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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

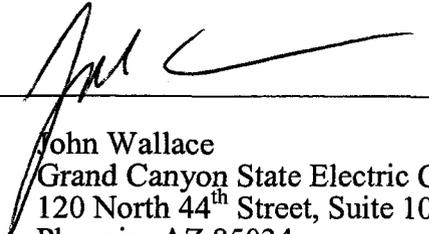
IN THE MATTER OF THE APPLICATION OF)
DUNCAN RURAL SERVICES CORPORATION)
FOR APPROVAL OF A LOAN IN THE AMOUNT)
OF \$400,000)

DOCKET NO. G-02528A-03-0205

COMPLIANCE

In compliance with Decision No. 68599 (March 23, 2006), Duncan Rural Services Corporation ("DRSC") hereby files its executed financing documents in this matter.

RESPECTFULLY SUBMITTED this 7th day of April 2006.

By 
John Wallace
Grand Canyon State Electric Cooperative Association
120 North 44th Street, Suite 100
Phoenix, AZ 85034

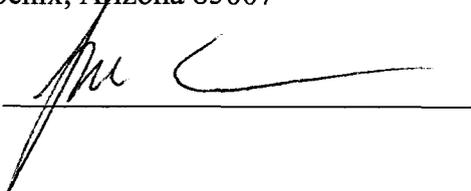
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AZ CORP COMMISSION
DOCUMENT CONTROL

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Original and fifteen (15) copies of
Duncan Rural Services Corporation's Executed Financing Documents
filed this 7th day of April, 2006 with:

DOCKET CONTROL
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

By

A handwritten signature in black ink, appearing to be 'M. C.', is written over a horizontal line that serves as a signature line.

Loan Agreement

Parties: Duncan Valley Electric Cooperative, an Arizona nonprofit cooperative ("Lender"), and Duncan Rural Services Corporation, and Arizona nonprofit association ("Borrower").

Recitals:

A. The parties hereby desire that the Lender loan Borrower the aggregate sum of \$428,400 in accordance with the Arizona Corporation Commission ("ACC") Decision No. 68599 (the "Order"), all on the terms and conditions set forth herein.

FOR GOOD AND VALUABLE CONSIDERATION, THE RECEIPT AND SUFFICIENCY OF WHICH ARE HEREBY ACKNOWLEDGED, THE PARTIES AGREE AS FOLLOWS:

1. Loan. Lender hereby agrees to loan (the "Loan") Borrower the aggregate sum of \$428,400. The principal amount of the Loan shall be repaid with interest at a rate equal to Arizona Electric Power Cooperative, Inc.'s ("AEPSCO") rate of interest charged on "270 Day Fixed Rate Notes" issued by AEPSCO in connection with its Note Participation Program. The interest rate shall be adjusted quarterly to reflect the then-current interest rate charged by AEPSCO for the 270 Day Fixed Rate Notes. Notwithstanding the foregoing, in no event, shall the interest rate for any 270-day period exceed eight percent (8%) per annum. The Borrower shall make equal monthly principal payments in the amount of \$1,428.00, and interest as defined above, beginning with the first payment due on the May 1, 2006. Notwithstanding anything to the contrary contained herein, the entire outstanding principal balance of this Loan and all accrued and unpaid interest thereon, shall be due and payable no later than May 1, 2031.

This Loan shall be paid in lawful money of the United States of America.

Except as provided below, makers, endorsers, and guarantors of this Loan, if any, jointly and severally waive diligence, demand, presentment for payment, protest, notice of non-payment and of dishonor, notice of default and all other notices or demands of any kind. They jointly and severally consent, without notice to them and without releasing their liability, to extensions or combinations given by the holder of this Loan, to the release, in whole or in part, of any other maker, guarantor or endorser.

Borrowers, endorsers and guarantors of this Loan, if any, jointly and severally agree to pay all costs of collection. Costs of collection include, without limitation, reasonable attorneys' fees, and if suit is brought, attorneys' fees, costs, and costs of suit in a reasonable amount set by the court summarily or at the trial.

This Loan may be prepaid in whole or in part without premium or penalty. If Borrower fails to make any payment required under this Loan on the day when such

payment is due, Lender shall make written notice thereof to Borrower. If such payment is not made within seven days following Borrower's receipt of such notice, Borrower shall be in default of its obligations hereunder. Upon such default, if the holder of this Loan so elects, notice of election being expressly waived, the unpaid principal balance of this Loan, with all accrued and unpaid interest thereon, shall at once become due and payable.

This Loan may be prepaid in whole or in part without premium or penalty. This Loan shall be governed by and construed in accordance with the laws of the State of Arizona.

2. Security. Borrower agrees to cooperate with Lender to provide Lender, from time to time, reasonable security requested by Lender to secure Borrower's obligations under this Agreement.

3. ACC Order. The Loan is being made pursuant to and in accordance with the Order. To the extent of any conflict or inconsistency among the Order, this Agreement or any note, the terms of the Order shall control and be given effect.

4. Governing Law. This Loan Agreement shall be construed in accordance with the Arizona law.

IN WITNESS WHEREOF, the undersigned have executed this Loan Agreement by the Lender and the Borrower, this 1st day of April, 2006.

LENDER:

Duncan Valley Electric Cooperative, Inc.
An Arizona nonprofit cooperative

By: Johnnie Frie
Johnnie Frie, President

ATTEST:
By: Richard G. Lunt
Richard Lunt, Secretary

BORROWER:

Duncan Rural Services Corporation
An Arizona nonprofit association

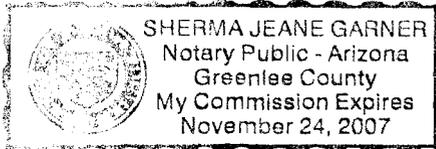
By: Thomas A. Powers
Tom Powers, Vice President

ATTEST:
By: Richard G. Lunt
Richard Lunt, Secretary

LOAN AGREEMENT
DUNCAN VALLEY ELECTRIC COOPERATIVE
DUNCAN RURAL SERVICES CORPORATION

STATE OF ARIZONA
COUNTY OF GREENLEE

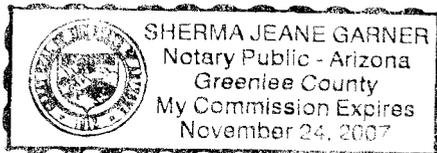
This instrument was acknowledged before me this 3 day of April, 2006, by Johnnie Frie, President of Duncan Valley Electric Cooperative. In witness whereof I herewith set my hand and official seal.



Sherma Jeane Garner
Notary Public
My Commission Expires: 24 Nov 07

STATE OF ARIZONA
COUNTY OF GREENLEE

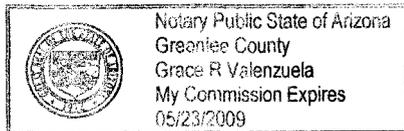
This instrument was acknowledged before me this 3 day of April, 2006, by Richard Lunt, Secretary of Duncan Valley Electric Cooperative. In witness whereof I herewith set my hand and official seal.



Sherma Jeane Garner
Notary Public
My Commission Expires: 24 Nov 07

STATE OF ARIZONA
COUNTY OF GREENLEE

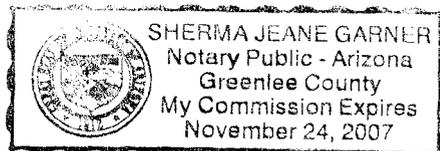
This instrument was acknowledged before me this 4 day of April, 2006, by Tom Powers, Vice President of Duncan Rural Services Corporation. In witness whereof I herewith set my hand and official seal.



Grace R. Valenzuela
Notary Public
My Commission Expires: May 23, 2009

STATE OF ARIZONA
COUNTY OF GREENLEE

This instrument was acknowledged before me this 3 day of April, 2006, by Richard Lunt, Secretary of Duncan Rural Services Corporation. In witness whereof I herewith set my hand and official seal.



Sherma Jeane Garner
Notary Public
My Commission Expires: 24 Nov 07

Duncan Valley Electric Cooperative, Inc.

Duncan, Arizona

Resolution

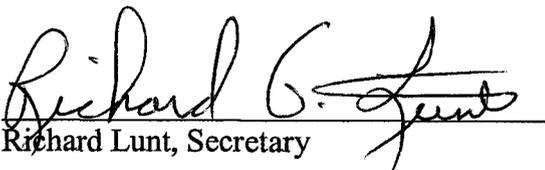
The following resolution was adopted at a regular meeting of the Board of Directors of Duncan Valley Electric Cooperative, Inc., held in Duncan, Arizona, on Monday, April 1, 2006:

“Following discussion concerning a Loan Agreement between the Cooperative and Duncan Rural Services Corporation, the following resolution was made, seconded and carried.

WHEREAS, it is in the best interest of the Cooperative to formalize a loan arrangement with Duncan Rural Services Corporation.

NOW, THEREFORE, BE IT RESOLVED, that Duncan Valley Electric Cooperative, Inc., hereby authorizes the appropriate officers of the Cooperative to execute and deliver on its behalf to Duncan Rural Service Corporation, for its execution, a Loan Agreement, dated April 1, 2006.”

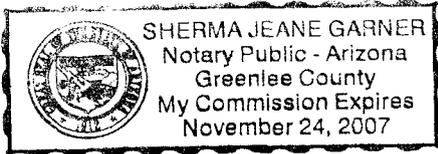
I, Richard Lunt, do hereby certify that I am Secretary of Duncan Valley Electric Cooperative, Inc., and the foregoing is a true and correct copy of the resolution adopted by the Board of Directors at a regular meeting held on April 1, 2006.


Richard Lunt, Secretary

RESOLUTION
DUNCAN VALLEY ELECTRIC COOPERATIVE

STATE OF ARIZONA
COUNTY OF GREENLEE

This instrument was acknowledged before me this 3 day of April, 2006, by
Richard Lunt, Secretary of Duncan Valley Electric Cooperative. In witness whereof I
herewith set my hand and official seal.



Sherma Jeane Garner
Notary Public
My Commission Expires: 24 Nov 2007

Duncan Rural Services Corporation

Duncan, Arizona

Resolution

The following resolution was adopted at a regular meeting of the Board of Directors of Duncan Rural Services Corporation, held in Duncan, Arizona, on Monday, April 1, 2006:

“Following discussion concerning a Loan Agreement between the Corporation and Duncan Valley Electric Cooperative, the following resolution was made, seconded and carried.

WHEREAS, it is in the best interest of the Corporation to formalize a loan arrangement with Duncan Valley Electric Cooperative, Inc.

NOW, THEREFORE, BE IT RESOLVED, that Duncan Rural Services Corporation hereby authorizes the appropriate officers of the Corporation to execute and deliver on its behalf to Duncan Valley Electric Cooperative, Inc., for its execution, a Loan Agreement, dated April 1, 2006.”

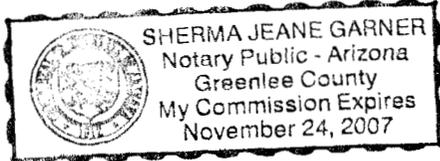
I, Richard Lunt, do hereby certify that I am Secretary of Duncan Rural Services Corporation, and the foregoing is a true and correct copy of the resolution adopted by the Board of Directors at a regular meeting held on April 1, 2006.


Richard Lunt, Secretary

RESOLUTION
DUNCAN RURAL SERVICES CORPORATION

STATE OF ARIZONA
COUNTY OF GREENLEE

This instrument was acknowledged before me this 3 day of April, 2006, by
Richard Lunt, Secretary of Duncan Rural Services Corporation. In witness whereof I
herewith set my hand and official seal.



Sherma Jeane Garner
Notary Public
My Commission Expires: 24 NOV 07