.029	0.025	0.114	0.105	0.096	0.128	0.046	0.013	0.034	0.006	0.067	0.068	0.061 avg
Schedule Coincidence Factor	4	6	21	7	44	43	27	43	22	43	10	6	6	277.44
Sched PK @ Meter (KW)	5	0.099	0.204	0.298	0.374	0.494	0.774	0.841	0.871	0.944	0.579	0.568	0.132	0.515 avg
Sched PK @ Meter (KW)	6	1	4	2	18	21	21	36	19	41	6	4	1	171
Sched PK @ Meter (KW)	7	1	5	2	18	23	23	39	21	44	7	4	1	186
System Coincidence Factor	8	0.171	0.541	0.650	0.699	0.745	0.797	0.804	0.807	0.813	0.766	0.763	0.351	0.659 avg
Coincident PK @ Input (KW)	9	0	2	1	12	17	18	31	17	36	5	3	0	144
7. Off Peak														
KWH @ Meter **	1	2,880	2,520	2,320	1,520	1,280	1,360	1,720	2,120	1,720	1,080	1,640	2,360	22,520

KWH @ Input	2	3,049	2,668	2,456	1,609	1,355	1,440	1,821	2,245	1,821	1,143	1,736	2,499	23,843
Load Factor (PU) calc	3	0.403	0.375	0.325	0.220	0.179	0.215	0.413	0.475	0.398	0.165	0.259	0.345	0.314 avg
Max Cust Demand (KW) **	4	10	10	10	10	10	9	6	6	6	9	9	9	101.6
Schedule Coincidence Factor	5	0.509	0.697	0.604	0.258	0.325	0.286	0.363	0.249	0.346	0.259	0.360	0.755	0.418 avg
Sched PK @ Meter (KW)	6	5	7	6	3	3	3	2	1	2	2	3	7	44
Sched PK @ Input (KW)	7	5	8	6	3	3	3	2	2	2	2	3	8	47
System Coincidence Factor	8	0	0	0	0	0	0	0	0	0	0	0	0	0
Coincident PK @ Input (KW)	9	0	0	0	0	0	0	0	0	0	0	0	0	0
8. Area/ St Lights ***														
KWH @ Meter **	1	8,655	8,625	8,660	8,694	8,763	8,717	8,625	8,674	8,694	8,625	8,639	8,604	103,975
KWH @ Input	2	9,164	9,132	9,169	9,205	9,278	9,229	9,132	9,184	9,205	9,132	9,147	9,110	110,086
Load Factor (PU)**	3	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.460 avg
Max Cust Demand (KW) calc	4	25	27	25	26	26	26	25	25	26	25	26	25	309
Schedule Coincidence Factor	5	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	309
Sched PK @ Meter (KW)	6	25	27	25	26	26	26	25	25	26	25	26	25	309
Sched PK @ Input (KW)	7	27	29	27	28	28	29	27	27	28	27	28	27	335
System Coincidence Factor	8	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	335
Coincident PK @ Input (KW)	9	27	29	27	28	28	29	27	27	28	27	28	27	168
Tot Estimated AZ CP Kw @Input = 9,335 9,055 6,345 4,833 6,331 8,659 7,793 9,221 7,053 5,103 5,724 7,998 87,449														
SUMMARY Est Loads AZ														
KWH @ Meter	TOTAL	30,696,490	22,981,155	4,064,655	55,234	2,368,320	1,087,357	13,274	22,520	103,975	103,975	110,086	110,086	110,086
KWH @ Input	Residential	32,500,504	24,331,743	4,303,532	58,480	2,507,505	1,151,260	14,054	23,843	110,086	110,086	110,086	110,086	110,086
Max Cust Dem-NCP mo (kw)	Sm Comm	25,316	18,910	2,799	36	2,801	690	44	10	27	27	27	27	27
Distr In transf design CF *	Gen Service	22,688	0.86	1	1	1	1	1	1	1	1	1	1	1
MCD (kw) X DCF	Lg Comm	14,464	16,263	2,799	21	2,801	590	44	8	29	29	29	29	29
Sched Pk Month @ Input (kw)	Irrigation	87,449	62,995	11,343	78	9,824	2,897	144	-	168	168	168	168	168
AZ 12CP @ Input (KW)	Off Peak	753,145	450,337	-	-	-	-	-	-	-	-	-	-	-
UT 12CP @ Input (KW)	Area Lights	-	-	-	-	-	-	-	-	-	-	-	-	-
UT MCD x DCF (KW)	Area Lights	-	-	-	-	-	-	-	-	-	-	-	-	-

* Distr In transf design coincidence factor (DCF) based on # of custstransf to allow for diversity
 ** INPUT VALUES
 *** All lighting - dusk to dawn and based on estimated 4040 annual burning hours

Loss factors shown below were used to adjust loads to input level for development of allocation factors to allocate costs between UT & AZ since some UT loads take primary delivery voltage and this puts all loads on the same level (input)

1.08396 = Demand Loss Factor (sec) **
 1.05877 = Energy Loss Factor (sec)

Schedule & System coincidence factors were developed using load research data from Rocky Mtn. Power

**DIXIE ESCALANTE REA INC.
 DEVELOPMENT OF LIGHTING COINCIDENCE FACTORS
 COST OF SERVICE STUDY - ARIZONA
 TEST YEAR ENDED DECEMBER 31, 2011**

Schedule G-7.4

SUNRISE-SUNSET ANALYSIS

Deseret System Peak Hour Ending**		ALL MOUNTAIN TIMES at St. George, Utah		Lts On*** ?	Lighting Syst CF
		sunrise am*	sunset pm*		
8:00 AM	11-Jan-11	7:48		ON	1
8:00 AM	2-Feb-11	7:36		ON	1
8:00 AM	1-Mar-11	7:06		ON	1
8:00 AM	4-Apr-11	7:16		ON	1
6:00 PM	28-May-11		8:46	no	0
6:00 PM	27-Jun-11		8:58	no	0
6:00 PM	25-Jul-11		8:48	no	0
7:00 PM	24-Aug-11		8:14	no	0
5:00 PM	2-Sep-11		8:02	no	0
6:00 PM	1-Oct-11		7:18	no	0
8:00 AM	10-Nov-11	7:08		ON	1
8:00 AM	6-Dec-11	7:34		ON	1

* Source: Sunrise & Sunset times from: www.timeanddate.com

** Deseret System Peak is highest 1 hour per Mike Avant, Garkane Energy

*** Assume light photocells operate 30 minutes after sunrise and 30 minutes before sunset

DIXIE ESCALANTE REA INC.
SUMMARY OF REVENUES BY CUSTOMER CLASS
PRESENT AND PROPOSED RATES
TEST YEAR ENDED DECEMBER 31, 2011 - AZ ONLY

SCHEDULE H-1

	REVENUES IN TEST YEAR		BILL	PROPOSED	
	PRESENT	PROPOSED	ADJUSTMENTS	INCREASE	
	(a)	(a)	AMOUNT	AMOUNT	
			(b)	(b)	
<u>AZ</u>					
RESIDENTIAL	1,370,675	1,520,354		149,679	10.92%
SMALL COMMERCIAL	254,608	279,055		24,447	9.60%
LARGE COMMERCIAL	178,803	190,911		12,108	6.77%
IRRIGATON	71,451	79,414		7,962	11.14%
INTERUPTABLE IRR. **	1,563	1,871		308	19.69%
OFF PEAK	1,806	1,382		(424)	-23.48%
GENERAL SERVICE*	3,765	3,083		(682)	-18.12%
STREET/AREA LIGHTS	18,082	18,000		(82)	-0.46%
TOTAL	1,900,754	2,094,069	-	193,315	10.17%

*This rate will be eliminated - the proposed amount shown is the amount of revenue generated with these customers included in the Small Commercial rate.

**This rate will be eliminated - the proposed amount shown is the amount of revenue generated with these customers included in the Irrigation rate.

2011 Actual Revenue, Usage, and Customers by Rate

Actual Units and Revenue

Class	Rate Type	kWh	kW	Customers	Lights	kWh Charge	kW Charge	Cust Charge	Light Charge	Minimum Charge	MISC Charge	Total Charge	Average Rate
ALA Total		103,975	0	0	1,500	-	-	-	18,082.40	-	-	18,082.40	12.0549
GENA Total		55,234	161	0	0	1,743.41	1,928.04	-	-	93.70	-	3,765.15	12.0316
GRPA Total		0	0	0	0	-	-	-	-	-	72.00	72.00	-
IIPA Total		13,274	277	24	0	860.14	-	703.00	-	-	-	1,563.14	29.3565
IRPA Total		1,087,357	7,002	120	0	67,851.24	-	3,600.00	-	-	-	71,451.24	30.0624
LCMA Total		2,368,320	14,872	124	0	52,103.04	118,976.00	2,700.00	-	5,024.00	-	178,803.04	29.7962
NMCA Total		0	0	0	6	-	-	104.28	-	-	-	104.28	17.3800
OPFA Total		22,520	102	0	0	486.43	365.76	-	-	953.57	-	1,805.76	3.6216
RESA Total		22,981,155	191,028	23,233	0	1,185,819.23	22,523.09	184,783.93	-	-	-	1,370,603.16	8.0061
SCMA Total		4,064,655	23,227	3,189	0	184,453.26	143,792.89	47,527.50	-	-	-	254,503.85	15.9186
Grand Total		30,696,490	236,669	26,696	1,500	1,493,316.75	143,792.89	239,418.71	18,082.40	6,071.27	72.00	1,900,754.02	159.2289

Present Rate Reconciliation

Class	Rate Type	kWh	kW	Customers	Lights	kWh Rate	kW Rate	Cust Rate	Light Rate	Minimum Rate	MISC Rate	Calculated Rev	Actual Rev	Difference
ALA Total		103,975	0	0	1,500	-	-	-	12.00	-	-	18,000.00	18,082.40	(82.40)
GENA Total		55,234	161	0	0	0.0300	12.00	-	-	93.70	-	3,678.76	3,765.15	(86.39)
GRPA Total		0	0	0	0	-	-	-	-	-	72.00	72.00	-	-
IIPA Total		13,274	277	24	0	0.0648	-	30.00	-	-	-	1,580.16	1,563.14	17.02
IRPA Total		1,087,357	7,002	120	0	0.0624	-	30.00	-	-	-	71,451.08	71,451.24	(0.16)
LCMA Total		2,368,320	14,872	124	0	0.0220	8.00	30.00	-	5,024.00	-	179,823.04	178,803.04	1,020.00
NMCA Total		0	0	0	6	-	-	17.38	-	-	-	104.28	104.28	-
OPFA Total		22,520	102	0	0	0.0216	3.60	-	-	953.57	-	1,805.76	1,805.76	0.00
RESA Total		22,981,155	191,028	23,233	0	0.0516	0.97	8.00	-	-	-	1,371,691.60	1,370,603.16	1,088.44
SCMA Total		4,064,655	23,227	3,189	0	0.0454	0.97	15.00	-	-	-	254,812.14	254,503.85	308.29
Grand Total		30,696,490	236,669	26,696	1,500	0.2978	24.57	130.38	12.00	6,071.27	72.00	1,903,018.81	1,900,754.02	2,264.79

Proposed Rate Revenue Calculation

Class	Rate Type	kWh	kW	Customers	Lights	kWh Rate	kW Rate	Cust Rate	Light Rate	Minimum Rate	MISC Rate	Proposed Rev	Calculated Rev	Difference	% Increase
ALA Total		103,975	0	0	1,500	-	-	-	12.00	-	-	18,000.00	18,000.00	-	0.0%
GENA Total		55,234	161	0	0	0.0470	1.04	20.00	-	-	-	3,082.92	3,678.76	(595.84)	-16.2%
GRPA Total		0	0	0	0	-	-	-	-	-	72.00	72.00	-	0.0%	
IIPA Total		13,274	277	24	0	0.0686	-	40.00	-	-	-	1,870.85	1,580.16	290.70	18.4%
IRPA Total		1,087,357	7,002	120	0	0.0686	-	40.00	-	-	-	79,413.71	71,451.08	7,962.63	11.1%
LCMA Total		2,368,320	14,872	124	0	0.0220	9.00	40.00	-	5,024.00	-	190,911.04	179,823.04	11,088.00	6.2%
NMCA Total		0	0	0	6	-	-	17.38	-	-	-	104.28	104.28	-	0.0%
OPFA Total		22,520	102	0	0	0.0220	4.00	40.00	-	-	-	1,381.84	1,805.76	(423.92)	-23.5%
RESA Total		22,981,155	191,028	23,233	0	0.0520	-	14.00	-	-	-	1,520,282.06	1,371,691.60	148,590.46	10.8%
SCMA Total		4,064,655	23,227	3,189	0	0.0470	1.04	20.00	-	-	-	278,950.67	254,812.14	24,138.53	9.5%
Grand Total		30,696,490	236,669	26,724	1,500	0.3272	15.08	231.38	12.00	-	72.00	2,094,069.38	1,903,018.81	191,050.57	10.0%

DIXIE ESCALANTE REA INC.
CHANGE IN REPRESENTATIVE RATE SCHEDULES
ANALYSIS OF REVENUE BY DETAIL CLASS - UT & AZ

SCHEDULE H-3

RATE SCHEDULE	BLOCK	RATES PRESENT [a]	RATES PROPOSED [b]	CHANGE
RESIDENTIAL				
RESU (UT)	FIRST 1500 kWh	0.0535	0.0520	(0.0015)
	ADDITIONAL kWh	0.0425	0.0520	0.0095
	CUSTOMER CHARGE	6.00	14.00	8.00
RESA (AZ)	FIRST 1500 kWh	0.0535	0.0520	(0.0015)
	ADDITIONAL kWh	0.0425	0.0520	0.0095
	CUSTOMER CHARGE	8.00	14.00	6.00
SMALL COMMERCIAL				
SCMU (UT)	FIRST 1500 kWh	0.0475	0.0470	(0.0005)
	ADDITIONAL kWh	0.0370	0.0470	0.0100
	FIRST 20 kW	-	-	-
	ADDITIONAL kW	10.16	9.00	(1.16)
	CUSTOMER CHARGE	17.28	20.00	2.72
SCMA (AZ)	FIRST 1500 kWh	0.0510	0.0470	(0.0040)
	ADDITIONAL kWh	0.0390	0.0470	0.0080
	FIRST 20 kW	-	-	-
	ADDITIONAL kW	8.40	9.00	0.60
	CUSTOMER CHARGE	15.00	20.00	5.00
LARGE COMMERCIAL				
LCMU (UT)	ALL kWh	0.0220	0.0220	-
	ALL kW	8.00	9.00	1.00
	CUSTOMER CHARGE	30.00	40.00	10.00
LCMA (AZ)	ALL kWh	0.0220	0.0220	-
	All kW	8.00	9.00	1.00
	CUSTOMER CHARGE	30.00	40.00	10.00
IRRIGATION				
IRPU (UT)	0 to 134 kWh per kW	0.0737	0.0811	0.0074
	Over 134 kWh per kW	0.0374	0.0411	0.0037
	CUSTOMER CHARGE	30.00	40.00	10.00
IRPA (AZ)	0 to 134 kWh per kW	0.0737	0.0811	0.0074
	Over 134 kWh per kW	0.0374	0.0411	0.0037
	CUSTOMER CHARGE	30.00	40.00	10.00
INTERUPTABLE IRRIGATION				
IIPU (UT)	0 to 134 kWh per kW	0.0648	0.0673	0.0025
	Over 134 kWh per kW	0.0350	0.0355	0.0005
	CUSTOMER CHARGE	30.00	40.00	10.00
*IIPA (AZ)	0 to 134 kWh per kW	0.0648	-	(0.0648)
	Over 134 kWh per kW	0.0350	-	(0.0350)
	CUSTOMER CHARGE	30.00	-	(30.00)
	*This rate will be eliminated per proposal.			
	*Necessary monitoring equipment is unavailable in AZ.			
	*Customers on this rate will be moved to IRPA.			
OFF PEAK				
OFFPU (UT)	ALL kWh	0.0216	0.0220	0.0004
	ALL kW - OFF PEAK HOURS	3.60	4.00	0.40
	CUSTOMER CHARGE	-	40.00	40.00
	MINIMUM kWh CHARGE	120.00	-	(120.00)
OFFPA (AZ)	ALL kWh	0.0216	0.0222	0.0004
	ALL kW - OFF PEAK HOURS	3.60	4.00	0.40
	CUSTOMER CHARGE	-	40.00	40.00
	MINIMUM kWh CHARGE	120.00	-	(120.00)
GENERAL SERVICE				
*GENU (UT)	FIRST 1000 kWh (min flat fee)	36.00	-	(36.00)
	ADDITIONAL kWh	0.0300	-	(0.0300)
	ALL kW	12.00	-	(12.00)
*GENA (AZ)	FIRST 1000 kWh (min flat fee)	36.00	-	(36.00)
	ADDITIONAL kWh	0.0300	-	(0.0300)
	ALL kW	12.00	-	(12.00)
	*These rates will be eliminated per proposal.			
	*Customers on these rates will be moved to SCMU & SCMA respectively.			
STREET/AREA LIGHTING				
ALU (UT)	CHARGE PER LIGHT	12.00	12.00	-
UT HWY (UT)	CHARGE PER LIGHT	14.88	14.88	-
*STLU (UT)	CHARGE PER LIGHT	12.00	-	(12.00)
ALA (AZ)	CHARGE PER LIGHT	12.00	12.00	-
AZ HWY (AZ)	CHARGE PER LIGHT	14.88	14.88	-
	*This rate will be eliminated per proposal.			
	*Applies to St George City - all others cities receive this service without charge. Proposal intended to make this service uniform.			
INDUSTRIAL				
IND (UT)	This is a contractual rate for each industrial customer and will not change with this rate proposal.			

DIXIE ESCALANTE REA INC.
 SUMMARY OF OTHER REVENUE (FEES)
 TEST YEAR ENDED DECEMBER 31, 2011 - AZ Only

SCHEDULE H-3.1

	Services	Fees		Revenue	
		Present	Proposed	Present	Proposed
Connect Fees	344	\$ 20.00	\$ 30.00	\$ 6,880.00	\$ 10,320.00
After Hours Connect Fees	5	\$ 50.00	\$ 75.00	\$ 250.00	\$ 375.00
Disconnect Fees	208	\$ 20.00	\$ 30.00	\$ 4,160.00	\$ 6,240.00
Insufficient Funds Check	10	\$ 15.00	\$ 25.00	\$ 150.00	\$ 250.00
Tampering*	1	\$ 50.00	\$ 200.00	\$ 75.04	\$ 205.00
				\$ 11,515.04	\$ 17,390.00

*Present fee for Tampering is \$50 dollars +Labor & Use, Proposed is \$200 +Use

DIXIE ESCALANTE REA INC.
 TYPICAL BILL ANALYSIS

<u>RESIDENTIAL</u>	<u>MONTHLY</u> <u>KWH</u>	<u>MONTHLY BILL</u>			
		<u>PRESENT</u>	<u>PROPOSED</u>	<u>\$ INCREASE</u>	<u>% INCREASE</u>
RESA (AZ)	60	11.21	17.12	5.91	52.72%
	100	13.35	19.20	5.85	43.82%
	200	18.70	24.40	5.70	30.48%
	500	34.75	40.00	5.25	15.11%
	775	49.46	54.30	4.84	9.78%
	1000	61.50	66.00	4.50	7.32%
	1500	88.25	92.00	3.75	4.25%
	2000	109.50	118.00	8.50	7.76%
	2500	130.75	144.00	13.25	10.13%
	3000	152.00	170.00	18.00	11.84%
	4000	194.50	222.00	27.50	14.14%
	5000	237.00	274.00	37.00	15.61%

**DIXIE ESCALANTE REA INC.
TYPICAL BILL ANALYSIS**

**SCHEDULE H-4
Page 2 of 8**

<u>SMALL COMMERCIAL</u> <u>SCMA (AZ)</u>	<u>KW</u>	<u>KWH</u>	<u>MONTHLY BILL</u>			
			<u>PRESENT</u>	<u>PROPOSED</u>	<u>\$ INCREASE</u>	<u>% INCREASE</u>
	< 20	500	40.50	43.50	3.00	7.41%
	< 20	750	53.25	55.25	2.00	3.76%
	< 20	1000	66.00	67.00	1.00	1.52%
	< 20	1250	78.75	78.75	0.00	0.00%
	< 20	1500	91.50	90.50	-1.00	-1.09%
	< 20	2000	111.00	114.00	3.00	2.70%
	< 20	2500	130.50	137.50	7.00	5.36%
	< 20	2750	140.25	149.25	9.00	6.42%
	< 20	3000	150.00	161.00	11.00	7.33%
	< 20	3250	159.75	172.75	13.00	8.14%
	< 20	3500	169.50	184.50	15.00	8.85%
	< 20	3750	179.25	196.25	17.00	9.48%
	21	4000	197.40	217.00	19.60	9.93%
	22	4250	215.55	237.75	22.20	10.30%
	23	4750	243.45	270.25	26.80	11.01%
	24	5000	261.60	291.00	29.40	11.24%

**DIXIE ESCALANTE REA INC.
TYPICAL BILL ANALYSIS**

<u>LARGE COMMERCIAL</u>	<u>MONTHLY KW</u>	<u>MONTHLY KWH</u>	<u>MONTHLY BILL</u>			
			<u>PRESENT</u>	<u>PROPOSED</u>	<u>\$ INCREASE</u>	<u>% INCREASE</u>
LCMA (AZ)	10	2,000	154.00	174.00	20.00	12.99%
	16	3,161	225.98	251.79	25.81	11.42%
	20	4,000	278.00	308.00	30.00	10.79%
	25	5,000	340.00	375.00	35.00	10.29%
	50	10,000	650.00	710.00	60.00	9.23%
	75	15,000	960.00	1,045.00	85.00	8.85%
	100	20,000	1,270.00	1,380.00	110.00	8.66%
	125	25,000	1,580.00	1,715.00	135.00	8.54%
	150	30,000	1,890.00	2,050.00	160.00	8.47%
	175	35,000	2,200.00	2,385.00	185.00	8.41%
	200	40,000	2,510.00	2,720.00	210.00	8.37%
	225	45,000	2,820.00	3,055.00	235.00	8.33%
	250	50,000	3,130.00	3,390.00	260.00	8.31%
	500	100,000	6,230.00	6,740.00	510.00	8.19%
	931	186,120	11,569.44	12,510.04	940.60	8.13%
	1,250	250,000	15,530.00	16,790.00	1,260.00	8.11%

DIXIE ESCALANTE REA INC.
TYPICAL BILL ANALYSIS

<u>IRRIGATION</u>	MONTHLY	MONTHLY	MONTHLY BILL			
	<u>KW</u>	<u>KWH</u>	<u>PRESENT</u>	<u>PROPOSED</u>	<u>\$ INCREASE</u>	<u>% INCREASE</u>
IRPA (AZ)	20	10,000	501.28	558.20	56.92	11.35%
	30	15,000	736.93	817.30	80.37	10.91%
	40	20,000	972.57	1,076.40	103.83	10.68%
	50	25,000	1,208.21	1,335.50	127.29	10.54%
	60	30,000	1,443.85	1,594.60	150.75	10.44%
	70	35,000	1,679.49	1,853.70	174.21	10.37%
	80	40,000	1,915.14	2,112.80	197.66	10.32%
	90	45,000	2,150.78	2,371.90	221.12	10.28%
	100	50,000	2,386.42	2,631.00	244.58	10.25%
	120	60,000	2,857.70	3,149.20	291.50	10.20%
	140	70,000	3,328.99	3,667.40	338.41	10.17%
	160	80,000	3,800.27	4,185.60	385.33	10.14%
	180	90,000	4,271.56	4,703.80	432.24	10.12%
	200	100,000	4,742.84	5,222.00	479.16	10.10%
	250	125,000	5,921.05	6,517.50	596.45	10.07%
	300	150,000	7,099.26	7,813.00	713.74	10.05%

DIXIE ESCALANTE REA INC.
TYPICAL BILL ANALYSIS

INTERRUPTIBLE <u>IRRIGATION</u> IIPA (AZ)	MONTHLY	MONTHLY	<u>PRESENT</u>	<u>MONTHLY BILL</u>		
	<u>KW</u> Rate to be eliminated.	<u>KWH</u>		<u>PROPOSED</u>	<u>\$ INCREASE</u>	<u>% INCREASE</u>

DIXIE ESCALANTE REA INC.
TYPICAL BILL ANALYSIS

<u>OFF PEAK</u> OFPA (AZ)	MONTHLY	MONTHLY	MONTHLY BILL			
	<u>KW</u>	<u>KWH</u>	<u>PRESENT</u>	<u>PROPOSED</u>	<u>\$ INCREASE</u>	<u>% INCREASE</u>
	3	500	129.00	61.00	(68.00)	-52.71%
	5	1,000	138.00	82.00	(56.00)	-40.58%
	8	1,500	147.00	103.00	(44.00)	-29.93%
	10	2,000	156.00	124.00	(32.00)	-20.51%
	13	2,500	165.00	145.00	(20.00)	-12.12%
	25	5,000	210.00	250.00	40.00	19.05%
	50	10,000	396.00	460.00	64.00	16.16%
	75	15,000	594.00	670.00	76.00	12.79%
	100	20,000	792.00	880.00	88.00	11.11%
	150	30,000	1,188.00	1,300.00	112.00	9.43%
	200	40,000	1,584.00	1,720.00	136.00	8.59%
	250	50,000	1,980.00	2,140.00	160.00	8.08%
	375	75,000	2,970.00	3,190.00	220.00	7.41%
	500	100,000	3,960.00	4,240.00	280.00	7.07%

**DIXIE ESCALANTE REA INC.
TYPICAL BILL ANALYSIS**

**SCHEDULE H-4
Page 7 of 8**

GENERAL SERVICE

*GENA (AZ) *This rate will be eliminated.

DIXIE ESCALANTE REA INC.
TYPICAL BILL ANALYSIS

<u>STREET/AREA LIGHTING</u>	<u>MONTHLY CHARGE</u>	<u>PRESENT*</u>	<u>MONTHLY BILL PROPOSED**</u>	<u>\$ INCREASE</u>
ALA (AZ)	12.00	12.00	12.00	-
AZ HWY (AZ)	14.88	14.88	14.88	-

DIXIE ESCALANTE REA INC.
 BILL COUNT
 TEST YEAR ENDED DECEMBER 31, 2011 - AZ ONLY

SCHEDULE H5-1

RESIDENTIAL

BLOCK	NUMBER OF BILLS	KWH BY BLOCK	CUMULATIVE BILLS		CUMULATIVE KWH USAGE	
			NUMBER	% OF TOTAL	AMOUNT	% OF TOTAL
MIN	985	-	985	4.29%	-	0.00%
1-50	996	23,262	1,981	8.62%	23,262	0.10%
51-100	792	59,329	2,773	12.07%	82,591	0.36%
101-200	1,385	206,432	4,158	18.10%	289,023	1.26%
201-300	1,132	281,542	5,290	23.03%	570,565	2.49%
301-400	1,148	403,123	6,438	28.03%	973,688	4.25%
401-500	1,184	532,174	7,622	33.18%	1,505,862	6.57%
501-600	1,152	635,225	8,774	38.20%	2,141,087	9.34%
601-700	1,203	782,513	9,977	43.43%	2,923,600	12.75%
701-800	1,226	920,488	11,203	48.77%	3,844,088	16.76%
801-900	1,165	991,823	12,368	53.84%	4,835,911	21.09%
901-1000	1,084	1,030,381	13,452	58.56%	5,866,292	25.58%
1001-1200	2,062	2,260,971	15,514	67.54%	8,127,263	35.44%
1201-1400	1,587	2,054,383	17,101	74.45%	10,181,646	44.40%
1401-1600	1,330	1,989,425	18,431	80.24%	12,171,071	53.07%
1601-2000	1,885	3,360,250	20,316	88.45%	15,531,321	67.72%
2001 & UP	2,654	7,401,793	22,970	100.00%	22,933,114	100.00%
	22,970	22,933,114				

AVERAGE NUMBER OF CUSTOMERS **1,914**
 AVERAGE KWH CONSUMPTION PER YEAR **11,982**
 AVERAGE KWH CONSUMPTION PER MONTH **999**

**DIXIE ESCALANTE REA INC.
 BILL COUNT
 TEST YEAR ENDED DECEMBER 31, 2011 - AZ ONLY
 IRRIGATION**

SCHEDULE H5-2

BLOCK	NUMBER OF BILLS	KWH BY BLOCK	CUMULATIVE BILLS		CUMULATIVE KWH USAGE	
			NUMBER	% OF TOT.	AMOUNT	% OF TOTAL
MIN	26	-	26	18.18%	-	0.00%
1-1000	33	9,288	59	41.26%	9,288	0.84%
1001-2000	14	20,046	73	51.05%	29,334	2.67%
2001-3000	13	32,618	86	60.14%	61,952	5.63%
3001-4000	2	6,613	88	61.54%	68,565	6.23%
4001-5000	-	-	88	61.54%	68,565	6.23%
5001-6000	5	26,716	93	65.03%	95,281	8.66%
6001-7000	5	31,509	98	68.53%	126,790	11.52%
7001-8000	9	65,026	107	74.83%	191,816	17.43%
8001-9000	2	17,785	109	76.22%	209,601	19.04%
9001-10000	1	9,966	110	76.92%	219,567	19.95%
10001-20000	15	217,775	125	87.41%	437,342	39.74%
20001-30000	8	186,569	133	93.01%	623,911	56.69%
30001-40000	4	140,920	137	95.80%	764,831	69.49%
40001-50000	3	126,960	140	97.90%	891,791	81.03%
50001 & UP	3	208,840	143	100.00%	1,100,631	100.00%
	143	1,100,631				

AVERAGE NUMBER OF CUSTOMERS 12
AVERAGE KWH CONSUMPTION PER YEAR 92,361
AVERAGE KWH CONSUMPTION PER MONTH 7,697

**DIXIE ESCALANTE REA INC.
 BILL COUNT
 TEST YEAR ENDED DECEMBER 31, 2011 - AZ ONLY
 COMMERCIAL - SMALL**

SCHEDULE H5-3

BLOCK	NUMBER OF BILLS	KWH BY BLOCK	CUMULATIVE BILLS		CUMULATIVE KWH USAGE	
			NUMBER	% OF TOTAL	AMOUNT	% OF TOTAL
MIN	390	-	390	12.38%	-	0.00%
1-50	218	4,887	608	19.30%	4,887	0.12%
51-100	153	11,473	761	24.16%	16,360	0.40%
101-200	265	38,852	1,026	32.57%	55,212	1.36%
201-300	176	43,817	1,202	38.16%	99,029	2.44%
301-400	192	66,663	1,394	44.25%	165,692	4.08%
401-500	159	71,457	1,553	49.30%	237,149	5.84%
501-600	115	63,026	1,668	52.95%	300,175	7.39%
601-700	113	73,339	1,781	56.54%	373,514	9.20%
701-800	95	71,337	1,876	59.56%	444,851	10.96%
801-900	93	79,005	1,969	62.51%	523,856	12.90%
901-1000	89	84,994	2,058	65.33%	608,850	15.00%
1001-1200	155	170,734	2,213	70.25%	779,584	19.20%
1201-1400	127	165,661	2,340	74.29%	945,245	23.28%
1401-1600	99	149,217	2,439	77.43%	1,094,462	26.96%
1601-2000	150	267,714	2,589	82.19%	1,362,176	33.55%
2001-3000	200	481,728	2,789	88.54%	1,843,904	45.41%
3001-4000	100	342,725	2,889	91.71%	2,186,629	53.86%
4001-5000	48	213,653	2,937	93.24%	2,400,282	59.12%
5001-6000	63	345,891	3,000	95.24%	2,746,173	67.64%
6001-7000	45	291,999	3,045	96.67%	3,038,172	74.83%
7001-8000	26	195,504	3,071	97.49%	3,233,676	79.64%
8001-9000	26	218,574	3,097	98.32%	3,452,250	85.03%
9001-10000	16	149,098	3,113	98.83%	3,601,348	88.70%
10001-20000	37	458,867	3,150	100.00%	4,060,215	100.00%
20001-30000	-	-	3,150	100.00%	4,060,215	100.00%
30001-40000	-	-	3,150	100.00%	4,060,215	100.00%
40001-50000	-	-	3,150	100.00%	4,060,215	100.00%
50001 AND UP	-	-	3,150	100.00%	4,060,215	100.00%
	3,150	4,060,215				

AVERAGE NUMBER OF CUSTOMERS 263
AVERAGE KWH CONSUMPTION PER YEAR 15,467
AVERAGE KWH CONSUMPTION PER MONTH 1,289

DIXIE ESCALANTE REA INC.
 BILL COUNT
 TEST YEAR ENDED DECEMBER 31, 2011 - AZ ONLY
 COMMERCIAL - LARGE

SCHEDULE H5-4

BLOCK	NUMBER OF BILLS	KWH BY BLOCK	CUMULATIVE BILLS		CUMULATIVE KWH USAGE	
			NUMBER	% OF TOTAL	AMOUNT	% OF TOTAL
MIN	13	-	13	14.44%	-	0.00%
0-30000	45	683,800	58	64.44%	683,800	30.32%
30001-40000	8	285,240	66	73.33%	969,040	42.96%
40001-50000	15	660,000	81	90.00%	1,629,040	72.23%
50001-100000	9	626,400	90	100.00%	2,255,440	100.00%
100001-150000	-	-	90	100.00%	2,255,440	100.00%
150001-200000	-	-	90	100.00%	2,255,440	100.00%
20001 & UP	-	-	90	100.00%	2,255,440	100.00%
	90	2,255,440				

AVERAGE NUMBER OF CUSTOMERS **8**
 AVERAGE KWH CONSUMPTION PER YEAR **300,725**
 AVERAGE KWH CONSUMPTION PER MONTH **25,060**

DIXIE ESCALANTE REA INC.
 BILL COUNT
 TEST YEAR ENDED DECEMBER 31, 2011 - AZ ONLY
 OTHER

SCHEDULE H5-5

BLOCK	NUMBER KWH		CUMULATIVE BILLS		CUMULATIVE KWH USAGE	
	<u>OF BILLS</u>	<u>BY BLOCK</u>	<u>NUMBER</u>	<u>% OF TOTAL</u>	<u>AMOUNT</u>	<u>% OF TOTAL</u>
STREET LIGHTS	204	11,258	204	100%	11,258	100%
AVERAGE NUMBER OF CUSTOMERS					17	
AVERAGE KWH CONSUMPTION PER YEAR					662	
SECURITY LIGHTS	1,680	92,717	1,680	100%	92,717	100%
AVERAGE NUMBER OF CUSTOMERS					140	
AVERAGE KWH CONSUMPTION PER YEAR					662	

Calculation of Impact Fees in Arizona for Dixie Escalante REA

Background:

The purpose of charging new customers Impact Fees is to appropriately assign costs to those who incur them, thereby reducing or eliminating subsidies between existing and new consumers and keeping retail rates at a more equitable level. Items assigned to be largely covered by Impact Fees include new transmission lines, substations, and main feeders that are necessitated with the addition of new customers. A breakdown of those costs for Residential and Small Commercial consumers for the Arizona portion of the Dixie Escalante REA service territory are illustrated below, along with a comparison with the Impact Fees charged to the new residential and small commercial members in Utah.

	<u>Proposed Arizona Impact Fees 2012 - Residential & Small Commercial</u>				<u>Utah</u>
	Costs	Capacity	Consumers	\$/consumer	Impact Fees
1 138kV transmission line	\$ 859,394	70,000	7,000	\$ 123	
2 Atkinville Breaker yard	\$ 3,500,000	70,000	7,000	\$ 500	
3 138:69kV substation	\$ 7,000,000	70,000	7,000	\$ 1,000	
4 69:12.47kV substation	\$ 1,400,000	20,000	2,000	\$ 700	
5 Main feeder - OH	\$ 90,000	6,480	648	\$ 139	
6 Main feeder - UG	\$ 450,000	6,480	648	\$ 694	
8 TOTAL - OH				\$ 2,462	\$ 1,950
9 TOTAL - UG				\$ 3,017	\$ 2,950

Line item 1 – 138kV transmission line from St. George, Utah to Beaver Dam, Arizona:

In March 2011 Dixie Escalante completed construction of 35 miles of 138kV transmission to serve our Arizona service territory as the historic feed from Nevada had reached its maximum capacity. The total cost of the new transmission was \$8,989,394, but our wholesale power provider, Deseret Generation & Transmission, provided a grant of \$8,130,000 toward the cost of the line, leaving Dixie Escalante to cover the balance of \$859,394. The new line has an ultimate capacity of 70MW, which matches the projected built-out load of the Arizona service territory. At an average demand of 10kW per consumer, that gives this line the capacity to serve approximately 7,000 consumers, at an average cost of \$123 per consumer.

Line item 2 – Atkinville breaker yard in St. George, Utah:

At the source end of the 138kV transmission line Dixie Escalante will need to install a breaker yard, to protect the line from temporary short circuits, as well as protect the rest of Dixie Escalante's transmission system from permanent faults that can occur on the new line. This breaker yard will need to be constructed to handle the entire 70MW capacity of the line, to serve the same 7,000 consumers, for an average cost of \$500/consumer.

Line item 3 – 138:69kV substation in Beaver Dam, Arizona:

The existing transmission system in Dixie Escalante's Arizona service territory is constructed and energized at 69kV, so the cooperative will need to construct a 138:69kV substation in Beaver Dam to interface the new 138kV transmission line with the existing 69kV transmission system. Also, this

substation would need to be built with the same 70MW capacity as the transmission line, to serve the same 7,000 customers. The average cost to build the substation is estimated to be \$1,000/consumer.

Line item 4 – 69:12.47kV substations:

As more consumers are added to the Arizona system, the cooperative will be required to build several more distribution substations to serve those consumers. Each distribution substation costs about \$1,400,000 and serves around 2,000 consumers, for an average cost of \$700/consumer.

Line item 5 – main overhead feeders:

As new substations are built, heavy duty primary feeders must be built out in all directions from the substation, to serve the lateral distribution lines in the area. In areas where those major trunk lines can be constructed overhead, those cost an average of \$139/consumer.

Line item 6 – main underground feeders:

In areas where major trunk lines out of substations are required to be built underground, the average cost of those lines is \$694/consumer.

Line item 8 – total cost for each overhead consumer:

The total cost for each overhead consumer is calculated by summing the per consumer costs detailed in line items 1 through 4, plus line item 5, for a total of \$2,462/consumer. However, since Dixie Escalante only charges \$1,950/consumer in the areas in Utah served by overhead lines, we propose only to charge our Arizona members the same impact fee of \$1,950/consumer.

Line item 9 – total cost for each underground consumer:

The total cost for each underground consumer is calculated by summing the per consumer costs detailed in line items 1 through 4, plus line item 6, for a total of \$3,017/consumer. However, since Dixie Escalante only charges \$2,950/consumer in areas of Utah served by underground lines, we propose only to charge our Arizona members the same impact fee of \$2,950/consumer.

Extra small residential or commercial consumers (0-60 amps):

On occasion our members have a need for an extra small residential or commercial service, (0-60 amps,) like a shed or airplane hanger, that consumes very little electricity, so Dixie offers a prorated impact fee in the range of 20% of the full cost of an average sized impact fee.

Irrigation and Large Commercial Consumers:

Also on occasion our members install a high load factor type load, such as irrigation or large commercial, which is beneficial to the cooperative, so Dixie offers a per kW charge for impact fees in the 20-30% range of an average sized impact fee.

Summary:

Dixie Escalante proposes to implement an Impact Fee schedule in our service territory within the State of Arizona equal to that charged to our members within the State of Utah, as detailed below:

Extra small consumers (0-60 amps) connected to overhead lines	\$400
Extra small consumers (0-60 amps) connected to underground lines	\$525
Each new Residential and Small Commercial member connected to overhead lines	\$1,950
Each new Residential and Small Commercial member connected to underground lines	\$2,950
Irrigation and Large Commercial members (per kW)	\$60

Electric Rates for Arizona

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION
71 EAST HIGHWAY 56
BERYL, UTAH 84714

ARIZONA
RESIDENTIAL SERVICE

Service made available to residential customers of the Cooperative under this rate schedule shall be single phase 120/240 volts. If 50 percent or more of the electrical energy supplied to the premises is used for other than residential domestic purposes, the premises will be classified as non-residential and electric service shall be provided under the appropriate non-residential schedule.

Customer Charge:	\$14.00	per month
Energy Charge:	\$0.0520	per kWh

WHOLESALE POWER COST ADJUSTMENT: The foregoing rates are based upon the Association's cost of purchased power. The above rates are subject to the imposition of any purchased power adjustment either upward or downward which may be established and approved for billing from time to time under established procedures.

Effective:

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION
71 EAST HIGHWAY 56
BERYL, UTAH 84714

ARIZONA
SMALL COMMERCIAL SERVICE
(0-60 Amps)

Service made available to small commercial customers of the Cooperative under this rate schedule shall be for non-domestic use, single or three phase with a maximum service size of 60 amps.

Customer Charge: \$14.00 per month

Energy Charge: \$0.0520 per kWh

WHOLESALE POWER COST ADJUSTMENT: The foregoing rates are based upon the Association's cost of purchased power. The above rates are subject to the imposition of any purchased power adjustment either upward or downward which may be established and approved for billing from time to time under established procedures.

Effective:

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION
71 EAST HIGHWAY 56
BERYL, UTAH 84714

ARIZONA
SMALL COMMERCIAL SERVICE
(50 kW Maximum)

Service made available to small commercial customers of the Cooperative under this rate schedule shall be for non-domestic use, single or three phase with a maximum demand of 50 kW. Such rate shall apply to customers with usage that does not exceed the 50 kW maximum 7 months out of a calendar year.

Customer Charge:		\$20.00 per month
Energy Charge:		\$0.0470 per kWh
Demand Charge:	First 20 kW	\$0.00
	Additional kW	\$9.00 per kW per month

POWER FACTOR: The customer shall maintain not less than a 95% lagging power factor. Those customers which are determined to have power factors of less than 95% lagging shall have the demand for billing purposes increased by 1% for every 1% that the power factor is less than 95%.

WHOLESALE POWER COST ADJUSTMENT: The foregoing rates are based upon the Association's cost of purchased power. The above rates are subject to the imposition of any purchased power adjustment either upward or downward which may be established and approved for billing from time to time under established procedures.

Effective:

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION
71 EAST HIGHWAY 56
BERYL, UTAH 84714

ARIZONA
LARGE COMMERCIAL
(2499 kW Maximum)

Service made available to large commercial customers of the Cooperative under this rate schedule shall be for non-domestic use, single or three phase with a minimum demand of 50 kW and a maximum demand of 2499 kW.

Customer Charge:	\$40.00 per month
Energy Charge:	\$0.022 per kWh
Demand Charge:	\$9.00 per kW per month

POWER FACTOR: The customer shall maintain not less than a 95% lagging power factor. Those customers which are determined to have power factors of less than 95% lagging shall have the demand for billing purposes increased by 1% for every 1% that the power factor is less than 95%.

WHOLESALE POWER COST ADJUSTMENT: The foregoing rates are based upon the Association's cost of purchased power. The above rates are subject to the imposition of any purchased power adjustment either upward or downward which may be established and approved for billing from time to time under established procedures.

Effective:

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION
71 EAST HIGHWAY 56
BERYL, UTAH 84714

ARIZONA
OFF-PEAK SERVICE
(2499 kW Maximum)

Service rendered hereunder shall be interruptible. The customer will reimburse the Cooperative for all metering and load management equipment costs incurred.

Customer Charge: \$40.00 per month

Energy Charge: All kWh's @ \$0.022 per kWh.

Demand Charge: 1. 4.00 per kW per month for use at off-peak times specified by the Cooperative.
2. 30.00 per kW per month for use at times other than those specified in part 1 above.

Load shall be interrupted using one of the following options as determined by the Cooperative.

1. Utilizing the Cooperatives current load management system. Such interruption will be automatic during peak hours.
2. Customer will interrupt loads daily during the Cooperatives designated peak hours. This will be monitored by utilization of a time of use meter.
3. For customer loads which are periodic, customer will contact the Cooperative daily during periods of use to determine peak hours.

POWER FACTOR: The customer shall maintain not less than a 95% lagging power factor. Those customers which are determined to have power factors of less than 95% lagging shall have the demand for billing purposes increased by 1% for every 1% that the power factor is less than 95%.

WHOLESALE POWER COST ADJUSTMENT: The foregoing rates are based upon the Association's cost of purchased power. The above rates are subject to the imposition of any purchased power adjustment either upward or downward which may be established and approved for billing from time to time under established procedures.

Effective:

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION
71 EAST HIGHWAY 56
BERYL, UTAH 84714

ARIZONA
IRRIGATION PUMPING SERVICE

This schedule is available to qualifying customers of the Cooperative receiving service for irrigation pumping, and is applicable to all irrigation services with a 10 H.P. minimum.

Customer Charge:		\$40.00 per month
Energy Charge:	0 to 134 kWh's per kW	\$0.0811 per kWh
	(0 to 100 kWh's per H.P.)	
	Over 134 kWh's per kW	\$0.0411 per kWh
	(Over 100 kWh's per H.P.)	

The kW for billing purposes shall be the maximum kW used during each month.

Service under this rate schedule will be disconnected at the end of October, unless prior arrangements are made. Those wishing the service to remain connected will be billed monthly the \$40 customer charge plus kWh charges.

Service under this rate schedule will be connected in April, unless prior arrangements are made. Those wishing to be connected or disconnected at times other than April and October will be charged a \$30 connect and/or a \$30 disconnect fee.

POWER FACTOR: The customer shall maintain not less than a 95% lagging power factor. Those customers which are determined to have power factors of less than 95% lagging shall have the demand for billing purposes increased by 1% for every 1% that the power factor is less than 95%.

WHOLESALE POWER COST ADJUSTMENT: The foregoing rates are based upon the Association's cost of purchased power. The above rates are subject to the imposition of any purchased power adjustment either upward or downward which may be established and approved for billing from time to time under established procedures.

Effective:

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION
71 EAST HIGHWAY 56
BERYL, UTAH 84714

ARIZONA
STATE HIGHWAY LIGHTING
(400 Watt Maximum)

Available to State Highway Lighting projects of the Cooperative.

Monthly Charge: \$14.88 per light

WHOLESALE POWER COST ADJUSTMENT: The foregoing rates are based upon the Association's cost of purchased power. The above rates are subject to the imposition of any purchased power adjustment either upward or downward which may be established and approved for billing from time to time under established procedures.

Effective:

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION
71 EAST HIGHWAY 56
BERYL, UTAH 84714

ARIZONA
AREA/STREET LIGHTING
(200 Watt Maximum)

Available to all customers of the Cooperative.

Monthly Charge: \$12.00 per light

WHOLESALE POWER COST ADJUSTMENT: The foregoing rates are based upon the Association's cost of purchased power. The above rates are subject to the imposition of any purchased power adjustment either upward or downward which may be established and approved for billing from time to time under established procedures.

Effective:

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.

RATES AND CHARGES FOR OTHER SERVICES

<u>I. Description of Service</u>	<u>Present</u>	<u>Proposed</u>
	<u>Rate</u>	<u>Rate</u>
Connect Fee - Regular Hours	\$20.00	\$30.00
Connect Fee - After Hours	\$50.00	\$75.00
Disconnect Fee	\$20.00	\$30.00
Insufficient Funds Check	\$15.00	\$25.00
Trip Charge	\$0.00	\$20.00
Landlord Rollover Fee	\$0.00	\$10.00
Tampering*	\$0.00	\$200.00
Interest Rate on Customer Deposits	6.00%	6.00%
Late Payment (Per Month & Per Total Bill)	1.50%	1.5%

II. Effective Date

This rate schedule is effective for all billings on or after _____ as authorized by the ACC in Decision No. _____ dated _____.

*Present Tempering fee is \$50 +Labor & Use, Proposed is \$200 +Use

**DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION
71 EAST HIGHWAY 56
BERYL UT 84714**

SCHEDULE NO. NM

**ARIZONA
NET METERING SERVICE**

AVAILABILITY

This service is available to customers of the Cooperative with a qualifying Net Metering Facility.

DEFINITIONS

1. Net Metering Facility – A facility for the production of electricity that:
 - a. Is operated by or on behalf of a net metering customer and is located on the net metering customer's premises and;
 - b. Is intended primarily to provide part or all of the net metering customer's requirement for electricity and;
 - c. Uses Renewable Resources, a fuel cell, or Combined Heat and Power (CHP) to generate electricity and;
 - d. Has a generating capacity less than or equal to 125% of the net metering customer's total connected load, or in the absence of customer load data, capacity less than or equal to the customer's electric service drop capacity and;
 - e. Has the same nominal output voltage and phasing as the customer's electric service drop, and;
 - f. Is interconnected with and can operate in parallel and in phase with the Company's existing distribution system, and;
 - g. Meets or exceeds applicable local and national standards regarding electrical and fire safety, power quality, and interconnection requirements. These standards include, but are not limited to, those established by the American National Standards Institute (ANSI), National Electrical Code (NEC), National Electrical Safety Code (NESC), the Institute of Electrical and Electronics Engineers (IEEE), and Underwriters Laboratories (UL.) All equipment necessary to comply with these standards and requirements shall be owned by and the responsibility of the Net Metering Customer, and;
 - h. Is controlled by an Inverter that has been designed, tested, and certified to meet or exceed UL 1741 and IEEE 1547 standards.

2. Combined Heat and Power (CHP) – A system that generates electricity and useful thermal energy in a single, integrated system such that the useful power output of the facility plus one-half the useful thermal energy output during any 12-month period must be no less than 42.5 percent of the total energy input of fuel to the facility.
3. Fuel Cell – A device that converts the chemical energy of a fuel directly into electricity without intermediate combustion or thermal cycles. For purposes of this rate schedule, the source of the chemical reaction must be derived from Renewable Resources.
4. Renewable Resources – Natural resources that can be replenished by natural processes, including: biogas, biomass, geothermal, hydroelectric, solar, or wind.

METERING

Customers served under this rate schedule will require a bi-directional meter that will register and accumulate the net electrical requirements of the customer. The Cooperative will install such a meter at the customer's Net Metering Facility if proper metering is not already present. The incremental metering costs for bi-directional metering will be incurred by the Net Metering customer. Those costs will be amortized as a monthly charge of \$2.38 in addition to the standard Customer Charge. A bi-directional meter may not be required if the generating capacity of the Net Metering Facility is less than 10% of the customer's lowest billing demand over the previous 12 months, or as otherwise determined by the Cooperative through available information, and if the customer agrees that they do not intend to net any Excess Generation on their monthly bill.

BILLING

- a. On a monthly basis, the net metering customer shall be billed or credited based upon the rates applicable under the customer's currently effective standard rate schedule and any appropriate rider schedules.
- b. If the kWh supplied by the Company exceed the kWh that are generated by the Net Metering Facility and delivered back to the Cooperative during the billing period, the Customer shall be billed for the net kWh supplied by the Cooperative in accordance with the rates and charges under the Customer's standard rate schedule.
- c. If the electricity generated by the net metering customer exceeds the electricity supplied by the Company in the billing period, the Customer shall be credited during the next billing period for the excess kWh generated. The excess kWh during the billing period will be used to reduce the kWh supplied (not kW or kVA demand or customer charges) and billed by the Cooperative during the following billing period.

- d. Customers taking service under time-of-use rates who are to receive a credit in a subsequent billing period for excess kWh generated shall receive such credit during the next billing period during the on- or off-peak periods corresponding to the on- or off-peak periods in which the kWh were generated by the Customer.
- e. Each calendar year the Cooperative shall issue a check or billing credit to the net metering Customer for the balance of any credit due in excess of amounts owed by the Customer to the Cooperative. The payment for any remaining credits shall be at the Cooperative's avoided cost of \$0.0162 per kWh.

TERMS AND CONDITIONS

The customer shall comply with the Cooperative's interconnection standards. The electrical function, operation, or capacity of a customer generation system, at the point of connection to the Cooperative's distribution system, may not compromise the quality of service to the Cooperative's other customers. Cooperative requires that the Net Metering Customer enter into an interconnection agreement before Net Metering Facility is interconnected. Service under this schedule will be in accordance with the above conditions and the Electric Service Agreement between the customer and the Cooperative. The Electric Service Regulations of the Cooperative on file with and approved by the Arizona Corporation Commission, including future applicable amendments, will be considered as forming a part of and incorporated in said Agreement.

EFFECTIVE: June 27, 2011

WHOLESALE POWER COST ADJUSTMENT: The foregoing rates are based upon the Association's cost of purchased power. The above rates are subject to the imposition of any purchased power adjustment either upward or downward which may be established and approved for billing from time to time under established procedures.

Effective:

DIXIE-ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.

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ELECTRIC SERVICE REGULATIONS
STATE OF ARIZONA
REVISED July 1, 2012

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DIXIE-ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.

ELECTRIC SERVICE REGULATION NO. 1

STATE OF ARIZONA

GENERAL PROVISIONS

1. These Electric Service Regulations are designed to govern the supplying and receiving of electrical service to all who desire it within the Cooperative's service area at the lowest price consistent with the highest standards of service.
2. These Regulations supersede all previous regulations, and may be revised upon approval of the regulatory authority.
3. The rules regulating electric service prescribed by the Arizona Corporation Commission are hereby adopted and are made a part of these Regulations and Tariff.

DIXIE-ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.

ELECTRIC SERVICE REGULATION NO. 2

STATE OF ARIZONA

GENERAL DEFINITIONS

1. The following terms when used in this Tariff and in the Application or Agreement for Electric Service shall have the meanings given below unless clearly indicated otherwise:

- (a) Cooperative - Dixie-Escalante Rural Electric Association, Inc.
- (b) Customer - An individual, partnership, corporation, organization, governmental agency, political subdivision, municipality or other entity contracting with the Cooperative for electric service at one location and at one point of delivery.
- (c) Electric Service - The availability of electric power and energy at the Customer's point of delivery at the approximate voltage and for the purposes specified in the Application for Electric Service, Electric Service Agreement or Contract, irrespective of whether electric power and energy is actually used.
- (d) Point of Delivery - The point, unless otherwise specified in the Application for Electric Service, Electric Service Agreement or Contract, at which the Cooperative's service wires are connected with wires or apparatus of the Customer. If the Cooperative's service wires are connected with wires or apparatus of the Customer at more than one point, each connecting point shall be considered a separate Point of Delivery, unless the additional connecting points are made by the Cooperative for its sole convenience in supplying service. Any additional service supplied by the Cooperative at a different voltage or phase classification shall also be considered a separate Point of Delivery. Each Point of Delivery shall be separately metered and billed.
- (e) Customer's Installation - The wiring and apparatus owned by the Customer and on his side of the Point of Delivery (except the Cooperative's meter installation) useful in connection with the Customer's ability to take service.

- (f) Power - Electric Power measured in kilowatts (kW). For billing purposes, Power is the Customer's maximum use of electricity shown by or computed from the readings of Cooperative's kilowatt meter for a 15-minute period, unless otherwise specified in the applicable rate schedule; at the option of the Cooperative it may be determined either by periodic tests or by permanent meters. Power peaks due to accidents which the Customer could not have guarded against will be disregarded.
- (g) Energy - Electric Energy measured in kilowatt-hours. For billing purposes, Energy is the Customer's total use of electricity measured in kilowatt-hours during any month.
- (h) Month - The period of approximately thirty (30) days intervening between regular successive meter reading dates. At Cooperative's option, meters may be read and bills rendered either monthly or bimonthly.
- (i) Year - The period between the date of commencement of service under Application for Electric Service, Electric Service Agreement or Contract and the same day of the following calendar year.
- (j) Power Factor - The percentage determined by dividing Customer's average power use in kilowatts (Real Power) by the average kilovolt-ampere power load (Apparent Power) imposed upon Cooperative by Customer.

DIXIE-ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.

ELECTRIC SERVICE REGULATION NO. 3

STATE OF ARIZONA

ELECTRIC SERVICE AGREEMENTS

1. Application for Service

Each prospective Customer desiring electric service shall be required to sign the Cooperative's standard Application for Service and associated Right-of-Way forms.

2. Implied Service Agreement

In the absence of a signed Agreement or Application for Service, the delivery of electric service by the Cooperative and the acceptance thereof by the Customer shall be deemed to constitute an Agreement by and between the Cooperative and the Customer for delivery and acceptance of electrical service under the terms of the rate applicable to such service.

3. Electric Service Agreement, Rate Schedule, and Electric Service Regulations

These regulations and the applicable rate schedule are hereby made a part of each Agreement for Purchase of Power, expressed or implied. In case of a conflict between any of the provisions of the Agreement of Purchase of Power, Rate Schedule and the Electric Service Regulations, the provisions of the Rate Schedule will take precedence.

4. Renewal and Termination

At the expiration of the term stated in the Agreement for Purchase of Power, or any renewal thereof, or any extended term thereof, the Agreement for Purchase of Power shall be automatically renewed for a like term, unless either the Cooperative or the Customer notifies the other in writing six (6) months prior to termination date or unless otherwise stated in the Agreement for Purchase of Power.

5. Customers Obligation to Fulfill Agreement

Where the Customer entirely suspends operations during the agreement period, the Customer is still obligated to pay the minimum rates as set by the Agreement for Purchase of Power until such agreement terminates.

6. Remedies For The Cooperative

For any default or breach by Customer of a service Agreement or failure to pay bills promptly, Cooperative may terminate the service Agreement or suspend the supply of service. No such termination or suspension will occur without 15 days written notice to the Customer stating in what particular manner the Agreement for Purchase of Power has been violated, except in cases of theft or unauthorized use or disposition of service by Customer or in case of a dangerous condition on a Customer's side of the point of delivery of which the Cooperative is made aware.

DIXIE-ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.

ELECTRIC SERVICE REGULATION NO. 4

STATE OF ARIZONA

SUPPLY & USE OF SERVICE

1. Supply of Service

The Cooperative rates are based upon the furnishing of electric service to a Customer at a single point of delivery and at a single voltage and a specified phase classification. Each individual residential user, each separately operated business activity, and each separate building will be considered an individual Customer for billing purposes; except that if several buildings are occupied and used by one Customer in the operation of a single business, the Cooperative will furnish service for the entire group of buildings through one service connection at point of delivery, provided all such buildings are located on contiguous property not separated by property of other ownership or divided by public streets, roads, alleys, other public thoroughfares, railroad tracks or waterways.

2. Customer's Use of Service

Electric Service will be supplied only under the applicable rates to be determined from time to time in accordance with the Bylaws of the Cooperative, provided however that the Cooperative may limit the amount of electric energy to be furnished for industrial uses. Electric service will be supplied only to those for whom the Cooperative is the sole source of electric power and energy.

3. Continuity of Service

The Cooperative shall use reasonable diligence to provide a constant and uninterrupted supply of electrical power and energy but if such supply should fail or be interrupted or become defective through an act of God, the public enemy, by accident, strikes, labor trouble, by action of the elements or inability to secure right-of-way or other permits needed or for any other cause beyond the reasonable control of the Cooperative, the Cooperative shall not be liable therefore.

4. Strikes, Accidents and Restrictions

Strikes, labor troubles, accidents, litigations, State, Federal or local government interference or other causes affecting third parties shall not relieve Customer of liability for payment of minimum bills or any term minimum guarantees.

5. Suspension of Service for Repairs and Changes

For the purpose of making repairs to or changes in Cooperative plant, generating equipment, transmission or distribution system or other property, the Cooperative may, without incurring any liability therefrom, suspend service for such period as may be required but will endeavor to avoid unnecessary inconvenience to the Customer. Whenever possible the Cooperative will give reasonable notice prior to suspension of service.

6. Customer's Responsibility

The Customer assumes all responsibility on the Customer's side of the point of delivery for service supplied or taken and will indemnify and defend the Cooperative against all claims, demands, costs or expenses for loss, damage or injury to persons or property in any manner connected directly or indirectly with the transmission or use of electric service by the Customer at or on the Customer's side of the point of delivery.

7. Access to Premises

The Cooperative shall be granted by the Customer all the necessary permission to enable the Cooperative to install and/or maintain, reconstruct, rephase, repair and operate the electrical installation in order to carry out its contract. The Cooperative shall have the right, through its agents or other employees, to enter upon the premises of the Customer at all reasonable times for the purpose of reading, inspecting, removing metering devices, apparatus and wiring of the Cooperative and for all other purposes incident to the supplying or discontinuance of service.

DIXIE-ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.

ELECTRIC SERVICE REGULATION NO. 5

STATE OF ARIZONA

CUSTOMER'S INSTALLATION

1. Customer's Installation and Equipment

All wires and equipment (except Cooperative's meters and accessories) on the Customer's side of the point of delivery must be installed and maintained at the expense of the Customer. All wires, apparatus and equipment shall be selected with a view to obtaining safety, efficiency, good voltage regulation, and the highest practical power factor and shall comply with the standards of the National Electrical Safety Code issued by the National Bureau of Standards and the National Electric Code of the National Board of Fire Underwriters and also with regulations of any governmental authority having jurisdiction.

2. Service Entrances and Connections

The Customer shall provide a suitable service entrance to the premises to be served at the point specified by the Cooperative. Such entrance facilities shall provide a structurally sound point of attachment or support for the Cooperative's service conductors which will permit the clearances required by law.

3. Customer Load and Operations

The Cooperative reserves the right to refuse to connect or supply service to any applicant or to any Customer where such connection or service will adversely affect the service supplied to its other Customers or where the applicant or Customer has not complied with state, municipal or Cooperative regulations.

Suitable protective devices on the Customer's premises may be required at Customer's expense whenever the Cooperative deems such installation necessary to protect its property or that of its other Customers.

The Customer shall provide devices adequate to protect his equipment from high and low voltage and from overload. Three-phase motors should be protected against reversal of phase rotation and 'single-phasing'. The Cooperative will make every reasonable effort to avoid phase-reversal and 'single-phasing' but the Customer should provide adequate protection for his equipment.

4. Inspection by Cooperative

The Cooperative shall have the right, but does not assume the duty, to inspect Customer's installation at any reasonable time and to refuse to commence or to continue service whenever it does not consider such installation to be in good operating condition. Inspection of or failure to inspect by the Cooperative any Customer installation shall in no way render liable the Cooperative for any injury or damage resulting from such installation of the Customer.

5. Highly Fluctuating Loads

The Cooperative reserves the right to refuse to supply service to loads of a character which may seriously impair service to any Customer and shall have the right to discontinue service to the Customer who shall continue to use appliances or apparatus detrimental to the service to any other Customer after being notified thereof in writing by the Cooperative.

6. Changes in Installation

The Cooperative's wires, transformers, meters, and other facilities used in supply of service to Customer have a definite limited capacity. Customer shall therefore give notice to the Cooperative and obtain Cooperative permission before making any material changes or increases in Customer's installation. The Cooperative reserves the right to refuse permission and/or to advise the Customer upon what conditions service can be supplied.

7. Cooperative's Responsibility

Nothing in the Electric Service Regulations shall be construed as placing upon the Cooperative any responsibility for the condition or maintenance of the Customer's wiring, current consuming devices or other equipment and the Cooperative shall not be held liable for any loss or damage resulting from defects in the Customer's installation and shall not be held liable for damage to persons or property arising from the use of the service on the premises of the Customer.

DIXIE-ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.

ELECTRIC SERVICE REGULATION NO. 6

STATE OF ARIZONA

COOPERATIVE INSTALLATION

1. Cooperative's Installation

Except as otherwise provided in the Service Regulations, in the Agreement for the Purchase of Power or Rate Schedules, the Cooperative will install and maintain its lines and equipment on its side of the point of delivery, but shall not be required to install or maintain any lines or equipment except meters and accessories beyond that point. Only agents of the Cooperative are authorized to connect Cooperative's supply wires to Customer's service terminals.

2. Cooperative Property

All lines, apparatus, instruments, meters and materials furnished and installed by the Cooperative at its expense within the Customer's premises, shall be and remain the property of the Cooperative and may be removed by the Cooperative upon discontinuance of service. In the event of loss or damage to the Cooperative's property, rising from neglect, carelessness or misuse by the Customer, the cost of necessary repairs or replacement shall be paid by the Customer.

3. Service From Existing Lines

Service will be supplied to the Customer from the Cooperative's nearest line of sufficient capacity and appropriate phase and voltage to furnish adequate service under applicable rate schedule.

4. Relocation of Lines

The Cooperative will relocate its lines when such relocation is necessary, practical and justified. The Cooperative shall be sole judge of the circumstances concerning necessity, practicality and justification for relocation. If property owner requests relocation of lines on his property he shall bear the cost.

5. Right-of-Way

Customer shall make or secure, without expense to the Cooperative, conveyance for the Cooperative of satisfactory Right-of-Way easements across the property owned or controlled by the Customer for the Cooperative's lines or extensions thereof necessary or incidental to the furnishing of service to the Customer and shall permit access thereto by the Cooperative's employees at all reasonable hours. The Customer shall permit the Cooperative to cut, trim and control the growth by chemical means, machinery or otherwise of trees and shrubbery located within 20 feet of the center line of said line or system. Other right-of-way easements shall be provided to the Cooperative without cost to the Cooperative.

DIXIE-ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.

ELECTRIC SERVICE REGULATION NO. 7

STATE OF ARIZONA

METERING

1. Installation

The Customer shall make provision for the connections of metering equipment at a convenient place, readily accessible without risk of bodily harm to Cooperative employees, free from vibration, corrosive atmosphere, and abnormal temperatures in which to install the Cooperative's metering equipment and shall furnish a meter base for Cooperative's meter. All meter locations and provisions for connecting metering equipment are subject to approval by the Cooperative. The cooperative will furnish, install and maintain at its own expense the necessary meter or electric service used by the Customer. The Customer shall provide and maintain a satisfactory location for the installation without expense to the Cooperative. Where the character of the service requires a graphic meter, the chart of which must be changed weekly, the Customer will provide attendance when requested by the Cooperative to care for and change the meter charts as required. The Customer will not interfere with or alter or permit interference with or alteration of the Cooperative's meter or other property.

2. Failure to Register

If the Cooperative's meter shall fail at any time to register accurately, the Cooperative may estimate Customer's power and energy during the time of such failure on the basis of the best available data. If any appliance or wiring connections are found on Customer's premises which prevent the meter from accurately recording the total amount of power and energy used on the premises, the Cooperative may at once remove such wiring or appliance and may estimate the power and the amount of energy consumed and not registered as accurately as it is able to do so. The Customer will immediately pay for such estimated power and energy consumption together with the expense of removing any such wiring or appliances and restoring the equipment of the Cooperative to its normal operating conditions. The Cooperative may also refuse further service or require the Customer to make such changes in his wiring installation as the Cooperative deems proper.

3. Meter Testing

Cooperative will test and inspect its meters from time to time and maintain their accuracy of registration in accordance with generally accepted practices and the rules and standards established by applicable regulatory authorities. If any such special test shows the average registration of a meter to be in error by more than 2% fast or slow the Cooperative will bear the cost of test. If the amount of error is less than 2% the Customer will bear the cost of the test unless the meter has not been tested at the Customer's request within 12 months period immediately preceding such request. When an average error of more than 2% is determined, the Cooperative will make a refund where the meter is fast and the Customer will pay the difference where the meter is slow. The billing adjustment for residential and commercial service will be made only for one-half the period intervening since the last test but not to exceed six months. In case of pump wells having a faulty meter a water reading may be used to compute the percent of error for the season.

The cost to the Customer if a meter test is less than 2% in error and the meter has been tested more than once during a 12 month period shall be \$60.

DIXIE-ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.

ELECTRIC SERVICE REGULATION NO. 8

STATE OF ARIZONA

BILLING

Rate Schedules

The rates prescribed by all Rate Schedules are subject to revision upon approval of the Board of Directors of the Cooperative.

Billing Period

Bills ordinarily will be rendered monthly, but may be rendered more frequently or at different intervals at the option of the Cooperative. Estimated bills will be rendered when regular meter readings are not secured.

Address of Customers

Bills will be mailed to the address of the Customer appearing in the Application for Electric Service or to such address as Customer may request. When Customer vacates the premises where service is received his contract shall continue in effect until he notifies the Cooperative to cancel or transfer said agreement.

After mailing, the Cooperative assumes no responsibility for lost bills.

Separate Billings

At each point of delivery the use of service shall be metered and/or billed separately for each Customer served.

Payment of Bills

Bills for electric service supplied during the preceding billing period are due and payable when rendered. A Customer will have Twenty (20) days from the date the current bill was prepared to pay the new balance, which date shall be the statement due date. In the event the Customer tenders a payment of less than the full amount of the bill rendered, the Cooperative will apply said payment pro rata first to the charges in default and interest and the remainder, if any, to the current monthly charges unless otherwise agreed to by the Cooperative.

In the event the Customer tenders a check in payment of his bill and said check is returned by the bank unpaid because of insufficient funds or any other reason, Customer will be charged a handling and administration fee of \$25.00.

Commencing on each billing date, a late charge of one and one-half percent (1 1/2%) per month (annual percentage rate of 18%) will be assessed against any unpaid balance. With the exception of disconnection charges, reconnection charges and return check service charges, no other charge, whether described as a finance charge or service charge, will be applied to any residential account for failure to pay an outstanding bill by the statement due date.

Disconnection for NonPayment

At least 10 calendar days prior to a proposed termination of utility service, the Cooperative shall give written notice of disconnection for nonpayment to the account holder. The 10-day time period is computed from the date the notice is postmarked. During the winter months (November 1 through March 31) the Cooperative shall make good faith efforts to notify the account holder by telephone or by a personal visit to the residence at least 48 hours prior to the time of disconnection.

Discontinuance of Service

If Customer violated the conditions under which Cooperative supplies service under his Agreement for Purchase of Power and these Service Regulations or if he fails upon request from the Cooperative to pay an unsecured bill for service, Cooperative may discontinue service upon not less than 10 (ten) days written notice stating the cause of such discontinuance. In addition, the Cooperative reserves the right to discontinue service upon notice for any of the following reasons:

- A. For the use of electricity for any property or purpose other than that described in the application made thereof.
- B. Under any flat rate service, for addition to such property or fixtures or increase in the use to be made of electricity.
- C. For failure to maintain in good order service entrance facilities or equipment owned by the Customer.
- D. For tampering with any service wires, meter, seal or any other facilities of the Cooperative.
- E. In case Customer vacates premises either permanently, with or without notice to Cooperative, or temporarily, with notice to Cooperative, to stop service for the vacation period.
- F. For use of equipment which adversely affects the Cooperative's service to its other Customers.

G. For refusal of reasonable access to property to the agent or employee of the Cooperative for the purpose of inspecting the facilities or for testing, reading, maintaining or removing meters.

H. For fraudulent use of service.

The right to discontinue service for any of the above reasons may be exercised whenever and as often as such reasons may occur, and neither delay nor omission on the part of the Cooperative to enforce this rule shall be deemed a waiver of its right to enforce the same at any time so long as the reason continues.

Ten (10) days written notice will be given the Customer before service is discontinued under this provision, except in the case of danger to life or property when the Cooperative may discontinue service without notice.

If service to a Customer be disconnected or discontinued for any reason, Customer shall pay a \$30.00 disconnect fee and an additional \$30.00 fee for reconnection. If the Customer requires reconnection after the regular working hours of the Cooperative, the charge will be \$75.00 or the cost of the employee's overtime and mileage in addition to the \$30.00 reconnection charge.

If a Customer is subject to disconnection for lack of payment and the service order has been processed whether a meter technician has been dispatched at the time payment is made, the Customer shall pay a processing/trip fee of \$20.00.

If service to a Customer be disconnected for meter tampering, Customer shall pay a \$200.00 meter tampering fee plus any estimated usage before service is restored.

The Cooperative will restore service when the cause of discontinuance has been removed and payment of all proper charges due from the Customer including the disconnection and reconnection charges and deposit set forth in these Service Regulations has been paid.

If a Customer requests a service connection and a service call is not required because the service is active and only requires a name change, the Customer shall pay a \$10 account set up or maintenance fee and the Customer being disconnected will receive no charge.

DIXIE-ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.

ELECTRIC SERVICE REGULATION NO. 9

STATE OF ARIZONA

DEPOSITS

Deposits

The Cooperative may require a deposit from any existing or prospective Customer to guarantee payment of bills in the absence of a credit reference satisfactory to the Cooperative. Such deposit shall not exceed three times the average monthly bill for the service desired.

Interest

Simple interest, computed from the date of deposit at the rate of six percent (6%) per annum, will be paid by the Cooperative upon all such deposits which have been held continuously by the Cooperative for a period of six (6) months or longer. Deposits with accrued interest, if any, will be repaid at the end of twelve (12) months, or sooner at the option of the Cooperative, unless the Customer has failed to regularly and promptly pay all bills for service. When in the sole judgement of the Cooperative an extraordinary credit risk exists, the Cooperative may hold the deposit of the Customer for a period longer than twelve months even though the Customer has regularly and promptly paid all bills for service. Upon settlement of a Customer's account, any unused balance of the deposit with accrued interest, if any, will be returned to the Customer. In computing interest, consideration shall be given only to major parts of months or dollars. Interest on Customer deposits shall cease upon discontinuance, for any reason, of service to the Customer.

Non-Payment of Bills

An applicant for electric service who is a former Customer of the Cooperative and whose service was discontinued for non-payment of bills will be required to make payment of all amounts remaining unpaid from his previous service in addition to a suitable deposit not to exceed three times the estimated average monthly bill.

Payment of Amounts Due and Owing

The Cooperative may apply all or any part of the Customer's deposit prescribed herein above to the payment of amounts due and owing the Cooperative for service rendered; and if Customer shall fail to restore any such deposit to its full amount within thirty (30) days after written request for restoration is mailed by Cooperative to Customer, Cooperative may discontinue service until deposit is restored to its full amount.

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.

ELECTRIC SERVICE REGULATION NO. 10

STATE OF ARIZONA

LINE EXTENSION POLICY

1. General Provisions: Dixie Escalante Rural Electric Association, Inc. (Association) will provide electric service within the boundaries of its service area when rights-of-way are furnished, and the applicant complies with the conditions of one of the following classifications as determined by the Association. The Association will own, operate and maintain all extensions made under this rule.
 - a. "Permanent Service", as herein defined, includes service to residential, irrigation, and commercial when the use of service, both as to amount and permanence, can be assured.
 - b. "Indeterminate Service", as herein defined, includes but is not limited to service to mines, quarries, oil wells, industrial, manufacturing, and large commercial enterprises of speculative nature, real estate subdivisions, mobile homes and recreational vehicles, property being developed for sale, enterprises where there is little or no immediate demand for service by any other consumer, seasonals, and other service (except that defined hereinafter as "Temporary") where the amount and permanence of use cannot reasonably be assured.
 - c. "Temporary Service" as herein defined, includes but is not limited to service to circuses, bazaars, fairs, concessions and similar enterprises, construction work, etc., of a temporary nature, and ventures of such uncertain speculative nature that their permanence is questionable; such as mining or oil and gas production operations, etc., which, during the preliminary or development period of same, may, at Association's option, be classified in this category of service.

Non-refundable contributions in aid of construction will be calculated and charged to reflect the estimated construction costs as determined by the Association. An estimate fee will be charged before an estimate is calculated. This fee will be credited towards the non-refundable contribution in aid of construction.

2. Extension for Permanent Service:
 - a. The applicant will be required to make a non-refundable contribution in aid of construction for the entire construction investment.

3. Extension for Indeterminate Service:

- a. The applicant will be required to make a non-refundable contribution in aid of construction for the entire construction investment.
- b. Platted developments being subdivided for future potential residential homesites will require a non-refundable contribution in aid of construction to be made to cover the costs of the basic backbone primary system being installed. A standard 200 amp service will be allowed for indeterminate services, both overhead and underground.

4. Extension for Temporary Service:

- a. For service classified as "Temporary", Association shall require applicant to pay Association in advance of construction an amount equivalent to Association's estimate of the total cost of construction and removal of the extension. This estimate will include salvage value if any.
- b. Service provided to a temporary extension shall be billed in accordance with the rate schedules applicable.
- c. Association may refuse to connect additional consumers to temporary extensions.
- d. Service over a temporary extension will not be continued for a period longer than eighteen (18) months; and if consumer desires service thereafter, said continued service shall be furnished under the terms of either the "Permanent" or "Indeterminate" plan, if Association's estimate of the future use of service justifies the continued operation and maintenance of the line.

5. Extension for Underground Power Lines:

Primary and/or secondary underground power lines will be supplied upon request when feasible. The consumer will pay a non-refundable contribution in aid of construction of 100% of the actual costs of construction for the primary and/or secondary power lines and related power equipment.

Meter loops and secondary extensions from the point of service to Association's transformers or secondary pedestals shall be the responsibility of the consumer, but must meet the inspection standards of the Association.

The Association will install, own and maintain all underground facilities to the point of delivery. The Customer may, at Association's discretion, be required to provide the excavation, bedding material as required, back fill of trenches, and ground restoration.

6. Large Industrial Loads: Large industrial loads involving special construction or circumstances will be individually analyzed and the provisions of the extension policy applied as agreed upon.
7. Idle Services: For services determined to be idle, Association may exercise its option to remove said service and use the materials elsewhere. Should the consumer require service at that location at some future date, he will be given service according to the provisions of this policy under the applicable classification as determined by the Association.
8. Street Light Installation and Maintenance:
 - a. Developers desiring street lights shall pay the estimated costs of construction in advance to have street lights installed by the Cooperative before construction begins. Street light design and specifications shall be approved by the Municipality in which street light service will occur.
 - b. Property Owners desiring street lights in existing subdivisions shall pay the estimated cost of construction to have street lights installed by the Cooperative in 3 annual installments with the first installment being due before construction begins. Street light design and specifications shall be approved by the Municipality in which street light service will occur. Property Owners shall sign a Street Light Installation Agreement before the installation of street lights will occur. If any of the annual installment payments are not received in a timely manner, the Cooperative may remove the street light until payment is received.
 - c. Maintenance of street lights will be completed at no cost to the Developer/Property Owners by the Cooperative on all standard street lights. Standard street lights consist of existing Cobra Head style and Ornamental Decorative style street lights supplied and warehoused by the Cooperative.
 - d. Maintenance of non-standard street lights will be completed by the Cooperative and the Developer/Property Owners agree to reimburse the Cooperative for any labor performed in excess of 1 hour per street light per year at the Cooperative's standard hourly billing rate. Developer/Property Owners shall supply, stock and warehouse any replacement parts for maintenance of non-standard street lights.
9. Impact Fees: All applicants for new service, or reconnect of idle service are subject to payment of an impact and connect fee as determined on the attached 'SCHEDULE A'.

**SCHEDULE 'A'
IMPACT FEES**

Service Size -	Impact Fee
<u>Residential and Single phase Small Commercial</u>	
<u>(Overhead System Connection)</u>	
0 to 60 AMPS	\$ 400.00
61 TO 200 AMPS	\$1950.00
Each additional 200 AMPS, or portion thereof	\$1950.00
 (Underground System Connection)	
0 to 60 AMPS	\$ 525.00
61 TO 200 AMPS	\$2950.00
Each additional 200 AMPS, or portion thereof	\$2950.00
 <u>All Commercial, Irrigation, etc.</u>	
Installed Capacity	\$60/KW

Upgrading of existing service will require the applicable impact fees to be paid.

	Connect Fee
All Services	\$30.00

Impact and connect fees are subject to change as necessary. Such necessity to be determined by the Board of Directors of Dixie Escalante Rural Electric Association, Inc.

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.

ELECTRIC SERVICE REGULATION NO. 11

STATE OF ARIZONA

TAXES

I. GENERAL

In the event any taxing body shall impose or increase any franchise, occupation, sales, license, excise or other tax or charge of any kind or nature, including taxes or charges based upon electricity sold or the receipts or income therefrom, the cooperative at its discretion, may add the pro-rata amount thereof and separately itemized and bill all Customers in the area or locality in which such tax or charge applies.

2. TAXES and FEES

Taxes and fees of the prevailing rates shall be separately itemized on each Customer's power bill.

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT Submit one electronic copy and one signed hard copy to CFC. Round all numbers to the nearest dollar.	BORROWER DESIGNATION UT020
	BORROWER NAME DIXIE ESCALANTE REA, INC.
	ENDING DATE 12/31/2009

CERTIFICATION

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.


 Signature of Office Manager or Accountant 3/15/2010
 Date


 Signature of Manager 3/15/2010
 Date

NEW AUTHORIZATION CHOICES

A. NRECA uses rural electric system data for legislative, regulatory and other purposes. May we provide this report from your system to NRECA?

NRECA YES NO

B. Will you authorize CFC to share your data with other cooperatives?

YES NO

STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			THIS MONTH (d)
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Operating Revenue and Patronage Capital	20,304,909	20,501,053	20,582,286	1,494,559
2. Power Production Expense	0	0	0	0
3. Cost of Purchased Power	12,418,095	12,623,963	13,006,391	1,018,728
4. Transmission Expense	93,553	56,562	78,586	1,899
5. Distribution Expense - Operation	1,210,196	1,200,314	1,299,737	168,685
6. Distribution Expense - Maintenance	847,812	813,211	808,615	97,706
7. Consumer Accounts Expense	552,357	629,580	634,653	48,999
8. Customer Service and Informational Expense	454,343	339,253	372,739	41,926
9. Sales Expense	88,995	90,764	90,219	7,961
10. Administrative and General Expense	1,742,717	1,737,684	1,775,582	163,385
11. Total Operation & Maintenance Expense (2 thru 10)	17,408,068	17,491,331	18,066,522	1,549,290
12. Depreciation & Amortization Expense	1,400,270	1,429,185	1,431,078	121,088
13. Tax Expense - Property & Gross Receipts	232,973	305,843	302,247	32,020
14. Tax Expense - Other	0	0	0	0
15. Interest on Long-Term Debt	651,693	564,381	567,518	46,389
16. Interest Charged to Construction (Credit)	0	0	0	0
17. Interest Expense - Other	7,810	8,631	8,875	59
18. Other Deductions	21,403	2,121	5,534	(96)
19. Total Cost of Electric Service (11 thru 18)	19,722,218	19,801,492	20,381,774	1,748,750
20. Patronage Capital & Operating Margins (1 minus 19)	582,691	699,561	200,512	(254,191)
21. Non Operating Margins - Interest	203,806	217,495	115,149	118,831
22. Allowance for Funds Used During Construction	0	0	0	0
23. Income (Loss) from Equity Investments	0	0	0	0
24. Non Operating Margins - Other	729,760	784,932	729,227	90,355
25. Generation & Transmission Capital Credits	16,360	16,360	16,360	0
26. Other Capital Credits & Patronage Dividends	67,835	57,582	67,000	2,082
27. Extraordinary Items	0	0	0	0
28. Patronage Capital or Margins (20 thru 27)	1,600,454	1,775,930	1,128,248	(42,923)

TRANSMISSION AND DISTRIBUTION

ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR (a)	THIS YEAR (b)		LAST YEAR (a)	THIS YEAR (b)
1. New Services Connected	348	300	5. Miles Transmission	99	89
2. Services Retired	0	0	6. Miles Distribution Overhead	449	448
3. Total Services In Place	15,112	15,429	7. Miles Distribution Underground	342	344
4. Idle Services (Exclude Seasonal)	62	62	8. Total Miles Energized (5+6+7)	890	881

CFC FINANCIAL AND STATISTICAL REPORT		BORROWER DESIGNATION	
		2020	
		YEAR ENDING	
		12/31/2009	
ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service	51,464,807	28. Memberships	8,595
2. Construction Work in Progress	9,687,309	29. Patronage Capital	7,660,066
3. Total Utility Plant (1+2)	61,152,115	30. Operating Margins - Prior Years	0
4. Accum. Provision for Depreciation and Amort	17,192,640	31. Operating Margins - Current Year	699,561
5. Net Utility Plant (3-4)	43,959,475	32. Non-Operating Margins	9,071,748
6. Nonutility Property - Net	1,169,693	33. Other Margins & Equities	790,472
7. Investment in Subsidiary Companies	0	34. Total Margins & Equities (28 thru 33)	18,230,441
8. Invest. in Assoc. Org. - Patronage Capital	268,303	35. Long-Term Debt CFC (Net)	8,294,453
9. Invest. in Assoc. Org. - Other - General Funds	941,949	(Payments-Unapplied (\$))	
10. Invest in Assoc. Org. - Other - Nongeneral Funds	0	36. Long-Term Debt - Other (Net)	0
11. Investments in Economic Development Projects	0	(Payments-Unapplied (\$))	
12. Other Investments	0	37. Total Long-Term Debt (35+36)	8,294,453
13. Special Funds	1,004	38. Obligations Under Capital Leases - Non current	0
14. Total Other Property & Investments (6 thru 13)	2,380,948	39. Accumulated Operating Provisions - Asset Retirement Obligations	0
15. Cash-General Funds	45,612	40. Total Other Noncurrent Liabilities (38+39)	0
16. Cash-Construction Funds-Trustee	0	41. Notes Payable	0
17. Special Deposits	2,250,779	42. Accounts Payable	3,404,219
18. Temporary Investments	0	43. Consumers Deposits	503,076
19. Notes Receivable - Net	3,466,483	44. Current Maturities Long-Term Debt	498,206
20. Accounts Receivable - Net Sales of Energy	1,052,747	45. Current Maturities Long-Term Debt-Economic Development	0
21. Accounts Receivable - Net Other	1,210,153	46. Current Maturities Capital Leases	0
22. Materials & Supplies - Electric and Other	5,021,390	47. Other Current & Accrued Liabilities	1,049,889
23. Prepayments	15,450	48. Total Current & Accrued Liabilities (41 thru 47)	5,455,390
24. Other Current & Accrued Assets	9,864	49. Deferred Credits	27,432,617
25. Total Current & Accrued Assets (15 thru 24)	13,072,478	50. Total Liabilities & Other Credits (34+37+40+48+49)	59,412,901
26. Deferred Debits	0		
27. Total Assets & Other Debits (5+14+25+26)	59,412,901		
		RELATED CONTRIBUTIONS AND CONSTRUCTION	
		Balance Beginning of Year	37,142,990
		Amounts Received This Year (Net)	2,441,643
		TOTAL Contributions-In-Aid-Of-Construction	35,584,633
FINANCIAL STATEMENT CONTAINED IN THIS REPORT			

CFC FINANCIAL AND STATISTICAL REPORT		BORROWER DESIGNATION					
		UT020					
		YEAR ENDING	12/31/2009				
Much of Part E has been consolidated. Enter only the total of "Distribution Plant" (that includes such items as Land and Land Rights, Structures and Improvements and Station Equipment), the total of "General Plant" (items such as Office Furniture, Transportation Equipment) the total of "Transmission Plant" (items such as Land and Land Rights, Roads and Trails), Steam, Nuclear, Hydro, Other Production Plants and "All Other Utility Plant"							
PART E. CHANGES IN UTILITY PLANT							
	PLANT ITEM	BALANCE BEGINNING OF YEAR (a)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFER (d)	BALANCE END OF YEAR (e)	
1	Distribution Plant Subtotal	25,195,720	1,441,324	127,289	11,500	26,521,255	
2	General Plant Subtotal	10,604,848	1,532,811	203,356	0	11,934,303	
3	Headquarters Plant	0	0	0	0	0	
4	Intangibles	550,000	0	0	0	550,000	
5	Transmission Plant Subtotal	12,442,187	18,968	1,907	0	12,459,248	
6	Production Plant - Steam	0	0	0	0	0	
7	Production Plant - Nuclear	0	0	0	0	0	
8	Production Plant - Hydro	0	0	0	0	0	
9	Production Plant - Other	0	0	0	0	0	
10	All Other Utility Plant	0	0	0	0	0	
11	SUBTOTAL: (1 thru 10)	48,792,755	2,993,103	332,552	11,500	51,464,806	
12	Construction Work in Progress	7,113,411	2,571,898			9,687,309	
13	TOTAL UTILITY PLANT (11 + 12)	55,906,166	5,567,001	332,552	11,500	61,152,115	
CFC NO LONGER REQUIRES SECTIONS "F", "G", "N" AND "P" DATA Those sections refer to data on "Analysis of Accumulated Provision for Depreciation" (F), "Materials and Supplies" (G), "Annual Meeting and Board Data" (N), and "Conservation Data" (P).							
PART H. SERVICE INTERRUPTIONS							
	ITEM	Avg. Minutes per Consumer by Cause	Avg. Minutes per Consumer by Cause	Avg. Minutes per Consumer by Cause	Avg. Minutes per Consumer by Cause	TOTAL (e)	
		Power Supplier (a)	Major Event (b)	Planned (c)	All Other (d)		
1	Present Year	0.00	28.44	16.03	23.42	67.89	
2	Five-Year Average	78.43	76.83	4.29	288.24	447.79	
PART I. EMPLOYEE - HOUR AND PAYROLL STATISTICS							
1	Number of Full Time Employees	55	4 Payroll - Expensed	1,784,758			
2	Employee - Hours Worked - Regular Time	102,204	5 Payroll - Capitalized	1,128,518			
3	Employee - Hours Worked - Overtime	3,319	6 Payroll - Other	1,111,560			
PART J. PATRONAGE CAPITAL		THIS YEAR (a)	CUMULATIVE (b)	PART K. DUE FROM CONSUMERS FOR ELECTRIC SERVICE			
1	General Retirement	472,812	4,754,024	1 Amount Due Over 60 Days: 74,201			
2	Special Retirements	0	1,815,053	2 Amount Written Off During Year: 21,831			
3	Total Retirements (1+2)	472,812	6,569,077				
4	Cash Received from Retirement of Patronage Capital by Suppliers of Electric Power	0					
5	Cash Received from Retirement of Patronage Capital by Lenders for Credit Extended to the Electric System	25,788					
6	Total Cash Received (4+5)	25,788					
PART L. KWH PURCHASED AND TOTAL COST				INCLUDED IN TOTAL COST			
	NAME OF SUPPLIER (a)	CFC USE ONLY SUPPLIER CODE (b)	KWH PURCHASED (c)	TOTAL COST (d)	AVERAGE COST PER KWH (cents) (e)	FUEL COST ADJUSTMENT (f)	WHEELING & OTHER CHARGES (or Credits) (g)
1	Deseret Generation & Transmission		391,693,075	12,623,963	3.22	0	435,800
2			0	0	0.00	0	0
3			0	0	0.00	0	0
4			0	0	0.00	0	0
5	TOTALS		391,693,075	12,623,963	3.22	0	435,800

CFC FINANCIAL AND STATISTICAL REPORT	BORROWER DESIGNATION
	UT020 YEAR ENDING 12/31/2009

PART M. LONG-TERM LEASES (If additional space is needed, use separate sheet)

LIST BELOW ALL "RESTRICTED PROPERTY" ** HELD UNDER "LONG TERM" LEASE. (If none, State "NONE")

	NAME OF LESSOR	TYPE OF PROPERTY	RENTAL THIS YEAR
1.	NONE		\$0
2.			
3.			TOTAL \$0

** "RESTRICTED PROPERTY" means all properties other than automobiles, trucks, tractors, other vehicles (including without limitation aircraft and ships), office and warehouse space and office equipment (including without limitation computers). "LONG TERM" means leases having unexpired terms in excess of 3 years and covering property having an initial cost in excess of \$250,000.

PART O. LONG-TERM DEBT SERVICE REQUIREMENTS

	NAME OF LENDER	BALANCE END OF YEAR	BILLED THIS YEAR			CFC USE ONLY (d)
			INTEREST (a)	PRINCIPAL (b)	TOTAL (c)	
1.	National Rural Utilities Cooperative Finance Corporation	8,294,453	525,265	459,082	984,347	
2.		0	0	0	0	
3.		0	0	0	0	
4.		0	0	0	0	
5.		0	0	0	0	
6.		0	0	0	0	
7.		0	0	0	0	
8.		0	0	0	0	
9.		0	0	0	0	
10.	TOTAL (Sum of 1 thru 9)	\$8,294,453	\$525,265	\$459,082	\$984,347	

564,381

CFC FINANCIAL AND STATISTICAL REPORT		BORROWER DESIGNATION			
		2020			
		YEAR ENDING 12/31/2009			
UNITED STATES					
CLASSIFICATION	CONSUMER, SALES, AND REVENUE DATA	JANUARY CONSUMERS (a)	DECEMBER CONSUMERS (b)	AVERAGE CONSUMERS (c)	TOTAL KWH SALES AND REVENUE (d)
1. Residential Sales (excluding seasonal)	a. No. Consumers Served	12,290	12,624	12,457	
	b. KWH Sold				207,009,157
	c. Revenue				11,390,207
2. Residential Sales - Seasonal	a. No. Consumers Served	0	0	0	
	b. KWH Sold				0
	c. Revenue				0
3. Irrigation Sales	a. No. Consumers Served	200	199	200	
	b. KWH Sold				31,622,834
	c. Revenue				1,534,389
4. Comm. and Ind. 1000 KVA or Less	a. No. Consumers Served	1,588	1,542	1,565	
	b. KWH Sold				93,987,402
	c. Revenue				4,919,771
5. Comm. and Ind. Over 1000 KVA	a. No. Consumers Served	2	2	2	
	b. KWH Sold				37,041,636
	c. Revenue				2,226,595
6. Public Street & Highway Lighting	a. No. Consumers Served	104	105	105	
	b. KWH Sold				1,333,937
	c. Revenue				218,056
7. Other Sales to Public Authority	a. No. Consumers Served	0	0	0	
	b. KWH Sold				0
	c. Revenue				0
8. Sales for Resales-RUS Borrowers	a. No. Consumers Served	0	0	0	
	b. KWH Sold				0
	c. Revenue				0
9. Sales for Resales-Other	a. No. Consumers Served	0	0	0	
	b. KWH Sold				0
	c. Revenue				0
10. TOTAL No. of Consumers (lines 1a thru 9a)		14,184	14,472	14,328	
11. TOTAL KWH Sold (lines 1b thru 9b)					370,994,966
12. TOTAL Revenue Received From Sales of Electric Energy (line 1c thru 9c)					20,289,018
13. Other Electric Revenue					212,035
14. KWH - Own Use					433,448
15. TOTAL KWH Purchased					391,693,075
16. TOTAL KWH Generated					0
17. Cost of Purchases and Generation					12,623,963
18. Interchange - KWH - Net					0
19. Peak - Sum All KW Input (Metered)					100,222
Non-coincident					
Coincident	x				

CFC INVESTMENTS, LOAN GUARANTEES AND LOANS - DISTRIBUTION <small>(All investments refer to your most recent CFC Loan Agreement)</small>		BORROWER DESIGNATION UT920 BORROWER NAME DIXIE ESCALANTE REA, INC. MONTH ENDING 12/31/2009		
Submit an electronic copy and a signed hard copy to CFC. Round all amounts to the nearest dollar.				
PART I - INVESTMENTS				
DESCRIPTION (a)	INCLUDED (\$) (b)	EXCLUDED (\$) (c)	INCOME OR LOSS (d)	
2. INVESTMENTS IN ASSOCIATED ORGANIZATIONS				
5	Patronage Capital - NRUCFC	0	258,303	0
6	Capital Term Certificates - NRUCFC	0	339,685	0
7	Memberships - NRUCFC/NRTC	0	3,260	0
8	Member Capital Securities - NRUCFC	0	600,000	0
Subtotal (Line 5 thru 8)		0	1,210,252	0
3. INVESTMENTS IN ECONOMIC DEVELOPMENT				
9		0	0	0
10		0	0	0
11		0	0	0
12		0	0	0
Subtotal (Line 9 thru 12)		0	0	0
4. INVESTMENTS IN COMMUNITY DEVELOPMENT				
13		0	0	0
14		0	0	0
15		0	0	0
16		0	0	0
Subtotal (Line 13 thru 16)		0	0	0
5. SPECIAL FUNDS				
17	Deposit - AZ Workers Compensation	0	1,004	0
18		0	0	0
19		0	0	0
20		0	0	0
Subtotal (Line 17 thru 20)		0	1,004	0
6. INVESTMENTS IN BANK DEPOSITS				
21	Zions Bank - Capital Credit Fund	0	44,662	0
22	Petty Cash	950	0	0
23	Mountain America Business Checking	0	5,025	0
24		0	0	0
Subtotal (Line 21 thru 24)		950	49,687	0
7. INVESTMENTS IN BANK SWEEP ACCOUNTS				
25	Zions Bank Sweep Account	1,401,025	250,000	0
26	Wells Fargo Sweep Acct	344,726	250,000	0
27		0	0	0
28		0	0	0
Subtotal (Line 25 thru 28)		1,745,754	500,000	0
29		0	0	0
30		0	0	0
31		0	0	0
32		0	0	0
Subtotal (Line 29 thru 32)		0	0	0
8. ACCOUNT & NOTES RECEIVABLE - NET				
33	Notes Receivable - Various Commercial Accounts	3,466,483	0	0
34	Accounts Receivable - Electric	1,137,190	0	0
35	Accounts Receivable - Material/Labor/Other	1,210,153	0	0
36		0	0	0
Subtotal (Line 33 thru 36)		5,813,826	0	0
9. COMMITMENTS TO INVEST WITHIN 12 MONTHS BUT NOT ACTUALLY PURCHASED				
37		0	0	0
38		0	0	0
39		0	0	0
40		0	0	0
Subtotal (Line 37 thru 40)		0	0	0
Total		7,560,530	1,760,943	0

CFC INVESTMENTS, LOAN GUARANTEES AND LOANS - DISTRIBUTION <small>(All investments refer to your most recent CFC Loan Agreement)</small>	BORROWER DESIGNATION UT020
Submit an electronic copy and a signed hard copy to CFC. Round all amounts to the nearest dollar.	BORROWER NAME DLXIE ESCALANTE REA INC
	MONTH ENDING 12/31/2009

7a - PART II. LOAN GUARANTEES					
Line No.	Organization & Guarantee Beneficiary (a)	Maturity Date of Guarantee Obligation (b)	Original Amount (\$) (c)	Performance Guarantee Exposure or Loan Balance (\$) (d)	Available Loans (Covered by Guarantees) (e)
1	NONE		0	0	0
2			0	0	0
3			0	0	0
4			0	0	0
5			0	0	0
TOTALS (Line 1 thru 5)			0	0	0

7a - PART III. LOANS					
Line No.	Name of Organization (a)	Maturity Date (b)	Original Amount (\$) (c)	Loan Balance (\$) (d)	Available Loans (e)
1	Red Rock Funding		0	1,368,610	0
2	Fort Pierce Industrial Park		0	1,597,873	0
3			0	0	0
4			0	0	0
5			0	0	0
TOTALS (Line 1 thru 5)			0	3,466,483	0

7a - PART IV. TOTAL INVESTMENTS AND LOAN GUARANTEES					
1	TOTAL - Part I, Total - Column b - Part II, Totals - Column d + Column e - Part III, Totals - Column d + Column e				11,027,013
2	LARGER OF (a) OR (b)				9,172,817
	a. 15 percent of Total Utility Plant (CFC Form 7, Part C, Line 3)			9,172,817	
	b. 50 percent of Total Equity (CFC Form 7, Part C, Line 34)			9,114,545	

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT	BORROWER DESIGNATION
	BORROWER NAME
Submit one electronic copy and one signed hard copy to CFC. Round all numbers to the nearest dollar.	ENDING DATE
	12/31/2010

C E R T I F I C A T I O N

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

AUTHORIZATION CHOICES

A. NRECA uses rural electric system data for legislative, regulatory and other purposes. May we provide this report from your system to NRECA?

NRECA YES NO

B. Will you authorize CFC to share your data with other cooperatives?

YES NO

Signature of Office Manager or Act: *[Signature]* Date: 3/15/11

Signature of Manager: *[Signature]* Date: 3/15/11

ITEM	YEAR-TO-DATE			THIS MONTH (d)
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Operating Revenue and Patronage Capital	20,501,053	20,741,304	20,844,516	1,550,911
2. Power Production Expense	0	0	0	0
3. Cost of Purchased Power	12,623,963	12,123,785	13,321,572	920,000
4. Transmission Expense	56,562	4,861	78,681	3,910
5. Distribution Expense - Operation	1,200,314	1,204,210	1,408,615	218,363
6. Distribution Expense - Maintenance	813,211	809,135	810,189	94,253
7. Consumer Accounts Expense	629,580	637,136	635,674	67,849
8. Customer Service and Informational Expense	339,253	605,263	372,881	65,894
9. Sales Expense	90,764	115,640	90,383	14,254
10. Administrative and General Expense	1,737,684	1,832,671	1,778,523	198,060
11. Total Operation & Maintenance Expense (2 thru 10)	17,491,331	17,332,701	18,496,518	1,582,583
12. Depreciation & Amortization Expense	1,429,185	1,487,459	1,465,400	151,089
13. Tax Expense - Property & Gross Receipts	305,843	348,698	306,280	30,894
14. Tax Expense - Other	0	0	0	0
15. Interest on Long-Term Debt	564,381	518,476	558,086	42,938
16. Interest Charged to Construction (Credit)	0	0	0	0
17. Interest Expense - Other	8,631	22,082	9,000	1,118
18. Other Deductions	2,121	4,435	6,169	(301)
19. Total Cost of Electric Service (11 thru 18)	19,801,492	19,713,851	20,841,453	1,808,321
20. Patronage Capital & Operating Margins (1 minus 19)	699,561	1,027,453	3,063	(257,410)
21. Non Operating Margins - Interest	217,495	233,435	63,000	121,328
22. Allowance for Funds Used During Construction	0	0	0	0
23. Income (Loss) from Equity Investments	0	0	0	0
24. Non Operating Margins - Other	784,932	832,365	600,000	139,721
25. Generation & Transmission Capital Credits	16,360	24,540	16,000	0
26. Other Capital Credits & Patronage Dividends	57,582	63,206	50,000	2,941
27. Extraordinary Items	0	0	0	0
28. Patronage Capital or Margins (20 thru 27)	1,775,930	2,180,999	732,063	6,580

DATA ON TRANSMISSION AND DISTRIBUTION PLANT

ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR (a)	THIS YEAR (b)		LAST YEAR (a)	THIS YEAR (b)
1. New Services Connected	300	509	5. Miles Transmission	89	89
2. Services Retired	0	0	6. Miles Distribution Overhead	448	453
3. Total Services in Place	15,429	15,939	7. Miles Distribution Underground	344	351
4. Idle Services (Exclude Seasonal)	62	62	8. Total Miles Energized (5+6-7)	881	893

CFC FINANCIAL AND STATISTICAL REPORT		BORROWER DESIGNATION	
		2020	
		YEAR ENDING	
PART I - BALANCE SHEET			
ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service	53,842,555	28. Memberships	8,595
2. Construction Work in Progress	13,129,589	29. Patronage Capital	8,080,479
3. Total Utility Plant (1+2)	66,972,144	30. Operating Margins - Prior Years	0
4. Accum. Provision for Depreciation and Amort	18,693,511	31. Operating Margins - Current Year	1,027,453
5. Net Utility Plant (3-4)	48,278,633	32. Non-Operating Margins	10,225,293
6. Nonutility Property - Net	1,187,147	33. Other Margins & Equities	790,472
7. Investment in Subsidiary Companies	0	34. Total Margins & Equities (28 thru 33)	20,132,293
8. Invest. in Assoc. Org. - Patronage Capital	296,130	35. Long-Term Debt CFC (Net)	3,294,500
9. Invest. in Assoc. Org. - Other - General Funds	953,161	(Payments-Unapplied (\$)	
10. Invest. in Assoc. Org. - Other - Nongeneral Funds	0	36. Long-Term Debt - Other (Net)	0
11. Investments in Economic Development Projects	0	(Payments-Unapplied (\$)	
12. Other Investments	0	37. Total Long-Term Debt (35+36)	3,294,500
13. Special Funds	0	38. Obligations Under Capital Leases - Non current	0
14. Total Other Property & Investments (6 thru 13)	2,436,438	39. Accumulated Operating Provisions - Asset Retirement Obligations	0
15. Cash-General Funds	41,285	40. Total Other Noncurrent Liabilities (38+39)	0
16. Cash-Construction Funds-Trustee	0	41. Notes Payable	0
17. Special Deposits	1,107,618	42. Accounts Payable	2,673,463
18. Temporary Investments	0	43. Consumers Deposits	369,390
19. Notes Receivable - Net	3,513,708	44. Current Maturities Long-Term Debt	0
20. Accounts Receivable - Net Sales of Energy	1,161,294	45. Current Maturities Long-Term Debt-Economic Development	0
21. Accounts Receivable - Net Other	462,755	46. Current Maturities Capital Leases	0
22. Materials & Supplies - Electric and Other	4,414,126	47. Other Current & Accrued Liabilities	1,088,321
23. Prepayments	23,956	48. Total Current & Accrued Liabilities (41 thru 47)	4,131,174
24. Other Current & Accrued Assets	9,363	49. Deferred Credits	29,542,993
25. Total Current & Accrued Assets (15 thru 24)	10,734,105	50. Total Liabilities & Other Credits (34+37+40+48+49)	36,967,831
26. Deferred Debits	651,784		
27. Total Assets & Other Debits (5+14+25+26)	62,100,960		
		ESTIMATED CONTRIBUTION IN-AID-OF-CONSTRUCTION	
		Balance Beginning of Year	35,584,633
		Amounts Received This Year (Net)	1,383,198
		TOTAL Contributions-In-Aid-Of-Construction	36,967,831
PART II - THE SPACE BELOW IS RESERVED FOR SUPPLEMENTAL INFORMATION. SPECIAL STATEMENTS SHOULD BE MADE IN THIS SECTION.			

CFC	BORROWER DESIGNATION	
FINANCIAL AND STATISTICAL REPORT	UT020	
	YEAR ENDING	12/31/2010

Much of Part E has been consolidated. Enter only the total of "Distribution Plant" (that includes such items as Land and Land Rights, Structures and Improvements and Station Equipment), the total of "General Plant" (items such as Office Furniture, Transportation Equipment) the total of "Transmission Plant" (items such as Land and Land Rights, Roads and Trails), Steam, Nuclear, Hydro, Other Production Plants and "All Other Utility Plant"

PART E. CHANGES IN UTILITY PLANT						
	PLANT ITEM	BALANCE BEGINNING OF YEAR (a)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFER (d)	BALANCE END OF YEAR (e)
1	Distribution Plant Subtotal	26,521,256	1,108,284	72,172	0	27,557,368
2	General Plant Subtotal	11,934,303	1,255,578	162,183	0	13,027,698
3	Headquarters Plant	0	0	0	0	0
4	Intangibles	550,000	0	0	0	550,000
5	Transmission Plant Subtotal	12,459,248	322,006	73,765	0	12,707,489
6	Production Plant - Steam	0	0	0	0	0
7	Production Plant - Nuclear	0	0	0	0	0
8	Production Plant - Hydro	0	0	0	0	0
9	Production Plant - Other	0	0	0	0	0
10	All Other Utility Plant	0	0	0	0	0
11	SUBTOTAL: (1 thru 10)	51,464,807	2,685,868	308,120	0	53,842,555
12	Construction Work in Progress	9,587,309	3,442,280			13,129,589
13	TOTAL UTILITY PLANT (11+12)	61,152,116	6,128,148	308,120	0	66,972,144

CFC NO LONGER REQUIRES SECTIONS "F", "G", AND "N" DATA
Those sections refer to data on "Analysis of Accumulated Provision for Depreciation" (F), "Materials and Supplies" (G), "Annual Meeting and Board Data" (N), and "Conservation Data" (P).

PART F. SERVICE INTERRUPTIONS						
	ITEM	Avg. Minutes per Consumer by Cause	TOTAL (e)			
		Power Supplier (a)	Major Event (b)	Planned (c)	All Other (d)	
1.	Present Year	11.15	5.32	0.42	55.62	72.51
2.	Five-Year Average	45.60	9.43	3.45	31.18	89.66

1.	Number of Full Time Employees	55	4. Payroll - Expensed	839,315
2.	Employee - Hours Worked - Regular Time	117,780	5. Payroll - Capitalized	1,302,393
3.	Employee - Hours Worked - Overtime	6,353	6. Payroll - Other	1,182,290

PART I. PATRONAGE CAPITAL			PART K. DUE FROM CONSUMERS FOR ELECTRIC SERVICE	
	ITEM	THIS YEAR (a)	CUMULATIVE (b)	
1.	General Retirement	282,951	5,036,975	1. Amount Due Over 60 Days: 71,843
2.	Special Retirements	0	1,815,053	2. Amount Written Off During Year: 55,281
3.	Total Retirements (1+2)	282,951	6,852,028	
4.	Cash Received from Retirement of Patronage Capital by Suppliers of Electric Power	23,858		
5.	Cash Received from Retirement of Patronage Capital by Lenders for Credit Extended to the Electric System	27,827		
6.	Total Cash Received (4+5)	51,685		

	NAME OF SUPPLIER (a)	CFC USE ONLY SUPPLIER CODE (b)	KWH PURCHASED (c)	TOTAL COST (d)	INCLUDED IN TOTAL COST		
					AVERAGE COST PER KWH (cents) (e)	FUEL COST ADJUSTMENT (f)	WHEELING & OTHER CHARGES (or Credits) (g)
1.	Deseret Generation & Transmission		393,409,002	12,123,785	3.08	0	435,800
2.			0	0	0.00	0	0
3.			0	0	0.00	0	0
4.			0	0	0.00	0	0
5.	TOTALS		393,409,002	12,123,785	3.08	0	435,800

CFC FINANCIAL AND STATISTICAL REPORT	BORROWER DESIGNATION	
	UT020	
	YEAR ENDING	12/31/2010

IF YOU HAVE LONG TERM LEASES, if additional space is needed, use separate sheet)

LIST BELOW ALL "RESTRICTED PROPERTY" ** HELD UNDER "LONG TERM" LEASE. (If none, State "NONE")

	NAME OF LESSOR	TYPE OF PROPERTY	RENTAL THIS YEAR
1.			\$0
2.			\$0
3.	TOTAL		\$0

** "RESTRICTED PROPERTY" means all properties other than automobiles, trucks, tractors, other vehicles (including without limitation aircraft and ships), office and warehouse space and office equipment (including without limitation computers). "LONG TERM" means leases having unexpired terms in excess of 3 years and covering property having an initial cost in excess of \$250,000).

PART O. LONG-TERM DEBT SERVICE REQUIREMENTS

	NAME OF LENDER	BALANCE END OF YEAR	BILLED THIS YEAR			CFC USE ONLY (d)
			INTEREST (a)	PRINCIPAL (b)	TOTAL (c)	
1.	National Rural Utilities Cooperative Finance Corporation	8,294,500	498,502	525,291	1,023,793	
2.		0	0	0	0	
3.		0	0	0	0	
4.		0	0	0	0	
5.		0	0	0	0	
6.		0	0	0	0	
7.		0	0	0	0	
8.		0	0	0	0	
9.		0	0	0	0	
10.	TOTAL (Sum of 1 thru 9)	8,294,500	\$498,502	\$525,291	\$1,023,793	

CFC FINANCIAL AND STATISTICAL REPORT		BORROWER DESIGNATION			
		2020			
		YEAR ENDING	12/31/2010		
PART I - POWER REQUIREMENTS DATA BASE					
CLASSIFICATION	CONSUMER, SALES, AND REVENUE DATA	JANUARY CONSUMERS (a)	DECEMBER CONSUMERS (b)	AVERAGE CONSUMERS (c)	TOTAL KWH SALES AND REVENUE (d)
1. Residential Sales (excluding seasonal).	a. No. Consumers Served	12,646	13,076	12,861	
	b. KWH Sold				210,967,566
	c. Revenue				11,627,350
2. Residential Sales - Seasonal	a. No. Consumers Served	0	0	0	
	b. KWH Sold				0
	c. Revenue				0
3. Irrigation Sales	a. No. Consumers Served	199	199	199	
	b. KWH Sold				30,076,459
	c. Revenue				1,455,769
4. Comm. and Ind. 1000 KVA or Less	a. No. Consumers Served	1,536	1,537	1,547	
	b. KWH Sold				92,859,809
	c. Revenue				4,893,943
5. Comm. and Ind. Over 1000 KVA	a. No. Consumers Served	2		2	
	b. KWH Sold				37,168,377
	c. Revenue				2,350,045
6. Public Street & Highway Lighting	a. No. Consumers Served	105	121	115	
	b. KWH Sold				1,577,141
	c. Revenue				225,383
7. Other Sales to Public Authority	a. No. Consumers Served	0	0	0	
	b. KWH Sold				0
	c. Revenue				0
8. Sales for Resales-RUS Borrowers	a. No. Consumers Served	0	0	0	
	b. KWH Sold				0
	c. Revenue				0
9. Sales for Resales-Other	a. No. Consumers Served	0	0	0	
	b. KWH Sold				0
	c. Revenue				0
10. TOTAL No. of Consumers (lines 1a thru 9a)		14,488	14,955	14,722	
11. TOTAL KWH Sold (lines 1b thru 9b)					372,649,352
12. TOTAL Revenue Received From Sales of Electric Energy (line 1c thru 9c)					20,551,490
13. Other Electric Revenue					188,814
14. KWH - Own Use					552,990
15. TOTAL KWH Purchased					393,409,004
16. TOTAL KWH Generated					0
17. Cost of Purchases and Generation					12,123,722
18. Interchange - KWH - Net					0
19. Peak - Sum All KW Input (Metered)					102,918
Non-coincident					
Coincident	x				

CFC INVESTMENTS, LOAN GUARANTEES AND LOANS - DISTRIBUTION <small>(All investments refer to your most recent CFC Loan Agreement)</small> Submit an electronic copy and a signed hard copy to CFC. Round all amounts to the nearest dollar.		BORROWER DESIGNATION UT020 BORROWER NAME DIXIE ESCALANTE REA INC. MONTH ENDING 12/31/2010	
7a - PART I - INVESTMENTS			
DESCRIPTION (a)	INCLUDED (\$) (b)	EXCLUDED (\$) (c)	INCOME OR LOSS (d)
5 Patronage Capital - NRUCFC	0	290,130	0
6 Capital Term Certificates - NRUCFC	0	338,461	0
7 Memberships - NRUCFC/NRTC/CRC	0	14,760	0
8 Member Capital Securities - NRUCFC	0	500,000	0
Subtotal (Line 5 thru 8)	0	1,249,291	0
9	0	0	0
10	0	0	0
11	0	0	0
12	0	0	0
Subtotal (Line 9 thru 12)	0	0	0
13	0	0	0
14	0	0	0
15	0	0	0
16	0	0	0
Subtotal (Line 13 thru 16)	0	0	0
17	0	0	0
18	0	0	0
19	0	0	0
20	0	0	0
Subtotal (Line 17 thru 20)	0	0	0
21 Zions Bank - Capital Credit Fund	0	40,185	0
22 Petty Cash	1,100	0	0
23	0	0	0
24	0	0	0
Subtotal (Line 21 thru 24)	1,100	40,185	0
25 Zions Bank Sweep Account	70,084	250,000	0
26 Wells Fargo Sweep Account	274,974	250,000	0
27 Mountain America Business Checking	12,560	250,000	0
28	0	0	0
Subtotal (Line 25 thru 28)	357,618	750,000	0
29	0	0	0
30	0	0	0
31	0	0	0
32	0	0	0
Subtotal (Line 29 thru 32)	0	0	0
33 Notes Receivable - Various Commercial Accounts	3,513,708	0	0
34 Accounts Receivable - Material/Labor/Other	462,755	0	0
35	0	0	0
36	0	0	0
Subtotal (Line 33 thru 36)	3,976,463	0	0
10. COMMITMENTS TO INVEST WITHIN 12 MONTHS BUT NOT ACQUIRED BY PURCHASED			
37	0	0	0
38	0	0	0
39	0	0	0
40	0	0	0
Subtotal (Line 37 thru 40)	0	0	0
Total	4,335,181	2,039,476	0

CFC INVESTMENTS, LOAN GUARANTEES AND LOANS - DISTRIBUTION		BORROWER DESIGNATION			
(All investments refer to your most recent CFC Loan Agreement)		1020			
Submit an electronic copy and a signed hard copy to CFC. Round all amounts to the nearest dollar.		BORROWER NAME			
		DEXIE ESCALANTE REA INC			
		MONTH ENDING			
		12/31/2010			
7a - PART II. LOAN GUARANTEES					
Line No.	Organization & Guarantee Beneficiary (a)	Maturity Date of Guarantee Obligation (b)	Original Amount (\$) (c)	Performance Guarantee Exposure or Loan Balance (\$) (d)	Available Loans (Covered by Guarantees) (e)
1	NONE		0	0	0
2			0	0	0
3			0	0	0
4			0	0	0
5			0	0	0
TOTALS (Line 1 thru 5)			0	0	0
7a - PART III. LOANS					
Line No.	Name of Organization (a)	Maturity Date (b)	Original Amount (\$) (c)	Loan Balance (\$) (d)	Available Loans (e)
1	Red Rock Funding		0	1,915,835	0
2	Fort Pierce Industrial Park		0	1,597,873	0
3			0	0	0
4			0	0	0
5			0	0	0
TOTALS (Line 1 thru 5)			0	3,513,708	0
7a - PART IV. TOTAL INVESTMENTS AND LOANS GUARANTEES					
1	TOTAL (Part I, Total - Column b - Part II, Totals - Column d + Column e + Part III, Totals - Column d + Column e)				7,848,889
2	LARGER OF (a) OR (b)				10,066,147
	a. 15 percent of Total Utility Plant (CFC Form 7, Part C, Line 3)			10,045,822	
	b. 50 percent of Total Equity (CFC Form 7, Part C, Line 34)			10,066,147	

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT Submit one electronic copy and one signed hard copy to CFC. Round all numbers to the nearest dollar.	BORROWER DESIGNATION 01020
	BORROWER NAME DIXIE ESCALANTE REA INC.
	ENDING DATE 12/31/2011

CERTIFICATION We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.	BALANCE CHECK RESULTS  Needs Attention  Please Review  Matches	AUTHORIZATION CHOICES A. NRECA uses rural electric system data for legislative, regulatory and other purposes. May we provide this report from your system to NRECA? <input checked="" type="radio"/> YES <input type="radio"/> NO B. Will you authorize CFC to share your data with other cooperatives? <input checked="" type="radio"/> YES <input type="radio"/> NO
Signature of Office Manager or Accountant: <i>[Signature]</i> Date: 3/28/12 Signature of Manager: <i>[Signature]</i> Date: 3/28/12		

ITEM	YEAR-TO-DATE			THIS MONTH
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Operating Revenue and Patronage Capital	20,741,304	20,814,291	20,482,957	1,524,900
2. Power Production Expense	0	0	0	0
3. Cost of Purchased Power	12,123,785	12,947,928	12,976,513	1,050,616
4. Transmission Expense	4,861	108,258	94,746	9,523
5. Regional Market Operations Expense	0	0	0	0
6. Distribution Expense - Operation	1,204,219	1,196,522	1,243,815	199,080
7. Distribution Expense - Maintenance	809,135	899,605	924,225	88,235
8. Consumer Accounts Expense	637,136	696,316	651,075	69,412
9. Customer Service and Informational Expense	605,263	657,029	434,400	52,382
10. Sales Expense	115,640	98,302	115,260	9,536
11. Administrative and General Expense	1,832,671	1,815,518	1,794,363	173,764
12. Total Operation & Maintenance Expense (2 thru 11)	17,332,701	18,413,578	18,234,397	1,652,548
13. Depreciation & Amortization Expense	1,487,459	1,631,468	1,520,103	140,724
14. Tax Expense - Property & Gross Receipts	348,698	405,164	350,400	42,906
15. Tax Expense - Other	0	0	0	0
16. Interest on Long-Term Debt	518,476	503,192	558,086	40,221
17. Interest Charged to Construction (Credit)	0	0	0	0
18. Interest Expense - Other	22,082	15,899	22,176	1,268
19. Other Deductions	4,435	15,905	6,169	958
20. Total Cost of Electric Service (12 thru 19)	19,713,851	20,984,206	20,691,331	1,878,625
21. Patronage Capital & Operating Margins (1 minus 20)	1,027,453	(169,915)	(208,374)	(353,725)
22. Non Operating Margins - Interest	233,435	226,126	176,400	115,342
23. Allowance for Funds Used During Construction	0	0	0	0
24. Income (Loss) from Equity Investments	0	0	0	0
25. Non Operating Margins - Other	832,365	909,819	744,000	104,807
26. Generation & Transmission Capital Credits	24,540	16,360	24,540	0
27. Other Capital Credits & Patronage Dividends	63,206	52,212	60,206	0
28. Extraordinary Items	0	0	0	0
29. Patronage Capital or Margins (21 thru 28)	2,180,999	1,034,602	796,772	(133,576)

ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR (a)	THIS YEAR (b)		LAST YEAR (a)	THIS YEAR (b)
1. New Services Connected	509	459	5. Miles Transmission	89	119
2. Services Retired	0	0	6. Miles Distribution Overhead	453	464
3. Total Services In Place	15,939	16,406	7. Miles Distribution Underground	351	338
4. Idle Services (Exclude Seasonal)	62	62	8. Total Miles Energized (5+6+7)	893	921

CFC FINANCIAL AND STATISTICAL REPORT		BORROWER DESIGNATION	
		2020	
		YEAR ENDING	
		12/31/2011	
PART C - BALANCE SHEET			
ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service	57,374,547	29. Memberships	8,595
2. Construction Work in Progress	3,808,672	30. Patronage Capital	10,261,478
3. Total Utility Plant (1+2)	61,183,219	31. Operating Margins - Prior Years	0
4. Accum. Provision for Depreciation and Amort	20,194,557	32. Operating Margins - Current Year	(169,915)
5. Net Utility Plant (3-4)	40,988,662	33. Non-Operating Margins	10,276,265
6. Nonutility Property - Net	1,169,693	34. Other Margins & Equities	790,472
7. Investment in Subsidiary Companies	0	35. Total Margins & Equities (29 thru 34)	21,166,895
8. Invest. in Assoc. Org. - Patronage Capital	321,120	36. Long-Term Debt CFC (Net)	9,765,122
9. Invest. in Assoc. Org. - Other - General Funds	951,750	(Payments-Unapplied (\$))	
10. Invest. in Assoc. Org. - Other - Nongeneral Funds	0	37. Long-Term Debt - Other (Net)	0
11. Investments in Economic Development Projects	0	(Payments-Unapplied (\$))	
12. Other Investments	0	38. Total Long-Term Debt (36 + 37)	9,765,122
13. Special Funds	0	39. Obligations Under Capital Leases - Non current	0
14. Total Other Property & Investments (6 thru 13)	2,442,603	40. Accumulated Operating Provisions - Asset Retirement Obligations	0
15. Cash - General Funds	23,323	41. Total Other Noncurrent Liabilities (39+40)	0
16. Cash - Construction Funds-Trustee	0	42. Notes Payable	0
17. Special Deposits	1,418,449	43. Accounts Payable	2,056,480
18. Temporary Investments	0	44. Consumers Deposits	351,566
19. Notes Receivable - Net	3,437,882	45. Current Maturities Long-Term Debt	0
20. Accounts Receivable - Net Sales of Energy	1,231,335	46. Current Maturities Long-Term Debt-Economic Dev	0
21. Accounts Receivable - Net Other	443,938	47. Current Maturities Capital Leases	0
22. Renewable Energy Credits	0	48. Other Current & Accrued Liabilities	1,137,402
23. Materials & Supplies - Electric and Other	4,473,755	49. Total Current & Accrued Liabilities (42 thru 48)	3,555,448
24. Prepayments	25,299	50. Deferred Credits	20,618,211
25. Other Current & Accrued Assets	9,385	51. Total Liabilities & Other Credits (35+38-41+49+50)	55,105,676
26. Total Current & Accrued Assets (15 thru 25)	11,056,510		
27. Deferred Debits	617,901		
28. Total Assets & Other Debits (5+14+26+27)	55,105,676		
		ESTIMATED	
		Balance Beginning of Year	36,967,831
		Amounts Received This Year (Net)	10,632,078
		TOTAL Contributions-In-Aid-Of-Construction	47,599,909
PAGE BELOW IS PROVIDED FOR NOTES REGARDING THIS FINANCIAL STATEMENT ONLY			

CFC FINANCIAL AND STATISTICAL REPORT	BORROWER DESIGNATION
	UT020
	YEAR ENDING 12/31/2011

Much of Part E has been consolidated. Enter only the total of "Distribution Plant" (that includes such items as Land and Land Rights, Structures and Improvements and Station Equipment), the total of "General Plant" (items such as Office Furniture, Transportation Equipment) the total of "Transmission Plant" (items such as Land and Land Rights, Roads and Trails), Steam, Nuclear, Hydro, Other Production Plants and "All Other Utility Plant"

PART E. CHANGES IN UTILITY PLANT						
PLANT ITEM	BALANCE BEGINNING OF YEAR (a)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFER (d)	BALANCE END OF YEAR (e)	
1 Distribution Plant Subtotal	27,557,368	1,262,811	245,359	0	28,574,820	
2 General Plant Subtotal	13,927,699	675,546	105,652	0	13,597,693	
3 Headquarters Plant	0	0	0	0	0	
4 Intangibles	550,000	0	0	0	550,000	
5 Transmission Plant Subtotal	12,797,489	2,012,949	68,404	0	14,652,034	
6 Regional Transmission and Market Operation Plant	0	0	0	0	0	
7 Production Plant - Steam	0	0	0	0	0	
8 Production Plant - Nuclear	0	0	0	0	0	
9 Production Plant - Hydro	0	0	0	0	0	
10 Production Plant - Other	0	0	0	0	0	
11 All Other Utility Plant	0	0	0	0	0	
12 SUBTOTAL: (1 thru 11)	53,842,566	3,951,406	419,415	0	57,374,547	
13 Construction Work in Progress	13,129,589	(9,320,917)			3,808,672	
14 TOTAL UTILITY PLANT (12-13)	66,972,145	(5,369,511)	419,415	0	61,183,219	

CFC NO LONGER REQUIRES SECTIONS "F", "G", AND "N" DATA
These sections refer to data on "Analysis of Accumulated Provision for Depreciation" (F), "Materials and Supplies" (G), "Annual Meeting and Board Data" (N), and "Conservation Data" (P).

PART F. SERVICE INTERRUPTIONS					
ITEM	Avg. Minutes per Consumer by Cause		Avg. Minutes per Consumer by Cause		TOTAL (e)
	Power Supplier (a)	Major Event (b)	Planned (c)	All Other (d)	
1. Present Year	8.07	0.00	26.67	52.60	87.33
2. Five-Year Average	47.20	9.38	8.75	32.87	98.20

PART I. EMPLOYEE - HOUR AND PAYROLL STATISTICS			
1. Number of Full Time Employees	55	4. Payroll - Expensed	2,034,255
2. Employee - Hours Worked - Regular Time	112,937	5. Payroll - Capitalized	1,128,872
3. Employee - Hours Worked - Overtime	5,359	6. Payroll - Other	1,118,030

PART J. PATRONAGE CAPITAL			PART K. DUE FROM CONSUMERS TO ELECTRIC SERVICE		
ITEM	THIS YEAR (a)	CUMULATIVE (b)			
1. General Retirement	0	6,852,028	1. Amount Due Over 60 Days	65,543	
2. Special Retirements	0	0	2. Amount Written Off During Year:	36,424	
3. Total Retirements (1+2)	0	6,852,028			
4. Cash Received from Retirement of Patronage Capital by Suppliers of Electric Power	0				
5. Cash Received from Retirement of Patronage Capital by Lenders for Credit Extended to the Electric System	24,992				
6. Total Cash Received (4+5)	24,992				

PART L. KWH PURCHASED AND TOTAL COST							INCLUDED IN TOTAL COST			
NAME OF SUPPLIER (a)	CFC USE ONLY SUPPLIER CODE (b)	RENEWABLE ENERGY PROGRAM NAME (c)	RENEWABLE FUEL TYPE (d)	KWH PURCHASED (e)	TOTAL COST (f)	AVERAGE COST PER KWH (cents) (g)	FUEL COST ADJUSTMENT (h)	WHEELING & OTHER CHARGES (or Credits) (i)	COMMENTS (j)	
1. Deseret Generation & Transmission			0 None	394,992,392	12,947,928	3.28	0	435,800	Comments	
2.			0 None	0	0	0.00	0	0	Comments	
3.			0 None	0	0	0.00	0	0	Comments	
4.			0 None	0	0	0.00	0	0	Comments	
5. TOTALS			0 None	394,992,392	12,947,928	3.28	0	435,800		

CFC
FINANCIAL AND STATISTICAL REPORT

BORROWER DESIGNATION

UT020

YEAR ENDING

12/31/2011

PART L. KWH PURCHASED AND TOTAL COST (Continued)

COMMENTS

1.

2.

3.

4.

CFC FINANCIAL AND STATISTICAL REPORT	BORROWER DESIGNATION	
	UT020	
	YEAR ENDING	12/31/2011

PART M. LONG-TERM LEASES (If additional space is needed, use separate sheet)

*LIST BELOW ALL "RESTRICTED PROPERTY" ** HELD UNDER "LONG TERM" LEASE. (If none, State "NONE")*

	NAME OF LESSOR	TYPE OF PROPERTY	RENTAL THIS YEAR
1.			\$0
2.			\$0
3.			\$0
		TOTAL	\$0

** "RESTRICTED PROPERTY" means all properties other than automobiles, trucks, tractors, other vehicles (including without limitation aircraft and ships), office and warehouse space and office equipment (including without limitation computers). "LONG TERM" means leases having unexpired terms in excess of 3 years and covering property having an initial cost in excess of \$250,000.

PART O. LONG-TERM DEBT SERVICE REQUIREMENTS

	NAME OF LENDER	BALANCE END OF YEAR	BILLED THIS YEAR			CFC USE ONLY (d)
			INTEREST (a)	PRINCIPAL (b)	TOTAL (c)	
1	National Rural Utilities Cooperative Finance Corporation	9,765,122	468,867	529,378	998,245	
2	NCSC	0	0	0	0	
3	Farmer Mac	0	0	0	0	
4		0	0	0	0	
5		0	0	0	0	
6		0	0	0	0	
7		0	0	0	0	
8		0	0	0	0	
9		0	0	0	0	
10		0	0	0	0	
11		0	0	0	0	
12	TOTAL (Sum of 1 thru 11)	9,765,122	\$468,867	\$529,378	\$998,245	

CFC FINANCIAL AND STATISTICAL REPORT		BORROWER DESIGNATION			
		UT020			
		YEAR ENDING 12/31/2011			
PART II. POWER REQUIREMENTS DATA BASE					
CLASSIFICATION	CONSUMER, SALES, AND REVENUE DATA	JANUARY CONSUMERS (a)	DECEMBER CONSUMERS (b)	AVERAGE CONSUMERS (c)	TOTAL KWH SALES AND REVENUE (d)
1. Residential Sales (excluding seasonal)	a. No. Consumers Served	13,108	13,543	13,326	
	b. KWH Sold				214,650,560
	c. Revenue				11,868,437
2. Residential Sales - Seasonal	a. No. Consumers Served	0	0	0	
	b. KWH Sold				0
	c. Revenue				0
3. Irrigation Sales	a. No. Consumers Served	200	197	199	
	b. KWH Sold				27,948,524
	c. Revenue				1,341,551
4. Comm. and Ind. 1000 KVA or Less	a. No. Consumers Served			1,564	
	b. KWH Sold				92,838,705
	c. Revenue				4,932,654
5. Comm. and Ind. Over 1000 KVA	a. No. Consumers Served	2	2	2	
	b. KWH Sold				36,858,868
	c. Revenue				2,258,480
6. Public Street & Highway Lighting	a. No. Consumers Served	121	122	122	
	b. KWH Sold				1,770,273
	c. Revenue				239,674
7. Other Sales to Public Authority	a. No. Consumers Served	0	0	0	
	b. KWH Sold				0
	c. Revenue				0
8. Sales for Resales-RUS Borrowers	a. No. Consumers Served	0	0	0	
	b. KWH Sold				0
	c. Revenue				0
9. Sales for Resales-Other	a. No. Consumers Served	0	0	0	
	b. KWH Sold				0
	c. Revenue				0
10. TOTAL No. of Consumers (lines 1a thru 9a)		14,989	15,434	15,212	
11. TOTAL KWH Sold (lines 1b thru 9b)					373,163,930
12. TOTAL Revenue Received From Sales of Electric Energy (line 1c thru 9c)					20,640,798
13. Transmission Revenue					
14. Other Electric Revenue					173,495
15. KWH - Own Use					517,297
16. TOTAL KWH Purchased					394,692,392
17. TOTAL KWH Generated					0
18. Cost of Purchases and Generation					13,056,186
19. Interchange - KWH - Net					0
20. Peak - Sum All KW Input (Metered)					103,346
Non-coincident	Coincident				

CFC
FINANCIAL AND STATISTICAL REPORT

BORROWER DESIGNATION

UI020

YEAR ENDING 12/31/2011

PART 5. ENERGY EFFICIENCY PROGRAMS

Line #	Classification	Added This Year			Total To Date		
		Number of Consumers (a)	Amount Invested (b)	ESTIMATED MBTU Savings (c)	Number of Consumers (d)	Amount Invested (e)	ESTIMATED MBTU Savings (f)
1.	Residential Sales	0	\$0	0	0	\$0	0
2.	Residential Sales Seasonal	0	\$0	0	0	\$0	0
3.	Irrigation Sales	0	\$0	0	0	\$0	0
4.	Commercial and Industrial <1000 KVA	0	\$0	0	0	\$0	0
5.	Commercial and Industrial >1000 KVA	0	\$0	0	0	\$0	0
6.	Public Street and Highway Lighting	0	\$0	0	0	\$0	0
7.	Other Sales to Public Authorities	0	\$0	0	0	\$0	0
8.	Sales for Resale - RUS Borrowers	0	\$0	0	0	\$0	0
9.	Sales for Resale - Other	0	\$0	0	0	\$0	0
10.	TOTAL	0	\$0	0	0	\$0	0

CFC INVESTMENTS, LOAN GUARANTEES AND LOANS - DISTRIBUTION (All investments refer to your most recent CFC Loan Agreement)		BORROWER DESIGNATION UT020 BORROWER NAME DIXIE ESCALANTE REA, INC. MONTH ENDING 12/31/2011	
Submit an electronic copy and a signed hard copy to CFC. Round all amounts to the nearest dollar.			
PART I: INVESTMENTS			
DESCRIPTION (a)	INCLUDED (\$) (b)	EXCLUDED (\$) (c)	INCOME OR LOSS (d)
INVESTMENTS IN ASSOCIATED ORGANIZATIONS			
5 Patronage Capital - NRUCFC		321,120	0
6 Capital Term Certificates - NRUCFC	0	337,090	0
7 Memberships - NRUCFC/NRTC/CRC	0	14,760	0
8 Member Capital Securities - NRUCFC	0	600,000	0
Subtotal (Line 5 thru 8)	0	1,272,910	0
INVESTMENTS IN ECONOMIC DEVELOPMENT PROJECTS			
9	0	0	0
10	0	0	0
11	0	0	0
12	0	0	0
Subtotal (Line 9 thru 12)	0	0	0
OTHER INVESTMENTS			
13	0	0	0
14	0	0	0
15	0	0	0
16	0	0	0
Subtotal (Line 13 thru 16)	0	0	0
SPECIAL FUNDS			
17	0	0	0
18	0	0	0
19	0	0	0
20	0	0	0
Subtotal (Line 17 thru 20)	0	0	0
CASH - GENERAL			
21 Zions Bank - Capital Credit Fund	0	22,223	0
22 Petty Cash	1,100	0	0
23	0	0	0
24	0	0	0
Subtotal (Line 21 thru 24)	1,100	22,223	0
RECIPIENT FUNDS			
25 Zions Bank Sweep	0	0	0
26 Wells Fargo Sweep	1,020,649	250,000	0
27 Mountain America Business Checking	0	83,783	0
28	0	0	0
Subtotal (Line 25 thru 28)	1,020,649	397,809	0
29	0	0	0
30	0	0	0
31	0	0	0
32	0	0	0
Subtotal (Line 29 thru 32)	0	0	0
NET ASSETS			
33 Notes Receivable - Various Commercial Accounts	3,431,881	0	0
34 Accounts Receivable - Material/Labor/Other	443,033	0	0
35	0	0	0
36	0	0	0
Subtotal (Line 33 thru 36)	3,874,914	0	0
10. COMMITMENTS TO INVEST WITHIN 12 MONTHS OF ACTUALLY PURCHASED			
37	0	0	0
38	0	0	0
39	0	0	0
40	0	0	0
Subtotal (Line 37 thru 40)	0	0	0
Total	4,896,654	1,692,942	0

CFC INVESTMENTS, LOAN GUARANTEES AND LOANS - DISTRIBUTION <small>(All investments refer to your most recent CFC Loan Agreement)</small>		BORROWER DESIGNATION			
Submit an electronic copy and a signed hard copy to CFC. Round all amounts to the nearest dollar.		BORROWER NAME DIXIE ESCALANTE REALTY INC.			
		MONTH ENDING 12/31/2011			
7a - PART II. LOAN GUARANTEES					
Line No.	Organization & Guarantee Beneficiary (a)	Maturity Date of Guarantee Obligation (b)	Original Amount (\$) (c)	Performance Guarantee Exposure or Loan Balance (\$) (d)	Available Loans (Covered by Guarantees) (e)
1	None		0	0	0
2			0	0	0
3			0	0	0
4			0	0	0
5			0	0	0
TOTALS (Line 1 thru 5)			0	0	0
7a - PART III. LOANS					
Line No.	Name of Organization (a)	Maturity Date (b)	Original Amount (\$) (c)	Loan Balance (\$) (d)	Available Loans (e)
1	Red Rock Funding		0	1,834,008	0
2	Fort Pierce Industrial Park		0	1,597,873	0
3			0	0	0
4			0	0	0
5			0	0	0
TOTALS (Line 1 thru 5)			0	3,431,881	0
7a - PART IV. TOTAL INVESTMENTS AND LOANS GUARANTEES					
1	TOTAL (Part I, Total - Column b + Part II, Totals - Column d + Column e + Part III, Totals - Column d + Column e)				8,328,535
2	LARGER OF (a) OR (b)				10,583,448
	a. 15 percent of Total Utility Plant (CFC Form 7, Part C, Line 3)			9,177,483	
	b. 50 percent of Total Equity (CFC Form 7, Part C, Line 35)			10,583,448	



"The Power of Friendly Service"

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

WITH REPORT OF

CERTIFIED PUBLIC ACCOUNTANTS

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MEMBERS:

CHAD B. ATKINSON
 KRIS J. BRAUNBERGER
 DEAN R. BURDICK
 ROBERT S. COX
 TODD B. FELTNER
 BRENT R. HALL
 TODD R. HESS
 KENNETH A. HINTON
 MORRIS J. PEACOCK
 PHILLIP S. PEINE
 MICHAEL K. SPILKER
 MARK E. TICHENOR

Independent Auditors' Report

To the Board of Directors
 Dixie Escalante Rural Electric Association, Inc.
 Beryl, Utah

We have audited the accompanying balance sheets of Dixie Escalante Rural Electric Association, Inc. as of December 31, 2009 and 2008, and the related statements of operations, members' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dixie Escalante Rural Electric Association, Inc., as of December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

HintonBurdickHall & Spilker PLLC

HINTON, BURDICK, HALL & SPILKER PLLC
 March 10, 2010

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DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
Balance Sheets
December 31, 2009 and 2008

Assets	2009	2008
Utility plant - at cost		
Electric plant in service	\$ 51,464,806	\$ 48,792,755
Under construction	9,687,309	7,113,411
Total	61,152,115	55,906,166
Less: Accumulated depreciation and amortization	(17,192,640)	(15,776,694)
Utility plant - net	43,959,475	40,129,472
Other assets and investments		
Investments in CFC and others - at cost	1,210,252	585,676
Non-utility property	1,169,693	1,169,693
	2,379,945	1,755,369
Current assets:		
Cash and cash equivalents	2,296,391	891,545
Accounts receivable - principally customers (less allowance for doubtful accounts of \$87,041 in 2008 and \$84,443 in 2009)	1,050,797	1,139,356
Accounts receivable - other	1,212,103	3,505,284
Notes receivable - due within one year	-	15,200
Notes receivable - related party - due within one year	3,430	3,430
Materials and supplies	5,021,390	5,410,911
Other assets	26,319	23,174
Total current assets	9,610,430	10,988,900
Notes receivable (net of current portion)	1,597,873	1,597,873
Notes receivable - related party (net of current portion)	1,865,180	1,832,962
Total assets	\$ 59,412,903	\$ 56,304,576

The accompanying notes are an integral part of the financial statements.

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
Balance Sheets, continued
December 31, 2009 and 2008

Equity and Liabilities	2009	2008
Members' equity:		
Memberships	\$ 8,595	\$ 8,595
Patronage capital	8,359,631	8,062,822
Other equity	9,862,216	8,785,847
Total equity and margins	18,230,442	16,857,264
Long-term debt (less amount due within one year included below)	8,294,453	8,301,033
Current liabilities:		
Accounts payable	3,404,219	2,159,056
Customer deposits	503,076	217,516
Accrued expenses	445,689	407,915
Accrued personal leave	604,200	561,420
Perpetual line of credit	-	3,000,000
Long-term debt due within one year	498,206	465,707
Unclaimed capital credits	47,561	74,289
Total current liabilities	5,502,951	6,885,903
Deferred gain from debt restructuring	136,878	156,909
Customer advances for construction	9,185,487	6,135,014
Deferred revenue - impact fees and other	18,062,692	17,968,453
Total equity and liabilities	\$ 59,412,903	\$ 56,304,576

The accompanying notes are an integral part of the financial statements.

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
Statements of Operations
For the Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Operating revenues	<u>\$ 20,501,053</u>	<u>\$ 20,304,909</u>
Operating expenses		
Operation and maintenance:		
Power purchased	12,623,963	12,418,095
Transmission	56,562	93,553
Distribution - operation	1,200,314	1,210,196
Distribution - maintenance	813,211	847,812
Consumer accounts	629,580	552,357
Customer service	339,253	454,343
Sales	90,764	88,995
Administrative and general	<u>1,737,684</u>	<u>1,742,717</u>
Total operation and maintenance	17,491,331	17,408,068
Depreciation and amortization	1,429,185	1,400,270
Property taxes	305,843	232,973
Other	<u>2,121</u>	<u>21,403</u>
Total operating expenses	<u>19,228,480</u>	<u>19,062,714</u>
Operating margins before interest charges	1,272,573	1,242,195
Interest charges - principally long-term debt	<u>573,012</u>	<u>659,503</u>
Operating margins	<u>699,561</u>	<u>582,692</u>
Non-operating margins		
Interest income	217,495	203,806
Other non-operating income (expense)	784,932	729,760
Patronage capital credits - G&T	16,360	16,360
Patronage capital credits - CFC	<u>57,582</u>	<u>67,835</u>
Total non-operating margins	<u>1,076,369</u>	<u>1,017,761</u>
Net margins	<u>\$ 1,775,930</u>	<u>\$ 1,600,453</u>

The accompanying notes are an integral part of the financial statements.

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
Statements of Members' Equity
For the Years Ended December 31, 2009 and 2008

	<u>Memberships</u>	<u>Patronage Capital</u>	<u>Equity</u>	<u>Total</u>
Balances, December 31, 2007	\$ 8,595	\$ 7,854,807	\$ 7,768,086	\$ 15,631,488
2008 Margins:				
Operating		582,692		582,692
Non-operating			1,017,761	1,017,761
Retirement of capital credits		<u>(374,677)</u>		<u>(374,677)</u>
Balances, December 31, 2008	8,595	8,062,822	8,785,847	16,857,264
2009 Margins:				
Operating		699,561		699,561
Non-operating			1,076,369	1,076,369
Retirement of capital credits		<u>(402,752)</u>		<u>(402,752)</u>
Balances, December 31, 2009	<u>\$ 8,595</u>	<u>\$ 8,359,631</u>	<u>\$ 9,862,216</u>	<u>\$ 18,230,442</u>

The accompanying notes are an integral part of the financial statements.

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
Statements of Cash Flows
For the Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Net margin	\$ 1,775,930	\$ 1,600,453
Adjustments to reconcile net margin to net cash provided/(used) by operating activities:		
Depreciation and amortization	1,429,185	1,400,270
Gain on disposal of fixed assets	(15,259)	11,070
Accretion of deferred revenue	(774,752)	(745,071)
Accretion of deferred gain on debt restructuring	(20,031)	(20,031)
Changes in assets and liabilities:		
(Increase)/decrease in CFC investment	(624,576)	(16,317)
(Increase)/decrease in accounts receivable	2,381,740	(3,083,215)
(Increase)/decrease in materials and supplies	389,521	1,564,953
(Increase)/decrease in other assets	(3,145)	4,972
(Increase)/decrease in notes receivable	(17,018)	44,638
Increase/(decrease) in accounts payable	1,245,163	(238,996)
Increase/(decrease) in customer deposits	285,560	15,497
Increase/(decrease) in accrued expenses	37,774	47,076
Increase/(decrease) in accrued personal leave	42,780	43,134
Increase/(decrease) in unclaimed capital credits	(26,728)	(12,512)
Net cash flows from operating activities	<u>6,106,144</u>	<u>615,921</u>
Cash flows from investing activities:		
Purchase/construction of utility plant	(5,276,956)	(8,262,707)
Purchase of non utility plant property	(29,000)	-
Proceeds from the sale of fixed assets	62,027	25,712
Net cash flows from investing activities:	<u>(5,243,929)</u>	<u>(8,236,995)</u>
Cash flows from financing activities:		
Proceeds from new borrowings	496,232	2,300,000
Repayment of long-term debt	(3,470,313)	(443,732)
Customer advances of impact fees	868,991	1,211,377
Customer advances for construction	3,104,255	6,088,773
Refund of customer advances	(53,782)	(651,159)
Refund of capital credits	(402,752)	(374,677)
Net cash flows from financing activities:	<u>542,631</u>	<u>8,130,582</u>
Net change in cash and cash equivalents	1,404,846	509,508
Cash and cash equivalents at beginning of year	<u>891,545</u>	<u>382,037</u>
Cash and cash equivalents at end of year	<u>\$ 2,296,391</u>	<u>\$ 891,545</u>

Supplemental Schedule of Interest Paid and Non Cash Investing and Financing Activities

Interest paid during the year amounted to \$565,680 and \$642,339 in 2009 and 2008 respectively.

In 2008, the Association received land valued at \$114,200 in exchange for the construction of infrastructure provided to developers under line extension agreements.

The accompanying notes are an integral part of the financial statements.

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2009 and 2008

Note 1. Summary of Significant Accounting Policies

ORGANIZATION

Dixie-Escalante Rural Electric Association, Inc. is a non-profit, cooperative association organized January 1, 1978, as a result of a consolidation of Dixie Rural Electric Association and Escalante Valley Electric Association for the purpose of providing electric service to rural areas located in southwestern Utah and northwestern Arizona. Dixie-Escalante Rural Electric Association, Inc. assumed all existing assets and liabilities of the Associations in the transaction which, for accounting purposes, has been recorded as a pooling-of-interests. No additional assets or liabilities were created through the consolidation.

REGULATION

The Association is subject to Federal accounting regulation and, until March 8, 1979, was subject to State rate regulation. Subsequent to March 8, 1979, the Association's rates are determined by the Board of Directors, subject to certain restrictions. The Association's accounting practices and policies are generally consistent with regulatory authorities and the accounting records are maintained in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC).

UTILITY PLANT AND DEPRECIATION

Utility plant in service and under construction is stated at original cost less certain contributions received from customers, as described below. Costs include labor, materials, and related indirect costs such as engineering, supervision, transportation, etc. The cost of units of property replaced or renewed plus removal cost, less salvage, is charged to accumulated depreciation. Maintenance and repairs of utility property are charged to operating expenses. The Association provides for depreciation on the straight-line basis for all property over the estimated useful lives of the related assets as follows:

	Annual Depreciation Range
Transmission Plant	2.75%
Distribution Plant	2.87%
General Plant	3yrs. – 50 yrs.

In addition to depreciation shown separately in the statement of operations, depreciation of transportation and certain other equipment, amounting to \$228,290 in 2009 and \$357,491 in 2008 was charged to certain clearing accounts and distributed to operations and construction.

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2009 and 2008

Note 1. Summary of Significant Accounting Policies - Continued

REVENUES

Revenues are recognized as customers are billed. The Association does not accrue revenues for energy delivered after the billing date.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, cash in banks and cash temporarily invested in money market accounts.

MATERIALS AND SUPPLIES

Materials and supplies are stated generally at average cost which is not in excess of market.

DEFERRED DEBITS

The Association periodically incurs expense in the development of future electrical facilities. Deferred costs include, principally, engineering and feasibility study expenditures. Such costs will be charged to operations over an estimated recovery period commencing upon completion of the facilities, or when management determines them to be of no future benefit.

CUSTOMER ADVANCES FOR CONSTRUCTION

Customer advances for construction are refundable based upon terms of the line extension policy. Amounts not refunded by the end of the allowable period for refunds are accounted for as contributions in aid of construction, as described below.

CONTRIBUTIONS IN AID OF CONSTRUCTION

Contributions in aid of construction include non-refundable amounts advanced by customers for construction. As jobs are completed, such amounts are accounted for as a reduction in the cost of the electric plant in service.

ADVERTISING COSTS

The Association incurred advertising costs related to nondirect-response advertising. These costs are expensed the first time the advertising takes place. Advertising costs expensed for 2009 and 2008 were \$212,327 and \$249,809 respectively.

ALLOCATION OF MARGINS

In accordance with the Association's bylaws, operating margins are allocated to the patrons of the Association in proportion to their patronage. Non-operating margins are used to reduce prior years' losses and thereafter, may be allocated to patrons at the discretion of the Association's Board of Directors.

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2009 and 2008

Note 1. Summary of Significant Accounting Policies - Continued

TAXES ON INCOME

No amounts have been paid or accrued for income taxes as the Association is a nonprofit organization exempt from income taxes under Section 501(c)(12) of the Internal Revenue Code.

ESTIMATES

Generally accepted accounting principles require management to make estimates and assumptions that affect assets and liabilities, contingent assets and liabilities, and revenues and expenditures. Actual results could differ from those estimates, and there is a reasonable possibility that estimates might change within the near term. The more significant estimates used by management in the preparation of the accompanying financial statements include the estimated useful lives of property, plant and equipment and the estimate used to calculate the allowance for doubtful accounts. In the opinion of management the allowance for doubtful accounts is sufficient to cover any accounts or notes receivable that may be uncollectible based on historic percentages and known circumstances.

Note 2. Utility Plant

Utility plant in service is summarized by major classification as follows:

	Balance at 12/31/09	Balance at 12/31/08
Transmission plant	\$ 12,459,249	\$ 12,442,187
Distribution plant	26,521,254	25,195,720
General plant	11,934,303	10,604,848
Intangible plant	550,000	550,000
Under construction	9,687,309	7,113,411
Subtotal	<u>61,152,115</u>	<u>55,906,166</u>
Accumulated depreciation and amortization	<u>(17,192,640)</u>	<u>(15,776,694)</u>
Net utility plant assets	<u>\$ 43,959,475</u>	<u>\$ 40,129,472</u>

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2009 and 2008

Note 3. Cash

At various times throughout the years ended December 31, 2009 and 2008, cash balances in bank accounts exceeded the amount insured by the FDIC. As of December 31, 2009 and 2008, \$2,001,735 and \$523,082 of the bank balance of \$2,506,760 and \$1,023,083 was uninsured and uncollateralized.

Note 4. Investments in Associated Organizations

To join NRUCFC and establish eligibility to borrow, the Association has executed an irrevocable agreement to subscribe for subscription certificates and loan certificates. The subscription certificates mature in 2070, 2075, and 2080, and bear interest at 3% for the first fifteen years, 4% for the next seven years and 5% thereafter. The loan certificates mature and will be returned when the loans are paid off.

Investments in associated organizations consist of the following:

	2009	2008
NRTC membership	\$ 1,000	\$ 1,000
NRUCFC		
NRUCFC subscription certificates	138,525	138,525
NRUCFC loan certificates	201,164	202,376
CFC patronage capital certificates	268,303	242,515
CFC member capital securities	600,000	-
Class A membership	1,260	1,260
	\$ 1,210,252	\$ 585,676

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2009 and 2008

Note 5. Notes Receivable

As an incentive to encourage additional electrical use within its service area and in cooperation with other entities serving the same customers, the Association advanced monies to certain entities as loan assistance to help with new construction. It is the policy of the Association to continue the accrual of interest on all notes and to collect such interest through the sale of the associated collateral, if necessary. It is management's policy to write off trade and notes receivable when all efforts to collect have been exhausted. There were not any notes that were past due as of December 31, 2009 or 2008. The notes are secured by first trust deeds and their repayment terms are as follows:

	2009	2008
Note receivable from Littlefield School District, with interest at 4%, principal due in 5 equal annual installments beginning August 1, 2005	\$ -	\$ 15,200
 Note receivable from Ft Pierce Industrial Park, with variable interest (4.25% at December 31, 2009) due quarterly beginning April 1, 2000, principal due from each lot sale at 12% of net proceeds from lot sales	 1,597,873	 1,597,873
 Amount due within one year	 -	 (15,200)
Notes receivable, net of current portion	\$ 1,597,873	\$ 1,597,873

Note 6. Deferred Revenue – Impact Fees

In recent years the Association has charged an impact fee for new hookups to offset some of the cost of improving the system to accommodate growth in the service area. The monies are to be used to offset the cost of new system construction or improvement. The Association records the impact fees as deferred revenues as they are collected and then recognizes them as nonoperating revenue over a period of 30 years, which approximates the estimated life of the plant constructed. The revenue recognized for the years ended December 31, 2009 and 2008 was \$774,752 and \$745,071 respectively.

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2009 and 2008

Note 7. Long-Term Debt

The following is a summary of long term debt activity for 2009:

	Balance 12/31/2008	Additions	Retirements	Balance 12/31/2009	Current Portion
NRUCFC loans payable	\$ 8,751,740	\$ 496,232	\$ 455,313	\$ 8,792,659	\$ 498,206
NRUCFC subordinate certificates payable	15,000	-	15,000	-	-
Total long-term debt	<u>\$ 8,766,740</u>	<u>\$ 496,232</u>	<u>\$ 470,313</u>	<u>\$ 8,792,659</u>	<u>\$ 498,206</u>

The following is a summary of long term debt activity for 2008:

	Balance 12/31/2007	Additions	Retirements	Balance 12/31/2008	Current Portion
NRUCFC loans payable	\$ 9,175,472	\$ -	\$ 423,732	\$ 8,751,740	\$ 450,707
NRUCFC subordinate certificates payable	35,000	-	20,000	15,000	15,000
Total long-term debt	<u>\$ 9,210,472</u>	<u>\$ -</u>	<u>\$ 443,732</u>	<u>\$ 8,766,740</u>	<u>\$ 465,707</u>

Based on the borrowing rates currently available to the Association for loans with similar terms and average maturities, the stated amount of long-term debt at December 31, 2009 and at December 31, 2008 closely approximated current fair value.

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2009 and 2008

Note 7. Long-Term Debt - Continued

Long-term debt consists of the following:	2009	2008
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 6.20%, maturing December 1, 2014.	\$ 206,730	\$ 240,978
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 6.20%, maturing August 31, 2016.	1,111,691	1,240,544
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 6.20%, maturing February 28, 2018.	254,869	277,867
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 6.20%, maturing February 28, 2018.	226,550	246,993
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 6.25%, maturing May 31, 2035.	940,684	955,331
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 5.90%, maturing November 30, 2021.	537,829	567,840
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 5.90%, maturing November 30, 2022.	1,523,618	1,599,563
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 6.00%, maturing November 30, 2023.	1,611,066	1,682,608
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 7.25%, maturing May 31, 2027.	943,998	970,008
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 7.25%, maturing May 31, 2027.	943,998	970,008
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 3.2%, maturing February 28, 2029.	491,626	-
Subordinate certificate loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments with no interest, maturing September 30, 2009.	-	15,000
Total long term debt	8,792,659	8,766,740
Less amounts due within one year	<u>(498,206)</u>	<u>(465,707)</u>
Long term debt, net of current portion	<u>\$ 8,294,453</u>	<u>\$ 8,301,033</u>

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.

Notes to the Financial Statements

December 31, 2009 and 2008

Note 7. Long-Term Debt - Continued

Under the terms of the mortgage, all assets of the Association are pledged as security. In addition, the mortgage provides, among other things, for the maintenance of certain financial ratios, restrictions related to expanding, refunding patronage capital, incurring indebtedness, making investments, and merging.

On October 16, 1996, Deseret Generation and Transmission (Deseret) and each of the six members of Deseret including Dixie Escalante Rural Electric Association, Inc. entered into a major debt restructuring.

The following is a summary of the debt restructuring:

Each Member of Deseret retired its individual RUS debt at approximately a 10% discount. The money required to retire the RUS debt was borrowed by the Members from CFC. Dixie Escalante's RUS debt bore interest at 2% and 5% per annum. The new debt to CFC bears interest at rates between 2.8% and 3.6% per annum. Dixie Escalante Rural Electric Association, Inc. realized a \$400,618 gain on the restructuring. In accordance with generally accepted accounting principles, this gain is being recognized over 20 years (the life of the new debt). During 2009, \$20,031 was recognized as revenue, leaving a balance of \$136,878 of deferred gain at December 31, 2009. During 2008, \$20,031 was recognized as revenue, leaving a balance of \$156,909 of deferred gain at December 31, 2008.

As of January 1, 2008, the Association maintained two lines of credit from NRUCFC totaling \$5,000,000. The lines of credit bore interest at the prime rate plus 1%. One was a perpetual line of credit of \$2,000,000 which renewed each year unless either party terminated the agreement by providing written notice. The outstanding balance on this line of credit at January 1, 2008 was \$700,000. The other \$3,000,000 line of credit expired during 2008 and did not have an outstanding balance at January 1, 2008.

During 2008, the Association entered into a new \$5,000,000 perpetual line of credit with NRUCFC which replaced the two credit lines previously held. The line of credit bears interest at the prime rate plus 1%, which was 4.25% at December 31, 2009. The line of credit renews each year unless either party terminates the agreement by providing written notice. There was no outstanding balance on this line of credit at December 31, 2009.

Maturities of long term debt are as follows:

Year Ended	2009		2008	
	Principal	Interest	Principal	Interest
2008	\$ -	\$ -	\$ 465,707	\$ 543,210
2009	498,206	530,018	498,206	530,018
2010	529,350	498,874	529,350	498,874
2011	562,467	465,758	562,467	465,758
2012	597,682	430,542	597,682	430,542
2013	635,131	393,091	635,131	393,091
Thereafter	5,969,823	2,353,429	5,478,197	2,353,429
Totals	<u>\$ 8,792,659</u>	<u>\$ 4,671,712</u>	<u>\$ 8,766,740</u>	<u>\$ 5,214,922</u>

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2009 and 2008

Note 8. Deferred Credits

Deferred credits consist of the following:

	<u>2009</u>	<u>2008</u>
Deferred gain from debt restructuring	\$ 136,878	\$ 156,909
Customer advances for construction	9,185,487	6,135,014
Deferred revenue - impact fees and other	18,062,692	17,968,453
	<u>\$ 27,385,057</u>	<u>\$ 24,260,376</u>

Note 9. Members' Equity

Beginning January 1, 1978, the Association discontinued a policy requiring payment of initial membership fees. Under current policy, no membership fees are required and members are admitted subject to approval of the board of directors. During 2000, the board approved an early retirement of capital credits allocated to members from 1978 to 1987. The Association refunded the capital credits, at a discount, to members who desired to participate in the early retirement. During 2000, the board also approved a refund of capital credits assigned to the remaining patron accounts for 1978 and 1979. The past policy adopted by the board was to refund such credits after the twentieth year if deemed economically feasible. In 2000, the board adopted a policy to refund capital credits based on a percentage of all equities method and then fully refund any amount remaining after the thirtieth year. A refund percentage is determined each year by the board of directors. During 2009, a refund of 5% of the balance of 1987-2008 capital credits was made. The total capital credit refund amounted to \$402,752. During 2008, a refund of 5% of the balance of 1986-2007 capital credits was made. The total capital credit refund amounted to \$374,677.

Note 10. Employee Benefits

Pension benefits for all employees of the Association with one year of service who have attained age 21 are provided through participation in the National Rural Electric Cooperative Association (NRECA) Retirement and Security Defined Benefit Pension Plan. During 2009 and 2008 contributions of \$566,559 and \$477,009 respectively, were made to the plan. In addition to the Retirement Plan, the Association contributed \$83,784 and \$78,888 to savings plans in 2009 and 2008 respectively. Employee contributions to these savings programs amounted to \$222,881 in 2009 and \$276,906 in 2008. Dixie-Escalante Rural Electric Association, Inc. has no liability for future benefits beyond the amount contributed.

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.

Notes to the Financial Statements

December 31, 2009 and 2008

Note 11. Compensated Absences

In accordance with the personal leave policy, each full time employee earns 168 hours of personal leave the first year of employment, 264 hours during the second year with an 8 hour increase for each year thereafter to a maximum of 344 hours annually. The maximum accrued hours that may accumulate in any one employee's account by year end is 800. In May and November of each year, employees may request payment of 75% of their current wage for up to one third of the accumulated hours in their account. The liability for accrued personal leave amounted to \$604,200 and \$561,420 at December 31, 2009 and 2008 respectively.

Note 12. Related Parties

In September of 2005, the Board of Directors approved the creation of Red Rock Funding, LLC, as a wholly owned subsidiary of the Association, to administer the Employee Loan Program. The Association makes advances of funds to Red Rock Funding, LLC as necessary for the administration of the Employee Loan Program. Participants in the Employee Loan Program may borrow up to \$40,000 from Red Rock Funding, LLC for assistance in purchasing housing. The loans are secured by the property purchased. Principal and interest are paid annually through the administration of the Employee Housing Compensation Benefit. As of December 31, 2009 and 2008 amounts due to the Association from Red Rock Funding, LLC for such loans totaled \$1,868,610 and \$1,836,392 respectively. In December of 2009, the Association discontinued the Employee Loan Program for all future employees.

Note 13. Commitments and Contingencies

Power Purchases

The Association has signed a contract to purchase power from the Western Area Power Administration which is a Colorado River Storage (CRSP) allocation. Monthly power needs in excess of this allocation are purchased from Deseret G&T. The Association is committed to purchase power from Deseret G&T in excess of its CRSP allocation. Additional power beyond that provided by these two sources would be purchased under a contract with the Intermountain Power Project. This contract, termed a lay off contract, provides that power not needed or used by the Association will be allocated to the City of Los Angeles, but made available to the Association as needed.

During the year ended December 31, 2000, Dixie-Escalante Rural Electric Association, Inc. signed a new agreement with the Bureau of Reclamation concerning the hydroelectric power from the Colorado River Storage Project (CRSP) which at present is a low cost source of power available to municipalities and cooperatives having long term contracts with CRSP. The agreement is a new fifteen year agreement that began in the year 2004.

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2009 and 2008

Note 13. Commitments and Contingencies - Continued

Dixie Escalante Rural Electric Association is one of six member/owners of Deseret Generation and Transmission, a Utah generating and transmitting electrical co-operative. Deseret G&T owns and operates the Bonanza power plant in eastern Utah. The Association has signed an all requirements wholesale power purchase contract with Deseret which is in force until 2025.

Flowell Electric Association

Effective January 1, 1999, all but the manager of Flowell Electric, consisting of seven employees, became employees of Dixie Escalante, and Flowell's inventory and other general fixed assets were transferred to Dixie Escalante. Dixie Escalante agreed to provide Flowell Electric with customer billing and plant maintenance services and Flowell will be paid annually to maintain relations with the various communities for which Dixie Escalante is providing plant maintenance services. During 2009 and 2008 Flowell was paid \$40,000 and \$50,000 for these services. Under the agreement, Flowell will provide a shop and yard for the Dixie Escalante equipment and inventory. Flowell is being treated by Dixie Escalante as a contract customer.

Note 14. Recognition of Capital Credits from Deseret G&T

During 1999 the board of directors adopted the policy of only recognizing capital credits from Deseret Generation and Transmission when the credits are actually paid. Deseret has no obligation to rotate capital credits and even though capital credits are being allocated by Deseret to its members there is no present expectation that all of those credits will be rotated by payments to the members.

During 2002, Deseret Generation and Transmission rotated and paid the Association the following capital credits and has informed the management of the following tax basis allocations of the remaining capital credits which may someday be retired.

Year	Balance 1/1/2008	2008 - 2009 Rotation	Balance 12/31/2009
1983	\$ 16,296	-	16,296
1984	133,474	-	133,474
1985	-	-	-
1986	86,351	-	86,351
1997	624,852	-	624,852
1998	244,888	32,720	212,168
1999 - 2009	-	-	-
Total	<u>\$ 1,105,861</u>	<u>\$ 32,720</u>	<u>\$ 1,073,141</u>

Rotation of capital credits recognized as revenues in 2008 and 2009 totaled \$16,360 and \$16,360 respectively



"The Power of Friendly Service"

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

WITH REPORT OF

CERTIFIED PUBLIC ACCOUNTANTS

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HINTON BURDICK
HINTON BURDICK HALL & SPILKER PLLC
CPAs & ADVISORS

MEMBERS:

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MICHAEL K. SPILKER, CPA
KEVIN L. STEPHENS, CPA
MARK E. TICHENOR, CPA

Independent Auditors' Report

To the Board of Directors
Dixie Escalante Rural Electric Association, Inc.
Beryl, Utah

We have audited the accompanying balance sheets of Dixie Escalante Rural Electric Association, Inc. as of December 31, 2010 and 2009, and the related statements of operations, members' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dixie Escalante Rural Electric Association, Inc., as of December 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Hinton Burdick Hall & Spilker PLLC

HINTON, BURDICK, HALL & SPILKER PLLC
March 31, 2011

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DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
Balance Sheets
December 31, 2010 and 2009

Assets	2010	2009
Utility plant - at cost		
Electric plant in service	\$ 53,842,555	\$ 51,464,806
Under construction	13,129,589	9,687,309
Total	66,972,144	61,152,115
Less: Accumulated depreciation and amortization	(18,693,511)	(17,192,640)
Utility plant - net	48,278,633	43,959,475
Other assets and investments		
Investments in CFC and others - at cost	1,249,291	1,210,252
Non-utility property	1,187,147	1,169,693
	2,436,438	2,379,945
Current assets:		
Cash and cash equivalents	1,148,903	2,296,391
Accounts receivable - principally customers (less allowance for doubtful accounts of \$84,443 in 2009 and \$65,995 in 2010)	1,161,294	1,050,797
Accounts receivable - other	462,755	1,212,103
Notes receivable - related party - due within one year	3,430	3,430
Materials and supplies	4,414,126	5,021,390
Other assets	685,103	26,319
Total current assets	7,875,611	9,610,430
Notes receivable (net of current portion)	1,597,873	1,597,873
Notes receivable - related party (net of current portion)	1,912,405	1,865,180
Total assets	\$ 62,100,960	\$ 59,412,903

The accompanying notes are an integral part of the financial statements.

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
Balance Sheets, continued
December 31, 2010 and 2009

Equity and Liabilities		
	2010	2009
Members' equity:		
Memberships	\$ 8,595	\$ 8,595
Patronage capital	9,107,936	8,359,631
Other equity	11,015,762	9,862,216
Total equity and margins	20,132,293	18,230,442
Long-term debt (less amount due within one year included below)	7,765,150	8,294,453
Current liabilities:		
Accounts payable	2,673,463	3,404,219
Customer deposits	369,390	503,076
Accrued expenses	495,845	445,689
Accrued personal leave	592,476	604,200
Long-term debt due within one year	529,350	498,206
Unclaimed capital credits	40,185	47,561
Total current liabilities	4,700,709	5,502,951
Deferred gain from debt restructuring	116,847	136,878
Customer advances for construction	10,717,753	9,185,487
Deferred revenue - impact fees and other	18,668,208	18,062,692
Total equity and liabilities	\$ 62,100,960	\$ 59,412,903

The accompanying notes are an integral part of the financial statements.

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
Statements of Operations
For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Operating revenues	\$ 20,741,304	\$ 20,501,053
Operating expenses		
Operation and maintenance:		
Power purchased	12,123,785	12,623,963
Transmission	4,861	56,562
Distribution - operation	1,204,210	1,200,314
Distribution - maintenance	809,135	813,211
Consumer accounts	637,136	629,580
Customer service	605,263	339,253
Sales	115,640	90,764
Administrative and general	1,832,671	1,737,684
Total operation and maintenance	<u>17,332,701</u>	<u>17,491,331</u>
Depreciation and amortization	1,487,459	1,429,185
Property taxes	348,698	305,843
Other	4,435	2,121
Total operating expenses	<u>19,173,293</u>	<u>19,228,480</u>
Operating margins before interest charges	1,568,011	1,272,573
Interest charges - principally long-term debt	<u>540,558</u>	<u>573,012</u>
Operating margins	<u>1,027,453</u>	<u>699,561</u>
Non-operating margins		
Interest income	233,435	217,495
Other non-operating income (expense)	832,365	784,932
Patronage capital credits - G&T	24,540	16,360
Patronage capital credits - CFC	63,206	57,582
Total non-operating margins	<u>1,153,546</u>	<u>1,076,369</u>
Net margins	<u>\$ 2,180,999</u>	<u>\$ 1,775,930</u>

The accompanying notes are an integral part of the financial statements.

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
Statements of Members' Equity
For the Years Ended December 31, 2010 and 2009

	<u>Memberships</u>	<u>Patronage Capital</u>	<u>Equity</u>	<u>Total</u>
Balances, December 31, 2008	\$ 8,595	\$ 8,062,822	\$ 8,785,847	\$ 16,857,264
2009 Margins:				
Operating		699,561		699,561
Non-operating			1,076,369	1,076,369
Retirement of capital credits		<u>(402,752)</u>		<u>(402,752)</u>
Balances, December 31, 2009	8,595	8,359,631	9,862,216	18,230,442
2010 Margins:				
Operating		1,027,453		1,027,453
Non-operating			1,153,546	1,153,546
Retirement of capital credits		<u>(279,148)</u>		<u>(279,148)</u>
Balances, December 31, 2010	<u>\$ 8,595</u>	<u>\$ 9,107,936</u>	<u>\$ 11,015,762</u>	<u>\$ 20,132,293</u>

The accompanying notes are an integral part of the financial statements.

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
Statements of Cash Flows
For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Net margin	\$ 2,180,999	\$ 1,775,930
Adjustments to reconcile net margin to net cash flows from operating activities:		
Depreciation and amortization	1,487,459	1,429,185
Gain on disposal of fixed assets	(33,342)	(15,259)
Accretion of deferred revenue	(822,348)	(774,752)
Accretion of deferred gain on debt restructuring	(20,031)	(20,031)
Changes in assets and liabilities:		
(Increase)/decrease in CFC investment	(39,039)	(624,576)
(Increase)/decrease in accounts receivable	638,851	2,381,740
(Increase)/decrease in materials and supplies	607,264	389,521
(Increase)/decrease in other assets	(6,999)	(3,145)
(Increase)/decrease in notes receivable	(47,225)	(17,018)
Increase/(decrease) in accounts payable	(730,756)	1,245,163
Increase/(decrease) in customer deposits	(133,686)	285,560
Increase/(decrease) in accrued expenses	50,156	37,774
Increase/(decrease) in accrued personal leave	(11,724)	42,780
Increase/(decrease) in unclaimed capital credits	(7,376)	(26,728)
Net cash flows from operating activities	<u>3,112,203</u>	<u>6,106,144</u>
Cash flows from investing activities:		
Purchase/construction of utility plant	(7,228,297)	(5,276,956)
Purchase of non utility plant property	(17,454)	(29,000)
Proceeds from the sale of fixed assets	88,489	62,027
Investments in joint projects	(651,785)	-
Net cash flows from investing activities:	<u>(7,809,047)</u>	<u>(5,243,929)</u>
Cash flows from financing activities:		
Proceeds from new borrowings	-	496,232
Repayment of long-term debt	(498,159)	(3,470,313)
Customer advances of impact fees	1,427,864	868,991
Customer advances for construction	2,976,035	3,104,255
Refund of customer advances	(77,236)	(53,782)
Refund of capital credits	(279,148)	(402,752)
Net cash flows from financing activities:	<u>3,549,356</u>	<u>542,631</u>
Net change in cash and cash equivalents	(1,147,488)	1,404,846
Cash and cash equivalents at beginning of year	<u>2,296,391</u>	<u>891,545</u>
Cash and cash equivalents at end of year	<u>\$ 1,148,903</u>	<u>\$ 2,296,391</u>

Supplemental Schedule of Interest Paid and Non Cash Investing and Financing Activities

Interest paid during the year amounted to \$543,047 and \$565,680 in 2010 and 2009 respectively.

The accompanying notes are an integral part of the financial statements.

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2010 and 2009

Note 1. Summary of Significant Accounting Policies

ORGANIZATION

Dixie-Escalante Rural Electric Association, Inc. is a non-profit, cooperative association organized January 1, 1978, as a result of a consolidation of Dixie Rural Electric Association and Escalante Valley Electric Association for the purpose of providing electric service to rural areas located in southwestern Utah and northwestern Arizona. Dixie-Escalante Rural Electric Association, Inc. assumed all existing assets and liabilities of the Associations in the transaction which, for accounting purposes, has been recorded as a pooling-of-interests. No additional assets or liabilities were created through the consolidation.

REGULATION

The Association is subject to Federal accounting regulation and, until March 8, 1979, was subject to State rate regulation. Subsequent to March 8, 1979, the Association's rates are determined by the Board of Directors, subject to certain restrictions. The Association's accounting practices and policies are generally consistent with regulatory authorities and the accounting records are maintained in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC).

UTILITY PLANT AND DEPRECIATION

Utility plant in service and under construction is stated at original cost less certain contributions received from customers, as described below. Costs include labor, materials, and related indirect costs such as engineering, supervision, transportation, etc. The cost of units of property replaced or renewed plus removal cost, less salvage, is charged to accumulated depreciation. Maintenance and repairs of utility property are charged to operating expenses. The Association provides for depreciation on the straight-line basis for all property over the estimated useful lives of the related assets as follows:

	Annual Depreciation Range
Transmission Plant	2.75%
Distribution Plant	2.87%
General Plant	3yrs. – 50 yrs.

In addition to depreciation shown separately in the statement of operations, depreciation of transportation and certain other equipment, amounting to \$330,829 in 2010 and \$228,290 in 2009 was charged to certain clearing accounts and distributed to operations and construction.

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2010 and 2009

Note 1. Summary of Significant Accounting Policies - Continued

REVENUES

Revenues are recognized as customers are billed. The Association does not accrue revenues for energy delivered after the billing date.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, cash in banks and cash temporarily invested in money market accounts.

MATERIALS AND SUPPLIES

Materials and supplies are stated generally at average cost which is not in excess of market.

DEFERRED DEBITS

The Association periodically incurs expense in the development of future electrical facilities. Deferred costs include, principally, engineering and feasibility study expenditures. Such costs will be charged to operations over an estimated recovery period commencing upon completion of the facilities, or when management determines them to be of no future benefit.

CUSTOMER ADVANCES FOR CONSTRUCTION

Customer advances for construction are refundable based upon terms of the line extension policy. Amounts not refunded by the end of the allowable period for refunds are accounted for as contributions in aid of construction, as described below.

CONTRIBUTIONS IN AID OF CONSTRUCTION

Contributions in aid of construction include non-refundable amounts advanced by customers for construction. As jobs are completed, such amounts are accounted for as a reduction in the cost of the electric plant in service.

ADVERTISING COSTS

The Association incurred advertising costs related to nondirect-response advertising. These costs are expensed the first time the advertising takes place. Advertising costs expensed for 2010 and 2009 were \$267,011 and \$212,327 respectively.

ALLOCATION OF MARGINS

In accordance with the Association's bylaws, operating margins are allocated to the patrons of the Association in proportion to their patronage. Non-operating margins are used to reduce prior years' losses and thereafter, may be allocated to patrons at the discretion of the Association's Board of Directors.

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2010 and 2009

Note 1. Summary of Significant Accounting Policies - Continued

TAXES ON INCOME

No amounts have been paid or accrued for income taxes as the Association is a nonprofit organization exempt from income taxes under Section 501(c)(12) of the Internal Revenue Code.

ESTIMATES

Generally accepted accounting principles require management to make estimates and assumptions that affect assets and liabilities, contingent assets and liabilities, and revenues and expenditures. Actual results could differ from those estimates, and there is a reasonable possibility that estimates might change within the near term. The more significant estimates used by management in the preparation of the accompanying financial statements include the estimated useful lives of property, plant and equipment and the estimate used to calculate the allowance for doubtful accounts. In the opinion of management the allowance for doubtful accounts is sufficient to cover any accounts or notes receivable that may be uncollectible based on historic percentages and known circumstances.

DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through March 31, 2011, the date the financial statements were available to be issued.

Note 2. Utility Plant

Utility plant in service is summarized by major classification as follows:

	Balance at 12/31/10	Balance at 12/31/09
Transmission plant	\$ 12,707,490	\$ 12,459,249
Distribution plant	27,557,367	26,521,254
General plant	13,027,698	11,934,303
Intangible plant	550,000	550,000
Under construction	13,129,589	9,687,309
Subtotal	<u>66,972,144</u>	<u>61,152,115</u>
Accumulated depreciation and amortization	<u>(18,693,511)</u>	<u>(17,192,640)</u>
Net utility plant assets	<u>\$ 48,278,633</u>	<u>\$ 43,959,475</u>

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2010 and 2009

Note 3. Cash

At various times throughout the years ended December 31, 2010 and 2009, cash balances in bank accounts exceeded the amount insured by the FDIC and/or NCUA. As of December 31, 2010 and 2009, \$364,492 and \$2,001,735 of the bank balance of \$1,697,430 and \$2,506,760 was uninsured and uncollateralized.

Note 4. Investments in Associated Organizations

To join NRUCFC and establish eligibility to borrow, the Association has executed an irrevocable agreement to subscribe for subscription certificates and loan certificates. The subscription certificates mature in 2070, 2075, and 2080, and bear interest at 3% for the first fifteen years, 4% for the next seven years and 5% thereafter. The loan certificates mature and will be returned when the loans are paid off.

Investments in associated organizations consist of the following:

	2010	2009
NRTC membership	\$ 1,000	\$ 1,000
CRC		
Class A membership	2,500	-
Class A equity investment	10,000	-
NRUCFC		
NRUCFC subscription certificates	138,525	138,525
NRUCFC loan certificates	199,876	201,164
CFC patronage capital certificates	296,130	268,303
CFC member capital securities	600,000	600,000
Class A membership	1,260	1,260
	\$ 1,249,291	\$ 1,210,252

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2010 and 2009

Note 5. Notes Receivable

As an incentive to encourage additional electrical use within its service area and in cooperation with other entities serving the same customers, the Association advanced monies to certain entities as loan assistance to help with new construction. It is the policy of the Association to continue the accrual of interest on all notes and to collect such interest through the sale of the associated collateral, if necessary. It is management's policy to write off trade and notes receivable when all efforts to collect have been exhausted. There were not any notes that were past due as of December 31, 2010 or 2009. The notes are secured by first trust deeds and their repayment terms are as follows:

	2010	2009
Note receivable from Ft Pierce Industrial Park, with variable interest (4.25% at December 31, 2009) due quarterly beginning April 1, 2000, principal due from each lot sale at 12% of net proceeds from lot sales	\$ 1,597,873	\$ 1,597,873
Amount due within one year	-	-
Notes receivable, net of current portion	\$ 1,597,873	\$ 1,597,873

Note 6. Deferred Revenue – Impact Fees

Since 1998 the Association has charged an impact fee for new hookups to offset some of the cost of improving the system to accommodate growth in the service area. The monies are to be used to offset the cost of new system construction or improvement. The Association records the impact fees as deferred revenues as they are collected and then recognizes them as nonoperating revenue over a period of 30 years, which approximates the estimated life of the plant constructed. The revenue recognized for the years ended December 31, 2010 and 2009 was \$822,348 and \$774,752 respectively.

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2010 and 2009

Note 7. Long-Term Debt

The following is a summary of long term debt activity for 2010:

	<u>Balance</u> <u>12/31/2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2010</u>	<u>Current</u> <u>Portion</u>
NRUCFC loans payable	\$ 8,792,659	\$ -	\$ 498,159	\$ 8,294,500	\$ 529,350
Total long-term debt	<u>\$ 8,792,659</u>	<u>\$ -</u>	<u>\$ 498,159</u>	<u>\$ 8,294,500</u>	<u>\$ 529,350</u>

The following is a summary of long term debt activity for 2009:

	<u>Balance</u> <u>12/31/2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2009</u>	<u>Current</u> <u>Portion</u>
NRUCFC loans payable	\$ 8,751,740	\$ 496,232	\$ 455,313	\$ 8,792,659	\$ 498,206
NRUCFC subordinate certificates payable	15,000	-	15,000	-	-
Total long-term debt	<u>\$ 8,766,740</u>	<u>\$ 496,232</u>	<u>\$ 470,313</u>	<u>\$ 8,792,659</u>	<u>\$ 498,206</u>

Based on the borrowing rates currently available to the Association for loans with similar terms and average maturities, the stated amount of long-term debt at December 31, 2010 and at December 31, 2009 closely approximated current fair value.

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2010 and 2009

Note 7. Long-Term Debt - Continued

Long-term debt consists of the following:

	<u>2010</u>	<u>2009</u>
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 6.20%, maturing December 1, 2014.	\$ 170,309	\$ 206,730
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 6.20%, maturing August 31, 2016.	974,662	1,111,691
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 6.20%, maturing February 28, 2018.	230,411	254,869
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 6.20%, maturing February 28, 2018.	204,810	226,550
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 6.25%, maturing May 31, 2035.	925,099	940,684
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 5.90%, maturing November 30, 2021.	506,007	537,829
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 5.90%, maturing November 30, 2022.	1,443,092	1,523,618
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 6.00%, maturing November 30, 2023.	1,535,136	1,611,066
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 7.25%, maturing May 31, 2027.	916,050	943,998
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 7.25%, maturing May 31, 2027.	916,050	943,998
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 3.2%, maturing February 28, 2029.	<u>472,874</u>	<u>491,626</u>
Total long term debt	8,294,500	8,792,659
Less amounts due within one year	<u>(529,350)</u>	<u>(498,206)</u>
Long term debt, net of current portion	<u>\$ 7,765,150</u>	<u>\$ 8,294,453</u>

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2010 and 2009

Note 7. Long-Term Debt - Continued

Under the terms of the mortgage, all assets of the Association are pledged as security. In addition, the mortgage provides, among other things, for the maintenance of certain financial ratios, restrictions related to expanding, refunding patronage capital, incurring indebtedness, making investments, and merging.

On October 16, 1996, Deseret Generation and Transmission (Deseret) and each of the six members of Deseret including Dixie Escalante Rural Electric Association, Inc. entered into a major debt restructuring.

The following is a summary of the debt restructuring:

Each Member of Deseret retired its individual RUS debt at approximately a 10% discount. The money required to retire the RUS debt was borrowed by the Members from CFC. Dixie Escalante's RUS debt bore interest at 2% and 5% per annum. The new debt to CFC bears interest at rates between 2.8% and 3.6% per annum. Dixie Escalante Rural Electric Association, Inc. realized a \$400,618 gain on the restructuring. In accordance with generally accepted accounting principles, this gain is being recognized over 20 years (the life of the new debt). During 2010, \$20,031 was recognized as revenue, leaving a balance of \$116,847 of deferred gain at December 31, 2010. During 2009, \$20,031 was recognized as revenue, leaving a balance of \$136,878 of deferred gain at December 31, 2009.

As of December 31, 2010 and 2009, the Association maintained a \$5,000,000 perpetual line of credit with NRUCFC. The line of credit bears interest at the prime rate plus 1%, which was 4.25% at December 31, 2010 and 2009 respectively. The line of credit renews each year unless either party terminates the agreement by providing written notice. There was no outstanding balance on this line of credit at December 31, 2010 and 2009.

Maturities of long term debt are as follows:

Year Ended	2010		2009	
	Principal	Interest	Principal	Interest
2009	\$ -	\$ -	\$ 498,206	\$ 530,018
2010	529,350	498,874	529,350	498,874
2011	562,467	465,758	562,467	465,758
2012	597,682	430,542	597,682	430,542
2013	635,131	393,091	635,131	393,091
2014	625,417	354,404	625,417	354,404
Thereafter	5,344,453	1,999,024	5,344,406	1,999,025
Totals	<u>\$ 8,294,500</u>	<u>\$ 4,141,693</u>	<u>\$ 8,792,659</u>	<u>\$ 4,671,712</u>

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2010 and 2009

Note 8. Deferred Credits

Deferred credits consist of the following:

	<u>2010</u>	<u>2009</u>
Deferred gain from debt restructuring	\$ 116,847	\$ 136,878
Customer advances for construction	10,717,753	9,185,487
Deferred revenue - impact fees and other	18,668,208	18,062,692
	<u>\$ 29,502,808</u>	<u>\$ 27,385,057</u>

Note 9. Members' Equity

Beginning January 1, 1978, the Association discontinued a policy requiring payment of initial membership fees. Under current policy, no membership fees are required and members are admitted subject to approval of the board of directors. During 2000, the board approved an early retirement of capital credits allocated to members from 1978 to 1987. The Association refunded the capital credits, at a discount, to members who desired to participate in the early retirement. During 2000, the board also approved a refund of capital credits assigned to the remaining patron accounts for 1978 and 1979. The past policy adopted by the board was to refund such credits after the twentieth year if deemed economically feasible. In 2000, the board adopted a policy to refund capital credits based on a percentage of all equities method and then fully refund any amount remaining after the thirtieth year. A refund percentage is determined each year by the board of directors. During 2010, a refund of 100 percent of the balance of 1987-1988 capital credits and 3 percent of the remaining 1989-2009 capital credits was made. The total capital credit refund amounted to \$282,951. During 2009, a refund of 100 percent of the balance of 1986 capital credits and 5 percent of the remaining 1987-2008 capital credits was made. The total capital credit refund amounted to \$402,752.

Note 10. Employee Benefits

Pension benefits for all employees of the Association with one year of service who have attained age 21 are provided through participation in the National Rural Electric Cooperative Association (NRECA) Retirement and Security Defined Benefit Pension Plan. During 2010 and 2009 contributions of \$719,333 and \$566,559 respectively, were made to the plan. In addition to the Retirement Plan, the Association contributed \$83,490 and \$83,784 to savings plans in 2010 and 2009 respectively. Employee contributions to these savings programs amounted to \$210,168 in 2010 and \$222,881 in 2009. Dixie-Escalante Rural Electric Association, Inc. has no liability for future benefits beyond the amount contributed.

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2010 and 2009

Note 11. Compensated Absences

In accordance with the personal leave policy, each full time employee earns 168 hours of personal leave the first year of employment, 264 hours during the second year with an 8 hour increase for each year thereafter to a maximum of 344 hours annually. The maximum accrued hours that may accumulate in any one employee's account by year end is 800. In May and November of each year, employees may request payment of 75% of their current wage for up to one third of the accumulated hours in their account. The liability for accrued personal leave amounted to \$592,476 and \$604,200 at December 31, 2010 and 2009 respectively.

Note 12. Related Parties

In September of 2005, the Board of Directors approved the creation of Red Rock Funding, LLC, as a wholly owned subsidiary of the Association, to administer the Employee Loan Program. The Association makes advances of funds to Red Rock Funding, LLC as necessary for the administration of the Employee Loan Program. Participants in the Employee Loan Program may borrow up to \$40,000 from Red Rock Funding, LLC for assistance in purchasing housing. The loans are secured by the property purchased. Principal and interest are paid annually through the administration of the Employee Housing Compensation Benefit. As of December 31, 2010 and 2009 amounts due to the Association from Red Rock Funding, LLC for such loans totaled \$1,915,835 and \$1,868,610 respectively. In December of 2009, the Association discontinued the Employee Loan Program and the Employee Housing Compensation Benefit for all future employees.

Note 13. Commitments and Contingencies

Power Purchases

The Association has signed a contract to purchase power from the Western Area Power Administration which is a Colorado River Storage (CRSP) allocation. Monthly power needs in excess of this allocation are purchased from Deseret G&T. The Association is committed to purchase power from Deseret G&T in excess of its CRSP allocation. Additional power beyond that provided by these two sources would be purchased under a contract with the Intermountain Power Project. This contract, termed a lay off contract, provides that power not needed or used by the Association will be allocated to the City of Los Angeles, but made available to the Association as needed.

During the year ended December 31, 2000, Dixie-Escalante Rural Electric Association, Inc. signed a new agreement with the Bureau of Reclamation concerning the hydroelectric power from the Colorado River Storage Project (CRSP) which at present is a low cost source of power available to municipalities and cooperatives having long term contracts with CRSP. The agreement is a new fifteen year agreement that began in the year 2004.

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2010 and 2009

Note 13. Commitments and Contingencies - Continued

Dixie Escalante Rural Electric Association is one of six member/owners of Deseret Generation and Transmission, a Utah generating and transmitting electrical co-operative. Deseret G&T owns and operates the Bonanza power plant in eastern Utah. The Association has signed an all requirements wholesale power purchase contract with Deseret which is in force until 2025.

Flowell Electric Association

Effective January 1, 1999, all but the manager of Flowell Electric, consisting of seven employees, became employees of Dixie Escalante, and Flowell's inventory and other general fixed assets were transferred to Dixie Escalante. Dixie Escalante agreed to provide Flowell Electric with customer billing and plant maintenance services and Flowell will be paid annually to maintain relations with the various communities for which Dixie Escalante is providing plant maintenance services. During 2010 and 2009 Flowell was paid \$30,000 and \$40,000 for these services. Under the agreement, Flowell will provide a shop and yard for the Dixie Escalante equipment and inventory. Flowell is being treated by Dixie Escalante as a contract customer.

St. George City – Solar Project

In October of 2008, the Association entered into a solar project participation agreement with the City of St. George, Utah. Under the agreement, the City of St. George agreed to construct and operate a solar photovoltaic project. The Association would participate and permit its members who reside within the city limits of St. George to purchase participating units of the solar project from St. George.

The Association's participation percentage in the project was 50 percent, meaning that The Association would reimburse the City of St. George, either through cash payment or labor credits, for 50 percent of all costs associated with the construction, operation, and maintenance of the project. In return, the Association will receive an "energy entitlement" equal to its participation percentage for all completed phases of the project times the net output of the project minus the aggregate credited energy of all Dixie Escalante customers participating in the project.

As of December 31, 2010 phases 1 and 2 of the project were complete and placed into service. Due to the nature of the project, management determined that the capital costs associated with the project should be recorded as "other assets" in the financial statements and amortized over the estimated life of the project (20 years). The Association's share of all costs for the construction of the project minus any shares sold to customers and net of accumulated amortization totaled \$651,785 at December 31, 2010. Operating and maintenance costs will be expensed as incurred.

Pending Litigation

The Association is a defendant in a lawsuit arising from an incident that occurred in 2002. Management, with concurrence of Cooperative's outside legal counsel, is of the opinion that settlement of this lawsuit will not have a material effect on the financial position of the Association. Therefore, no specific provision has been reflected in the accompanying basic financial statements.

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2010 and 2009

Note 14. Recognition of Capital Credits from Deseret G&T

During 1999 the board of directors adopted the policy of only recognizing capital credits from Deseret Generation and Transmission when the credits are actually paid. Deseret has no obligation to rotate capital credits and even though capital credits are being allocated by Deseret to its members there is no present expectation that all of those credits will be rotated by payments to the members.

During 2010 and 2009, Deseret Generation and Transmission rotated and paid the Association the following capital credits and has informed the management of the following tax basis allocations of the remaining capital credits which may someday be retired.

Year	Balance 1/1/2009	2009 - 2010 Rotation	Balance 12/31/2009
1983	\$ 16,296	-	16,296
1984	133,474	-	133,474
1985	-	-	-
1986	86,351	-	86,351
1997	624,852	-	624,852
1998	228,528	40,900	187,628
1999 - 2010	-	-	-
Total	\$ 1,089,501	\$ 40,900	\$ 1,048,601

Rotation of capital credits recognized as revenues in 2010 and 2009 totaled \$24,540 and \$16,360 respectively



"The Power of Friendly Service"

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

WITH REPORT OF

CERTIFIED PUBLIC ACCOUNTANTS

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HINTONBURDICK

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Independent Auditors' Report

To the Board of Directors
Dixie Escalante Rural Electric Association, Inc.
Beryl, Utah

We have audited the accompanying balance sheets of Dixie Escalante Rural Electric Association, Inc. as of December 31, 2011 and 2010, and the related statements of operations, members' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dixie Escalante Rural Electric Association, Inc., as of December 31, 2011 and 2010 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

HintonBurdick, PLLC
March 29, 2012

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DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
Balance Sheets
December 31, 2011 and 2010

Assets	<u>2011</u>	<u>2010</u>
Utility plant - at cost		
Electric plant in service	\$ 57,374,547	\$ 53,842,555
Under construction	3,808,672	13,129,589
Total	<u>61,183,219</u>	<u>66,972,144</u>
Less: Accumulated depreciation and amortization	<u>(20,194,557)</u>	<u>(18,693,511)</u>
Utility plant - net	<u>40,988,662</u>	<u>48,278,633</u>
Other assets and investments		
Investments in CFC and others - at cost	1,272,910	1,249,291
Non-utility property	1,169,693	1,187,147
Total other assets and investments	<u>2,442,603</u>	<u>2,436,438</u>
Current assets		
Cash and cash equivalents	1,441,772	1,148,903
Accounts receivable - principally customers (less allowance for doubtful accounts of \$57,661 in 2011 and \$65,995 in 2010)	1,231,385	1,161,294
Accounts receivable - other	443,033	462,755
Notes receivable - related party - due within one year	42,467	12,775
Materials and supplies	4,473,755	4,414,126
Other assets	652,585	685,103
Total current assets	<u>8,284,997</u>	<u>7,884,956</u>
Notes receivable (net of current portion)	1,597,873	1,597,873
Notes receivable - related party (net of current portion)	1,791,541	1,903,060
Total assets	<u>\$ 55,105,676</u>	<u>\$ 62,100,960</u>

The accompanying notes are an integral part of the financial statements.

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
Balance Sheets, continued
December 31, 2011 and 2010

Equity and Liabilities	2011	2010
Members' equity		
Memberships	\$ 8,595	\$ 8,595
Patronage capital	10,261,482	9,107,936
Other equity	10,896,818	11,015,762
Total equity and margins	21,166,895	20,132,293
Long-term debt (less amount due within one year included below)	9,146,007	7,765,150
Current liabilities		
Accounts payable	2,056,480	2,673,463
Customer deposits	361,566	369,390
Accrued expenses	497,768	495,845
Accrued personal leave	639,634	592,476
Long-term debt due within one year	619,115	529,350
Unclaimed capital credits	22,223	40,185
Total current liabilities	4,196,786	4,700,709
Deferred gain from debt restructuring	96,816	116,847
Customer advances for construction	1,272,379	10,717,753
Deferred revenue - impact fees and other	19,226,793	18,668,208
Total equity and liabilities	\$ 55,105,676	\$ 62,100,960

The accompanying notes are an integral part of the financial statements.

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
Statements of Operations
For the Years Ended December 31, 2011 and 2010

	2011	2010
Operating revenues	\$ 20,814,289	\$ 20,741,304
Operating expenses		
Operation and maintenance:		
Power purchased	12,947,928	12,123,785
Transmission	108,258	4,861
Distribution - operation	1,190,622	1,204,210
Distribution - maintenance	899,605	809,135
Consumer accounts	696,315	637,136
Customer service	657,029	605,263
Sales	98,302	115,640
Administrative and general	1,815,518	1,832,671
Total operation and maintenance	18,413,577	17,332,701
Depreciation and amortization	1,631,468	1,487,459
Property taxes	406,164	348,698
Other	13,905	4,435
Total operating expenses	20,465,114	19,173,293
Operating margins before interest charges	349,175	1,568,011
Interest charges - principally long-term debt	519,091	540,558
Operating margins	(169,916)	1,027,453
Non-operating margins		
Interest income	226,127	233,435
Other non-operating income (expense)	909,819	832,365
Patronage capital credits - G&T	16,360	24,540
Patronage capital credits - CFC	52,212	63,206
Total non-operating margins	1,204,518	1,153,546
Net margins	\$ 1,034,602	\$ 2,180,999

The accompanying notes are an integral part of the financial statements.

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
Statements of Members' Equity
For the Years Ended December 31, 2011 and 2010

	<u>Memberships</u>	<u>Patronage Capital</u>	<u>Equity</u>	<u>Total</u>
Balances, December 31, 2009	\$ 8,595	\$ 8,359,631	\$ 9,862,216	\$18,230,442
2010 Margins:				
Operating		1,027,453		1,027,453
Non-operating			1,153,546	1,153,546
Retirement of capital credits		<u>(279,148)</u>		<u>(279,148)</u>
Balances, December 31, 2010	8,595	9,107,936	11,015,762	20,132,293
Allocation of 2010 margins		1,153,546	(1,153,546)	-
2011 Margins:				
Operating			(169,916)	(169,916)
Non-operating			1,204,518	1,204,518
Retirement of capital credits		<u>-</u>		<u>-</u>
Balances, December 31, 2011	<u>\$ 8,595</u>	<u>\$10,261,482</u>	<u>\$10,896,818</u>	<u>\$21,166,895</u>

The accompanying notes are an integral part of the financial statements.

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
Statements of Cash Flows
For the Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Net margin	\$ 1,034,602	\$ 2,180,999
Adjustments to reconcile net margin to net cash flows from operating activities:		
Depreciation and amortization	1,631,468	1,487,459
Gain on disposal of fixed assets	(27,169)	(33,342)
Accretion of deferred revenue	(869,966)	(822,348)
Accretion of deferred gain on debt restructuring	(20,031)	(20,031)
Changes in assets and liabilities:		
(Increase)/decrease in CFC investment	(23,619)	(39,039)
(Increase)/decrease in accounts receivable	(50,369)	638,851
(Increase)/decrease in materials and supplies	(59,629)	607,264
(Increase)/decrease in other assets	(1,365)	(6,999)
(Increase)/decrease in notes receivable	81,827	(47,225)
Increase/(decrease) in accounts payable	(616,983)	(730,756)
Increase/(decrease) in customer deposits	(7,824)	(133,686)
Increase/(decrease) in accrued expenses	1,923	50,156
Increase/(decrease) in accrued personal leave	47,158	(11,724)
Increase/(decrease) in unclaimed capital credits	(17,962)	(7,376)
Net cash flows from operating activities	<u>1,102,061</u>	<u>3,112,203</u>
Cash flows from investing activities:		
Purchase/construction of utility plant	(5,002,924)	(7,228,297)
Purchase of non utility plant property	-	(17,454)
Proceeds from the sale of fixed assets	43,484	88,489
Investments in joint projects	-	(651,785)
Net cash flows from investing activities	<u>(4,959,440)</u>	<u>(7,809,047)</u>
Cash flows from financing activities:		
Proceeds from new borrowings	2,000,000	-
Repayment of long-term debt	(529,378)	(498,159)
Customer advances of impact fees	1,428,551	1,427,864
Customer advances for construction	1,707,314	2,976,035
Refund of customer advances	(456,239)	(77,236)
Refund of capital credits	-	(279,148)
Net cash flows from financing activities	<u>4,150,248</u>	<u>3,549,356</u>
Net change in cash and cash equivalents	292,869	(1,147,488)
Cash and cash equivalents at beginning of year	<u>1,148,903</u>	<u>2,296,391</u>
Cash and cash equivalents at end of year	<u>\$ 1,441,772</u>	<u>\$ 1,148,903</u>

Supplemental Schedule of Interest Paid and Non Cash Investing and Financing Activities

Interest paid during the year amounted to \$519,793 and \$543,047 in 2011 and 2010 respectively.

The accompanying notes are an integral part of the financial statements.

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2011 and 2010

Note 1. Summary of Significant Accounting Policies

ORGANIZATION

Dixie-Escalante Rural Electric Association, Inc. is a non-profit, cooperative association organized January 1, 1978, as a result of a consolidation of Dixie Rural Electric Association and Escalante Valley Electric Association for the purpose of providing electric service to rural areas located in southwestern Utah and northwestern Arizona. Dixie-Escalante Rural Electric Association, Inc. assumed all existing assets and liabilities of the Associations in the transaction which, for accounting purposes, has been recorded as a pooling-of-interests. No additional assets or liabilities were created through the consolidation.

REGULATION

The Association is subject to Federal accounting regulation and, until March 8, 1979, was subject to State rate regulation. Subsequent to March 8, 1979, the Association's rates are determined by the Board of Directors, subject to certain restrictions. The Association's accounting practices and policies are generally consistent with regulatory authorities and the accounting records are maintained in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC).

UTILITY PLANT AND DEPRECIATION

Utility plant in service and under construction is stated at original cost less certain contributions received from customers, as described below. Costs include labor, materials, and related indirect costs such as engineering, supervision, transportation, etc. The cost of units of property replaced or renewed plus removal cost, less salvage, is charged to accumulated depreciation. Maintenance and repairs of utility property are charged to operating expenses. The Association provides for depreciation on the straight-line basis for all property over the estimated useful lives of the related assets as follows:

	Annual Depreciation Range
Transmission Plant	2.75%
Distribution Plant	2.87%
General Plant	3yrs. – 50 yrs.

In addition to depreciation shown separately in the statement of operations, depreciation of transportation and certain other equipment, amounting to \$304,129 in 2011 and \$330,829 in 2010 was charged to certain clearing accounts and distributed to operations and construction.

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.

Notes to the Financial Statements

December 31, 2011 and 2010

Note 1. Summary of Significant Accounting Policies - Continued

REVENUES

Revenues are recognized as customers are billed. The Association does not accrue revenues for energy delivered after the billing date.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, cash in banks and cash temporarily invested in money market accounts.

MATERIALS AND SUPPLIES

Materials and supplies are stated generally at average cost which is not in excess of market.

DEFERRED DEBITS

The Association periodically incurs expense in the development of future electrical facilities. Deferred costs include, principally, engineering and feasibility study expenditures. Such costs will be charged to operations over an estimated recovery period commencing upon completion of the facilities, or when management determines them to be of no future benefit.

CUSTOMER ADVANCES FOR CONSTRUCTION

Customer advances for construction are refundable based upon terms of the line extension policy. Amounts not refunded by the end of the allowable period for refunds are accounted for as contributions in aid of construction, as described below.

CONTRIBUTIONS IN AID OF CONSTRUCTION

Contributions in aid of construction include non-refundable amounts advanced by customers for construction. As jobs are completed, such amounts are accounted for as a reduction in the cost of the electric plant in service.

ADVERTISING COSTS

The Association incurred advertising costs related to nondirect-response advertising. These costs are expensed the first time the advertising takes place. Advertising costs expensed for 2011 and 2010 were \$298,691 and \$267,011 respectively.

ALLOCATION OF MARGINS

In accordance with the Association's bylaws, operating margins are allocated to the patrons of the Association in proportion to their patronage. Non-operating margins are used to reduce prior years' losses and thereafter, may be allocated to patrons at the discretion of the Association's Board of Directors.

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2011 and 2010

Note 1. Summary of Significant Accounting Policies - Continued

TAXES ON INCOME

No amounts have been paid or accrued for income taxes as the Association is a nonprofit organization exempt from income taxes under Section 501(c)(12) of the Internal Revenue Code.

ESTIMATES

Generally accepted accounting principles require management to make estimates and assumptions that affect assets and liabilities, contingent assets and liabilities, and revenues and expenditures. Actual results could differ from those estimates, and there is a reasonable possibility that estimates might change within the near term. The more significant estimates used by management in the preparation of the accompanying financial statements include the estimated useful lives of property, plant and equipment and the estimate used to calculate the allowance for doubtful accounts. In the opinion of management the allowance for doubtful accounts is sufficient to cover any accounts or notes receivable that may be uncollectible based on historic percentages and known circumstances.

DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through March 29, 2012, the date the financial statements were available to be issued.

Note 2. Utility Plant

Utility plant in service is summarized by major classification as follows:

	Balance at 12/31/11	Balance at 12/31/10
Transmission plant	\$ 14,652,034	\$ 12,707,490
Distribution plant	28,574,820	27,557,367
General plant	13,597,693	13,027,698
Intangible plant	550,000	550,000
Under construction	3,808,672	13,129,589
Subtotal	<u>61,183,219</u>	<u>66,972,144</u>
Accumulated depreciation and amortization	<u>(20,194,557)</u>	<u>(18,693,511)</u>
Net utility plant assets	<u>\$ 40,988,662</u>	<u>\$ 48,278,633</u>

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2011 and 2010

Note 3. Cash

At various times throughout the years ended December 31, 2011 and 2010, cash balances in bank accounts exceeded the amount insured by the FDIC and/or NCUA. As of December 31, 2011 and 2010, \$14,252 and \$364,492 of the bank balance of \$1,660,665 and \$1,697,430 was uninsured and uncollateralized.

Note 4. Investments in Associated Organizations

To join NRUCFC and establish eligibility to borrow, the Association has executed an irrevocable agreement to subscribe for subscription certificates and loan certificates. The subscription certificates mature in 2070, 2075, and 2080, and bear interest at 3% for the first fifteen years, 4% for the next seven years and 5% thereafter. The loan certificates mature and will be returned when the loans are paid off.

Investments in associated organizations consist of the following:

	2011	2010
NRTC membership	\$ 1,000	\$ 1,000
CRC		
Class A membership	2,500	2,500
Class A equity investment	10,000	10,000
NRUCFC		
NRUCFC subscription certificates	138,525	138,525
NRUCFC loan certificates	198,505	199,876
CFC patronage capital certificates	321,120	296,130
CFC member capital securities	600,000	600,000
Class A membership	1,260	1,260
	\$ 1,272,910	\$ 1,249,291

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2011 and 2010

Note 5. Notes Receivable

As an incentive to encourage additional electrical use within its service area and in cooperation with other entities serving the same customers, the Association advanced monies to certain entities as loan assistance to help with new construction. It is the policy of the Association to continue the accrual of interest on all notes and to collect such interest through the sale of the associated collateral, if necessary. It is management's policy to write off trade and notes receivable when all efforts to collect have been exhausted. There were not any notes that were past due as of December 31, 2011 or 2010. The notes are secured by first trust deeds and their repayment terms are as follows:

	2011	2010
Note receivable from Ft Pierce Industrial Park, with variable interest (3.20% at December 31, 2011) due quarterly beginning April 1, 2000, principal due from each lot sale at 12% of net proceeds from lot sales	\$ 1,597,873	\$ 1,597,873
Amount due within one year	-	-
Notes receivable, net of current portion	\$ 1,597,873	\$ 1,597,873

Note 6. Deferred Revenue – Impact Fees

Since 1998 the Association has charged an impact fee for new hookups to offset some of the cost of improving the system to accommodate growth in the service area. The monies are to be used to offset the cost of new system construction or improvement. The Association records the impact fees as deferred revenues as they are collected and then recognizes them as nonoperating revenue over a period of 30 years, which approximates the estimated life of the plant constructed. The revenue recognized for the years ended December 31, 2011 and 2010 was \$869,966 and \$822,348 respectively.

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Note 7. Long-Term Debt

The following is a summary of long term debt activity for 2011:

	Balance 12/31/2010	Additions	Retirements	Balance 12/31/2011	Current Portion
NRUCFC loans payable	\$8,294,500	\$2,000,000	\$ 529,378	\$ 9,765,122	\$ 619,115
Total long-term debt	<u>\$8,294,500</u>	<u>\$2,000,000</u>	<u>\$ 529,378</u>	<u>\$ 9,765,122</u>	<u>\$ 619,115</u>

The following is a summary of long term debt activity for 2010:

	Balance 12/31/2009	Additions	Retirements	Balance 12/31/2010	Current Portion
NRUCFC loans payable	\$8,792,659	\$ -	\$ 498,159	\$ 8,294,500	\$ 529,350
Total long-term debt	<u>\$8,792,659</u>	<u>\$ -</u>	<u>\$ 498,159</u>	<u>\$ 8,294,500</u>	<u>\$ 529,350</u>

Based on the borrowing rates currently available to the Association for loans with similar terms and average maturities, the stated amount of long-term debt at December 31, 2011 and at December 31, 2010 closely approximated current fair value.

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Note 7. Long-Term Debt - Continued

Long-term debt consists of the following:

	<u>2011</u>	<u>2010</u>
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 6.20%, maturing December 1, 2014.	\$ 131,577	\$ 170,309
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 6.20%, maturing August 31, 2016.	828,937	974,662
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 6.20%, maturing February 28, 2018.	204,402	230,411
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 6.20%, maturing February 28, 2018.	181,690	204,810
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 6.25%, maturing May 31, 2035.	908,490	925,099
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 5.90%, maturing November 30, 2021.	472,266	506,007
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 5.90%, maturing November 30, 2022.	1,357,709	1,443,092
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 6.00%, maturing November 30, 2023.	1,454,544	1,535,136
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 7.25%, maturing May 31, 2027.	886,020	916,050
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 7.25%, maturing May 31, 2027.	886,020	916,050
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 2.85%, maturing February 28, 2029.	453,467	472,874
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 2.95%, maturing November 30, 2031.	<u>2,000,000</u>	<u>-</u>
Total long term debt	9,765,122	8,294,500
Less amounts due within one year	<u>(619,115)</u>	<u>(529,350)</u>
Long term debt, net of current portion	<u>\$9,146,007</u>	<u>\$7,765,150</u>

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
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Note 7. Long-Term Debt - Continued

Under the terms of the mortgage, all assets of the Association are pledged as security. In addition, the mortgage provides, among other things, for the maintenance of certain financial ratios, restrictions related to expanding, refunding patronage capital, incurring indebtedness, making investments, and merging.

On October 16, 1996, Deseret Generation and Transmission (Deseret) and each of the six members of Deseret including Dixie Escalante Rural Electric Association, Inc. entered into a major debt restructuring.

The following is a summary of the debt restructuring:

Each Member of Deseret retired its individual RUS debt at approximately a 10% discount. The money required to retire the RUS debt was borrowed by the Members from CFC. Dixie Escalante's RUS debt bore interest at 2% and 5% per annum. The new debt to CFC bears interest at rates between 2.8% and 3.6% per annum. Dixie Escalante Rural Electric Association, Inc. realized a \$400,618 gain on the restructuring. In accordance with generally accepted accounting principles, this gain is being recognized over 20 years (the life of the new debt). During 2011, \$20,031 was recognized as revenue, leaving a balance of \$96,816 of deferred gain at December 31, 2011. During 2010, \$20,031 was recognized as revenue, leaving a balance of \$116,847 of deferred gain at December 31, 2010.

As of December 31, 2011 and 2010, the Association maintained a \$5,000,000 perpetual line of credit with NRUCFC. The line of credit bears interest at the prime rate plus 1%, which was 4.25% at December 31, 2011 and 2010 respectively. The line of credit renews each year unless either party terminates the agreement by providing written notice. There was no outstanding balance on this line of credit at December 31, 2011 and 2010.

Maturities of long term debt are as follows:

Year Ended	2011		2010	
	Principal	Interest	Principal	Interest
2010	\$ -	\$ -	\$ 529,350	\$ 498,874
2011	619,115	509,592	562,467	465,758
2012	675,182	487,019	597,682	430,542
2013	714,943	447,256	635,131	393,091
2014	707,610	406,153	625,417	354,404
2015	698,569	364,527	613,925	315,194
Thereafter	6,349,703	2,072,278	4,730,528	1,683,830
Totals	<u>\$ 9,765,122</u>	<u>\$ 4,286,825</u>	<u>\$ 8,294,500</u>	<u>\$ 4,141,693</u>

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
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Note 8. Deferred Credits

Deferred credits consist of the following:

	2011	2010
Deferred gain from debt restructuring	\$ 96,816	\$ 116,847
Customer advances for construction	1,272,379	10,717,753
Deferred revenue - impact fees and other	19,226,793	18,668,208
	<u>\$ 20,595,988</u>	<u>\$ 29,502,808</u>

Note 9. Members' Equity

Beginning January 1, 1978, the Association discontinued a policy requiring payment of initial membership fees. Under current policy, no membership fees are required and members are admitted subject to approval of the board of directors. During 2000, the board approved an early retirement of capital credits allocated to members from 1978 to 1987. The Association refunded the capital credits, at a discount, to members who desired to participate in the early retirement. During 2000, the board also approved a refund of capital credits assigned to the remaining patron accounts for 1978 and 1979. The past policy adopted by the board was to refund such credits after the twentieth year if deemed economically feasible. In 2000, the board adopted a policy to refund capital credits based on a percentage of all equities method and then fully refund any amount remaining after the thirtieth year. A refund percentage is determined each year by the board of directors. During 2011, no refunds of capital credits were made. During 2010, a refund of 100 percent of the balance of 1987-1988 capital credits and 3 percent of the remaining 1989-2009 capital credits was made. The total capital credit refund amounted to \$289,951.

Note 10. Employee Benefits

Pension benefits for all employees of the Association with one year of service who have attained age 21 are provided through participation in the National Rural Electric Cooperative Association (NRECA) Retirement and Security Defined Benefit Pension Plan. During 2011 and 2010 contributions of \$729,465 and \$719,333 respectively, were made to the plan. In addition to the Retirement Plan, the Association contributed \$109,715 and \$83,490 to savings plans in 2011 and 2010 respectively. Employee contributions to these savings programs amounted to \$109,271 in 2011 and \$210,168 in 2010. Dixie-Escalante Rural Electric Association, Inc. has no liability for future benefits beyond the amount contributed.

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Note 11. Compensated Absences

In accordance with the personal leave policy, each full time employee earns 168 hours of personal leave the first year of employment, 264 hours during the second year with an 8 hour increase for each year thereafter to a maximum of 344 hours annually. The maximum accrued hours that may accumulate in any one employee's account by year end is 800. In May and November of each year, employees may request payment of 75% of their current wage for up to one third of the accumulated hours in their account. The liability for accrued personal leave amounted to \$639,634 and \$592,476 at December 31, 2011 and 2010 respectively.

Note 12. Related Parties

In September of 2005, the Board of Directors approved the creation of Red Rock Funding, LLC, as a wholly owned subsidiary of the Association, to administer the Employee Loan Program. The Association makes advances of funds to Red Rock Funding, LLC as necessary for the administration of the Employee Loan Program. Participants in the Employee Loan Program may borrow up to \$40,000 from Red Rock Funding, LLC for assistance in purchasing housing. The loans are secured by the property purchased. Principal and interest are paid annually through the administration of the Employee Housing Compensation Benefit. As of December 31, 2011 and 2010 amounts due to the Association from Red Rock Funding, LLC for such loans totaled \$1,834,008 and \$1,915,835 respectively. In December of 2009, the Association discontinued the Employee Loan Program and the Employee Housing Compensation Benefit for all future employees.

Note 13. Commitments and Contingencies

Power Purchases

The Association has signed a contract to purchase power from the Western Area Power Administration which is a Colorado River Storage (CRSP) allocation. Monthly power needs in excess of this allocation are purchased from Deseret G&T. The Association is committed to purchase power from Deseret G&T in excess of its CRSP allocation. Additional power beyond that provided by these two sources would be purchased under a contract with the Intermountain Power Project. This contract, termed a lay off contract, provides that power not needed or used by the Association will be allocated to the City of Los Angeles, but made available to the Association as needed.

During the year ended December 31, 2000, Dixie-Escalante Rural Electric Association, Inc. signed a new agreement with the Bureau of Reclamation concerning the hydroelectric power from the Colorado River Storage Project (CRSP) which at present is a low cost source of power available to municipalities and cooperatives having long term contracts with CRSP. The agreement is a new fifteen year agreement that began in the year 2004.

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
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Note 13. Commitments and Contingencies - Continued

Dixie Escalante Rural Electric Association is one of six member/owners of Deseret Generation and Transmission, a Utah generating and transmitting electrical co-operative. Deseret G&T owns and operates the Bonanza power plant in eastern Utah. The Association has signed an all requirements wholesale power purchase contract with Deseret which is in force until 2025.

Flowell Electric Association

Effective January 1, 1999, all but the manager of Flowell Electric, consisting of seven employees, became employees of Dixie Escalante, and Flowell's inventory and other general fixed assets were transferred to Dixie Escalante. Dixie Escalante agreed to provide Flowell Electric with customer billing and plant maintenance services and Flowell will be paid annually to maintain relations with the various communities for which Dixie Escalante is providing plant maintenance services. During 2011 and 2010 Flowell was paid \$20,000 and \$30,000 for these services. Under the agreement, Flowell will provide a shop and yard for the Dixie Escalante equipment and inventory. Flowell is being treated by Dixie Escalante as a contract customer.

St. George City – Solar Project

In October of 2008, the Association entered into a solar project participation agreement with the City of St. George, Utah. Under the agreement, the City of St. George agreed to construct and operate a solar photovoltaic project. The Association would participate and permit its members who reside within the city limits of St. George to purchase participating units of the solar project from St. George.

The Association's participation percentage in the project was 50 percent, meaning that The Association would reimburse the City of St. George, either through cash payment or labor credits, for 50 percent of all costs associated with the construction, operation, and maintenance of the project. In return, the Association will receive an "energy entitlement" equal to its participation percentage for all completed phases of the project times the net output of the project minus the aggregate credited energy of all Dixie Escalante customers participating in the project.

As of December 31, 2011 phases 1 and 2 of the project were complete and placed into service. Due to the nature of the project, management determined that the capital costs associated with the project should be recorded as "other assets" in the financial statements and amortized over the estimated life of the project (20 years). The Association's share of all costs for the construction of the project minus any shares sold to customers and net of accumulated amortization totaled \$617,901 at December 31, 2011. Operating and maintenance costs will be expensed as incurred.

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Note 14. Recognition of Capital Credits from Deseret G&T

During 1999 the board of directors adopted the policy of only recognizing capital credits from Deseret Generation and Transmission when the credits are actually paid. Deseret has no obligation to rotate capital credits and even though capital credits are being allocated by Deseret to its members there is no present expectation that all of those credits will be rotated by payments to the members.

During 2011 and 2010, Deseret Generation and Transmission rotated and paid the Association the following capital credits and has informed the management of the following tax basis allocations of the remaining capital credits which may someday be retired.

<u>Year</u>	<u>Balance 1/1/2011</u>	<u>2010 - 2011 Rotation</u>	<u>Balance 12/31/2011</u>
1983	\$ 16,296	\$ -	\$ 16,296
1984	133,474	-	133,474
1985	-	-	-
1986	86,351	-	86,351
1997	624,852	-	624,852
1998	212,168	40,900	171,268
1999 - 2010	-	-	-
Total	<u>\$ 1,073,141</u>	<u>\$ 40,900</u>	<u>\$ 1,032,241</u>

Rotation of capital credits recognized as revenues in 2011 and 2010 totaled \$16,360 and \$24,540 respectively