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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

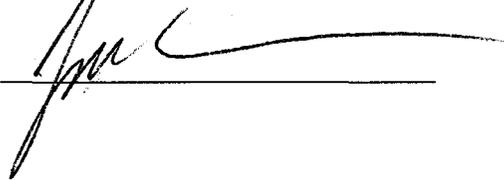
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By  _____

BEFORE THE ARIZONA CORPORATION COMMISSION

JEFF HATCH-MILLER Chairman
WILLIAM A. MUNDELL
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DOCKET NO. G-02528A-03-0205

REBUTTAL

TESTIMONY

OF

JACK SHILLING

CHIEF EXECUTIVE OFFICER
DUNCAN VALLEY ELECTRIC COOPERATIVE, INC.

November 21, 2005

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1 **I. INTRODUCTION**

2 Q. Please state your name, address and occupation.

3 A. My name is Jack Shilling. My business address is 222 Highway 75, P.O. Box 440,
4 Duncan, Arizona. I am Chief Executive Officer of Duncan Valley Electric Cooperative,
5 Inc. ("DVEC"). Through an Operations and Management Agreement, Duncan Valley
6 manages the day-to-day operations of Duncan Rural Services Corporation ("DRSC").
7

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

9 A. Yes.
10

11 Q. What issues will your rebuttal testimony address?

12 A. My rebuttal testimony will address Long Term Debt ("LTD"), capital structure and the
13 purchased gas adjustor.
14

15 Q. Please summarize your rebuttal recommendations.

16 A. Given the Staff recommendations for a 30 percent equity percentage goal for DRSC and a
17 recommendation for DRSC to discontinue the use of unauthorized cash advances from
18 Duncan Valley Electric Cooperative ("DVEC") will require that a higher amount of
19 revenues and LTD be approved, DRSC recommends that an additional LTD of \$600,000
20 be approved to allow DRSC to be brought into compliance with ARS 40-302.D through
21 2006.
22

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

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

5
6 **II. Long Term Debt and Capital Structure**

7
8 Q. Does DRSC agree with Staff's recommendation to authorize \$330,484 of additional Long
9 Term Debt (LTD)?

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

15
16 Q. Please explain why the cash advances from DVEC are so important to DRSC and should
17 be allowed to continue.

18 A. Given the fact that DRSC has a lower number of customers now approximately 760
19 versus 820 customers in the last rate case, DRSC's capital requirements of approximately
20 \$55,000 to \$108,000 per year and the increases in purchased gas and other expenses,
21 DRSC's revenues have not kept pace with its costs. According to DRSC's financial
22 forecast, capital additions will continue to average approximately \$80,000 for the next
23 five years.

24
25 The Company's poor financial condition does not enable it to incur additional debt on its
26 own credit, so CFC or any other lender will require all lending to DRSC to be guaranteed
27 by DVEC since DRSC is not a full member of CFC. The increase in revenues
28 recommended by Staff in this case will be an important step towards restoring the credit

1 worthiness of the utility but is not enough to fund capital improvements or meet the 30
2 percent equity goal. Consequently, DRSC will be applying for rate increases every year
3 if it is not able to rely on advances from DVEC. Each rate case costs DRSC's members
4 approximately \$33,000.

5
6 Q. Is it possible for DRSC to operate and remain solvent even if it could file for and receive
7 a rate increase every year?

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

11
12 Q. What is the current amount of Advances from DVEC that DRSC owes?

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

15
16 Q. Has Staff recommended that all of DRSC's cash advances be converted to LTD?

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

20
21 Q. Will these unconverted advances ever be repaid?

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

24
25 Q. Do Staff's recommendations on DRSC's cash advances bring DRSC into compliance
26 with Arizona Revised Statute ("ARS") 40-302.D?
27
28

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

4
5 Q. Staff has recommended that DRSC improve its equity ratio by 5 percent each year until it
6 reaches a 30 percent equity ratio. Is it realistic for DRSC to meet a 30 percent equity
7 requirement within a 10 year period as recommended by Staff?

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

12
13 Q. What is the current revenue and rate impact associated with DRSC improving its equity
14 position by 5 percent per year?

15 A. As of October 2005, DRSC had negative equity of approximately \$222,245 and LTD of
16 approximately \$1,019,000 including the requested LTD of \$502,000. To improve its
17 current equity position, DRSC would need to have positive margins of \$32,400 on
18 December 31, 2006. As DRSC's audited financial statements indicate, DRSC's total
19 margins have declined from a negative \$18,859 on December 31, 2003 to a negative
20 \$49,639 on December 31, 2004 to a negative \$69,171 on September 30, 2005. DRSC has
21 not experienced positive margins since its inception. Assuming DRSC can maintain a
22 customer count of 725, improving DRSC's equity position by 5 percent (\$32,400) will
23 cost customers \$3.72 per month or \$44.64 per year.

24
25 Q. Given the Staff recommendations that DRSC discontinue the use of unauthorized cash
26 advances from Duncan Valley Electric Cooperative and meet a 30 percent equity ratio,
27 what does DRSC recommend be done in this case?
28

1 A. DRSC recommends that an additional LTD of \$600,000 be approved to allow DRSC to
2 be brought into compliance with ARS 40-302.D through 2006. This \$600,000 would
3 cover the \$502,000 of current advances from DVEC as well as allow DRSC an additional
4 \$98,000 for future advances from DVEC.

5
6 Q. Staff has expressed a concern that any cash advances used for operating expenses should
7 not be allowed to be converted to LTD because of a cost shift to customers in a later
8 period. Does this apply to DRSC?

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

13
14 Q. Does DRSC have further recommendations on improving its equity ratio and repaying
15 advances from DVEC?

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

25
26 Q. Have DVEC and DRSC considered other measures to address these financial concerns?

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

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

6
7 Q. Does such reorganization completely address the financial concerns of DRSC?

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

14
15 **III. Purchased Gas Adjustor**

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

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

23
24 Q. What is DRSC's current PGA bank balance?

25 A. DRSC currently has an under-collected PGA bank balance of approximately \$35,000.
26
27
28

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

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

14
15 Q. Under the Staff recommendations, DRSC will no longer be able to obtain cash advances
16 from DVEC. What are DRSC's recommendations regarding the PGA in the future?

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

23
24 Q. Does that conclude your rebuttal testimony?

25 A. Yes, it does.
26
27
28

BEFORE THE ARIZONA CORPORATION COMMISSION

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

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REBUTTAL

TESTIMONY

OF

JOHN V. WALLACE

DUNCAN RURAL SERVICES CORPORATION

November 21, 2005

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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
4 Services of Grand Canyon State Electric Cooperative Association (GCSECA). I
5 represent Duncan Rural Services, Inc. (DRSC or the Company).

6
7 Q. Are you the same John V. Wallace who filed direct testimony in this matter?

8 A. Yes.

9
10 Q. Was this testimony prepared by you or under your direction?

11 A. Yes, it was.

12
13 Q. What areas does your rebuttal testimony address?

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

16
17 Q. Please summarize your recommendations.

18 A. Rebuttal Schedule A-2, page 1 of 2, summarizes operating results at present and proposed
19 rates for the 12 months ended December 31, 2004, the test year in this case. The present
20 rates produced a net/total margin deficit, or loss, of \$86,106 on an adjusted test year basis.
21 The proposed \$167,705 increase in revenues produces a positive net/total margin of
22 \$39,031 and a corresponding times interest earned ratio (TIER) of 2.00 in contrast to the
23 current negative net TIER of 1.20.

24
25 DRSC accepts the Staff adjustments to its proposed rate base calculation as found on
26 DTZ-3. DRSC is recommending the Staff proposed OCRB of \$758,057 on DTZ-3 be
27 adopted by the Commission in this case.

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

3
4 Per Mr. Jack Shilling's rebuttal testimony, DRSC is recommending \$600,000 of
5 additional Long Term Debt ("LTD") be approved by the Commission. \$502,000 of the
6 \$600,000 of additional LTD would be recovered through DRSC's recommended rebuttal
7 rates. The \$502,000 is the amount of current advances owed to Duncan Valley Electric
8 Cooperative, Inc. ("DVEC"). This LTD would have a variable interest rate (assumed 5
9 percent) with repayment over 25 years.

10
11 DRSC stipulates to the testimony, recommendations and schedules as found in Mr. Prem
12 Bahl's direct testimony.

13
14 DRSC agrees with the Staff testimony that recommends setting the base cost of gas to
15 zero and in the future having the entire cost of gas be recovered from the fuel adjustor
16 for the reasons stated in Staff's testimony.

17
18 With the exception of the per therm rates for each customer class and the interest rate on
19 customer deposits as discussed in the Rate Design section of my rebuttal testimony,
20 DRSC recommends that the rates and charges as shown on SPI-1, page 1 of 1.

21
22 DRSC is recommending the winter per therm rate be set at \$0.73 and the summer per
23 therm rate be set at \$0.26 for all three customer classes. These per therm rates reflect
24 DRSC's higher revenue requirement that has been recommended in its rebuttal testimony.
25 Refer to Rebuttal Schedule H-3 for a comparison of present versus proposed rates. Refer
26 to Rebuttal Schedules H-4 pages 1-3 for a typical bill analysis for the three customer
27 classes.

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

5
6 Q. Do you view the indicated net TIER of 2.00 at proposed rates as a reasonable ratio in this
7 case?

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

12
13 **II. REVENUE REQUIREMENT**

14
15 **Rate Base**

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

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

20
21 **Operating Income**

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

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

1 \$39,031 and a corresponding times interest earned ratio (TIER) of 2.00 in contrast to the
2 current negative net TIER of 1.20.

3
4 Q. Is DRSC recommending a higher revenue requirement and revenue increase in its rebuttal
5 testimony versus its direct testimony?

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

10
11 Q. Does DRSC agree with Staff's revenue annualization adjustment of \$2,574 (ADJ #1)
12 shown on Schedule DTZ-7?

13 A. No, it does not. In order for this adjustment to be required, DRSC must experience a
14 known and measurable growth in the number of customers in its customer classes. In
15 order for this adjustment to be valid, DRSC must experience customer growth that is
16 predictable, sustainable and significant. As a basis for making this adjustment, Staff has
17 assumed that the number of customers in the 250 cfh and below class has increased from
18 740 in January 2004 to 747 in December 2004.

19
20 Q. Has DRSC experienced a predictable, sustainable and significant growth in its number of
21 customers in 250 cfh and below class?

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

1 decreases to 730 in October and increases to 740 in November and 747 in December.

2

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

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

7

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

9 A. No, it has not. Staff did not annualize revenues for the Above 250 cfh to 425 cfh because
10 of a large number of seasonal customers and did not annualize revenues for the Above
11 425 to 1,000 cfh class because this class experienced a customer decrease that was due to
12 that customer moving to another class.

13

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

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

18

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

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

26

27

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

3 A. No, it should not be adopted for the reasons stated above.
4

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

8 A. DRSC does not object to removing the revenues and expenses associated with the ACC
9 assessment charge. As a result of the additional billing programming costs and a limited
10 number of lines on its bill, DRSC does not agree that these amounts should be recovered
11 through a bill add-on. DRSC proposes that this item be combined with another line item
12 for recovery from customers.
13

14 Q. Please discuss Staff's adjustment to Interest Expense on Long Term Debt (LTD) of
15 \$8,019 (ADJ #6) shown on Schedule DTZ-7?

16 A. Staff has recommended that DRSC's additional LTD should be increased from \$268,988
17 to \$330,484. Staff has also decreased DRSC's proposed interest expense on the
18 additional LTD from a variable annual rate of 6 percent to a variable rate of 2.725
19 percent, which is equal to Arizona Electric Power Cooperative's (AEPCO) current
20 variable interest rate earned on funds that cooperatives have deposited with AEPCO.
21

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

25 A. For the reasons stated in Jack Shilling's rebuttal testimony, DRSC is recommending
26 additional LTD of \$600,000 be approved for DRSC.
27

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

2 A. DRSC is recommending that \$39,187 of interest expense be approved in this case. This
3 interest expense amount is equal to the interest expense of \$14,087 on existing LTD plus
4 \$25,100 (5.00 percent interest times \$502,000 of advances from DVEC as of September
5 30, 2005). The interest expense on the outstanding amount of LTD of \$98,000 (\$600,000
6 of proposed LTD minus \$502,000 of current DVEC advances) will be recovered from
7 customers through the two phased-in rate increases of up to 5 percent that are discussed
8 in Jack Shilling's rebuttal testimony.

9

10 Q. Does DRSC have concerns about Staff's recommendation to lower the interest rate from
11 6 to 2.725 percent?

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

19

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

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

25

26 Q. In its rebuttal testimony, has DRSC accepted Staff's adjustment to rate case expense of
27 \$4,851 (ADJ #4) shown on Schedule DTZ-7?

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

10

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

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

17

18 Q. Does DRSC have any other comments on the remaining adjustments on Schedule DTZ-
19 7?

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

24

25

26

27

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

2
3 **Cost of Service Study**

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

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

8
9 **Base Cost of Gas**

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

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

13
14 **Rate Design**

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

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

18
19 Q. Does DRSC agree with the Staff proposed per therm rate design as shown on SPI-1, page
20 1 of 1?

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

23
24 Q. What is DRSC's proposal?

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

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

6
7 Q. Do each of the customer's classes place a similar demand on the system during the five
8 peak winter months?

9 A. No. The irrigation customers in the Above 250 cfh to 425 cfh class primarily uses gas
10 during the off peak summer months. The Above 250 cfh to 425 cfh customers used
11 20,980 therms in the five peak winter months compared to 148,600 therms used by these
12 customers in the other months. During the Test Year, DRSC's peak month for therm
13 usage was February. In that month, irrigation customers used only 3,751 therms of the
14 83,019 therms sold to all DRSC customers.

15
16 Q. Does DRSC have any further recommendations regarding the per therm rates for each
17 customer class?

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

23
24 Q. What winter and summer per therm rates are you recommending for all three-customer
25 classes?

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

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

5

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

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

14

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

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

20

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

22 A. No. It is equal to 2.78 percent.

23

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

26 A. No. It should not. Under Staff's recommendation DRSC will be paying customers with
27 deposits 6 percent while currently only earning 2.78% on its deposits. The amount of

1 interest paid on customer deposits that exceeds what is earned by DRSC on its bank
2 deposits or 3.22 percent (6.00% - 2.78%) is a subsidy paid to customers with deposits.
3 This subsidy is paid by all of DRSC's customers without deposits.

4

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

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

9

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

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

18

19 Q. Does that conclude your rebuttal testimony?

20 A. Yes, it does.

21

22

23

24

25

26

27

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.

**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%

SUMMARY OF FILING			
		PRESENT RATES	PROPOSED RATES
	Per Books	TY as Adjusted	Proposed
Revenues			
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

		INCOME STATEMENT		
		<u>Per Books</u>	<u>Adjustments</u>	<u>Adjusted TY</u>
Acct. No.	Revenues			
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.

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					

RATE DESIGN

METER SIZES

250 cfh & Below

	Present Rates	Proposed Rates
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/Reconnection 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

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			Summer		
	Present Rates*	Proposed Rates	% Change	Present Rates*	Proposed Rates	% 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		Winter		Summer		Summer	
	Present Rates*	Proposed Rates	% Change	Present Rates*	Proposed Rates	% 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			Summer		
	Present Rates*	Proposed Rates	% Change	Present Rates*	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. 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