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BEFORE THE ARIZONA CORPORATION COMMISSION

2011 JUN 29 P.M. 5  
AZ CORP COMMISSION  
DOCKET CONTROL

Arizona Corporation Commission

DOCKETED

JUN 29 2011

DOCKETED BY

COMMISSIONERS

GARY PIERCE, Chairman  
PAUL NEWMAN  
SANDRA D. KENNEDY  
BOB STUMP  
BRENDA BURNS

IN THE MATTER OF THE APPLICATION OF ) DOCKET NO. G-02528<sup>A</sup>05-0687  
DUNCAN RURAL SERVICES CORPORATION )  
FOR APPROVAL OF PURCHASED GAS ) COMPLIANCE  
ADJUSTOR SURCHARGE ) PLAN TO ACQUIRE FIXED  
) PRICE GAS SUPPLIES  
)

Duncan Valley Electric Cooperative's Gas Division ("DVEC") which was formerly known as Duncan Rural Services Corporation hereby respectfully submits to the Arizona Corporation Commission (the "Commission") its plan to acquire fixed price natural gas supplies in compliance with Decision No. 68297. Duncan Rural Services Corporation was dissolved in accordance with Decision No. 69679, dated June 28, 2007. This Decision approved the dissolution of DRSC and the transfer DRSC's assets, certain liabilities and Certificate of Convenience and Necessity to a Gas Division of DVEC. This transfer and dissolution was completed on January 1, 2008.

**I. THE DVEC PLAN.**

Decision No. 68297 requires DVEC by June 30 of each year to file a plan indicating any fixed price supplies that it has acquired for the following winter season and how DVEC plans to hedge its natural gas supplies prior to the following winter heating season. Since the beginning of

1 May, DVEC has been actively preparing this plan and seeking bids for natural gas at a fixed price  
2 during the 2011-2012 winter heating season. DVEC has not included in this plan a hedging  
3 strategy due to the fact that it does not have the financial ability to buy gas now for the 2011-2012  
4 heating season.

5 DVEC is currently paying approximately \$4.15 per MMbtu for natural gas on the spot  
6 market through June. DVEC asked for bids from its natural gas supplier to provide a percentage  
7 of its historical gas purchased at a fixed contract price for a term of six months and twelve months  
8 beginning in August, September and October.

9 The fixed price bids received for a six month contract beginning in August, September  
10 and October of 2011 averaged \$4.71 per MMbtu. The fixed price bids received for a twelve  
11 month contract beginning in August, September and October of 2011 averaged \$4.65 per MMbtu.  
12 The six and twelve month bids for August, September and October are higher (approximately  
13 \$.56 to \$.50 per MMbtu) than the current spot price of 4.15 per MMbtu. DVEC is still evaluating  
14 whether or not to enter into a contract for a fixed price. DVEC needs to choose a contract  
15 beginning after summer because it will not penalize DVEC's summer users by paying a  
16 significantly higher contract price when the current spot price of gas is \$4.15 per MMbtu. In  
17 addition, the contract must carry DVEC through the highest usage periods in the winter.  
18  
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20

## 21 **II. CONCLUSION**

22 DVEC is still evaluating whether or not a plan that includes a fixed price contract for a  
23 percentage of its historical gas purchased will significantly lessen the price risk to its customers  
associated with winter natural gas supplies and purchases. If it can enter into such a contract at a

1 reasonable price after the summer usage period and if future spot prices are greater than the fixed  
2 contract price in a given month, DVEC's customers will only pay up to the contract price for the  
3 contracted amount. If future spot gas prices are less than its fixed gas contract price in a given  
4 month, then customers will experience savings on all gas purchases above the contracted amount.  
5 DVEC may decide to enter into a fixed price contract if it is in the best interest of its customers.  
6

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8  
9 RESPECTFULLY SUBMITTED this 29<sup>th</sup> day of June 2011.

10  
11  
12 By \_\_\_\_\_

  
13 John Wallace  
14 Grand Canyon State Electric Cooperative Association  
15 120 North 44<sup>th</sup> Street, Suite 100  
16 Phoenix, AZ 85034

17 Original and thirteen (13) copies of  
18 Duncan Valley Electric Cooperative's Plan  
19 filed this 29<sup>th</sup> day of June, 2011 with:

20  
21  
22  
23 DOCKET CONTROL  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007