

BEFORE THE PUBLIC SERVICE COMMISSION OF WYOMING

IN THE MATTER OF THE SECURITIES FILING)
OF NIOBRARA ELECTRIC ASSOCIATION, INC.)
TO BORROW \$5,000,000 FROM THE NATIONAL)
RURAL UTILITIES FINANCE CORPORATION)
TO FINANCE IMPROVEMENTS AND)
UPGRADING OF ITS FACILITIES AND)
SERVICES)

DOCKET NO. 10008-47-CS-16
(RECORD NO. 14623)

ORDER

(Issued February 27, 2017)

This matter is before the Wyoming Public Service Commission (Commission) upon the application of Niobrara Electric Association, Inc. (NEA or the Cooperative) for authority to borrow \$5 million from the National Rural Utilities Cooperative Finance Corporation (CFC) for the purpose of building new services to its members and upgrading the system's infrastructure and facilities as more fully described below.

The Commission, having reviewed the application and attached exhibits, its files regarding NEA, applicable Wyoming utility law, and otherwise being fully advised in the premises, FINDS and CONCLUDES:

1. NEA is a public utility as defined by W.S. § 37-1-101(a)(vi)(C), subject to the Commission's jurisdiction pursuant to W.S. § 37-2-112. The Commission's specific authority regarding the issuance of securities by electric and natural gas utilities is found in W.S. § 37-6-101, *et seq.*

2. NEA filed its application on December 29, 2016, seeking approval to borrow an amount of \$5 million from CFC for the purpose of building new services to its members and upgrading the system's infrastructure and facilities. The loan agreement allows a five-year draw period for funds, with amortization periods for each advance limited to 35 years or less from the date of each advance. At the time of each advance, NEA may select either a variable or a fixed interest rate. NEA may convert an advance's interest rate from variable to fixed, from fixed to variable or from one fixed rate to another fixed rate. A conversion fee may apply to the latter two types of interest rate conversions. In its application, NEA did not discuss what it anticipates the borrowing rate of the new securities may be.

3. In support of its application, NEA provided its Rural Utility Services Form 7 for the periods ended December 2013, December 2014, December 2015 and October 2016 to demonstrate NEA's existing debt and fair value. The Cooperative asserts that its Average Modified Debt Service Coverage Ratio (MDSC) as of December 31, 2015, was 4.60. CFC defines the MDSC Ratio as the average of the two highest MDSC Ratios during the most recent three calendar years. The current CFC agreement requires a minimum Average MDSC Ratio of 1.35. NEA stated its assets exceed the aggregate value of the securities, and this condition will persist if the Cooperative increases its long-term debt balance by the requested \$5 million.

4. NEA's application came before the Commission for consideration pursuant to due notice at its open meeting of February 2, 2017. Ken Ceaglske, General Manager, appeared on behalf of NEA, explaining that the Cooperative was seeking authorization for financing to upgrade and rebuild infrastructure. He confirmed that the interest rate would be locked in upon signing of the documents. He said the rate should fall in the 3 percent range. Commission Staff (Staff) recommended approval of the application.

5. W.S. § 37-6-102 provides that the Commission shall approve securities applications unless it finds that such approval is inconsistent with the public interest, the reason for the issuance of the securities is not permitted under W.S. §§ 37-6-101 through 37-6-107, or the aggregate amount of the securities outstanding and proposed to be outstanding would exceed the fair value of the properties and business of the utility.

6. The Commission finds and concludes, based upon the Cooperative's application and supporting documentation, its representations to the Commission, and the analysis and recommendations of Staff, that the proposed CFC loan as described herein will be for lawful objects within the business purposes of the Cooperative and will be compatible with the public interest. The objects thereof are necessary, appropriate and consistent with the proper performance by the Cooperative of its obligations to serve as a public utility and will not impair its ability to perform that service. Pursuant to the requirements of W.S. § 37-6-102, the aggregate amount of NEA's securities outstanding and proposed to be outstanding will not exceed the fair value of the properties and business of the Cooperative. A formal hearing would therefore serve no useful purpose.

IT IS THEREFORE ORDERED:

1. Pursuant to open meeting action taken on February 2, 2017, the application of Niobrara Electric Association, Inc. for authority to borrow \$5 million from the National Rural Utilities Cooperative Finance Corporation to finance improvements and upgrading of its facilities and services, is approved.

2. The Cooperative shall use the net proceeds from the above-described transactions only for the identified purposes.

3. The Cooperative shall file with the Commission copies of all executed closing documents relating to the transactions described herein.

4. The issuance of this *Order* by the Commission authorizing the hereinabove-described securities transactions is a securities authorization only and does not constitute the Commission's determination of any utility ratemaking or other issues whatsoever. Such issues are expressly reserved for decision until they are presented regularly to the Commission in appropriate proceedings.

5. The issuance of this *Order* shall not be construed as prior approval by the Commission of any proposed construction of or addition to any plant or property of the

Cooperative, and it shall not be construed as (a) any evaluation, rejection or acceptance whatsoever of any risk or proportion thereof which may or may not be or become attributable to or borne by the Cooperative's Wyoming customers, or (b) any determination of the percentage of any investment made with the proceeds of the herein-authorized securities which might be or become attributable to the Cooperative's Wyoming customers.

6. Nothing in this *Order* shall be construed to obligate the State of Wyoming to pay or guarantee in any manner whatsoever any security authorized, issued, assumed or guaranteed under the provisions of this *Order*.

7. This *Order* is effective immediately.

MADE and ENTERED at Cheyenne, Wyoming, on February 27, 2017.

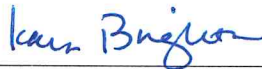
PUBLIC SERVICE COMMISSION OF WYOMING



ALAN B. MINIER, Chairman



WILLIAM F. RUSSELL, Deputy Chairman



KARA BRIGHTON, Commissioner



Attest:



STEVE MINK, Assistant Secretary