

NEW APPLICATION



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BEFORE THE ARIZONA CORPORATION COMMISSION: 16

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2  
3 MARC SPITZER  
Chairman  
4 JIM IRVIN  
Commissioner  
5 WILLIAM A. MUNDELL  
Commissioner  
6 JEFF HATCH-MILLER  
Commissioner  
7 MIKE GLEASON  
Commissioner

AZ CORP COMMISSION  
DOCUMENT CONTROL

G-02528A-03-0205

8 IN THE MATTER OF THE APPLICATION OF  
9 DUNCAN RURAL SERVICES CORPORATION  
FOR APPROVAL OF A LOAN IN THE  
10 AMOUNT OF \$400,000

DOCKET NO. G-02528A-03-  
FINANCE APPLICATION

11  
12 Pursuant to A.R.S. § 40-301 et seq., Duncan Rural Services Corporation  
13 ("DRSC") files this Application for authorization to borrow \$400,000 from the Duncan Valley  
14 Electric Cooperative, Inc. ("DVEC") to finance the maintenance, repair and construction of its  
15 gas distribution system. In support of its Application, DRSC states as follows:

- 16 1. DRSC holds a Certificate of Convenience and Necessity to provide gas  
17 distribution service to its customers in Greenlee County, Arizona.
- 18 2. DRSC, a non profit corporation, was formed by DVEC in 1989 to acquire  
19 the Greenlee County gas operations of General Utilities, Inc. DRSC provides gas service to  
20 approximately 780 customers in Greenlee County, Arizona. The majority of its customers are  
21 rural residential users who heat their homes with natural gas.
- 22 3. DVEC manages the daily operations of DRSC pursuant to an operations  
23 and management agreement. DVEC does not earn a profit on its services for DRSC and the  
24 agreement provides for an equitable sharing of costs and resources. The same members serve on  
25 the Boards of Directors of both non profit organizations.  
26

1           4.       Despite a rate increase granted last year in Decision No. 64869, dated June  
2 5, 2002, DRSC's financial condition continues to be poor primarily as a result of lower gas sales  
3 due to the warm winters of 2002 and 2003, a decrease in the number of customers in its service  
4 territory and required repairs, updates and other construction to its gas distribution system.

5           5.       DRSC experienced negative margins in 2001 and 2002 of \$34,032 and  
6 \$22,423, respectively. DRSC has not been able to generate enough funds internally to meet  
7 expenses and also pay for needed repairs, updates and other construction to its gas distribution  
8 system. During 2001 and 2002, DRSC expended approximately \$214,000 on plant replacements  
9 and additions.

10          6.       Under the management and operations agreement, DVEC pays DRSC's  
11 bills as they become due and is then reimbursed by DRSC. To the extent that DRSC is unable to  
12 reimburse DVEC on a current basis, the balance owing is booked as a short term account payable  
13 until DRSC's income from operations allows reimbursement. However, because of DRSC's poor  
14 financial condition and the magnitude of repair and construction expense, all of the expense  
15 payments made on its behalf have not been timely repaid by DRSC. Consequently, DRSC has  
16 accumulated an accounts payable balance to DVEC of approximately \$199,000 as of February 28,  
17 2003. DRSC anticipates it will not be able to repay DVEC for these advances within a 12 month  
18 period as intended.

19          7.       In order to finance this amount and anticipated additional working capital  
20 and plant improvements, DRSC requests approval to execute a long term note payable to DVEC  
21 in the amount of \$400,000 at a variable interest rate for a period of 25 years. This arrangement is  
22 similar to the loan approved by the Commission for DRSC in Decision No. 64869 (Findings 29-  
23 43). A copy of the decision is attached as Exhibit A.

24          8.       DRSC expects that it will be unable to repay this long-term debt without an  
25 increase in its rates. As a result, DRSC intends to file for an increase in its rates by December 31,  
26 2003 and would request that the Commission delay any action on this Application until such time

1 as DRSC can file for an increase in its rates and charges. Furthermore, DRSC would request that,  
2 at such time as DRSC files for a rate increase, the Commission consolidate this Application with  
3 its application for a rate increase.

4 9. DVEC and DRSC continue to investigate various long term solutions to  
5 these issues including the possibility of consolidating the DRSC assets and liabilities into DVEC  
6 under a reorganization. Decision No. 64248, dated December 4, 2001, ordered DVEC to file for  
7 an increase in its rates and charges by July 1, 2003. In this rate filing, DVEC will address its  
8 financial position as well as any conclusions or recommendations to the Commission regarding  
9 the reorganization of DRSC.

10 10. All Correspondence with regard to this Finance Application should be sent  
11 to:

12 Michael Grant, Attorney for Duncan Rural Services Corporation  
13 GALLAGHER & KENNEDY  
14 2575 E. Camelback Road  
15 Phoenix, Arizona 85016-8500  
16 Email: [mmg@gknet.com](mailto:mmg@gknet.com)

17 With Copy to:

18 Jack Shilling, Chief Executive Officer  
19 DUNCAN VALLEY ELECTRIC COOPERATIVE, INC.  
20 P.O. Box 440  
21 Duncan, Arizona 85534-0440  
22 Email: [jackshilling@dvec.org](mailto:jackshilling@dvec.org)

23 John Wallace, Director of Strategic & Regulatory Services  
24 GRAND CANYON STATE ELECTRIC CO-OP ASSN., INC.  
25 120 N. 44<sup>th</sup> Street, Suite 100  
26 Phoenix, Arizona 85034-1822  
Email: [jwallac@gcseca.coop](mailto:jwallac@gcseca.coop)

Having fully stated its Application, Duncan Rural Services Corporation requests  
that the Commission defer immediate action on this Application, consolidate it with Duncan  
Rural's rate application and thereafter grant the relief requested herein.

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RESPECTFULLY SUBMITTED this 4<sup>th</sup> day of April, 2003.

GALLAGHER & KENNEDY, P. A.

By Michael M. Grant  
Michael M. Grant  
2575 E. Camelback Road  
Phoenix, Arizona 85016-8500  
Attorney for Duncan Rural  
Services Corporation

**ORIGINAL** and fifteen (15) copies of  
DRSC's Finance Application  
filed the 4<sup>th</sup> day of ~~March~~ April, 2003, with:  
Docket Control  
Arizona Corporation Commission  
1200 W. Washington  
Phoenix, AZ 85007

By Beth Oakley

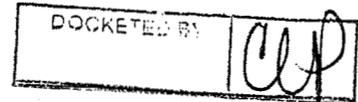
10426-0001/1092638v1

# **Exhibit “A”**

1 BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission  
DOCKETED

JUN 05 2002



2 WILLIAM A. MUNDELL  
CHAIRMAN  
3 JIM IRVIN  
COMMISSIONER  
4 MARC SPITZER  
COMMISSIONER  
5

6 IN THE MATTER OF THE APPLICATION OF  
DUNCAN RURAL SERVICES CORPORATION  
7 FOR A RATE INCREASE FOR AUTHORITY TO  
INCUR ADDITIONAL LONG-TERM DEBT.

DOCKET NO. G-02528A-01-0561

DECISION NO. 64869

OPINION AND ORDER

8 DATE OF HEARING:

February 28, 2002

9 PLACE OF HEARING:

Phoenix, Arizona

10 ADMINISTRATIVE LAW JUDGES:

JANE RODDA  
PHILIP J. DION III

11 APPEARANCES:

12 Mr. Michael M. Grant, GALLAGHER &  
13 KENNEDY, on behalf of Duncan Rural Services  
Corporation; and

14 Mr. Tim Sabo, Legal Division, on behalf of the  
15 Utilities Division of the Arizona Corporation  
Commission.

16 **BY THE COMMISSION:**

17 Having considered the entire record herein and being fully advised in the premises, the  
18 Arizona Corporation Commission ("Commission") finds, concludes, and orders that:

19 FINDINGS OF FACT

20 1. On July 13, 2001, Duncan Rural Services Corporation ("Applicant", "Duncan Rural"  
21 or "Company") filed with the Commission an application for a rate increase and a request to incur  
22 long-term debt.

23 2. On August 13, 2001, the Commission's Utilities Division Staff ("Staff") filed a letter  
24 notifying the Company that its application met the sufficiency requirements outlined in A.A.C. R14-  
25 2-103 and classified the Company as a Class C Utility.

26 3. On August 30, 2001, the Commission issued a Procedural Order that set this matter for  
27 hearing on February 28, 2002.  
28

1           4.       On February 27, 2002, the Company filed a Certificate of Mailing that meets the  
2 notice requirements as prescribed by law. The Company mailed notice of its rate and finance  
3 application to its customers on September 28, 2001. There has been no customer response objecting  
4 to the proposed rate increase and financing.

5           5.       On February 28, 2002, the hearing was held as scheduled. Public comment was  
6 conducted before the hearing, but no one from the public appeared for comment.<sup>1</sup> At the  
7 commencement of the hearing, the parties informed the Administrative Law Judges that they had  
8 reached a Settlement.<sup>2</sup> Witnesses for the Applicant and Staff testified in support of the Settlement.  
9 At the conclusion of the hearing, the parties agreed to file late-filed exhibits that would compare the  
10 present rate design with the proposed rates and with the rates that were agreed upon in the Settlement  
11 and that would provide a typical bill analysis.

12           6.       On April 2, 2002, the parties filed the late-filed exhibits in a Joint Notice of Filing.

13           7.       Applicant is a non-profit corporation that supplies gas service to approximately 800  
14 customers in Greenley County, Arizona.

15           8.       Through an operations and management agreement, Duncan Valley Electric  
16 Cooperative ("DVEC") manages the day-to-day operations of the Applicant.

17           9.       Duncan Rural and DVEC are both member-owned cooperatives. DVEC bought 1,000  
18 memberships in Duncan Rural and controls Duncan Rural's Board of Directors. DVEC provides  
19 electric service to approximately 2,500 customers. Almost all of the gas customers of Duncan Rural  
20 are also electric customers of DVEC.

21           10.      The Commission authorized Duncan Rural's current permanent rates in Decision No.  
22 59539 (February 21, 1996).

23           11.      Based on the Test Year results for the year ended December 31, 2001, as presented in  
24 the Settlement, Applicant realized a net loss of approximately \$153,000 and had negative equity of  
25 approximately \$23,000 on an original cost rate base ("OCRB") of \$579,707.

26 \_\_\_\_\_  
27 <sup>1</sup> Staff made an oral motion to conduct an additional public comment hearing in Duncan Rural's service area. Based upon  
28 the notice provided by the Company and since the rate increase agreed to in the settlement is significantly less than was  
contemplated in the original notice to the customers, an additional public comment hearing is unnecessary.

<sup>2</sup> No written settlement document was submitted.

1           12.     Duncan Rural had originally indicated its OCRB was \$538,601. In the Settlement,  
2 Duncan Rural accepted Staff's determination that gross utility plant in service and accumulated  
3 depreciation should be adjusted to increase the OCRB by \$41,106.

4           13.     In its application, Duncan Rural proposed that the Commission approve an increase in  
5 total revenue from the Test Year level of \$458,680 to \$695,961, for an increase of \$237,281 or 51.73  
6 percent. The proposed increase in revenue would result in an operating income of \$76,764, for a rate  
7 of return of 13.24 percent on an OCRB of \$579,707. Duncan Rural based its proposed revenues on a  
8 base cost of gas of \$0.4470 per therm.

9           14.     Prior to entering the settlement, Staff recommended total revenue of \$633,924. The  
10 proposed increase in revenue would result in an operating income of \$76,692, for a rate of return of  
11 13.23 percent on an OCRB of \$579,707. Staff based its proposed revenues on a base cost of gas of  
12 \$0.36 per therm.

13          15.     The Settlement adopts Staff's calculations for Test Year revenues of \$510,397,  
14 operating expenses of \$529,451 and a net loss of \$19,054.

15          16.     The Settlement adopts Staff's proposed a revenue level of \$633,924 and an operating  
16 income of \$76,692 for a rate of return of 13.23 percent on an OCRB of \$579,707.

17          17.     Applicant's current rate design classifies its customers into three categories;  
18 residential, irrigation and commercial.

19          18.     Based upon a cost of service study, the Company determined that meter size was a  
20 better way to classify customers. Therefore, in its application, Duncan Rural filed proposed rates  
21 based upon a customer's meter size. The testimony supports a finding that the costs associated with  
22 serving a customer is closely related to the size of the meter.

23          19.     Staff's recommended rates are also based upon a rate design that classified customers  
24 by meter sizes.

25          20.     The Settlement adopts a rate design based upon meter size. The Settlement adopts the  
26 Company's increase in the monthly service charge, but the amount of the increase in the winter  
27  
28

1 commodity rate was lower than originally proposed by both the Company and Staff.<sup>3</sup>

2 21. The present rates along with the originally proposed rates by Applicant and Staff and  
 3 the agreed upon rates in the Settlement are as follows:

	<u>Present Rates</u>
Customer Classes:	
Residential	
Monthly Service Charge	\$ 7.00
Commodity Rate per Therm	0.623930
Irrigation	
Monthly Service Charge	13.00
Commodity Rate per Therm	0.380200
Commercial	
Monthly Service Charge	10.00
Commodity Rate per Therm	0.5659400
Service Charges:	
Establishment of Service (Normal)	\$25.00
Establishment of Service (After)	35.00
Re-establishment/Reconnection of Service (Normal)	35.00
Re-establishment/Reconnection of Service (After)	45.00
Reconnection of Service (Normal)	25.00
Reconnection of Service (After)	35.00
After Hours Service Calls - Consumer Caused (Per Hour)*	-----
Meter Re-read (No charge for Read Error)	20.00
Meter Test Fee	50.00
Insufficient Funds Check	15.00
Interest Rate on Customer Deposits	6.00%
Late/Deferred Payment (per month)	0.00%

20 \* One hour minimum

	<u>Proposed Rates</u>		<u>Settlement Agreement</u>
	<u>Company</u>	<u>Staff</u>	
<u>METER SIZES</u>			
250 cfh and Below			
Monthly Service Charge	\$ 15.00	\$ 13.02	\$ 15.00
Winter Commodity Rate per Therm	0.960000	0.885656	0.800000
Summer Commodity Rate per Therm	0.514050	0.474241	0.514050

27 <sup>3</sup> Staff agreed to this rate design with the understanding that it will not set a precedent for future rate cases, and Applicant  
 28 accepted that condition.

1	251 cfh to 425 cfh			
	Monthly Service Charge	22.50	20.67	22.50
2	Winter Commodity Rate per Therm	0.960000	0.885656	0.800000
	Summer Commodity Rate per Therm	0.514050	0.474241	0.514050
3				
4	426 cfh to 1,000 cfh			
	Monthly Service charge	30.00	28.00	30.00
5	Winter Commodity Rate per Therm	0.9600000	0.885656	0.800000
	Summer Commodity	0.514050	0.474241	0.514050
6				
7		<u>Company</u>	<u>Staff</u>	<u>Settlement</u>
		<u>Proposed Rates</u>	<u>Recommended</u>	<u>Agreement</u>
8	Service Charges:			
	Establishment of Service (Normal)	\$35.00	35.00	35.00
9	Establishment of Service (After)	50.00	50.00	50.00
10	Re-establishment/Reconnection of Service (Normal)	50.00	50.00	50.00
11	Re-establishment/Reconnection of Service (After)	75.00	75.00	75.00
12	Reconnection of Service (Normal)	N/A	N/A	N/A
	Reconnection of Service (After)	N/A	N/A	N/A
13	After Hours Service Calls - Consumer Caused (Per Hour)*	50.00	50.00	50.00
14	Meter Re-read (No charge for Read Error)	30.00	30.00	30.00
15	Meter Test Fee	50.00	50.00	50.00
16	Insufficient Funds Check	20.00	20.00	20.00
	Interest Rate on Customer Deposits	3.00%	6.00%	3.00%
17	Late/Deferred Payment (per month)	1.50%	1.50%	0.00%

18 \* One hour minimum.

19 22. Residential customers make up 90 percent of Duncan Rural's customer base.

20 23. During the Test Year, the Company's residential customers had an average use of 100  
21 therms per month in the winter and 15 therms per month during the summer.

22 24. The summer customers are primarily irrigation customers. Those customers have the  
23 ability to either drop off Duncan Rural's system or switch to electric for pumping. The Company  
24 stated that its desire is to keep those customers on the system and contributing something to the fixed  
25 cost.

26 25. The Company's proposed rates would increase the average residential winter bill by  
27 8.77 percent, from \$115.80 to \$125.96.

1           26.     Staff's proposed rates would increase the average residential winter bill by 46.39  
2 percent, from \$69.39 to \$101.59.

3           27.     The Settlement would increase the average residential winter bill by 25.61 percent,  
4 from \$69.39 to \$95.00.

5           28.     The Settlement, sets the base cost of gas at \$0.36 a therm. The parties also agreed that  
6 the purchase gas adjustment mechanism in this matter should remain the same.

7           29.     Duncan Rural also requests authority to borrow \$400,000 from DVEC for a period of  
8 25 years.

9           30.     DVEC will charge Duncan Rural an interest rate equal to the variable interest rate it  
10 would receive from the Arizona Electric Power Cooperative ("AEPCO") if DVEC deposited those  
11 funds with AEPCO.

12           31.     The current rate paid by AEPCO is approximately two percent.

13           32.     DVEC is a member of AEPCO. The companies agreed that DVEC would lend  
14 Duncan Rural \$400,000 at the AEPCO rate because that is the rate that DVEC would earn if it  
15 placed its money with AEPCO. The AEPCO rate is a variable rate.

16           33.     Staff testified that the interest rate offered by DVEC is competitive in today's market  
17 and beneficial to Duncan Rural because of its poor financial condition. Staff further testified that,  
18 conversely, the interest rate is not disadvantageous to DVEC since an alternate investment with  
19 AEPCO would yield the same rate of return. Staff testified that because the lender (DVEC) does not  
20 set the rate, it does not have a profit motive in loaning the money to Duncan Rural.

21           34.     John Wallace testified on behalf of Duncan Rural. He stated that the \$400,000 would  
22 be used to repay debts owed by the Company for prior construction projects and working capital. He  
23 further testified that the debt was owed to DVEC.

24           35.     Duncan Rural received some advances from DVEC in order to replace pipe in its  
25 system. The Company had intended to repay the advance within a 12-month period, thus making it a  
26 short-term loan. However, because of the magnitude of the construction projects and an increase in  
27 gas prices, the Company was unable to repay those advances in a timely manner.

1           36.     Mr. Wallace testified that the cost of gas increased significantly and that due to the  
2 limitations of the purchase gas adjustment mechanism, those costs were borne by the Company.  
3 Thus, the Company suffered a severe cash flow problem and was unable to repay the advances as  
4 intended.

5           37.     Mr. Shilling, the chief executive officer of DVEC, testified that due to its present  
6 financial situation, Duncan Rural is unable to obtain capital from banks and other traditional sources  
7 of capital. He stated that it is possible that Duncan Rural might be able to obtain a loan from the  
8 National Rural Utilities Cooperative Finance Corporation ("CFC"), however, it would be at a  
9 significantly higher cost, and based upon Duncan Rural's financial situation, would be highly  
10 unlikely. He further indicated that Duncan Rural is not eligible to borrow money from the Rural  
11 Utilities Service ("RUS") because Duncan Rural does not meet the standards set in the Rural Electric  
12 Act of 1936.

13           38.     Staff testified that the rates agreed upon in the Settlement would provide Duncan  
14 Rural with a Times Interest Earned Ratio ("TIER") of 2.00 and a Debt Service Coverage Ratio  
15 ("DSC") of 2.09. Those numbers include the proposed debt of \$400,000 for a period of 25 years at  
16 an interest rate of 6 percent.<sup>4</sup>

17           39.     Staff recommends that the Commission authorize Duncan Rural to obtain long-term  
18 debt in the amount of \$400,000 from DVEC at the variable interest rate offered by AEPCO for  
19 deposit for a period of 25 years. Staff believes that the financing request is reasonable, for a lawful  
20 purpose and in the public interest.

21           40.     Staff testified that its analysis assumes that the interest rate paid on the proposed  
22 financing would be six percent. Staff recommended that the Company file a rate review anytime the  
23 interest rate paid to DVEC exceeds six percent and the Company determines that the increase has  
24 negatively impacted its financial position.

25           41.     The Company stated it would prefer to simply file a report with the Commission if the  
26 rate exceeds six percent. In that report, the Company could give a description of its financial  
27

28 <sup>4</sup> At the time of the application, the interest rate AEPCO was offering for deposit was 6 percent. Currently, AEPCO is offering 2 percent.

1 condition and whether or not it has any recommendations or determines that some additional action is  
2 appropriate. Staff objected and stated it preferred to have the Company follow its recommendation as  
3 stated above.

4 42. The Commission finds that it is prudent to have Duncan Rural file a report about its  
5 financial condition anytime the interest rate paid to DVEC exceeds six percent. After the filing of the  
6 report, the Commission may, among other things, request more information from the Company  
7 and/or require the Company to file a rate review.

8 43. Further, we find that the interest rate should be capped at eight percent. The "AEPCO  
9 rate" is not tied to any other financial indicator and carries no safeguards to prevent dramatic rate  
10 increases. Additionally, the proposed debt was analyzed at an interest rate of 6 percent for a term of  
11 25 years. Since the rate in this financing is variable and the term is lengthy, we find that a cap is  
12 necessary to ensure the assumption that the Company can afford the debt over a long period of time.

13 44. Duncan Rural has not received any customer complaints regarding its services since  
14 1998.

15 45. The Company is current on all property and sales taxes.

#### 16 CONCLUSIONS OF LAW

17 1. Duncan Rural Services Corporation is a public service corporation within the meaning  
18 of Article XV of the Arizona Constitution and A.R.S. §§ 40-250, 40-251, 40-301 and 40-302.

19 2. The Commission has jurisdiction over the Applicant and the subject matter of the  
20 Application.

21 3. Notice of the Application was provided in the manner prescribed by law.

22 4. The rates and charges authorized hereinafter are just and reasonable and should be  
23 approved.

24 5. The Settlement as set forth in Findings of Fact 15, 16, 21 and 28 are reasonable and  
25 should be adopted.

26 6. Staff's recommendation in Finding of Fact 39 is reasonable and should be adopted.

27 7. The financing approved herein is for lawful purposes within Duncan Rural Services  
28 Corporation's corporate powers, is compatible with the public interest, with sound financial practices

1 and with the proper performance by Duncan Rural Services Corporation of service as a public service  
2 corporation, that will not impair Duncan Rural Service Corporation's ability to perform that service.

3 8. The financing approved herein is for the purposes stated in the Application and is  
4 reasonably necessary for those purposes, and such purposes are not, wholly or in part, reasonably  
5 chargeable to operating expenses or to income.

6 **ORDER**

7 IT IS THEREFORE ORDERED that Duncan Rural Services Corporation shall file on or  
8 before June 28, 2002, the following schedule of rates and charges:

9  
10 METER SIZES

11 250 cfh and Below

12 Monthly Service Charge \$ 15.00

13 Winter Commodity Rate per Therm 0.800000

14 Summer Commodity Rate per Therm 0.514050

15 Above 250 cfh to 425 cfh

16 Monthly Service Charge 22.50

17 Winter Commodity Rate per Therm 0.800000

18 Summer Commodity Rate per Therm 0.514050

19 Above 425 cfh to 1,000 cfh

20 Monthly Service charge 30.00

21 Winter Commodity Rate per Therm 0.800000

22 Summer Commodity 0.514050

23 SEVICE CHARGES:

24 Establishment of Service (Normal) \$ 35.00

25 Establishment of Service (After) 50.00

26 Re-establishment/Reconnection of  
27 Service (Normal) 50.00

28 Re-establishment/Reconnection of  
Service (After) 75.00

Reconnection of Service (Normal) N/A

Reconnection of Service (After) N/A

After Hours Service Calls - Consumer  
Caused (Per Hour)\* 50.00

Meter Re-read (No charge for Read  
Error) 30.00

Meter Test Fee 50.00

1	Insufficient Funds Check	20.00
2	Interest Rate on Customer Deposits	3.00%

3 \* One hour minimum.

4  
5 IT IS FURTHER ORDERED that the aforementioned rates approved herein shall become  
6 effective on July 1, 2002.

7 IT IS FURTHER ORDERED that Duncan Rural Services Corporation shall notify its  
8 customers of its rates and charges authorized herein and the effective date of same by means of an  
9 insert in its next regularly monthly billing and shall file a copy of said insert with the Utilities  
10 Division Director within 30 days of the effective date of this Decision.

11 IT IS FURTHER ORDERED that Duncan Rural Services Corporation is authorized to borrow  
12 up to \$400,000 from Duncan Valley Electric Cooperative for a period of 25 years at the variable  
13 interest rate offered by the Arizona Electric Power Cooperative for deposit.

14 IT IS FURTHER ORDERED that as a condition of granting Duncan Rural Services  
15 Corporation the authority to incur long-term for the purposes set forth in the application, Duncan  
16 Rural Services Corporation shall file a report about its financial condition anytime the interest rate  
17 paid to Duncan Valley Electric Cooperative exceeds six percent.

18 IT IS FURTHER ORDERED that the terms of all financing authorized herein shall include an  
19 interest rate of not more than 8.0 percent.

20 IT IS FURTHER ORDERED that Duncan Rural Services Corporation is hereby authorized to  
21 engage in any transactions and to execute any documents necessary to effectuate the authorization  
22 granted herein.

23 IT IS FURTHER ORDERED that Duncan Rural Services Corporation is hereby authorized to  
24 issue such liens or other security in relation to their property as may be required to secure the  
25 borrowings.

26 IT IS FURTHER ORDERED that such authority is expressly contingent upon Duncan Rural  
27 Services Corporation's use of the proceeds for the purposes set forth in its application.

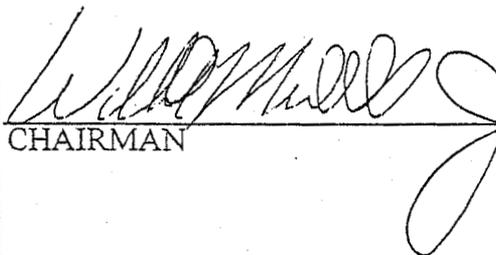
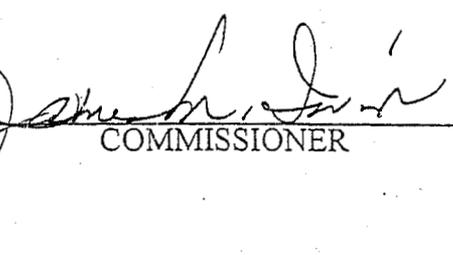
28 IT IS FURTHER ORDERED that the approval of financing set forth herein does not

1 constitute or imply approval or disapproval by the Commission of any particular expenditure of the  
2 proceeds derived thereby for purposes of establishing just and reasonable rates.

3 IT IS FURTHER ORDERED that Duncan Rural Services Corporation shall file with the  
4 Commission copies of all executed financing documents setting forth the terms of financing within  
5 30 days of obtaining such financing.

6 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

7 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

8  
9     
10 CHAIRMAN COMMISSIONER COMMISSIONER  
11

12 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive  
13 Secretary of the Arizona Corporation Commission, have  
14 hereunto set my hand and caused the official seal of the  
15 Commission to be affixed at the Capitol, in the City of Phoenix,  
16 this 5<sup>th</sup> day of June, 2002.

17   
18 BRIAN C. McNEIL  
19 EXECUTIVE SECRETARY

20  
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18 DISSENT \_\_\_\_\_  
19 PJD:

1 SERVICE LIST FOR:

DUNCAN RURAL SERVICE CORPORATION

2 DOCKET NO.:

G-02528A-01-0561

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