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BEFORE THE ARIZONA CORPORATION COMMISSION

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CORP COMMISSION
DOCKET CONTROL

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IN THE MATTER OF THE APPLICATION OF) DOCKET NO. G-02528-05-0687
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 2012-2013 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 2012-2013
4 heating season.

5 DVEC is currently paying approximately \$2.40 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.

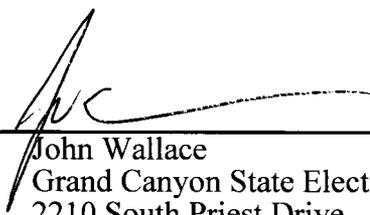
9
10 The fixed price bids received for a six month contract beginning in August, September
11 and October of 2012 averaged \$3.62 MMBtu. The fixed price bids received for a twelve month
12 contract beginning in August, September and October of 2012 averaged \$3.92 MMBtu. The six
13 and twelve month bids for August, September and October are higher (approximately \$1.22 to
14 \$1.52) than the current spot price of \$2.40MMbtu. DVEC is still evaluating whether or not to
15 enter into a contract for a fixed price. DVEC needs to choose a contract beginning after summer
16 because it will not penalize DVEC's summer users by paying a significantly higher contract price
17 when the current spot price of gas is \$2.40MMbtu. In addition, the contract must carry DVEC
18 through the highest usage periods in the winter.
19
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
24 associated with winter natural gas supplies and purchases. If it can enter into such a contract at a
25
26

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 28th day of June 2012.

10
11
12 By 
13 John Wallace
14 Grand Canyon State Electric Cooperative Association
15 2210 South Priest Drive
16 Tempe, AZ 85282

17 Original and thirteen (13) copies of
18 Duncan Valley Electric Cooperative's Plan
19 filed this 28th day of June, 2012 with:

20 DOCKET CONTROL
21 Arizona Corporation Commission
22 1200 West Washington Street
23 Phoenix, Arizona 85007
24
25
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