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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

JEFF HATCH-MILLER, Chairman
WILLIAM A. MUNDELL
MARC SPITZER
MIKE GLEASON
KRISTIN K. MAYES

IN THE MATTER OF THE APPLICATION OF DUNCAN RURAL SERVICES CORPORATION FOR A RATE INCREASE	DOCKET NO. G-02528A-05-0314
IN THE MATTER OF THE APPLICATION OF DUNCAN RURAL SERVICES CORPORATION FOR APPROVAL OF A LOAN IN THE AMOUNT OF $400,000	DOCKET NO. G-02528A-03-0205 **NOTICE OF FILING REBUTTAL TESTIMONY**

Duncan Rural Services Corporation ("DRSC") provides this notice that it has filed the Rebuttal Testimony of Jack Shilling and John V. Wallace.

RESPECTFULLY SUBMITTED this 21st day of November 2005.

By _______________

John Wallace
Grand Canyon State Electric Cooperative Assn. Inc.
Consultant for Duncan Rural Services Corporation

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Arizona Corporation Commission
1200 W. Washington
Phoenix, AZ 85007

By ______________________

BEFORE THE ARIZONA CORPORATION COMMISSION

JEFF HATCH-MILLER Chairman
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REBUTTAL

TESTIMONY

OF

JACK SHILLING

CHIEF EXECUTIVE OFFICER
DUNCAN VALLEY ELECTRIC COOPERATIVE, INC.

November 21, 2005

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I. INTRODUCTION

Q. Please state your name, address and occupation.

A. My name is Jack Shilling. My business address is 222 Highway 75, P.O. Box 440, Duncan, Arizona. I am Chief Executive Officer of Duncan Valley Electric Cooperative, Inc. ("DVEC"). Through an Operations and Management Agreement, Duncan Valley manages the day-to-day operations of Duncan Rural Services Corporation ("DRSC").

Q. Are you the same Jack Shilling who filed direct testimony in this matter?

A. Yes.

Q. What issues will your rebuttal testimony address?

A. My rebuttal testimony will address Long Term Debt ("LTD"), capital structure and the purchased gas adjustor.

Q. Please summarize your rebuttal recommendations.

A. Given the Staff recommendations for a 30 percent equity percentage goal for DRSC and a recommendation for DRSC to discontinue the use of unauthorized cash advances from Duncan Valley Electric Cooperative ("DVEC") will require that a higher amount of revenues and LTD be approved, DRSC recommends that an additional LTD of $600,000 be approved to allow DRSC to be brought into compliance with ARS 40-302.D through 2006.

On the basis of the Commission approving $600,000 of additional LTD for DRSC and Staff's recommendation to increase its equity ratio by 5.00% per year, DRSC would further recommend that two additional rate increases be phased-in; one rate increase effective January 1, 2006 for up to 5 percent across the board for all its customers and second rate increase effective January 1, 2007 for up to 5 percent across the board for all its customers.

Finally, DRSC recommends that it be allowed to manage its bank balance as close to $0.0 as possible. DRSC recommends it be allowed to do this by using a 12 month rolling average cost of gas and increase or decrease the average cost of gas by up to $0.10 per month to move the bank balance closer to zero.

II. Long Term Debt and Capital Structure

Q. Does DRSC agree with Staff's recommendation to authorize $330,484 of additional Long Term Debt (LTD)?

A. No, it does not. The Staff recommendations for a 30 percent equity percentage goal for DRSC and a recommendation for DRSC to discontinue the use of unauthorized cash advances from Duncan Valley Electric Cooperative ("DVEC") will require that a higher amount of revenues and LTD be approved. By making these recommendations together, DRSC will not be able to operate without filing for rate cases every year.

Q. Please explain why the cash advances from DVEC are so important to DRSC and should be allowed to continue.

A. Given the fact that DRSC has a lower number of customers now approximately 760 versus 820 customers in the last rate case, DRSC's capital requirements of approximately $55,000 to $108,000 per year and the increases in purchased gas and other expenses, DRSC's revenues have not kept pace with its costs. According to DRSC's financial forecast, capital additions will continue to average approximately $80,000 for the next five years.

The Company's poor financial condition does not enable it to incur additional debt on its own credit, so CFC or any other lender will require all lending to DRSC to be guaranteed by DVEC since DRSC is not a full member of CFC. The increase in revenues recommended by Staff in this case will be an important step towards restoring the credit worthiness of the utility but is not enough to fund capital improvements or meet the 30 percent equity goal. Consequently, DRSC will be applying for rate increases every year if it is not able to rely on advances from DVEC. Each rate case costs DRSC's members approximately $33,000.

Q. Is it possible for DRSC to operate and remain solvent even if it could file for and receive a rate increase every year?

A. Probably not because DRSC's cash flow would continue to lag given the nature of ratemaking (funds must be invested before rate recovery is allowed) and the amount of time it takes the ACC to process a rate filing.

Q. What is the current amount of Advances from DVEC that DRSC owes?

A. As of September 30, 2005, DRSC owes DVEC approximately $502,000 for cash advances.

Q. Has Staff recommended that all of DRSC's cash advances be converted to LTD?

A. No Staff has not recommended that all of DRSC's cash advances be converted to LTD but has only recommended that $330,484 be converted and the remaining amount of advances of $171,516 be repaid when there are funds available.

Q. Will these unconverted advances ever be repaid?

A. It is unlikely these advances will be repaid for many years given DRSC's financial condition and its capital requirements.

Q. Do Staff's recommendations on DRSC's cash advances bring DRSC into compliance with Arizona Revised Statute ("ARS") 40-302.D?

A. No, Staff's recommendations do not. In fact, Staff's recommendation that DRSC discontinue the use of unauthorized cash advances from Duncan Valley Electric Cooperative will make DRSC insolvent.

Q. Staff has recommended that DRSC improve its equity ratio by 5 percent each year until it reaches a 30 percent equity ratio. Is it realistic for DRSC to meet a 30 percent equity requirement within a 10 year period as recommended by Staff?

A. No it is not realistic given the revenue requirement recommended by Staff and the future capital requirements of DRSC. DRSC will be applying for rate increases every year if it is not able to rely on advances from DVEC and must meet a 5 percent increase in its equity ratio. This 30 percent equity goal may be more realistic over a 20 year period.

Q. What is the current revenue and rate impact associated with DRSC improving its equity position by 5 percent per year?

A. As of October 2005, DRSC had negative equity of approximately $222,245 and LTD of approximately $1,019,000 including the requested LTD of $502,000. To improve its current equity position, DRSC would need to have positive margins of $32,400 on December 31, 2006. As DRSC's audited financial statements indicate, DRSC's total margins have declined from a negative $18,859 on December 31, 2003 to a negative $49,639 on December 31, 2004 to a negative $69,171 on September 30, 2005. DRSC has not experienced positive margins since its inception. Assuming DRSC can maintain a customer count of 725, improving DRSC's equity position by 5 percent ($32,400) will cost customers $3.72 per month or $44.64 per year.

Q. Given the Staff recommendations that DRSC discontinue the use of unauthorized cash advances from Duncan Valley Electric Cooperative and meet a 30 percent equity ratio, what does DRSC recommend be done in this case?

A. DRSC recommends that an additional LTD of $600,000 be approved to allow DRSC to be brought into compliance with ARS 40-302.D through 2006. This $600,000 would cover the $502,000 of current advances from DVEC as well as allow DRSC an additional $98,000 for future advances from DVEC.

Q. Staff has expressed a concern that any cash advances used for operating expenses should not be allowed to be converted to LTD because of a cost shift to customers in a later period. Does this apply to DRSC?

A. No it does not. DRSC has experienced a decline in its customer base. DRSC's customer base has been the same customers who have taken service from DRSC for years. Consequently, its existing customers were present when these advances were incurred and are still present today.

Q. Does DRSC have further recommendations on improving its equity ratio and repaying advances from DVEC?

A. Yes, it does. On the basis of the Commission approving $600,000 of additional LTD for DRSC and Staff's recommendation to increase its equity ratio by 5.00% per year, DRSC would further recommend that two additional rate increases be phased-in; one rate increase effective January 1, 2006 for up to 5 percent across the board for all its customers and second rate increase effective January 1, 2007 for up to 5 percent across the board for all its customers. Future rate increases for DRSC are inevitable under the Staff recommendations. This will allow DRSC to repay the $600,000 of additional debt as well as its other debts and operating expenses and will enable DRSC to meet the Staff equity ratio requirements without incurring significant rate increases.

Q. Have DVEC and DRSC considered other measures to address these financial concerns?

A. Yes. As stated in my direct testimony, the DVEC and DRSC Board of Directors have considered reorganizing DRSC such that DRSC would become a department/division of

DVEC as well as other alternatives to address DRSC's financial situation. If DRSC would become a department/division of DVEC, this would allow DRSC access to CFC's low cost financing and restore DRSC's non-taxable status. However, there are many other factors (i.e. income tax issues, debt issues, regulatory approvals, etc.) that must be considered and resolved before any reorganization is approved and can occur.

Q. Does such reorganization completely address the financial concerns of DRSC?

A. No. DRSC will still need to be financially responsible for all expenses, debt service and construction expenditures that it incurs. Consequently, the first step is to improve DRSC's financial condition by increasing rates to a level that interest and debt coverage ratios will be acceptable to outside lenders and where enough cash-flow is being provided through rates to fund expenses, debt payments and construction without the continued need for advances from outside sources.

III. Purchased Gas Adjustor

Q. Are Staff's recommendations for DRSC's Purchased Gas Adjustor (PGA) adequate?

A. No. Staff's recommendations are not adequate given the nationwide increase and fluctuations in natural gas prices. Staff's recommendation that DRSC discontinue the use of unauthorized cash advances from Duncan Valley Electric Cooperative and Staff's recommended revenue requirement. As mentioned in Staff's direct testimony, DRSC has applied for and received a surcharge. Decision No. 68297 approved a $0.45 per therm surcharge for DRSC's customers for all usage on and after December 1, 2005.

Q. What is DRSC's current PGA bank balance?

A. DRSC currently has an under-collected PGA bank balance of approximately $35,000.

Q. Where did the funds come from to pay for the higher cost of gas (under-collected bank balance)?

A. Shortfalls in cash flow due to higher operating expenses are funded from internal funds if available but are most likely funded by advances from DVEC. The current PGA mechanism approved by the Commission is not adequate to address the nation wide increases and fluctuations in the costs of gas. The current mechanism only allows $0.10 increase or decrease over a 12 month period. This $0.10 increase or decrease has not been adequate as demonstrated by the $0.4165 PGA Surcharge approved for DRSC in Decision No. 63369 (February 16, 2001) and the $0.45 per therm surcharge approved Decision No. 68297 (November 8, 2005). The surcharge applications approved are costly and time consuming to prepare and have caused rate shock to DRSC's customers and will not reflect the proper price signals of the market place as these increases are delayed by application approvals and continue past the winter heating season.

Q. Under the Staff recommendations, DRSC will no longer be able to obtain cash advances from DVEC. What are DRSC's recommendations regarding the PGA in the future?

A. DRSC recommends that it be allowed to manage its bank balance as close to $0.0 as possible. DRSC recommends it be allowed to do this by using a 12 month rolling average cost of gas and increase or decrease the average cost of gas by up to $0.10 per month to move the bank balance closer to zero. This will allow DRSC to phase in gas cost increases or decreases to its customers and should mitigate the need for surcharge applications and cash advances from DVEC for gas cost increases.

Q. Does that conclude your rebuttal testimony?

A. Yes, it does.

BEFORE THE ARIZONA CORPORATION COMMISSION

JEFF HATCH-MILLER, Chairman
WILLIAM A. MUNDELL
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REBUTTAL

TESTIMONY

OF

JOHN V. WALLACE

DUNCAN RURAL SERVICES CORPORATION

November 21, 2005

TABLE OF CONTENTS

I. INTRODUCTION

Q. Please state your name address and occupation.

A. My name is John V. Wallace. I am the Director of Regulatory and Strategic Services of Grand Canyon State Electric Cooperative Association (GCSECA). I represent Duncan Rural Services, Inc. (DRSC or the Company).

Q. Are you the same John V. Wallace who filed direct testimony in this matter?

A. Yes.

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

A. Yes, it was.

Q. What areas does your rebuttal testimony address?

A. My testimony addresses four primary areas: revenue requirement, cost of service, base cost of gas and rate design.

Q. Please summarize your recommendations.

A. Rebuttal Schedule A-2, page 1 of 2, summarizes operating results at present and proposed rates for the 12 months ended December 31, 2004, the test year in this case. The present rates produced a net/total margin deficit, or loss, of $86,106 on an adjusted test year basis. The proposed $167,705 increase in revenues produces a positive net/total margin of $39,031 and a corresponding times interest earned ratio (TIER) of 2.00 in contrast to the current negative net TIER of 1.20.

DRSC accepts the Staff adjustments to its proposed rate base calculation as found on DTZ-3. DRSC is recommending the Staff proposed OCRB of $758,057 on DTZ-3 be adopted by the Commission in this case.

DRSC's Rebuttal Schedule C-1 shows the adjustments made to DRSC's test year revenues and expenses as a result of Staff's direct testimony.

Per Mr. Jack Shilling's rebuttal testimony, DRSC is recommending $600,000 of additional Long Term Debt ("LTD") be approved by the Commission. $502,000 of the $600,000 of additional LTD would be recovered through DRSC's recommended rebuttal rates. The $502,000 is the amount of current advances owed to Duncan Valley Electric Cooperative, Inc. ("DVEC"). This LTD would have a variable interest rate (assumed 5 percent) with repayment over 25 years.

DRSC stipulates to the testimony, recommendations and schedules as found in Mr. Prem Bahl's direct testimony.

DRSC agrees with the Staff testimony that recommends setting the base cost of gas to zero and in the future having the entire cost of gas be recovered from the fuel adjustor for the reasons stated in Staff's testimony.

With the exception of the per therm rates for each customer class and the interest rate on customer deposits as discussed in the Rate Design section of my rebuttal testimony, DRSC recommends that the rates and charges as shown on SPI-1, page 1 of 1.

DRSC is recommending the winter per therm rate be set at $0.73 and the summer per therm rate be set at $0.26 for all three customer classes. These per therm rates reflect DRSC's higher revenue requirement that has been recommended in its rebuttal testimony. Refer to Rebuttal Schedule H-3 for a comparison of present versus proposed rates. Refer to Rebuttal Schedules H-4 pages 1-3 for a typical bill analysis for the three customer classes.

DRSC is recommending that the Commission approve the same interest rate on customer deposits (Three Month Non-Financial Commercial Paper Rate as published by the Federal Reserve) that was approved in DVEC's recent rate case (Decision No. 67433, dated December 3, 2004).

Q. Do you view the indicated net TIER of 2.00 at proposed rates as a reasonable ratio in this case?

A. Yes. The 2.00 TIER requested in this case is, in my view, at the lower end of a reasonable TIER range for this utility in view of its negative equity, the need to reverse the losses it is experiencing most every month and the need to produce positive cash flows.

II. REVENUE REQUIREMENT

Rate Base

Q. Please comment on Staff's proposed rate base as illustrated on Schedule DTZ-3.

A. DRSC accepts the Staff adjustments to its proposed rate base calculation as found on DTZ-3. DRSC is recommending the Staff proposed OCRB of $758,057 on DTZ-3 be adopted by the Commission in this case.

Operating Income

Q. What are DRSC's recommended revenue, net/total margin and TIER amounts in its rebuttal testimony?

A. Rebuttal Schedule A-2, page 1 of 2, summarizes operating results at present and proposed rates for the 12 months ended December 31, 2004, the test year in this case. The present rates produced a net/total margin deficit, or loss, of $86,106 on an adjusted test year basis. The proposed $167,705 increase in revenues produces a positive net/total margin of

$39,031 and a corresponding times interest earned ratio (TIER) of 2.00 in contrast to the current negative net TIER of 1.20.

Q. Is DRSC recommending a higher revenue requirement and revenue increase in its rebuttal testimony versus its direct testimony?

A. Yes, it is. For the reasons stated in Mr. Jack Shilling's rebuttal testimony, DRSC is recommending a higher amount of additional LTD than it recommended in its direct testimony. As a result, the interest expense and margin amounts have increased from the levels recommended in DRSC's direct testimony.

Q. Does DRSC agree with Staff's revenue annualization adjustment of $2,574 (ADJ #1) shown on Schedule DTZ-7?

A. No, it does not. In order for this adjustment to be required, DRSC must experience a known and measurable growth in the number of customers in its customer classes. In order for this adjustment to be valid, DRSC must experience customer growth that is predictable, sustainable and significant. As a basis for making this adjustment, Staff has assumed that the number of customers in the 250 cfh and below class has increased from 740 in January 2004 to 747 in December 2004.

Q. Has DRSC experienced a predictable, sustainable and significant growth in its number of customers in 250 cfh and below class?

A. No, it has not. While it may appear from looking at Schedule DTZ-8, line 2 that the number of customers has increased from 740 in January 2004 to 747 in December 2004, the growth in the number of customers is not predictable, sustainable and significant. In fact the number of customers increases from 740 in January 2004 to approximately 747 in February and March but decreases back to 740 in April through June and further decreases to 729 in July and is approximately 735 in August and September and decreases to 730 in October and increases to 740 in November and 747 in December.

Q. Is this the type and pattern of monthly customer counts that is expected from a customer class that is experiencing predictable, sustainable and significant growth?

A. No it is not. In fact there appears to be little that is predictable about the number of customers in this class of customers or any of the other DRSC customer classes.

Q. Has Staff annualized the other two customer classes' revenues?

A. No, it has not. Staff did not annualize revenues for the Above 250 cfh to 425 cfh because of a large number of seasonal customers and did not annualize revenues for the Above 425 to 1,000 cfh class because this class experienced a customer decrease that was due to that customer moving to another class.

Q, Has DRSC experienced an increase in its total number of customers over the last five years?

A. As illustrated in Part R. of the annual RUS Form 7 reports that DRSC submitted with its direct testimony, DRSC has experienced a decline in its total number of customers.

Q. Does DRSC expect this trend to continue in the years 2005 and beyond?

A. Yes. As a result of a depressed local economy in Duncan's service territory and high natural gas prices, DRSC expects that its total number of customers will either continue to decline or remain stable in the future. I have attached the RUS Form 7 Report, Part R. that contains the number of customers by class for the months January through October of 2005. The number of customers in the 250 cfh and Above class decreases from 745 in January 2005 to 725 in October 2005.

Q. Should Staff's revenue annualization adjustment of $2,574 (ADJ #1) shown on Schedule DTZ-7 be adopted by the Commission?

A. No, it should not be adopted for the reasons stated above.

Q. Staff has recommended that DRSC remove the revenues and expenses associated with the ACC assessment charge and that these amounts should be recovered through a bill add-on. Does DRSC agree?

A. DRSC does not object to removing the revenues and expenses associated with the ACC assessment charge. As a result of the additional billing programming costs and a limited number of lines on its bill, DRSC does not agree that these amounts should be recovered through a bill add-on. DRSC proposes that this item be combined with another line item for recovery from customers.

Q. Please discuss Staff's adjustment to Interest Expense on Long Term Debt (LTD) of $8,019 (ADJ #6) shown on Schedule DTZ-7?

A. Staff has recommended that DRSC's additional LTD should be increased from $268,988 to $330,484. Staff has also decreased DRSC's proposed interest expense on the additional LTD from a variable annual rate of 6 percent to a variable rate of 2.725 percent, which is equal to Arizona Electric Power Cooperative's (AEPCO) current variable interest rate earned on funds that cooperatives have deposited with AEPCO.

Q. Given the Staff recommendations that DRSC discontinue the use of unauthorized cash advances from Duncan Valley Electric Cooperative and meet a 30 percent equity ratio, what amount of additional LTD should be approved by in this case?

A. For the reasons stated in Jack Shilling's rebuttal testimony, DRSC is recommending additional LTD of $600,000 be approved for DRSC.

Q. What amount of interest expense is DRSC recommending by recovered in this case?

A. DRSC is recommending that $39,187 of interest expense be approved in this case. This interest expense amount is equal to the interest expense of $14,087 on existing LTD plus $25,100 (5.00 percent interest times $502,000 of advances from DVEC as of September 30, 2005). The interest expense on the outstanding amount of LTD of $98,000 ($600,000 of proposed LTD minus $502,000 of current DVEC advances) will be recovered from customers through the two phased-in rate increases of up to 5 percent that are discussed in Jack Shilling's rebuttal testimony.

Q. Does DRSC have concerns about Staff's recommendation to lower the interest rate from 6 to 2.725 percent?

A Yes, it does. Recently, interest rates have been gradually increasing. DRSC is concerned that interest rates will rise in the future above the current 2.725 rate. By setting this rate at the current rate of 2.725 percent, Staff has not allowed any margin for interest rate increases. If the Commission adopts the 2.725 percent interest rate and interest rates increase significantly, DRSC will need to spend more of its margins on interest expense and will have less to spend on capital improvements. In the past, expense increases have necessitated cash advances from Duncan Valley Electric Cooperative (DVEC).

Q. Is DRSC still recommending that the interest expense on LTD by set at 6 percent?

A. No, it is not. The 6 percent interest rate is a reasonable rate when compared with market interest rates for LTD, which would allow DRSC some cushion to be used for rising interest expense. However, as a compromise, DRSC recommends an interest rate of 5.00 percent be adopted.

Q. In its rebuttal testimony, has DRSC accepted Staff's adjustment to rate case expense of $4,851 (ADJ #4) shown on Schedule DTZ-7?

A. Yes. In its rebuttal testimony, DRSC has accepted Staff's adjustment to Rate Case Expense of $4,851 (ADJ #4) shown on Schedule DTZ-7. Staff's adjustment amortized DRSC's rate case expense over a three-year period rather than the two-year amortization recommended by DRSC. However, DRSC reserves the right to argue its position on this adjustment in rejoinder testimony if its rebuttal recommendations are not adopted by Staff. For the reasons set forth in Mr. Shilling's rebuttal testimony, DRSC may have to apply for rate increases annually to comply with the Staff recommendations on equity and advances from DVEC. Consequently amortizing the rate case over a three-year period as proposed by Staff, may not be appropriate in this case.

Q. Please explain the DRSC's Income Tax Expense for its proposed level of revenues and expenses as contained on Schedule A-2, page 2 of 2.

A. DRSC is a "C" Corporation and subject to federal and state income taxes. Based on the operating income level that results from DRSC's proposed rates in rebuttal testimony, DRSC will have an Income Tax Expense of approximately $17,722 as shown on Rebuttal Schedule A-2, page 2 of 2.

Q. Does DRSC have any other comments on the remaining adjustments on Schedule DTZ-7?

A. In its Rebuttal C-1 Schedule, DRSC has adopted the remaining adjustments found on Schedule DTZ-7. However, the test year and proposed income tax expense that DRSC is recommending is different from Staff's amounts due to the differences between DRSC's and Staff's revenue and expense levels.

III COST OF SERVICE, BASE COST OF GAS AND RATE DESIGN

Cost of Service Study

Q. Please comment on Mr. Prem Bahl's direct testimony regarding DRSC's cost of service study.

A. DRSC stipulates to the testimony, recommendations and schedules as found in Mr. Prem Bahl's direct testimony.

Base Cost of Gas

Q. Does DRSC agree with the Staff testimony that recommends setting the base cost of gas to zero and in the future having the entire cost of gas be recovered from the fuel adjustor?

A. Yes, it does for the reasons stated in Staff's testimony.

Rate Design

Q. Does DRSC agree with the Staff proposed rate design as shown on SPI-1, page 1 of 1?

A. Yes it does with the exception of the per therm rates for each customer class and the interest rate on customer deposits as discussed below.

Q. Does DRSC agree with the Staff proposed per therm rate design as shown on SPI-1, page 1 of 1?

A. No, it does not. The per therm rates shown on SPI-1 page 1 of 1 do not reflect a winter and summer cost differential and are different for each customer class.

Q. What is DRSC's proposal?

A. Mr. Prem Bahl has stated in his direct testimony that the largest plant account is distribution mains which is 67 percent of total distribution and that these mains have been allocated 100 percent on basis of demand. This has a direct impact on rate design.

DRSC's distribution system has been sized to meet its peak demands during the winter months. Consequently, the costs of providing service not only vary from summer to winter due to gas costs, there is a variance in DRSC's capacity/demand costs due to its peak winter season. For these reasons, DRSC is still proposing a higher winter per therm rate than the summer per therm rate.

Q. Do each of the customer's classes place a similar demand on the system during the five peak winter months?

A. No. The irrigation customers in the Above 250 cfh to 425 cfh class primarily uses gas during the off peak summer months. The Above 250 cfh to 425 cfh customers used 20,980 therms in the five peak winter months compared to 148,600 therms used by these customers in the other months. During the Test Year, DRSC's peak month for therm usage was February. In that month, irrigation customers used only 3,751 therms of the 83,019 therms sold to all DRSC customers.

Q. Does DRSC have any further recommendations regarding the per therm rates for each customer class?

A. Yes, it does. DRSC is also recommending that the summer and winter per therm rates be equal for all three classes. Besides the differences in the service line and meter that are recovered in the fixed monthly charge, the other distribution costs to serve the three customer classes are similar. Therefore, DRSC is recommending that the summer and winter per therm rates be equal for all three classes.

Q. What winter and summer per therm rates are you recommending for all three-customer classes?

A. DRSC is recommending the winter per therm rate be set at $0.73 and the summer per therm rate be set at $0.26 for all three customer classes. These per therm rates reflect

DRSC's higher revenue requirement that has been recommended in its rebuttal testimony. Refer to Rebuttal Schedule H-3 for a comparison of present versus proposed rates. Refer to Rebuttal Schedules H-4 pages 1-3 for a typical bill analysis for the three customer classes.

Q. Why is the winter per therm rate that DRSC is recommending significantly higher than the summer per therm rate?

A. During the Test Year, DRSC's customers' peak monthly usage was 83,019 therms in February versus 25,644 therms in lowest month, October. DRSC gas system is built to meet its peak demand (capacity) in the winter months like December, January and February. Customers who use the gas system during peak winter months should pay a higher share of the demand (capacity) related costs than customers who predominantly use gas during summer months.

Q. Please comment on Staff's proposal to raise the interest rate on customer deposits from 3 percent to 6 percent.

A. Staff is recommending that the interest rate on customer deposits be increased from 3 percent to 6 percent because all other gas utilities have a flat 6 percent interest rate on customer deposits.

Q. Is the current interest rate that DRSC earns on customer deposits equal to 6 percent?

A. No. It is equal to 2.78 percent.

Q. Should DRSC pay more interest on customer deposits than it is able to earn on its bank deposits?

A. No. It should not. Under Staff's recommendation DRSC will be paying customers with deposits 6 percent while currently only earning 2.78% on its deposits. The amount of interest paid on customer deposits that is exceeds what is earned by DRSC on its bank deposits or 3.22 percent (6.00% - 2.78%) is a subsidy paid to customers with deposits. This subsidy is paid by all of DRSC's customers without deposits.

Q. Does the variable interest rate proposed by DRSC better track the interest rate being earned by DRSC on its deposits?

A. Yes, it does. The variable interest rate proposed by DRSC will move up and down with market interest rates and will better reflect what DRSC is earning on its bank deposits.

Q. Should a flat 6 percent interest rate on customer deposits be adopted by the Commission for DRSC?

A. No, for the reasons stated above. DRSC's customers who do not have deposits should not be penalized because other gas utilities in the state have a 6 percent interest rate on customer deposits. DRSC is recommending that the Commission approve the same interest rate on customer deposits (Three Month Non-Financial Commercial Paper Rate as published by the Federal Reserve) that was approved in DVEC's recent rate case (Decision No. 67433, dated December 3, 2004).

Q. Does that conclude your rebuttal testimony?

A. Yes, it does.

Duncan Rural Services Corporation
Docket No. G-02528A-05-0314
Test Year Ended December 31, 2004

Rebuttal Schedule A-1

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY ORIGINAL COST
1	Adjusted Operating Income (Loss)	$ (47,029)
2	Required Operating Income	$ 78,374
3	Operating Income Deficiency (L2 - L1)	$ 125,403
4	Gross Revenue Conversion Factor	1.32936
5	Increase In Gross Revenue (L3 * L4)	**$ 166,705**
6	Adjusted Test Year Revenue	$ 324,346
7	Proposed Annual Revenue (L5 + L6)	$ 491,051
8	Required Increase in Revenue (%) (L6/L7)*	51.40%

* This Required Increase in Revenue % does not include fuel adjustor revenues. The actual increase customers will experience is lower and is reflected on Typical Bill Analysis Schedules. Schedules H-4, pages 1-3.

Duncan Rural Services Corporation
Docket No. G-02528A-05-0314
Test Year Ended December 31, 2004

PROPOSED REVENUE INCREASE SUMMARY

Line No.	Description	Per Books	Test Year As Adjusted	Proposed Rates
1a.	Total Base Rate Revenue	$ 644,167	$ 319,136	$ 485,841
1b.	Total Other Revenue*	$ 5,210	$ 5,210	$ 5,210
1c.	Total Base Rate Revenue and Other Revenue	$ 649,377	$ 324,346	$ 491,051
1d.	Plus: Fuel Adjustor Revenue	$ -	$ -	$ -
1e.	Total Revenue Before Other Contract Margin Revenue	$ 649,377	$ 324,346	$ 491,051
1f.	Other Contract Margin Revenue	$ -	$ -	$ -
1g.	**Total Revenue**	**$ 649,377**	**$ 324,346**	**$ 491,051**
2.	Operating Expense Before Interest Exp. On L.T. Debt	$ 708,298	$ 371,375	$ 412,943
3.	Operating Margin Before Interest Exp. On L.T. Debt	$ (58,921)	$ (47,029)	$ 78,108
4.	Interest Expense on Long-Term Debt	$ 14,973	$ 39,187	$ 39,187
5.	Non-Operating Margins	$ 110	$ 110	$ 110
6.	Total/Net Margin	$ (73,784)	$ (86,106)	$ 39,031
7.	Total Long-Term Debt Principal Payment	$ 45,305	$ 55,421	$ 55,421
8.	Net TIER (Intr Exp on L.T. Debt + Net Margin)/Total Intr Exp on L.T. Debt	(3.93)	(1.20)	2.00
9.	DSC (Net Margin + Depr Exp + Intr Exp on L.T. Debt)/ Prin&Int on L.T. Debt	(0.15)	(0.50)	1.35
10.	Rate Base	$ 758,057	$ 758,057	$ 758,057
11.	% Return on Rate Base (Operating Margin / Rate Base)	-7.77%	-6.20%	10.30%
12.	**Total Proposed Revenue Increase Over Total Present Rates (Does not include Fuel Adjustor Revenue)**	-		**$ 166,705**
14.	**% Increase In Total Adusted Test Year Revenues**			**25.66%**

Duncan Rural Services Corporation
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Test Year Ended December 31, 2004

	SUMMARY OF FILING		
	PRESENT RATES		PROPOSED RATES
Revenues	Per Books	TY as Adjusted	Proposed
Sales Revenue of Gas - Base Rates & PGA	$ 644,167	$ 319,136	$ 485,841
Other Operating Revenue	$ 5,210	$ 5,210	5,210
Total Revenue	$ 649,377	324,346	$ 491,051
Expenses			
Purchased Gas	$ 325,260	$ (0)	$ (0)
Distribution Expense - Operation	$ 147,723	$ 154,097	$ 154,097
Distribution Expense - Maintenance	$ 52,766	$ 54,824	$ 54,824
Consumer Accounts Expense	$ 58,103	$ 60,129	$ 60,129
Administrative and General Expense	$ 54,952	$ 56,520	$ 56,520
Depreciation and Amortization Expense	$ 49,645	$ 49,645	$ 49,645
Tax Expense - Property	$ 19,639	$ 19,639	$ 19,639
Tax Expense - Other	$ -	$ -	$ -
Tax Expense - Income taxes*	$ (158)	$ (23,846)	$ 17,722
Interest Expense - Other	$ 367	$ 367	$ 367
Total Operating Expenses	$ 708,298	$ 371,375	$ 412,943
Interest Expense - Long-term Debt	$ 14,973	$ 39,187	$ 39,187
Total Operating Expenses and Int on L.T. Debt	$ 723,271	$ 410,562	$ 452,130
OPERATING MARGIN after Intr Exp on L.T. Debt	$ (73,894)	$ (86,216)	$ 38,921
Non-Operating Margin			
Interest and Dividend Income	$ 110	$ 110	$ 110
Capital Credits	$ -	$ -	$ -
	$ 110	$ 110	$ 110
TOTAL/NET MARGINS	$ (73,784)	$ (86,106)	$ 39,031

* For a calculation of Proposed Tax Expense-Income taxes, refer to
WORKPAPER FILENAME: DRSC Rebuttal ACC Schedules 11-19-05.xls, Worksheet: Schedule C-3

Duncan Rural Services Corporation
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Test Year Ended December 31, 2004

Rebuttal **Schedule C-1**

		INCOME STATEMENT			
Acct. No.	**Revenues**	**Per Books**	**Adjustments**		**Adjusted TY**
480-481	Sales Revenue of Gas - Base Rates	$ 319,136	$ -	A	$ 319,136
451	Other Operating Revenue	$ 5,210	-		$ 5,210
	Total Revenue	$ 324,346	-		$ 324,346
Acct. No.	**Expenses**				
804.10	Gas Purchases	$ 325,260	(325,260.00)	F	$ (0)
	Distribution Expense - Operations				
870.00	Supervision	$ -	950	B	$ 950
874.00	Mains & Services	$ 105,889	4,137	B	$ 110,026
877.00	Measuring & Regulation Stations	$ 13,213	540	B	$ 13,753
878.00	Meters & House Regulators	$ 19,467	747	B	$ 20,214
880.00	Other Expenses	$ 3,116			$ 3,116
881.00	Rents	$ 6,039	-		$ 6,039
	Distribution Expense - Operations	$ 147,723	6,374		$ 154,097
	Distribution Expense - Maintenance				
885.00	Supervision	$ -			$ -
887.00	Mains & Services	$ 44,287	1,811	B	$ 46,098
891.00	Measuring & Regulation Stations	$ -			$ -
892.00	Services	$ -			$ -
893.00	Meters & House Regulators	$ 8,479	247	B	$ 8,726
894.00	Other Equipment	$ -			$ -
	Distribution Expense - Maintenance	$ 52,766	2,058		$ 54,824
	Consumer Accounts Expense				
902.00	Meter Reading Expense	$ 24,148	900	B	$ 25,048
903.00	Consumer Expense	$ 29,397	1,126	B	$ 30,523
904.00	Reserve for Uncollectible Accounts	$ 1,500	-		$ 1,500
909.00	Information & Instruction ads	$ 3,058	-		$ 3,058
	Consumer Accounts Expense	$ 58,103	2,026		$ 60,129
	Administrative and General Expense				
920.00	Salaries	$ 5,881	2,610	B	$ 8,491
921.00	Office Supplies and Expenses	$ 3,606	-		$ 3,606
923.00	Outside Services Employed	$ 11,826	-		$ 11,826
923.00	Rate Case	$ -	-		-
924.00	Property Insurance	$ -	-		$ -
925.00	Injuries and Damages Ins.	$ 17,568	-		$ 17,568
928.00	Regulatory Commission Expense	$ 10,521	(1,042)	C	$ 9,479
930.00	Miscellaneous General	$ 5,550	-		$ 5,550
		$ -	-		$ -
		$ -	-		$ -
		$ -	-		$ -
	Administrative and General Expense	$ 54,952	1,568		$ 56,520
	Interest Expense - Other				
		$ -	-		$ -
427.21	Interest Expense - Due to/Due from	$ -	-		$ -
431.00	Interest Expense - Customer Deposits	$ 367	-		$ 367
	Interest Expense - Other	$ 367	-		$ 367
403.00	Depreciation and Amortization Expense	$ 49,645	-		$ 49,645
408.00	Tax Expense - Property	$ 19,639			$ 19,639
408.50	Tax Expense - Other	$ -	-		$ -
409.00	Tax Expense - Income Taxes	$ (158)	(23,688)	D	$ (23,846)
	Total Expenses	$ 708,298	(336,922)		$ 371,375
	OPERATING MARGIN	$ (383,951)	336,922		$ (47,029)
427.10	Interest on Long Term Debt	$ 14,973	24,214	E	$ 39,187
428.00	Amortization of Debt Discount and Expense	$ -	-		$ -
	Total Interest Expense on LT Debt	$ 14,973	24,214		$ 39,187
	Non-Operating Margin				
419.00	Interest and Dividend Income	$ 110	-		$ 110
424.00	Capital Credits	$ -	-		$ -
		$ 110	-		$ 110
	TOTAL/NET MARGINS	$ (398,814)	$ 312,708		$ (86,106)

For the explanation to the income statement adjustments see Schedule C-2.

Duncan Rural Services Corporation
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Test Year Ended December 31, 2004

Rebuttal Schedule C-2

EXPLANATION OF INCOME ADJUSTMENTS

A -	Sales Revenue of Gas	- Per Books	$	319,136		
		- Per Adjusted	$	319,136	$	-
	Reflects total revenues less base cost of gas and fuel adjustor revenue					
B -	Salaries & Related Expenses	- Per Books	$	135,525		
		- Per Adjusted	$	148,593	$	13,068
	To annualize salaries, salary increases and related benefits that occurred in the Test Year (WORKPAPER FILENAME: DRSC ACC Schedules 6-6-05.xls, Worksheet: SalaryAdj)					
C -	Regulatory Commission Expense	- Per Books	$	10,521		
		- Per Adjusted	$	9,479	$	(1,042)
	To reflect Staff's recommended rate case expense					
D -	Tax Expense - Income Taxes	- Per Books	$	(158)		
		- Per Adjusted	$	(23,846)	$	(23,688)
	To reflect the removal of a negative $158 loss carry-forward, a $50 income tax filing fee and Adjusted Test Year Income Tax Expense of a negative $23,580					
E -	Interest On Long-Term Debt	- Per Books	$	14,973		
		- Per Adjusted	$	39,187	$	24,214
	To reflect interest on additional Long-Term Debt of $ 502,000					
F -		- Per Books	$	325,260		
		- Per Adjusted	$	(0)	$	(325,260)
	To reflect the removal of purchased gas expense					

Duncan Rural Services Corporation
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Rebuttal Schedule H-3

RATE DESIGN

METER SIZES	Present Rates	Proposed Rates
250 cfh & Below		
Monthly Service Charge	$15.00	$20.00
Winter Commodity Rate per Therm	$0.44000	$0.73000
Summer Commodity Rate per Therm	$0.15405	$0.26000
Above 250 cfh to 425 cfh		
Monthly Service Charge	$22.50	$30.00
Winter Commodity Rate per Therm	$0.44000	$0.73000
Summer Commodity Rate per Therm	$0.15405	$0.26000
Above 425 cfh to 1,000 cfh		
Monthly Service Charge	$30.00	$40.00
Winter Commodity Rate per Therm	$0.44000	$0.73000
Summer Commodity Rate per Therm	$0.15405	$0.26000

Service Charges:	Present Rates	Proposed Rates
Establishment of Service (Regular Hours)	$ 35.00	$ 35.00
Establishment of Service (After Hours)	$ 50.00	$ 50.00
Re-establishment/Reconnectiion of Service (Regular Hours)	$ 50.00	$ 50.00
Re-establishment/Reconnection of Service (After Hours)	$ 75.00	$ 75.00
After Hours Service Calls - Consumer Caused (Per Hour)*	$ 50.00	$ 50.00
Meter Re-read Charge (No Charge for Read Error)	$ 30.00	$ 30.00
Meter Test Fee	$ 50.00	$ 50.00
Insufficient Funds Check	$ 20.00	$ 20.00
Interest Rate on Customer Deposits**	3.0%	Variable
Late/Deferred Payment (Per Month)	0.0%	1.5%

* One hour minimum
** Variable Rate based on the Three Month Non-Financial Commercial Paper Rate as published by the Federal Reserve

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Test Year Ended December 31, 2004

Rebuttal Schedule H-4

TYPICAL BILL ANALYSIS
250 cfh & Below

	Avg Therms Used Per Bill	Present Rates*	Proposed Rates	Dollar Increase	Percent Increase
Winter	76	$92.28	$119.45	$ 27.17	29.44%
Summer	20	$29.42	$36.53	$ 7.11	24.16%

Therm Consumption	Winter Present Rates*	Winter Proposed Rates	Winter % Change	Summer Present Rates*	Summer Proposed Rates	Summer % Change
0	$ 15.00	$ 20.00	33.33%	$ 15.00	$ 20.00	33.33%
25	$ 40.28	$ 52.53	30.42%	$ 33.13	$ 40.78	23.09%
50	$ 65.55	$ 85.05	29.75%	$ 51.25	$ 61.55	20.09%
60	$ 75.66	$ 98.06	29.61%	$ 58.50	$ 69.86	19.41%
70	$ 85.77	$ 111.07	29.50%	$ 65.75	$ 78.17	18.88%
75	$ 90.83	$ 117.58	29.45%	$ 69.38	$ 82.33	18.66%
80	$ 95.88	$ 124.08	29.41%	$ 73.00	$ 86.48	18.46%
90	$ 105.99	$ 137.09	29.34%	$ 80.25	$ 94.79	18.11%
100	$ 116.10	$ 150.10	29.29%	$ 87.51	$ 103.10	17.82%
125	$ 141.38	$ 182.63	29.18%	$ 105.63	$ 123.88	17.27%
150	$ 166.65	$ 215.15	29.10%	$ 123.76	$ 144.65	16.88%
175	$ 191.93	$ 247.68	29.05%	$ 141.88	$ 165.43	16.59%
200	$ 217.20	$ 280.20	29.01%	$ 160.01	$ 186.20	16.37%
250	$ 267.75	$ 345.25	28.94%	$ 196.26	$ 227.75	16.04%
300	$ 318.30	$ 410.30	28.90%	$ 232.52	$ 269.30	15.82%
350	$ 368.85	$ 475.35	28.87%	$ 268.77	$ 310.85	15.66%
400	$ 419.40	$ 540.40	28.85%	$ 305.02	$ 352.40	15.53%
450	$ 469.95	$ 605.45	28.83%	$ 341.27	$ 393.95	15.44%
500	$ 520.50	$ 670.50	28.82%	$ 377.53	$ 435.50	15.36%
750	$ 773.25	$ 995.75	28.77%	$ 558.79	$ 643.25	15.12%
1000	$ 1,026.00	$ 1,321.00	28.75%	$ 740.05	$ 851.00	14.99%

NOTE:
Fuel Adjustor Included in Present Rates $ 0.5710
Fuel Adjustor Included in Proposed Rates $ 0.5710

TYPICAL BILL ANALYSIS
Above 250 cfh to 425 cfh

	Avg Therms Used Per Bill	Present Rates*	Proposed Rates	Dollar Increase	Percent Increase
Winter	262	$287.63	$371.19	$ 83.55	29.05%
Summer	997	$745.60	$858.77	$ 113.17	15.18%

Irrigation Therm Consumption	Winter Present Rates*	Winter Proposed Rates	Winter % Change	Summer Present Rates*	Summer Proposed Rates	Summer % Change
0	$ 22.50	$ 30.00	33.33%	$ 22.50	$ 30.00	33.33%
25	$ 47.78	$ 62.53	30.87%	$ 40.63	$ 50.78	24.98%
50	$ 73.05	$ 95.05	30.12%	$ 58.75	$ 71.55	21.78%
60	$ 83.16	$ 108.06	29.94%	$ 66.00	$ 79.86	20.99%
70	$ 93.27	$ 121.07	29.81%	$ 73.25	$ 88.17	20.36%
75	$ 98.33	$ 127.58	29.75%	$ 76.88	$ 92.33	20.09%
80	$ 103.38	$ 134.08	29.70%	$ 80.50	$ 96.48	19.84%
90	$ 113.49	$ 147.09	29.61%	$ 87.75	$ 104.79	19.41%
100	$ 123.60	$ 160.10	29.53%	$ 95.01	$ 113.10	19.05%
125	$ 148.88	$ 192.63	29.39%	$ 113.13	$ 133.88	18.34%
150	$ 174.15	$ 225.15	29.29%	$ 131.26	$ 154.65	17.82%
175	$ 199.43	$ 257.68	29.21%	$ 149.38	$ 175.43	17.43%
200	$ 224.70	$ 290.20	29.15%	$ 167.51	$ 196.20	17.13%
250	$ 275.25	$ 355.25	29.06%	$ 203.76	$ 237.75	16.68%
300	$ 325.80	$ 420.30	29.01%	$ 240.02	$ 279.30	16.37%
350	$ 376.35	$ 485.35	28.96%	$ 276.27	$ 320.85	16.14%
400	$ 426.90	$ 550.40	28.93%	$ 312.52	$ 362.40	15.96%
450	$ 477.45	$ 615.45	28.90%	$ 348.77	$ 403.95	15.82%
500	$ 528.00	$ 680.50	28.88%	$ 385.03	$ 445.50	15.71%
750	$ 780.75	$ 1,005.75	28.82%	$ 566.29	$ 653.25	15.36%
1000	$ 1,033.50	$ 1,331.00	28.79%	$ 747.55	$ 861.00	15.18%
1250	$ 1,286.25	$ 1,656.25	28.77%	$ 928.81	$ 1,068.75	15.07%
1500	$ 1,539.00	$ 1,981.50	28.75%	$ 1,110.08	$ 1,276.50	14.99%
1750	$ 1,791.75	$ 2,306.75	28.74%	$ 1,291.34	$ 1,484.25	14.94%
2000	$ 2,044.50	$ 2,632.00	28.74%	$ 1,472.60	$ 1,692.00	14.90%
2500	$ 2,550.00	$ 3,282.50	28.73%	$ 1,835.13	$ 2,107.50	14.84%
3000	$ 3,055.50	$ 3,933.00	28.72%	$ 2,197.65	$ 2,523.00	14.80%
4000	$ 4,066.50	$ 5,234.00	28.71%	$ 2,922.70	$ 3,354.00	14.76%
5000	$ 5,077.50	$ 6,535.00	28.71%	$ 3,647.75	$ 4,185.00	14.73%

NOTE:

Fuel Adjustor Included in Present Rates $ 0.5710
Fuel Adjustor Included in Proposed Rates $ 0.5710

TYPICAL BILL ANALYSIS
Above 425 cfh to 1,000 cfh

	Avg Therms Used Per Bill	Present Rates*	Proposed Rates	Dollar Increase	Percent Increase
Winter	1,430	$1,475.73	$1,900.43	$ 424.70	28.78%
Summer	128	$122.81	$146.37	$ 23.56	19.19%

Therm Consumption	Winter Present Rates*	Winter Proposed Rates	% Change	Summer Present Rates*	Summer Proposed Rates	% Change
0	$ 30.00	$ 40.00	33.33%	$ 30.00	$ 40.00	33.33%
10	$ 40.11	$ 53.01	32.16%	$ 37.25	$ 48.31	29.69%
20	$ 50.22	$ 66.02	31.46%	$ 44.50	$ 56.62	27.23%
50	$ 80.55	$ 105.05	30.42%	$ 66.25	$ 81.55	23.09%
100	$ 131.10	$ 170.10	29.75%	$ 102.51	$ 123.10	20.09%
150	$ 181.65	$ 235.15	29.45%	$ 138.76	$ 164.65	18.66%
200	$ 232.20	$ 300.20	29.29%	$ 175.01	$ 206.20	17.82%
250	$ 282.75	$ 365.25	29.18%	$ 211.26	$ 247.75	17.27%
300	$ 333.30	$ 430.30	29.10%	$ 247.52	$ 289.30	16.88%
350	$ 383.85	$ 495.35	29.05%	$ 283.77	$ 330.85	16.59%
400	$ 434.40	$ 560.40	29.01%	$ 320.02	$ 372.40	16.37%
450	$ 484.95	$ 625.45	28.97%	$ 356.27	$ 413.95	16.19%
500	$ 535.50	$ 690.50	28.94%	$ 392.53	$ 455.50	16.04%
750	$ 788.25	$ 1,015.75	28.86%	$ 573.79	$ 663.25	15.59%
1000	$ 1,041.00	$ 1,341.00	28.82%	$ 755.05	$ 871.00	15.36%
1250	$ 1,293.75	$ 1,666.25	28.79%	$ 936.31	$ 1,078.75	15.21%
1500	$ 1,546.50	$ 1,991.50	28.77%	$ 1,117.58	$ 1,286.50	15.12%
1750	$ 1,799.25	$ 2,316.75	28.76%	$ 1,298.84	$ 1,494.25	15.05%
2000	$ 2,052.00	$ 2,642.00	28.75%	$ 1,480.10	$ 1,702.00	14.99%
2500	$ 2,557.50	$ 3,292.50	28.74%	$ 1,842.63	$ 2,117.50	14.92%
3000	$ 3,063.00	$ 3,943.00	28.73%	$ 2,205.15	$ 2,533.00	14.87%
3500	$ 3,568.50	$ 4,593.50	28.72%	$ 2,567.68	$ 2,948.50	14.83%
4000	$ 4,074.00	$ 5,244.00	28.72%	$ 2,930.20	$ 3,364.00	14.80%
4500	$ 4,579.50	$ 5,894.50	28.71%	$ 3,292.73	$ 3,779.50	14.78%
5000	$ 5,085.00	$ 6,545.00	28.71%	$ 3,655.25	$ 4,195.00	14.77%
5500	$ 5,590.50	$ 7,195.50	28.71%	$ 4,017.78	$ 4,610.50	14.75%
6000	$ 6,096.00	$ 7,846.00	28.71%	$ 4,380.30	$ 5,026.00	14.74%

NOTE:

Fuel Adjustor Included in Present Rates	$ 0.5710
Fuel Adjustor Included in Proposed Rates	$ 0.5710

DUNCAN RURAL SERVICES CORPORATION

FINANCIAL AND STATISTICAL REPORT	YEAR ENDING December 31, 2005

PART R. DATA BASE

CLASSIFICATION	SALES AND REVENUE	JANUARY (a)	FEBRUARY (b)	MARCH (c)	APRIL (d)	MAY (e)	JUNE (f)
1. Small	a. No. Served	745	741	732	740	734	734
	b. Therms Sold	67,736	58,274	39,910	30,924	16,210	13,564
	c. Revenue	79,331	70,024	51,368	33,980	23,067	21,063
2. Medium	a. No. Served	15	15	15	16	16	18
	b. Therms Sold	1,680	2,065	740	20,191	8,467	18,855
	c. Revenue	2,028	2,425	1,087	15,296	6,671	14,458
3. Large	a. No. Served	2	2	2	2	2	2
	b. Therms Sold	3,531	3,058	1,585	1,048	358	89
	c. Revenue	3,614	3,152	1,664	835	327	126
10. TOTAL No. Consumers (lines 1a-9a)		762	758	749	758	752	754
11. TOTAL Therms Sold (lines 1b-9b)		72,947	63,397	42,235	52,163	25,035	32,508
12. TOTAL Revenue Received From Sales of Energy (lines 1c-9c)		84,973	75,600	54,118	50,111	30,065	35,648
13. Other Gas Revenue		1,259	2,450	(3,976)	4,659	(437)	47
14. Own Use							
15. Total Gas Purchased (Therms)		76,290	55,750	39,030	45,430	19,980	31,100
16. Cost of Gas Purchased		42,459	34,019	19,965	34,390	14,006	18,782

DUNCAN RURAL SERVICES CORPORATION

FINANCIAL AND STATISTICAL REPORT	YEAR ENDING December 31, 2005

PART R. POWER REQUIREMENTS DATA BASE *(Continued)*

LINE ITEM NUMBER		JULY (g)	AUGUST (h)	SEPTEMBER (i)	OCTOBER (j)	NOVEMBER (k)	DECEMBER (l)	TOTAL (Columns a - l)
1	a.	726	727	724	725			
	b.	14,143	15,397	13,718	12,643			282,519
	c.	21,357	22,504	21,282	20,581			364,556
2	a.	19	18	19	18			
	b.	27,957	12,255	7,909	8,775			108,894
	c.	21,267	9,746	6,468	7,172			86,617
3	a.	2	2	2	2			20
	b.	70	94	119	194			10,146
	c.	112	131	151	209			10,321
10.		747	747	745	745	0	0	
11.		42,170	27,746	21,746	21,612	0	0	401,559
12.		42,736	32,380	27,901	27,962	0	0	461,494
13.		(619)	(682)	2,023	0	0	0	4,725
14.								0
15.		42,060	23,370	16,860				349,870
16.		28,410	15,579	14,835	0	0	0	222,445