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Arizona Corporation Commission

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OCT 28 2014

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

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COMMISSIONERS

- BOB STUMP – CHAIRMAN
- GARY PIERCE
- BRENDA BURNS
- BOB BURNS
- SUSAN BITTER SMITH

DOCKET NO. G-02528A-14-0361

**APPLICATION TO INCREASE
RATES AND CHARGES
PURSUANT TO A.A.C. R14-2-107**

ORIGINAL

IN THE MATTER OF THE APPLICATION OF DUNCAN VALLEY ELECTRIC COOPERATIVE, INC. – GAS DIVISION FOR A DETERMINATION OF THE FAIR VALUE OF ITS PROPERTY FOR RATEMAKING PURPOSES, TO FIX A JUST AND REASONABLE RATE OF RETURN THEREON, TO APPROVE RATES DESIGNED TO DEVELOP SUCH RETURN, AND FOR RELATED APPROVALS.

Pursuant to Arizona Revised Statutes ("A.R.S.") § 40-250 and Arizona Administrative Code ("A.A.C.") R14-2-107, Duncan Valley Electric Cooperative, Inc. ("DVEC" or the "Cooperative"), hereby submits its Application for a Determination of the Fair Value of its Property for Ratemaking Purposes, to Fix a Just and Reasonable Return Thereon, to Approve Rates Designed to Develop Such Return, and for Related Approvals (the "Application"). In support of this Application, DVEC states as follows:

BACKGROUND

1. In Decision 73649 (February 6, 2013), the Arizona Corporation Commission ("Commission") adopted revisions to A.A.C. R14-2-103 and added a new section A.A.C. R14-2-107 which establish an alternative streamlined ratemaking application and process for nonprofit cooperatives providing electric or natural gas utility service. DVEC is a non-profit cooperative which provides natural gas service to customers in Arizona.

2. On September 5, 2014, DVEC submitted to the Commission's Utilities Division Staff ("Staff") a Request for Pre-Filing Eligibility Review in accordance with A.A.C. R14-2-107(C) which included a draft of this Application, a proposed form of customer notice and a proposed form of recommended order.

1 from adjusted Test Year revenues of \$593,044 to \$618,189, an increase of 6% over actual Test Year
2 total base revenue. The rate increase would yield an Operating Loss of \$18,253. DVEC's request, if
3 granted, will result in a -2.97% rate of return on Fair Value Rate Base ("FVRB").

4 10. Under the Application, an average residential customer with monthly consumption of 60
5 therms in the winter will see an increase in his or her bill of \$3.36 per month (\$63.80 to \$67.16), or
6 5.27%, while a residential customer with a monthly energy consumption of 16 therms in the summer will see an
7 increase in his/her bill of \$1.57 per month (\$24.16 to \$25.73), or 6.50%. A residential customer with monthly
8 energy consumption of 52 therms (median usage) in the winter will see an increase in his/her bill of \$3.05 per
9 month (\$57.96 to \$61.01), or 5.26%. A residential customer with monthly energy consumption of 13 therms
10 (median usage) in the summer will see an increase in his/her bill of \$1.46 per month (\$23.38 to \$24.84), or
11 6.24%.

12 11. The rate increase is necessary to partially recover operating costs. The rate increase will
13 allow DVEC to maintain the financial integrity of the Cooperative.

14 **ELIGIBILITY CRITERIA**

15 12. The eligibility requirements for filing a streamlined rate case are contained in A.A.C.
16 R14-2-107(B). As set forth below, DVEC meets all of the eligibility requirements of the rule.

17 a. DVEC is classified as a Class C utility under A.A.C. R14-2-103(A)(3)(q) and,
18 therefore, meets the eligibility requirement of A.A.C. R14-2-107(B)(1).

19 b. The last full permanent rate case decision for DVEC's Gas Division (filed under
20 Duncan Rural Services Corporation) was issued as Decision 68599 issued March 23, 2006, which is
21 within the 180-month period preceding the filing of this Application as required in A.A.C. R14-2-
22 107(B)(2).

23 c. This is the first filing by DVEC under A.A.C. R14-2-107, so the Cooperative
24 meets the eligibility requirements of A.A.C. R14-2-107(B)(3) and (4).

25 d. DVEC is required by law and/or contract to make a certified annual financial and
26 statistical report to its lender, the National Rural Utilities Cooperative Finance Corporation ("CFC").
27 CFC is a non-profit lender that specializes in the utility industry so the Cooperative meets the
28

1 eligibility requirement of A.A.C. R14-2-107(B)(5). A copy of the Cooperative's December 2013
2 financial and statistical report to CFC is attached hereto as Attachment 1.

3 e. DVEC's February 2013 to January 2014 Test Year complies with the definition of
4 a "test year" in A.A.C. R14-2-107(A)(14), so the Cooperative meets the eligibility requirement of
5 A.A.C. R14-2-107(B)(6).

6 f. Attached hereto as Attachment 2 are DVEC's audited financial statements for the
7 period ending December 31, 2013. The ending date is within the time frame permitted by A.A.C.
8 R14-2-107(B)(7) so the Cooperative meets this eligibility requirement.

9 g. DVEC is proposing an increase in actual Test Year total base revenue of 6% which
10 meets the maximum increase of 6% permitted under A.A.C. 14-2-107(B)(8), so this eligibility
11 requirement is met.

12 h. DVEC's Application uses original cost rate base as its fair value rate base so the
13 Cooperative meets the eligibility requirement of A.A.C. R14-2-107(B)(9).

14 i. DVEC's Application does not propose: (i) any change to an existing adjustor or
15 surcharge mechanism; (ii) adoption of any new adjustor or surcharge mechanism; or (iii) adoption of
16 a new hook-up fee or another new type of fee, so the Cooperative meets the eligibility requirement of
17 A.A.C. R14-2-107(B)(10).

18 j. DVEC's Application does not propose a "rate structure change" as defined in
19 A.A.C. R14-2-107(A)(1 1) or any non-price tariff change, so the Cooperative meets the eligibility
20 requirement of A.A.C. R14-2-107(B)(1 1).

21 k. DVEC's Application does not seek financing approval or consolidation with
22 another docket, so the Cooperative meets the eligibility requirement of A.A.C. R14-2-107(B)(12).

23 l. The customer notice provided by DVEC conformed to the requirements of A.A.C.
24 R14-2-107(D) and was approved by Staff on October 6, 2014, so the Cooperative meets the eligibility
25 requirement of A.A.C. R14-2-107(B)(13).

26 m. DVEC is a distribution cooperative. Pursuant to A.A.C. R14-2-107(B)(14),
27 objections to the Application timely submitted by the Cooperative's customers may represent no more
28 than 5% of all customer accounts or no more than 1,000 customer accounts, whichever is fewer. For

1 purposes of determining eligibility under this rule, the total number of DVEC customer accounts as of
2 January 31, 2014 was 749. Five percent of the customer accounts is 37, so the applicable objection
3 threshold for DVEC in this rate case is 37. As of the close of business on October 27, 2014 the
4 Commission had received no consumer comments from customers in opposition to the Application
5 which is below the permitted number of 37 objections for a streamlined rate case. In a subsequent
6 filing, DVEC will update the number of customer comments in opposition to the Application through
7 the close of business on November 7, 2014, the deadline for filing objections.

8 n. The eligibility requirement in A.A.C. R14-2-107(B)(15) applies to generation
9 cooperatives and does not apply to DVEC.

10 **FILING REQUIREMENTS**

11 13. The name of the Applicant is Duncan Valley Electric Cooperative, Inc.

12 14. The Test Year is the 12 months year ended January 31, 2014.

13 15. DVEC hereby waives the use of reconstruction cost new rate base to determine its fair
14 value rate base as required pursuant to A.A.C. R14-2-107(E)(2).

15 16. In accordance with A.A.C. R14-2-107(E)(3), a copy of the DVEC's December 31, 2013
16 financial and statistical report to CFC is attached hereto as Attachment 1. This is the Cooperative's
17 most recent report to CFC.

18 17. In accordance with A.A.C. R14-2-107(E)(3), DVEC's audited financial statements for the
19 period ending December 31, 2013, are attached hereto as Attachment 2.

20 18. In accordance with A.A.C. R14-2-107(E)(5) and (6), attached hereto as Attachment 3 is
21 the information listed in the table in A.A.C. R14-2-103(B)(1) for Schedules A-1, A-4, A-5, B-2, B-5,
22 C-1, C-2, D-2, E-1, E-2, E-5, E-6, E-7, E-9, F-1, F-2, F-3, F-4, H-1, H-2, H-3, H-4.0 through H-4.2,
23 and H-5.0 through H-5.2.

24 19. Attached hereto as Attachment 4 is a copy of the notice that was mailed via First Class
25 Mail to each customer of DVEC as of the date of mailing. A copy of the Affidavit of Mailing
26 Customer Notice was previously docketed with the Commission on October 15, 2014.

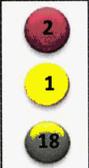
27 20. Attached hereto as Attachment 5 is a proposed form of order.

28 21. DVEC requests that this Application be approved without a hearing.

Attachment 1

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT	BORROWER NAME	Duncan Valley Electric Cooperative, Inc
	BORROWER DESIGNATION	AZ023
	ENDING DATE	12/31/2013

Submit one electronic copy and one signed hard copy to CFC. Round all numbers to the nearest dollar.

CERTIFICATION	BALANCE CHECK RESULTS	AUTHORIZATION CHOICES
We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.		
<i>Kimberly R. Waters</i> 4/2/2014 Signature of Office Manager or Accountant Date	 Needs Attention Please Review Matches	A. NRECA uses rural electric system data for legislative, regulatory and other purposes. May we provide this report from your system to NRECA? <input checked="" type="radio"/> YES <input type="radio"/> NO
<i>Stanley</i> 4/2/2014 Signature of Manager Date		B. Will you authorize CFC to share your data with other cooperatives? <input checked="" type="radio"/> YES <input type="radio"/> NO

PART A. STATEMENT OF OPERATIONS				
ITEM	YEAR-TO-DATE			THIS MONTH
	LAST YEAR	THIS YEAR	BUDGET	
	(a)	(b)	(c)	
1. Operating Revenue and Patronage Capital	3,970,743	4,037,661	4,326,000	353,454
2. Power Production Expense	0	0	0	0
3. Cost of Purchased Power	2,412,465	2,395,616	2,732,883	201,045
4. Transmission Expense	0	0	0	0
5. Regional Market Operations Expense	0	0	0	0
6. Distribution Expense - Operation	596,653	609,318	597,405	51,126
7. Distribution Expense - Maintenance	182,988	219,641	192,532	22,265
8. Consumer Accounts Expense	329,531	338,246	336,203	30,368
9. Customer Service and Informational Expense	27,681	22,574	24,572	6,568
10. Sales Expense	0	0	0	0
11. Administrative and General Expense	276,271	294,622	273,073	25,673
12. Total Operation & Maintenance Expense (2 thru 11)	3,825,589	3,880,017	4,156,668	337,045
13. Depreciation & Amortization Expense	282,632	295,347	297,762	24,942
14. Tax Expense - Property & Gross Receipts	0	0	0	0
15. Tax Expense - Other	0	0	0	0
16. Interest on Long-Term Debt	6,224	21,694	21,932	2,010
17. Interest Charged to Construction (Credit)	0	0	0	0
18. Interest Expense - Other	188	118	232	10
19. Other Deductions	0	0	0	0
20. Total Cost of Electric Service (12 thru 19)	4,114,633	4,197,176	4,476,594	364,007
21. Patronage Capital & Operating Margins (1 minus 20)	(143,890)	(159,515)	(150,594)	(10,553)
22. Non Operating Margins - Interest	64,577	67,569	61,543	12,964
23. Allowance for Funds Used During Construction	0	0	0	0
24. Income (Loss) from Equity Investments	34,911	55,841	40,389	3,232
25. Non Operating Margins - Other	0	990	0	990
26. Generation & Transmission Capital Credits	23,816	89,798	0	0
27. Other Capital Credits & Patronage Dividends	4,635	7,407	0	0
28. Extraordinary Items	0	0	0	0
29. Patronage Capital or Margins (21 thru 28)	(15,951)	62,090	(48,662)	6,633

PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT					
ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR	THIS YEAR		LAST YEAR	THIS YEAR
	(a)	(b)		(a)	(b)
1. New Services Connected	57	65	5. Miles Transmission	0	0
2. Services Retired	21	20	6. Miles Distribution Overhead	454	454
3. Total Services In Place	2,489	2,534	7. Miles Distribution Underground	3	3
4. Idle Services (Exclude Seasonal)	112	92	8. Total Miles Energized (5+6+7)	457	457

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT	BORROWER NAME	Duncan Valley E
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	ENDING DATE	12/31/2013

PART E. CHANGES IN UTILITY PLANT

	PLANT ITEM	BALANCE BEGINNING OF YEAR (a)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFER (d)	BALANCE END OF YEAR (e)
1	Distribution Plant Subtotal	6,527,684	210,674	15,980	0	6,722,378
2	General Plant Subtotal	1,091,503	30,937	0	0	1,122,440
3	Headquarters Plant	645,733	0	0	0	645,733
4	Intangibles	176	0	0	0	176
5	Transmission Plant Subtotal	0	0	0	0	0
6	Regional Transmission and Market Operation Plant	0	0	0	0	0
7	Production Plant - Steam	0	0	0	0	0
8	Production Plant - Nuclear	0	0	0	0	0
9	Production Plant - Hydro	0	0	0	0	0
10	Production Plant - Other	0	0	0	0	0
11	All Other Utility Plant	1,528,259	21,037	6,122	0	1,543,174
12	SUBTOTAL: (1 thru 11)	9,793,355	262,648	22,102	0	10,033,901
13	Construction Work in Progress	(5,448)	31,293			25,845
14	TOTAL UTILITY PLANT (12+13)	9,787,907	293,941	22,102	0	10,059,746

CFC NO LONGER REQUIRES SECTIONS "F", "G", AND "N" DATA
Those sections refer to data on "Analysis of Accumulated Provision for Depreciation" (F),
"Materials and Supplies" (G), "Annual Meeting and Board Data" (N), and "Conservation Data" (P).

PART H. SERVICE INTERRUPTIONS

	ITEM	Avg. Minutes per Consumer by Cause	TOTAL (e)			
		Power Supplier (a)	Major Event (b)	Planned (c)	All Other (d)	
1.	Present Year	4.88	23.53	24.60	32.64	85.65
2.	Five-Year Average	13.28	147.67	19.88	38.41	219.24

PART I. EMPLOYEE - HOUR AND PAYROLL STATISTICS

1.	Number of Full Time Employees	12	4. Payroll - Expensed	790,928
2.	Employee - Hours Worked - Regular Time	25,885	5. Payroll - Capitalized	122,430
3.	Employee - Hours Worked - Overtime	685	6. Payroll - Other	0

PART J. PATRONAGE CAPITAL

ITEM	THIS YEAR (a)	CUMULATIVE (b)	PART K. DUE FROM CONSUMERS FOR ELECTRIC SERVICE	
			1. Amount Due Over 60 Days:	2. Amount Written Off During Year:
1. General Retirement	0	3,962,224	4,302	
2. Special Retirements	0	0	13,944	
3. Total Retirements (1+2)	0	3,962,224		
4. Cash Received from Retirement of Patronage Capital by Suppliers of Electric Power	0			
5. Cash Received from Retirement of Patronage Capital by Lenders for Credit Extended to the Electric System	116			
6. Total Cash Received (4+5)	116			

PART L. KWH PURCHASED AND TOTAL COST

	NAME OF SUPPLIER (a)	CFC USE ONLY SUPPLIER CODE (b)	RENEWABLE ENERGY PROGRAM NAME (c)	RENEWABLE FUEL TYPE (d)	KWH PURCHASED (e)	TOTAL COST (f)	AVERAGE COST PER KWH (cents) (g)	INCLUDED IN TOTAL COST		
								FUEL COST ADJUSTMENT (h)	WHEELING & OTHER CHARGES (or Credits) (i)	COMMENTS (j)
1	Arizona Electric Power Cooperative			0 None	31,302,347	2,233,228	7.13	0	0	Comments
2				0 None	0	0	0.00	0	0	Comments
3				0 None	0	0	0.00	0	0	Comments
4				0 None	0	0	0.00	0	0	Comments
5				0 None	0	0	0.00	0	0	Comments
6				0 None	0	0	0.00	0	0	Comments
7				0 None	0	0	0.00	0	0	Comments
8				0 None	0	0	0.00	0	0	Comments
9				0 None	0	0	0.00	0	0	Comments
10				0 None	0	0	0.00	0	0	Comments
11				0 None	0	0	0.00	0	0	Comments
12				0 None	0	0	0.00	0	0	Comments
13				0 None	0	0	0.00	0	0	Comments
14				0 None	0	0	0.00	0	0	Comments
15				0 None	0	0	0.00	0	0	Comments
16				0 None	0	0	0.00	0	0	Comments
17				0 None	0	0	0.00	0	0	Comments
18				0 None	0	0	0.00	0	0	Comments
19				0 None	0	0	0.00	0	0	Comments
20				0 None	0	0	0.00	0	0	Comments
21	TOTALS				31,302,347	2,233,228	7.13	0	0	

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT	BORROWER NAME	Duncan Valley E
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PART M. LONG-TERM LEASES (If additional space is needed, use separate sheet)

*LIST BELOW ALL "RESTRICTED PROPERTY" ** HELD UNDER "LONG TERM" LEASE. (If none, State "NONE")*

	NAME OF LESSOR	TYPE OF PROPERTY	RENTAL THIS YEAR
1.	Arizona State Land Department	Rights of Way	\$5,502
2.			\$0
3.	TOTAL		\$5,502

** "RESTRICTED PROPERTY" means all properties other than automobiles, trucks, tractors, other vehicles (including without limitation aircraft and ships), office and warehouse space and office equipment (including without limitation computers). "LONG TERM" means leases having unexpired terms in excess of 3 years and covering property having an initial cost in excess of \$250,000.

PART O. LONG-TERM DEBT SERVICE REQUIREMENTS

	NAME OF LENDER	BALANCE END OF YEAR	BILLED THIS YEAR			CFC USE ONLY (d)
			INTEREST (a)	PRINCIPAL (b)	TOTAL (c)	
1	National Rural Utilities Cooperative Finance Corporation	431,000	10,175	44,099	54,274	
2	NCSC	0	0	0	0	
3	Farmer Mac	0	0	0	0	
4	Altec Capital	201,888	11,519	23,561	35,080	
5		0	0	0	0	
6		0	0	0	0	
7		0	0	0	0	
8		0	0	0	0	
9		0	0	0	0	
10	Principal Payments Received from Ultimate Recipients of IRP Loans			0		
11	Principal Payments Received from Ultimate Recipients of REDL Loans			0		
12	TOTAL (Sum of 1 thru 9)	\$632,888	\$21,694	\$67,660	\$89,354	

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT	BORROWER NAME	Duncan Valley E
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PART R. POWER REQUIREMENTS DATA BASE

CLASSIFICATION	CONSUMER, SALES, AND REVENUE DATA	JANUARY CONSUMERS (a)	DECEMBER CONSUMERS (b)	AVERAGE CONSUMERS (c)	TOTAL KWH SALES AND REVENUE (d)
1. Residential Sales (excluding seasonal)	a. No. Consumers Served	1,957	2,014	1,986	
	b. KWH Sold				18,542,666
	c. Revenue				2,284,078
2. Residential Sales - Seasonal	a. No. Consumers Served	0	0	0	
	b. KWH Sold				0
	c. Revenue				0
3. Irrigation Sales	a. No. Consumers Served	95	94	95	
	b. KWH Sold				3,138,416
	c. Revenue				372,821
4. Comm. and Ind. 1000 KVA or Less	a. No. Consumers Served	323	332	328	
	b. KWH Sold				7,006,428
	c. Revenue				781,446
5. Comm. and Ind. Over 1000 KVA	a. No. Consumers Served	0	0	0	
	b. KWH Sold				0
	c. Revenue				0
6. Public Street & Highway Lighting	a. No. Consumers Served	2	2	2	
	b. KWH Sold				117,120
	c. Revenue				15,310
7. Other Sales to Public Authority	a. No. Consumers Served	0	0	0	
	b. KWH Sold				0
	c. Revenue				0
8. Sales for Resales-RUS Borrowers	a. No. Consumers Served	0	0	0	
	b. KWH Sold				0
	c. Revenue				0
9. Sales for Resales-Other	a. No. Consumers Served	0	0	0	
	b. KWH Sold				0
	c. Revenue				0
10. TOTAL No. of Consumers (lines 1a thru 9a)		2,377	2,442	2,410	0
11. TOTAL KWH Sold (lines 1b thru 9b)					28,804,630
12. TOTAL Revenue Received From Sales of Electric Energy (line 1c thru 9c)					3,453,655
13. Transmission Revenue					0
14. Other Electric Revenue					(19,851)
15. KWH - Own Use					93,254
16. TOTAL KWH Purchased					31,302,347
17. TOTAL KWH Generated					0
18. Cost of Purchases and Generation					2,395,616
19. Interchange - KWH - Net					0
20. Peak - Sum All KW Input (Metered)					7,164

Non-coincident Coincident

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT		BORROWER NAME Duncan Valley E		
		BORROWER DESIGNATION AZ023		
		ENDING DATE 12/31/2013		
(All investments refer to your most recent CFC Loan Agreement)				
7a - PART 1 - INVESTMENTS				
DESCRIPTION (a)	INCLUDED (\$) (b)	EXCLUDED (\$) (c)	INCOME OR LOSS (d)	
2. INVESTMENTS IN ASSOCIATED ORGANIZATIONS				
5	G&T and Statewide Cooperative	22,313	1,334,615	0
6	NRUCFC/NCSC	501,100	162,775	0
7	AZNEX - Stock	196,785	0	0
8	Others		72,070	0
Subtotal (Line 5 thru 8)		720,198	1,569,460	0
3. INVESTMENTS IN ECONOMIC DEVELOPMENT PROJECTS				
9		0	0	0
10		0	0	0
11		0	0	0
12		0	0	0
Subtotal (Line 9 thru 12)		0	0	0
4. OTHER INVESTMENTS				
13	Federated	35,357	0	0
14		0	0	0
15		0	0	0
16		0	0	0
Subtotal (Line 13 thru 16)		35,357	0	0
5. SPECIAL FUNDS				
17	Member Loans	48,230	0	0
18		0	0	0
19		0	0	0
20		0	0	0
Subtotal (Line 17 thru 20)		48,230	0	0
6. CASH - GENERAL				
21	National Bank	0	145,827	0
22		0	0	0
23		0	0	0
24		0	0	0
Subtotal (Line 21 thru 24)		0	145,827	0
7. SPECIAL DEPOSITS				
25		0	0	0
26		0	0	0
27		0	0	0
28		0	0	0
Subtotal (Line 25 thru 28)		0	0	0
8. TEMPORARY INVESTMENTS				
29	Arizona Electric Power Co-op	300,000	0	0
30	Homestead Funds	1,164,364	0	0
31		0	0	0
32		0	0	0
Subtotal (Line 29 thru 32)		1,464,364	0	0
9. ACCOUNT & NOTES RECEIVABLE - NET				
33	Misc A/R	559	0	0
34		0	0	0
35		0	0	0
36		0	0	0
Subtotal (Line 33 thru 36)		559	0	0
10. COMMITMENTS TO INVEST WITHIN 12 MONTHS BUT NOT ACTUALLY PURCHASED				
37		0	0	0
38		0	0	0
39		0	0	0
40		0	0	0
Subtotal (Line 37 thru 40)		0	0	0
Total		2,268,708	1,715,287	0

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT	BORROWER NAME	Duncan Valley E
	BORROWER DESIGNATION	AZ023
	ENDING DATE	12/31/2013

(All investments refer to your most recent CFC Loan Agreement)

7a - PART II. LOAN GUARANTEES

Line No.	Organization & Guarantee Beneficiary (a)	Maturity Date of Guarantee Obligation (b)	Original Amount (\$) (c)	Performance Guarantee Exposure or Loan Balance (\$) (d)	Available Loans (Covered by Guarantees) (e)
1			0	0	0
2			0	0	0
3			0	0	0
4			0	0	0
5			0	0	0
TOTALS (Line 1 thru 5)			0	0	0

7a - PART III. LOANS

Line No.	Name of Organization (a)	Maturity Date (b)	Original Amount (\$) (c)	Loan Balance (\$) (d)	Available Loans (e)
1	Members Energy Efficiency Loans	11/30/2018	815,835	48,230	0
2			0	0	0
3			0	0	0
4			0	0	0
5			0	0	0
TOTALS (Line 1 thru 5)			815,835	48,230	0

7a - PART IV. TOTAL INVESTMENTS AND LOANS GUARANTEES

1	TOTAL (Part I, Total - Column b + Part II, Totals - Column d + Column e + Part III, Totals - Column d + Column e)	2,316,938
2	LARGER OF (a) OR (b)	3,727,784
	a. 15 percent of Total Utility Plant (CFC Form 7, Part C, Line 3)	1,508,962
	b. 50 percent of Total Equity (CFC Form 7, Part C, Line 35)	3,727,784

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FINANCIAL AND STATISTICAL REPORT	DUNCAN VALLEY ELECTRIC COOPERATIVE GAS DIVISION DUNCAN, AZ 85534	
	YEAR ENDING December 31, 2013	

CERTIFICATION	
<i>We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.</i>	
<i>Kimberly R. Waters</i>	4/2/2014
SIGNATURE OF OFFICE MANAGER OR ACCOUNTANT	DATE
<i>[Signature]</i>	4/2/2014
SIGNATURE OF MANAGER	DATE

PART A. STATEMENT OF OPERATIONS				December
ITEM	YEAR-TO-DATE			THIS MONTH
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	(d)
1. Operating Revenue and Patronage Capital	561,930	603,857	600,792	79,488
2. Cost of Purchased Gas	144,059	162,388	182,294	19,745
3. Revenue Less Cost of Purchased Gas	417,871	441,469	418,498	59,743
	0	-		
5. Distribution Expense-Operation	257,095	273,011	252,349	21,897
6. Distribution Expense-Maintenance	50,677	67,820	56,568	5,197
7. Consumer Accounts Expense	63,182	64,475	62,841	4,577
8. Customer Service and Informational Expense	2,337	2,344	2,606	306
9. Sales Expense	0	-		
10. Administrative and General Expense	23,197	21,864	23,927	2,776
11. Total Operation & Maintenance Expense (2 - 10)	396,488	429,515	398,291	34,752
12. Depreciation and Amortization Expense	42,928	43,332	43,951	3,607
13. Tax Expense - Property	0	-		
14. Tax Expense - Other	0	-		
15. Interest on Long-Term Debt	0	-		
16. Interest Charged to Construction - Credit	0	-		
17. Interest Expense - Other	46	26	45	2
18. Other Deductions	0	-		
19. Total Cost of Gas Service (11 - 18)	439,462	472,872	442,287	38,362
20. Operating Margins (1 - 19)	(21,591)	(31,403)	(23,789)	21,381
21. Non Operating Margins - Interest	0	-		
22. Non Operating Margins - Other	0	-		
23. Total Margins (20 - 26)	(21,591)	(31,403)	(23,789)	21,381

PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT						
ITEM	Month	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
		LAST YEAR (a)	THIS YEAR (b)		LAST YEAR (a)	THIS YEAR (b)
1. New Services Connect	-	7	3			
2. Services Retired	-	0	-			
3. Total Services in Place	928	925	928	7. Miles Distribution Underground	55	55
4. Idle Services (Exclude Seasonal)	182	171	182	8. Total Miles of Line	55	55

FINANCIAL AND STATISTICAL REPORT		DUNCAN VALLEY ELECTRIC COOPERATIVE GAS DIVISION	
		MONTH ENDING December 31, 2013	
PART C. BALANCE SHEET			
ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service	1,543,174	26. Equity Position - Divisional Balancing	1,155,305
2. Construction Work in Progress	2,106	27. Patronage Capital	
3. Total Utility Plant (1 + 2)	1,545,279	28. Operating Margins - Prior Years	(449,704)
4. Accum. Provision for Depreciation & Amort	932,690	29. Operating Margins - Current Year	(31,403)
5. Net Utility Plant (3 - 4)	612,590	30. Non Operating Margins	
6. Nonutility Property - Net		31. Other Margins and Equities	
7. Invest in Assoc Org - Patronage Capital		32. Total Margins & Equities (26 thru 31)	674,198
8. Invest in Assoc Org - Other		33a. Long-Term Debt-DVEC 25 Year	
9. Invest in Assoc Org - Nongeneral Funds		33b. Long-Term Debt-DVEC 35 Year	
10. Other Investments		33c. Long-Term Debt-DVEC 25 Year	
11. Special Funds		33d. Long-Term Debt-DVEC 25 Year	
12. Total Other Property & Investments (6 thru 11)	0	34. Total Long-Term Debt	0
13. Cash - General Funds		35. Notes Payable	
14. Cash - Construction Funds - Trustee		36. Accounts Payable	19,661
15. Special Deposits		37. Consumers Deposits	26,570
16. Temporary Investments		38. Other Current & Accrued Liabilities	7,263
17. Notes Receivable - Net		39. Total Current & Accrued Liabilities (36 thru 39)	53,493
18. Accounts Receivable - Net Sales	87,150	40. Deferred Credits	
19. Accounts Receivable - Net Other		41. Miscellaneous Operating Reserves	
20. Materials & Supplies	24,236	42. Total Liabilities & Other Credits (32 + 34 + 39 thru 41)	727,691
21. Prepayments	6,139	ESTIMATED CONTRIBUTIONS IN AID OF CONSTRUCTION	
22. Other Current & Accrued Assets		56. Balance Beginning of Year	
23. Total Current & Accrued Assets (13 thru 22)	117,525	57. Amounts Received This Year (Net)	6,832
24. Deferred Debits	(2,423)	58. TOTAL Contributions in Aid of Construction	6,832
25. Total Assets & Other Debits (5+12+23+24)	727,691		
PART D. NOTES TO FINANCIAL STATEMENTS			
<p>THE SPACE BELOW IS PROVIDED FOR IMPORTANT NOTES REGARDING THE FINANCIAL STATEMENT CONTAINED IN THIS REPORT. (IF ADDITIONAL SPACE IS NEEDED, USE SEPARATE SHEET.)</p>			

DUNCAN VALLEY ELECTRIC COOPERATIVE - Gas Division

FINANCIAL AND STATISTICAL REPORT

**YEAR ENDING
December 31, 2013**

PART R. DATA BASE

(Continued)

LINE ITEM NUMBER	JULY (g)	AUGUST (h)	SEPTEMBER (i)	OCTOBER (j)	NOVEMBER (k)	DECEMBER (l)	TOTAL (Columns a - l)
1	a.	725	727	726	721	731	731
	b.	10,067	10,489	9,598	13,602	22,901	54,471
	c.	21,097	21,360	20,985	23,778	40,578	75,023
2	a.	21	21	22	20	17	13
	b.	8,962	7,101	2,629	5,655	1,093	3,494
	c.	6,432	5,354	2,430	4,491	1,749	4,264
3	a.	2	2	2	2	2	2
	b.	63	51	49	296	709	2,943
	c.	121	114	113	284	884	3,344
10.	748	750	750	743	750	746	
11.	19,092	17,641	12,276	19,553	24,703	60,908	445,520
12.	27,650	26,827	23,529	28,552	43,211	82,631	597,187
13.	3,265	(322)	3,964	(7,459)	362	(3,143)	6,670
14.							0
15.	18,740	13,820	9,520	14,600	23,510	59,270	400,990
16.	10,261	6,481	8,588	649	9,744	19,745	162,388

Attachment 2

ARIZONA 23 DUNCAN

**DUNCAN VALLEY ELECTRIC COOPERATIVE, INC.
AND SUBSIDIARY**

DUNCAN, ARIZONA

CONSOLIDATED FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

**ARIZONA 23 DUNCAN
DUNCAN VALLEY ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY
DUNCAN, ARIZONA**

**CONSOLIDATED FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

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BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

PHONE: (806) 747-3806

FAX: (806) 747-3815

8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

INDEPENDENT AUDITORS' REPORT

Board of Directors
Duncan Valley Electric Cooperative, Inc.
Duncan, Arizona

We have audited the accompanying consolidated financial statements of Duncan Valley Electric Cooperative, Inc. and Subsidiary (the Cooperative), which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of income and patronage capital and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Duncan Valley Electric Cooperative, Inc. and Subsidiary as of December 31, 2013 and 2012, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

February 7, 2014

CONSOLIDATED FINANCIAL STATEMENTS

BOLINGER, SEIGARS, GILBERT & MOSS, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

DUNCAN VALLEY ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

Exhibit A

CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2013 AND 2012

ASSETS

	December 31,	
	2013	2012
UTILITY PLANT AT COST		
Plant in Service	\$ 10,033,901	\$ 9,793,354
Construction Work in Progress	25,845	(5,448)
	<u>\$ 10,059,746</u>	<u>\$ 9,787,906</u>
Less: Accumulated Provision for Depreciation	6,218,619	5,929,997
	<u>\$ 3,841,127</u>	<u>\$ 3,857,909</u>
OTHER PROPERTY AND INVESTMENTS - AT COST OR STATED VALUE		
Non-Utility Property	\$ 22,728	\$ 22,728
Investments in Associated Organizations	2,128,230	2,044,126
Temporary Investments - Other	1,164,364	811,358
Notes Receivable (Less allowance for uncollectibles of \$4,169 in 2013 and \$4,169 in 2012)	48,230	52,457
	<u>\$ 3,363,552</u>	<u>\$ 2,930,669</u>
CURRENT ASSETS		
Cash - General	\$ 149,672	\$ 178,337
Temporary Investments - Cash Equivalents	300,000	300,000
Accounts Receivable (Less allowance for uncollectibles of \$11,751 in 2013 and \$10,666 in 2012)	432,106	383,392
Underbilled Power and Gas Cost		13,390
Materials and Supplies	177,542	190,131
Interest Receivable	11,384	11,288
Other Current and Accrued Assets	74,860	68,663
	<u>\$ 1,145,564</u>	<u>\$ 1,145,201</u>
DEFERRED CHARGES	<u>\$ 465,029</u>	<u>\$ 28,926</u>
TOTAL ASSETS	<u>\$ 8,815,272</u>	<u>\$ 7,962,705</u>
EQUITIES AND LIABILITIES		
EQUITIES		
Patronage Capital	\$ 7,535,553	\$ 7,535,553
Other Equities (Deficits)	(510,423)	(572,512)
Unrealized Gain (Deficits) on Available-for-Sale Securities	430,436	148,683
	<u>\$ 7,455,566</u>	<u>\$ 7,111,724</u>
LONG TERM DEBT		
CFC Notes Payable	\$ 396,729	\$
Capital Leases Less Current Maturities	177,142	203,900
	<u>\$ 573,871</u>	<u>\$ 203,900</u>
CURRENT LIABILITIES		
Current Portion of CFC Notes Payable	\$ 34,271	\$
Current Portion of Capital Leases	24,746	21,549
Accounts Payable - Purchased Power and Gas	204,483	203,698
Accounts Payable - Overbilled Power and Gas Cost	52,978	
Accrued Taxes	38,474	57,774
Consumers' Deposits and Prepayments	75,455	72,335
Accrued Employee Compensated Absences	148,482	134,957
Accrued Payroll	5,867	2,734
Other Current and Accrued Liabilities	58,600	39,024
	<u>\$ 643,356</u>	<u>\$ 532,071</u>
DEFERRED CREDITS	<u>\$ 142,479</u>	<u>\$ 115,010</u>
TOTAL EQUITIES AND LIABILITIES	<u>\$ 8,815,272</u>	<u>\$ 7,962,705</u>

The accompanying notes are an integral part of these consolidated financial statements.

DUNCAN VALLEY ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

Exhibit B

**CONSOLIDATED STATEMENT OF INCOME AND PATRONAGE CAPITAL
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	Years Ended December 31,				Increase (Decrease)
	2013		2012		
	Amount	%	Amount	%	
OPERATING REVENUES					
Residential	\$ 2,737,722	65.7	\$ 2,651,843	64.9	\$ 85,879
Irrigation	435,275	10.4	478,351	11.7	(43,076)
Commercial and Industrial	863,637	20.8	752,161	18.5	111,476
Public Street and Highway Lighting	15,310	0.4	15,614	0.4	(304)
Power and Gas Cost Over (Under) Billed	(66,368)	(1.6)	21,083	0.5	(87,451)
Internet Revenues	138,432	3.3	123,725	3.0	14,707
Rent from Electric Property	21,129	0.5	26,396	0.6	(5,267)
Other Operating Revenues	21,160	0.5	16,671	0.4	4,489
Total Operating Revenues	<u>\$ 4,166,297</u>	<u>100.0</u>	<u>\$ 4,085,844</u>	<u>100.0</u>	<u>\$ 80,453</u>
OPERATING EXPENSES					
Purchased Power and Gas	\$ 2,395,616	57.5	\$ 2,412,465	59.0	\$ (16,849)
Distribution - Operation	601,175	14.4	586,392	14.4	14,783
Distribution - Maintenance	220,670	5.3	186,947	4.6	33,723
Customer Accounts	340,590	8.2	331,868	8.1	8,722
Customer Service and Information	20,230	0.5	25,343	0.6	(5,113)
Administrative and General	294,646	7.1	276,316	6.8	18,330
Internet Expenses	62,883	1.5	77,255	1.9	(14,372)
Depreciation and Amortization	295,347	7.1	282,632	6.9	12,715
Other Interest	93	0.0	142	0.0	(49)
Total Operating Expenses	<u>\$ 4,231,250</u>	<u>101.6</u>	<u>\$ 4,179,360</u>	<u>102.3</u>	<u>\$ 51,890</u>
OPERATING MARGINS (LOSS) - BEFORE FIXED CHARGES	<u>\$ (64,953)</u>	<u>(1.6)</u>	<u>\$ (93,516)</u>	<u>(2.3)</u>	<u>\$ 28,563</u>
FIXED CHARGES					
Interest on Long-Term Debt	<u>21,694</u>	<u>0.5</u>	<u>6,224</u>	<u>0.2</u>	<u>15,470</u>
OPERATING MARGINS (LOSS) - AFTER FIXED CHARGES	<u>\$ (86,647)</u>	<u>(2.5)</u>	<u>\$ (99,740)</u>	<u>(1.8)</u>	<u>\$ 13,093</u>
Capital Credits	<u>97,205</u>	<u>2.3</u>	<u>28,451</u>	<u>0.7</u>	<u>68,754</u>
NET OPERATING MARGINS (LOSS)	<u>\$ 10,558</u>	<u>(0.2)</u>	<u>\$ (71,289)</u>	<u>1.3</u>	<u>\$ 81,847</u>
NONOPERATING MARGINS					
Interest Income	\$ 67,569	1.6	\$ 64,577	1.6	\$ 2,992
Other Nonoperating Income (Loss)	(16,034)	(0.4)	(9,237)	(0.2)	(6,797)
	<u>\$ 51,535</u>	<u>1.2</u>	<u>\$ 55,340</u>	<u>1.4</u>	<u>\$ (3,805)</u>
NET MARGINS (LOSS) - BEFORE COMPREHENSIVE INCOME	<u>\$ 62,093</u>	<u>1.0</u>	<u>\$ (15,949)</u>	<u>2.7</u>	<u>\$ 78,042</u>
COMPREHENSIVE INCOME					
Gain on Securities Held-for-Sale	<u>281,753</u>	<u>6.8</u>	<u>67,904</u>	<u>1.7</u>	<u>213,849</u>
NET MARGINS (LOSS) - AFTER COMPREHENSIVE INCOME	<u>\$ 343,846</u>	<u>7.8</u>	<u>\$ 51,955</u>	<u>4.4</u>	<u>\$ 291,891</u>
PATRONAGE CAPITAL - BEGINNING OF YEAR	7,535,553		7,535,553		
Transfer of Comprehensive Income	(281,753)		(67,904)		
Income Offset to Prior Losses	(62,093)				
Transfer Losses to Other Equity			<u>15,949</u>		
PATRONAGE CAPITAL - END OF YEAR	<u>\$ 7,535,553</u>		<u>\$ 7,535,553</u>		

The accompanying notes are an integral part of these consolidated financial statements.

DUNCAN VALLEY ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

Exhibit C

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	December 31,	
	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Margins (Loss)	\$ 62,093	\$ (15,949)
Adjustments to Reconcile Net Margins (Loss) to Net Cash Provided by Operating Activities		
Depreciation	327,159	303,400
Capital Credits - Noncash	(97,205)	(28,451)
Deferred Charges	(436,103)	(2,046)
Deferred Credits	27,469	(58,527)
Accounts Receivable	17,654	56,237
Inventories and Other Current Assets	6,296	(42,464)
Payables and Accrued Expenses	20,839	(22,801)
Net Cash Provided By Operating Activities	<u>\$ (71,798)</u>	<u>\$ 189,399</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Gross Additions to Utility Plant	\$ (293,938)	\$ (433,916)
Salvage Value of Retirements and Other Credits	2,598	2,687
Plant Removal Costs	(19,037)	(25,351)
Investments in Associated Organizations	13,101	11,039
Notes Receivable - Energy Resource Loans (Net)	4,227	12,573
Investments in Temporary Investments - Other	(71,257)	(199,846)
Net Cash Used in Investing Activities	<u>\$ (364,306)</u>	<u>\$ (632,814)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from NRUCFC	\$ 475,099	\$ 236,766
Proceeds from Capital Leases		236,766
Payments on NRUCFC Notes Payable	(44,099)	
Payments on Capital Leases	(23,561)	(11,316)
Net Cash Provided by Financing Activities	<u>\$ 407,439</u>	<u>\$ 225,450</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (28,665)	\$ (217,965)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>478,337</u>	<u>696,302</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 449,672</u>	<u>\$ 478,337</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for:		
Interest	<u>\$ 21,693</u>	<u>\$ 6,224</u>
Income Taxes	<u>\$ 9,284</u>	<u>\$ 7,328</u>

During the year ended December 31, 2013 and 2012, the Cooperative had unrealized gains of \$281,753 and \$67,904, respectively, which increased other equities and temporary cash investments - other.

The accompanying notes are an integral part of these consolidated financial statements.

DUNCAN VALLEY ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Duncan Valley Electric Cooperative, Inc. (the Cooperative) is a non-profit company organized to provide electric service at the retail level to primarily residential and commercial accounts in a designated service area. Power delivered at retail is purchased wholesale from Arizona Electric Power Cooperative, Inc. (AEP CO), of which the Cooperative is a member. Any revenues earned in excess of costs incurred are allocated to members of the Cooperative and are reflected as patronage capital equity in the balance sheet.

During 2008, the Cooperative merged Duncan Rural Services Corporation (DRSC) into the Cooperative as a division. DRSC acquired the gas and water utility systems serving the town of Duncan, Arizona, and surrounding area from Graham County Utilities, Inc. on November 1, 1989. Subsequently, the water system was transferred to the town of Duncan for the original purchase price.

During 1997, the Cooperative formed a subsidiary company, AZNEX Cooperative Services, Inc. The subsidiary was formed to provide communication services. The subsidiary has authorized 10,000,000 shares of no par value common stock of which 50,000 has been issued to the Cooperative. The subsidiary began operations in January, 1998. In June 2008, AZNEX sold all of its plant to a third party and ceased operating as an internet company and now earns commissions on a percentage of revenue earned by the acquiring company.

Principles of Consolidation

The consolidated financial statements include the accounts of the Cooperative and its wholly-owned subsidiary AZNEX Cooperative Services, Inc. All material intercompany transactions have been eliminated.

System of Accounts

The accounting records of the Cooperative are maintained in accordance with the Uniform System of Accounts as prescribed by the Federal Energy Regulatory Commission for Class A and B electric utilities modified for electric borrowers of the Rural Utilities Service (RUS).

Plant in Service, Maintenance, and Depreciation

Plant is stated at the original cost of construction which includes the cost of contracted services, direct labor, materials, and overhead items. Contributions from others toward the construction of electric plant are credited to the applicable plant accounts.

When property which represents a retirement unit is replaced or removed, the average cost of such property as determined from the continuing property records is credited to electric plant and such cost, together with cost of removal less salvage, is charged to the accumulated provision for depreciation.

Maintenance and repairs, including the renewal of minor items of plant not comprising a retirement unit, are charged to the appropriate maintenance accounts, except that repairs of transportation and service equipment are charged to clearing accounts and redistributed to operating expense and other accounts.

DUNCAN VALLEY ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Inventories

Materials and supplies inventories are valued at average unit cost.

Electric and Gas Revenues

The Cooperative's operating revenues are under the jurisdiction of the Arizona Corporation Commission and the New Mexico Public Regulatory Commission.

The Cooperative records electric and gas revenues as billed to customers on a monthly basis. Revenue is not accrued for power delivered, but not billed at the end of each month.

The Cooperative's tariffs for electric and gas service include a power cost and gas cost recovery factor under which rates charged to customers are adjusted to reflect changes in the cost of power and gas. In order to match power costs and gas costs and related revenues, power cost and gas cost billed in advance is recorded as advance billings to consumers, and power cost and gas cost to be billed in subsequent periods is recognized as accrued unbilled revenue. Annual changes in these amounts appear as over and under billed power cost and gas cost revenue on the statement of income.

Receivables and Bad Debts

The Cooperative records a receivable for power delivered monthly. Periodically, the Board of Directors reviews accounts over 90 days and writes them off. The provision for bad debts is based on historical write-offs and expectations of future bad debts.

Patronage Capital Certificates

Patronage capital from associated organizations is recorded at the stated amount of the certificates.

Cash Equivalents

For purposes of the statement of cash flows, the Cooperative considers cash – general and temporary cash investments – cash equivalents to be cash equivalents.

Group Concentration of Credit Risk

The Cooperative's headquarters facility is located in Duncan, Arizona. The service area includes members in Greenlee County, Arizona, and Hidalgo and Grant Counties, New Mexico. The Cooperative records a receivable for electric and gas revenues as billed on a monthly basis. The Cooperative requires a deposit from consumers upon connection. The deposit accrues interest annually. Deposits are applied to any unpaid bills and fees in the event of default. Deposits on hand totaled \$75,455 and \$72,335 at December 31, 2013 and 2012, respectively.

At times during the year, cash balances exceeded FDIC insurance limits.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

DUNCAN VALLEY ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Federal Income Tax Status

The Cooperative qualifies for exempt status under Internal Revenue Code section 501(c)(12) which requires that 85% or more of income consists of amounts collected from members.

AZNEX Cooperative Services, Inc. is a taxable C-corporation.

2. Assets Pledged

Currently the Cooperative has capital lease assets whose title remains with lessor throughout the lease term. In addition, the cooperative has amounts owing NRUCFC though no assets are pledged against that debt.

3. Plant in Service

The major classes of electric plant are as follows:

	December 31,	
	2013	2012
Duncan Valley Electric Cooperative, Inc.		
Intangible Plant	\$ 176	\$ 176
Distribution Plant	6,722,381	6,527,687
General Plant	1,768,169	1,737,233
Total Electric Plant in Service	<u>\$ 8,490,726</u>	<u>\$ 8,265,096</u>
Gas Utility Plant	\$ 1,497,254	\$ 1,482,337
Gas General Plant	45,921	45,921
Total Gas Plant in Service	<u>\$ 1,543,175</u>	<u>\$ 1,528,258</u>
Construction Work in Progress	\$ 25,845	\$ (5,448)
Total Utility Plant	<u>\$ 10,059,746</u>	<u>\$ 9,787,906</u>

Provision has been made for depreciation of distribution plant at the straight-line composite rates as follows, for both 2013 and 2012:

Station Equipment	3.20%
Poles, Towers, and Fixtures	4.00%
Overhead Conductors and Devices	2.80%
Underground Conduit	2.80%
Underground Conductors and Devices	2.90%
Line Transformers	3.10%
Services	3.60%
Meters	3.40%
Street Lighting and Signal Systems	4.30%
Gas Utility Plant	2.80% - 9.60%

DUNCAN VALLEY ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

General plant depreciation rates have been applied on a straight-line basis and are as follows:

Structures	2.85% - 10.00%
Furniture and Equipment	10.00% - 33.30%
Transportation Equipment	5.00% - 20.00%
Stores Equipment	10.00% - 12.50%
Shop and Laboratory Equipment	8.34% - 20.00%
Communications Equipment	10.00% - 20.00%
Miscellaneous Equipment	20.00%

Depreciation for the years ended December 31, 2013 and 2012 was \$327,159 and \$303,400, respectively, of which \$295,347 and \$282,632 was charged to depreciation expense, and \$31,812 and \$20,768 allocated to other accounts.

4. Non-Utility Property

Non-utility property includes land (seven acres, cost \$22,728) not presently being used in the utility operations.

5. Investments in Associated Organizations

Investments in associated organizations consisted of the following as of December 31, 2013 and 2012:

	December 31,	
	2013	2012
CFC		
Membership	\$ 2,000	\$ 2,000
Capital Term Certificates	160,647	160,647
Member Capital Securities	500,000	500,000
Patronage Capital	1,128	1,012
AEPCO		
Patronage Capital	1,334,360	1,244,562
Membership	5	5
NRTC		
Patronage Capital	69,172	69,199
Membership	1,000	1,000
Grand Canyon State Electric Cooperative, Inc.		
Membership	150	150
Building	22,313	23,247
Other	37,455	42,304
	<u>\$ 2,128,230</u>	<u>\$ 2,044,126</u>

DUNCAN VALLEY ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Patronage capital certificates are recorded at the stated amount of the certificates. All other investments are recorded at cost.

6. Notes Receivable

Notes receivable consist of the following:

	December 31,	
	2013	2012
Member Loans - Energy Efficiency Applications	\$ 52,399	\$ 56,626
Total Notes Receivable	\$ 52,399	\$ 56,626
Reserve for Uncollectible Loans	\$ (4,169)	\$ (4,169)
	<u>\$ 48,230</u>	<u>\$ 52,457</u>

During 1990, the Cooperative initiated a program to finance the cost and installation of heat pumps for members. The loans are to be repaid monthly over five years with an interest rate of 5.50%.

7. Temporary Cash Investments

	December 31,	
	2013	2012
Homestead Funds (at fair market value)	\$ 1,051,250	\$ 728,024
Judy White Memorial Scholarship Fund (at fair market value)	113,114	83,334
AEPCO Note Participation Program Note	300,000	300,000
Total Investments	<u>\$ 1,464,364</u>	<u>\$ 1,111,358</u>

The Cooperative's investment in available-for-sale securities is shown at fair market value. Gains and losses on securities classified as available-for-sale are recognized through the equity account.

The following marketable securities were held as of December 31, 2013:

	Fair Value	Cost	Unrealized Gain
Homestead Funds	\$ 1,051,250	\$ 660,959	\$ 390,291
Scholarship Funds	113,114	72,969	40,145
	<u>\$ 1,164,364</u>	<u>\$ 733,928</u>	<u>\$ 430,436</u>

DUNCAN VALLEY ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following marketable securities were held as of December 31, 2012:

	Fair Value	Cost	Unrealized Gain
Homestead Funds	\$ 728,024	\$ 593,684	\$ 134,340
Scholarship Funds	83,334	68,991	14,343
	<u>\$ 811,358</u>	<u>\$ 662,675</u>	<u>\$ 148,683</u>

Fair Value Hierarchy

The Fair Value Measurements Topic of the FASB Accounting Standards Codification establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Cooperative has the ability to access at the measurement date.

Level 2 - Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Inputs are unobservable inputs for the asset or liability.

The securities above are considered Level 2.

8. Inventories

Inventories consist of:

	December 31,	
	2013	2012
Duncan Valley Electric Cooperative, Inc.		
Electric Construction Materials and Supplies	\$ 147,890	\$ 159,225
Resale	5,416	5,416
Gas Utility Construction Material and Supplies	24,236	25,490
Total Cooperative Inventory	<u>\$ 177,542</u>	<u>\$ 190,131</u>

DUNCAN VALLEY ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Deferred Charges

Deferred charges consist of the following:

	December 31,	
	2013	2012
Right of Way	\$ 20,462	\$ 26,064
NRECA Retirement Funding Prepayment	439,467	
Other	5,100	2,862
	<u>\$ 465,029</u>	<u>\$ 28,926</u>

During 2013 the Cooperative's Defined Benefit Retirement provider, NRECA, provided a program by which the Cooperative could prepay future premiums into the plan and receive reduced annual contribution rates going forward. It is estimated that the benefit of these reduced annual contributions is ten years and the cooperative is recognizing the prepayment into income over that period.

10. Income Taxes

The Cooperative is exempt from federal income taxes under Section 501(c)(12) of the Internal Revenue Code as long as 85% of its revenue is from members for the sole purpose of meeting losses and expenses. For the year ended December 31, 2013, the Cooperative qualified for exemption.

Aznex Cooperative Services, Inc. is a C-corporation subject to federal income taxes. This corporation files a federal income tax return. Current taxes and deferred taxes are allocated to each corporation on a stand alone basis.

The Cooperative follows accounting standards for income taxes. The objective of the asset and liability method is to establish deferred tax assets and liabilities for the temporary differences between the financial reporting basis and the tax basis of the Cooperative's assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized and settled. As changes in the tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

Deferred income taxes result from transactions which enter into the determination of taxable income in different periods than recorded for financial reporting purposes. Currently there are no timing differences between book income and taxable income and as such no deferred taxes are recognized.

DUNCAN VALLEY ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The components of the provision for federal and state tax benefit (expense) are as follows:

	December 31,	
	2013	2012
Federal		
Deferred Federal Tax Expense		
Federal Income Tax Expense	\$ 11,947	\$ 6,161
	\$ 11,947	\$ 6,161
State		
Deferred State Tax Expense		
State Income Tax Expense	\$ 5,077	\$ 3,076
	\$ 5,077	\$ 3,076
Total Provision for Federal and State Income Taxes	\$ 17,024	\$ 9,237

Aznex Cooperative Services, Inc. does not have a net operating loss (NOL) carryover for state or federal income tax purposes.

On January 1, 2009, the Cooperative and Subsidiary adopted the "uncertain tax positions" provisions of accounting principles generally accepted in the United States of America. The primary tax position of the Cooperative is its' filing status as a tax exempt entity. The Cooperative and Subsidiary determined that it is more likely than not that their tax positions will be sustained upon examination by The Internal Revenue Service (IRS), or other State taxing authority, and that all tax benefits are likely to be realized upon settlement with taxing authorities.

The Cooperative and its subsidiaries file income tax returns in the U.S. federal jurisdiction, and the state of Arizona. The Cooperative and subsidiaries are no longer subject to U.S. federal and state income tax examinations by federal taxing authorities for years before 2010, and state taxing authorities for years before 2009.

The Cooperative and Subsidiary recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. There were no penalties or interest recognized during the years ended December 31, 2013 and 2012.

11. Return of Capital

No patronage capital has been retired in 2013 or 2012.

DUNCAN VALLEY ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. Patronage Capital

	December 31,	
	<u>2013</u>	<u>2012</u>
Assigned Assignable	\$ 11,497,777	\$ 11,497,777
Less: Retired	<u>\$ 11,497,777</u> 3,962,224	<u>\$ 11,497,777</u> 3,962,224
Balance	<u>\$ 7,535,553</u>	<u>\$ 7,535,553</u>

13. Other Equities

	December 31,	
	<u>2013</u>	<u>2012</u>
Retired Capital Credits - Gain	\$ 95,093	\$ 95,093
Unrecovered Losses	<u>(605,516)</u>	<u>(667,605)</u>
	<u>\$ (510,423)</u>	<u>\$ (572,512)</u>

14. Long Term Debt

Capital Lease Obligations

During the year, the Cooperative leased equipment from Altec Capital Services, LLC. The economic substance of the capital leases is that the Cooperative is financing the acquisition of the assets through the lease over their terms, and accordingly, they are reflected in the Cooperative's plant assets and liabilities.

The following is an analysis of the book value of the leased assets included in electric plant at December 31, 2013, which is being depreciated on a straight-line basis over 15 years.

	December 31,
	<u>2013</u>
Cost	\$ 236,766
Accumulated Depreciation	<u>(23,178)</u>
	<u>\$ 213,588</u>

DUNCAN VALLEY ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The capital lease obligation has an interest rate of 5.364% and will mature in 2019. The entire lease obligation to Altec Capital Services, LLC calls for payments totaling \$243,222 over the remaining term of the leases. Below is a schedule by years of the future minimum payments required under the leases, with their present value at December 31, 2013.

	Altec Leasing
2014	\$ 35,081
2015	35,081
2016	35,081
2017	35,081
2018	35,081
2019	<u>67,817</u>
Total Minimum Lease Payments	\$ 243,222
Amount Representing Interest	<u>(41,334)</u>
Present Value of Lease Payments	<u>\$ 201,888</u>
Current Maturities	<u>\$ 24,746</u>

CFC Notes Payable

During 2013, the Cooperative borrowed \$475,099 from CFC for the purpose of funding the NRECA Accelerated Funding Payment for the Retirement and Security Plan. This funds were originally borrowed using the Cooperative's line of credit until permanent financing could be established. Subsequent to year end the note was set with a remaining balance of \$431,000 for 11 years at 2.950%.

Maturities for the next five years are as follows:

2014	\$ 34,271
2015	34,707
2016	35,712
2017	36,807
2018	37,905

15. Short-Term Borrowing

The Cooperative has a \$500,000 line of credit for short-term financing with CFC at a variable interest rate which expires on September, 2014. At December 31, 2013, the Cooperative had \$431,000 outstanding related to the note payable discussed in Note 14.

DUNCAN VALLEY ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16. Deferred Credits

	December 31,	
	2013	2012
Judy White Memorial Scholarship Fund	\$ 67,469	\$ 68,991
Renewable Energy Standards Tariff - NM and AZ	44,136	46,019
Other	30,864	
	<u>\$ 142,469</u>	<u>\$ 115,010</u>

17. Litigation, Commitments, and Contingencies

There is no pending litigation which would materially affect the financial position of the Cooperative.

The Cooperative is committed to purchase its electric power requirements from Arizona Electric Power Cooperative, Inc. (AEP CO) through the year 2020.

18. Pension Benefits

Plan Information

The National Rural Electric Cooperative Association (NRECA) Retirement Security Plan (RS Plan) is a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. It is a multiemployer plan under the accounting standards. The plan sponsor's Employer Identification Number is 53-0116145 and the Plan Number is 333.

A unique characteristic of a multiemployer plan compared to a single employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

The Cooperative contributions to the RS Plan in 2013 and in 2012 represented less than 5 percent of the total contributions made to the plan by all participating employers. The Cooperative made contributions to the plan of \$183,097 in 2013 and \$159,323 in 2012. Contributions in 2013 are significantly higher than those in 2012 due to the Cooperative electing to participate in the prepayment option offered to participating employers in 2013. See the footnote description below for more information on the prepayment program.

In the RS Plan, a "zone status" determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the Retirement Security Plan was over 80 percent funded on January 1, 2013 and between 65 percent and 80 percent funded on January 1, 2012 based on the PPA funding target and PPA actuarial value of assets on those dates.

DUNCAN VALLEY ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Because the provisions of the PPA do not apply to the RS Plan, funding improvement plans and surcharges are not applicable. Future contribution requirements are determined each year as part of the actuarial valuation of the plan and may change as a result of plan experience.

R&S Plan Prepayment Option

At the December 2012 meeting of the I&FS Committee of the NRECA Board of Directors, the Committee approved an option to allow participating cooperatives in the RS Plan to make a contribution prepayment and reduce future required contributions. The prepayment amount is a cooperative's share, as of January 1, 2013, of future contributions required to fund the RS Plan's unfunded value of benefits earned to date using RS Plan actuarial valuation assumptions. The prepayment amount will typically equal approximately 2.5 times a cooperative's annual RS Plan required contribution as of January 1, 2013. After making the prepayment, for most cooperatives the billing rate is reduced by approximately 25%, retroactive to January 1, 2013. The 25% differential in billing rates is expected to continue for approximately 15 years. However changes in interest rates, asset returns and other plan experience different from expected, plan assumption changes and other factors may have an impact on the differential in billing rates and the 15 year period.

The employees also participate in a 401-K plan, a defined contribution plan provided through National Rural Electric Cooperative Association. The Cooperative makes monthly contributions to the plan. The cost for the Cooperative was \$40,747 and \$35,579 for the years ended December 31, 2013 and 2012, respectively.

19. Related Party Transactions

The Cooperative is represented on the Board of Directors of Arizona Electric Power Cooperative, Inc., (AEPCO) and purchases all of its electric power from AEPCO. Margins earned by AEPCO have been allocated to the Cooperative and are included under Investments in Associated Organizations. The Cooperative also invests through the AEPCO membership investment program as reflected in Note 7.

20. Subsequent Events

The Cooperative has evaluated subsequent events through February 7, 2014, the date which the financial statements were available to be issued.

CONSOLIDATING AND ACCOMPANYING INFORMATION

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITORS' REPORT ON CONSOLIDATING
AND ACCOMPANYING INFORMATION**

We have audited the consolidated financial statements of Duncan Valley Electric Cooperative, Inc., as of and for the years ended 2013 and 2012, and our report thereon dated February 7, 2014, which expressed an unmodified opinion on those financial statements as a whole. The consolidating schedules, schedule of electric plant, accumulated provision for depreciation, other property and investments, patronage capital, administrative and general expenses, five year comparative data, and divisional income statement are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Bolinger, Segars, Gilbert & Moss L.L.P.

Certified Public Accountants

Lubbock, Texas

February 7, 2014

CONSOLIDATING INFORMATION

DUNCAN VALLEY ELECTRIC COOPERATIVE, INC.

Schedule 2

CONSOLIDATING INFORMATION
STATEMENT OF INCOME AND PATRONAGE CAPITAL
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Years Ended December 31,				Increase (Decrease)
	2013		2012		
	Amount	%	Amount	%	
OPERATING REVENUES					
Residential	\$ 2,737,722	67.9	\$ 2,651,843	66.9	\$ 85,879
Irrigation	435,275	10.8	478,351	12.1	(43,076)
Commercial and Industrial	863,637	21.4	752,161	19.0	111,476
Public Street and Highway Lighting	15,310	0.4	15,614	0.4	(304)
Power and Gas Cost Over (Under) Billed	(66,368)	(1.6)	21,083	0.5	(87,451)
Rent from Electric Property	23,812	0.6	28,718	0.7	(4,906)
Other Operating Revenues	21,160	0.5	16,671	0.4	4,489
Total Operating Revenues	<u>\$ 4,030,548</u>	<u>100.0</u>	<u>\$ 3,964,441</u>	<u>100.0</u>	<u>\$ 66,107</u>
OPERATING EXPENSES					
Purchased Power and Gas	\$ 2,395,616	59.4	\$ 2,412,465	60.9	\$ (16,849)
Distribution - Operation	601,175	14.9	586,392	14.8	14,783
Distribution - Maintenance	220,670	5.5	186,947	4.7	33,723
Customer Accounts	340,590	8.5	331,868	8.4	8,722
Customer Service and Information	20,230	0.5	25,344	0.6	(5,114)
Administrative and General	294,646	7.3	276,316	7.0	18,330
Depreciation and Amortization	295,347	7.3	282,632	7.1	12,715
Other Interest	93	0.0	142	0.0	(49)
Total Operating Expenses	<u>\$ 4,168,367</u>	<u>103.4</u>	<u>\$ 4,102,106</u>	<u>103.5</u>	<u>\$ 66,261</u>
OPERATING MARGINS (LOSS) - BEFORE FIXED CHARGES	<u>\$ (137,819)</u>	<u>(3.4)</u>	<u>\$ (137,665)</u>	<u>(3.5)</u>	<u>\$ (154)</u>
FIXED CHARGES					
Interest on Long-Term Debt	<u>21,694</u>	<u>0.5</u>	<u>6,224</u>	<u>0.2</u>	<u>15,470</u>
OPERATING MARGINS (LOSS) - AFTER FIXED CHARGES	<u>\$ (159,513)</u>	<u>(3.9)</u>	<u>\$ (143,889)</u>	<u>(3.7)</u>	<u>\$ (15,624)</u>
Capital Credits	<u>97,205</u>	<u>2.4</u>	<u>28,451</u>	<u>0.7</u>	<u>68,754</u>
NET OPERATING MARGINS	<u>\$ (62,308)</u>	<u>(1.5)</u>	<u>\$ (115,438)</u>	<u>(3.0)</u>	<u>\$ 53,130</u>
NONOPERATING MARGINS					
Interest Income	\$ 67,569	1.7	\$ 64,577	1.6	\$ 2,992
Other Nonoperating Income	990	0.0	0.0	0.0	990
Income from Subsidiary	55,842	1.4	34,912	0.9	20,930
	<u>\$ 124,401</u>	<u>3.1</u>	<u>\$ 99,489</u>	<u>2.5</u>	<u>\$ 24,912</u>
NET MARGINS - BEFORE COMPREHENSIVE INCOME	<u>\$ 62,093</u>	<u>1.6</u>	<u>\$ (15,949)</u>	<u>(0.5)</u>	<u>\$ 78,042</u>
COMPREHENSIVE INCOME					
Gain on Securities Held for Sale	<u>281,753</u>	<u>7.0</u>	<u>67,904</u>	<u>1.7</u>	<u>213,849</u>
NET MARGINS - AFTER COMPREHENSIVE INCOME	<u>\$ 343,846</u>	<u>8.6</u>	<u>\$ 51,955</u>	<u>1.2</u>	<u>\$ 291,891</u>
PATRONAGE CAPITAL - BEGINNING OF YEAR	7,535,553		7,535,553		
Transfer of Comprehensive Income	(281,753)		(67,904)		
Income Offset to Prior Losses	(62,093)				
Transfer Losses to Other Equities			15,949		
PATRONAGE CAPITAL - END OF YEAR	<u>\$ 7,535,553</u>		<u>\$ 7,535,553</u>		

DUNCAN VALLEY ELECTRIC COOPERATIVE, INC.

Schedule 3

CONSOLIDATING INFORMATION
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	December 31,	
	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Margins (Loss)	\$ 62,093	\$ (15,949)
Adjustments to Reconcile Net Margins (Loss) to Net Cash Provided by Operating Activities		
Depreciation	327,159	303,400
(Gain) Loss from Subsidiary	(55,842)	(34,912)
Deferred Charges	(436,104)	(2,045)
Deferred Credits	27,470	(58,528)
Accounts Receivable	(37,175)	60,659
Inventories and Other Current Assets	19,971	(41,104)
Payables and Accrued Expenses	121,897	(543)
Net Cash Provided By Operating Activities	<u>\$ 29,469</u>	<u>\$ 210,978</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Gross Additions to Utility Plant	\$ (293,938)	\$ (433,916)
Salvage Value of Retirements and Other Credits	2,598	2,687
Plant Removal Costs	(19,037)	(25,351)
Investments in Associated Organizations	(84,104)	(17,412)
Notes Receivable - Energy Resource Loans (Net)	4,227	12,573
Investments in Temporary Investment - Other	(71,250)	(199,846)
Net Cash Used in Investing Activities	<u>\$ (461,504)</u>	<u>\$ (661,265)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Capital Leases	\$	\$ 236,766
Proceeds from CFC Note Advances	475,099	
Payments on Capital Leases	(23,567)	(11,316)
Payments on CFC Notes Payable	(44,099)	
Net Cash Provided by Financing Activities	<u>\$ 407,433</u>	<u>\$ 225,450</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (24,602)	\$ (224,837)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>470,429</u>	<u>695,266</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 445,827</u>	<u>\$ 470,429</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for:		
Interest	\$ 21,694	\$ 6,224
Income Taxes	<u>\$ 0</u>	<u>\$ 0</u>

During the year ended December 31, 2013 and 2012, the Cooperative had unrealized gains of \$281,753 and \$67,904, respectively, which increased other equities and temporary investments - other.

AZNEX COOPERATIVE SERVICES, INC.

Schedule 4

**CONSOLIDATING INFORMATION
BALANCE SHEET
DECEMBER 31, 2013 AND 2012**

ASSETS

	December 31,	
	<u>2013</u>	<u>2012</u>
CURRENT ASSETS		
Cash - General	\$ 3,845	\$ 7,908
Accounts Receivable	202,187	134,832
Prepaid Income Taxes	7,730	7,440
	<u>\$ 213,762</u>	<u>\$ 150,180</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

	December 31,	
	<u>2013</u>	<u>2012</u>
CURRENT LIABILITIES		
Accrued Liabilities	\$ 16,978	\$ 9,237
	<u>\$ 16,978</u>	<u>\$ 9,237</u>
STOCKHOLDERS' EQUITY		
Capital Stock; No Par Value; 10,000,000 Shares Authorized; 50,000 Shares Issued and Outstanding	\$ 50,000	\$ 50,000
Retained Earnings	146,784	90,943
	<u>\$ 196,784</u>	<u>\$ 140,943</u>
	<u>\$ 213,762</u>	<u>\$ 150,180</u>

AZNEX COOPERATIVE SERVICES, INC.

Schedule 5

**CONSOLIDATING INFORMATION
STATEMENT OF INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	December 31,	
	2013	2012
OPERATING REVENUES		
Internet Revenue	\$ 138,432	\$ 123,725
	<u>\$ 138,432</u>	<u>\$ 123,725</u>
 OPERATING EXPENSES		
Internet Expenses	\$ 65,567	\$ 79,578
	<u>\$ 65,567</u>	<u>\$ 79,578</u>
 OPERATING MARGINS - BEFORE INCOME TAXES	\$ 72,865	\$ 44,147
 INCOME TAX EXPENSE	<u>(17,024)</u>	<u>(9,237)</u>
 OPERATING MARGINS - AFTER INCOME TAXES	\$ 55,841	\$ 34,910
 RETAINED EARNINGS - BEGINNING OF YEAR	<u>90,943</u>	<u>56,033</u>
 RETAINED EARNINGS - END OF YEAR	<u>\$ 146,784</u>	<u>\$ 90,943</u>

AZNEX COOPERATIVE SERVICES, INC.

Schedule 6

**CONSOLIDATING INFORMATION
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	December 31,	
	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Margins	\$ 55,841	\$ 34,910
Adjustments to Reconcile Net Margins to Net Cash Provided by (Used in) Operating Activities		
Accounts Receivable	(67,355)	(22,782)
Prepaid Income Taxes	(290)	(1,360)
Payables and Accrued Expenses	7,741	(3,896)
Net Cash Provided (Used in) Operating Activities	<u>\$ (4,063)</u>	<u>\$ 6,872</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Cash Provided by (Used in) Investing Activities	<u>\$ 0</u>	<u>\$ 0</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Cash Provided by (Used in) Financing Activities	<u>\$ 0</u>	<u>\$ 0</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (4,063)	\$ 6,872
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>7,908</u>	<u>1,036</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 3,845</u></u>	<u><u>\$ 7,908</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for:		
Interest	<u>\$ 0</u>	<u>\$ 0</u>
Income Taxes	<u>\$ 9,574</u>	<u>\$ 7,328</u>

ACCOMPANYING INFORMATION

DUNCAN VALLEY ELECTRIC COOPERATIVE, INC.

Schedule 7

ELECTRIC PLANT
FOR THE YEAR ENDED DECEMBER 31, 2013

	Balance 1/1/2013	Additions	Retirements	Balance 12/31/2013
CLASSIFIED ELECTRIC PLANT IN SERVICE				
Intangible Plant	\$ 176	\$	\$	\$ 176
Distribution Plant				
Land and Land Rights	\$ 2,397	\$	\$	\$ 2,397
Station Equipment	145,413			145,413
Poles, Towers, and Fixtures	1,886,881	51,821	7,132	1,931,570
Overhead Conductors and Devices	1,742,153	16,060	2,980	1,755,233
Underground Conduit	21,336			21,336
Underground Conductors and Devices	140,619			140,619
Line Transformers	1,360,103	35,573	101	1,395,575
Services	539,185	32,359	4,081	567,463
Meters	533,304	64,696		598,000
Street Light and Signal Systems	156,296	10,163	1,684	164,775
Total	<u>\$ 6,527,687</u>	<u>\$ 210,672</u>	<u>\$ 15,978</u>	<u>\$ 6,722,381</u>
General Plant				
Land and Land Rights	\$ 9,740	\$	\$	\$ 9,740
Structures and Improvements	635,993			635,993
Office Furniture and Equipment	136,827	30,936		167,763
Transportation Equipment	430,055			430,055
Stores Equipment	30,190			30,190
Tools, Shop, and Garage Equipment	18,936			18,936
Laboratory Equipment	40,444			40,444
Power Operated Equipment	309,551			309,551
Communications Equipment	54,715			54,715
Miscellaneous Equipment	70,782			70,782
Total	<u>\$ 1,737,233</u>	<u>\$ 30,936</u>	<u>\$ 0</u>	<u>\$ 1,768,169</u>
Total Classified Electric Plant in Service	<u>\$ 8,265,096</u>	<u>\$ 241,608</u>	<u>\$ 15,978</u>	<u>\$ 8,490,726</u>
Gas Plant in Service				
Distribution Plant	\$ 1,482,338	\$ 21,037	\$ 6,121	\$ 1,497,254
General Plant	45,921			45,921
Total Gas Plant in Service	<u>\$ 1,528,259</u>	<u>\$ 21,037</u>	<u>\$ 6,121</u>	<u>\$ 1,543,175</u>
Construction Work in Progress	\$ (5,448)	\$ 31,293	\$ 0	\$ 25,845
Total Utility Plant	<u>\$ 9,787,907</u>	<u>\$ 293,938</u>	<u>\$ 22,099</u>	<u>\$ 10,059,746</u>

DUNCAN VALLEY ELECTRIC COOPERATIVE, INC.

Schedule 8

ACCUMULATED PROVISION FOR DEPRECIATION
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Balance 1/1/2013</u>	<u>Depreciation Accruals</u>	<u>Retirements</u>	<u>Balance 12/31/2013</u>
CLASSIFIED ELECTRIC PLANT IN SERVICE				
Distribution Plant	\$ <u>3,771,745</u>	\$ <u>221,486</u>	\$ <u>32,218</u>	\$ <u>3,961,013</u>
General Plant				
Structures and Improvements	\$ 529,581	\$ 18,516	\$	\$ 548,097
Laboratory Equipment	40,444			40,444
Office Furniture and Fixtures	111,656	10,245		121,901
Transportation Equipment	276,350	19,649		295,999
Tools, Shop, and Garage Equipment	18,935			18,935
Communications Equipment	45,167	1,209		46,376
Stores Equipment	30,192			30,192
Power Operated Equipment	140,752	12,163		152,915
Miscellaneous Equipment	70,223	559		70,782
Total General Plant	\$ <u>1,263,300</u>	\$ <u>62,341</u>	\$ <u>0</u>	\$ <u>1,325,641</u>
Total Classified Electric Plant in Service	\$ <u>5,035,045</u>	\$ <u>283,827</u>	\$ <u>32,218</u>	\$ <u>5,286,654</u>
Gas Plant in Service				
Distribution Plant	\$ 854,789	\$ 42,702	\$ 6,609	\$ 890,882
General Plant	41,177	630		41,807
Total Gas Plant in Service	\$ <u>895,966</u>	\$ <u>43,332</u>	\$ <u>6,609</u>	\$ <u>932,689</u>
Retirement Work in Progress	\$ <u>(1,013)</u>	\$ <u>0</u>	\$ <u>(289)</u>	\$ <u>(724)</u>
	\$ <u>5,929,998</u>	\$ <u>327,159</u>	\$ <u>38,538</u>	\$ <u>6,218,619</u>

(1)

(2)

(1) Charged to Depreciation Expense	\$ 295,347
Charged to Clearing Accounts	<u>31,812</u>
	\$ <u>327,159</u>

(2) Cost of Units Retired	\$ 22,099
Add: Cost of Removal	19,037
Less: Salvage and Other Credits	<u>2,598</u>
Loss Due to Retirements	\$ <u>38,538</u>

DUNCAN VALLEY ELECTRIC COOPERATIVE, INC.

Schedule 9

OTHER PROPERTY AND INVESTMENTS
DECEMBER 31, 2013 AND 2012

	December 31,	
	<u>2013</u>	<u>2012</u>
NON-UTILITY PROPERTY		
Land	\$ <u>22,728</u>	\$ <u>22,728</u>
INVESTMENTS IN ASSOCIATED ORGANIZATIONS		
Patronage Capital Credits		
Arizona Electric Power Cooperative, Inc.	\$ 1,334,360	\$ 1,244,562
CFC	1,128	1,012
NRTC	69,172	69,199
Western United	1,898	307
Memberships		
CFC	2,000	2,000
Grand Canyon State Electric Cooperatives Association	150	150
Grand Canyon State Electric Cooperatives- Building	22,313	23,247
Arizona Electric Power Cooperative, Inc.	5	5
Southwest Transmission Electric	100	100
Sierra Southwest Electric Power Cooperative Services		100
National Cooperative Services Corporation	100	100
NRTC	1,000	1,000
Capital Term Certificates - CFC	160,647	160,647
Member Capital Securities - CFC	500,000	500,000
Investment - Federated Insurance	35,357	41,697
	\$ <u>2,128,230</u>	\$ <u>2,044,126</u>
INVESTMENT IN SUBSIDIARY - AZNEX, INC.		
Capital Stock	\$ 50,000	\$ 50,000
Accumulated Margins	146,784	90,942
	\$ <u>196,784</u>	\$ <u>140,942</u>
NOTES RECEIVABLE		
Member Loans - Heat Pump Installations	\$ 52,399	\$ 56,626
Reserve for Uncollectible Loans	(4,169)	(4,169)
	\$ <u>48,230</u>	\$ <u>52,457</u>
Total Other Property and Investments	\$ <u>2,395,972</u>	\$ <u>2,260,253</u>

TEMPORARY INVESTMENTS
DECEMBER 31, 2013 AND 2012

	December 31,	
	<u>2013</u>	<u>2012</u>
AEPCO Note Participation Program Note	\$ 300,000	\$ 300,000
Homestead Funds	1,051,250	728,024
Judy White Memorial Scholarship Fund	113,114	83,334
Total Temporary Investments	\$ <u>1,464,364</u>	\$ <u>1,111,358</u>

DUNCAN VALLEY ELECTRIC COOPERATIVE, INC.

Schedule 10

PATRONAGE CAPITAL
DECEMBER 31, 2013

Year	Assignable	Assigned		Retired	Balance
		G&T	Distribution		
1962	\$	\$	\$ 18,451	\$ 18,451	\$
1963			28,331	28,331	
1964			24,321	24,321	
1965			22,136	22,136	
1966			14,129	14,129	
1967			26,314	26,314	
1968			18,407	18,407	
1969		2,449	21,870	21,870	2,449
1970		3,311	29,124	29,124	3,311
1971		9,430	25,016	25,016	9,430
1972		10,177	31,557	31,557	10,177
1973		11,000	27,481	27,481	11,000
1974		16,741	33,261	33,261	16,741
1975			17,181	17,181	
1976			67,323	67,323	
1977			6,692	6,692	
1978			298,176	298,176	
1979			688,746	688,746	
1980			557,245	557,245	
1981			695,070	695,070	
1982			430,960	430,960	
1983			232,451	232,451	
1984			392,534	392,534	
1985			470,802	255,448	215,354
1986			450,792		450,792
1987			416,247		416,247
1988			404,833		404,833
1989			394,443		394,443
1990			568,865		568,865
1991			550,305		550,305
1992			451,779		451,779
1993			446,191		446,191
1994			501,539		501,539
1995			601,994		601,994
1996			146,067		146,067
1997			615,366		615,366
1998			1,443,833		1,443,833
2001-AEPCO		93,791			93,791
2002-AEPCO		125,726			125,726
2003-AEPCO		55,320			55,320
	\$	\$	\$	\$	\$
	<u>0</u>	<u>327,945</u>	<u>11,169,832</u>	<u>3,962,224</u>	<u>7,535,553</u>

DUNCAN VALLEY ELECTRIC COOPERATIVE, INC.

Schedule 11

ADMINISTRATIVE AND GENERAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	December 31,		Increase (Decrease)
	<u>2013</u>	<u>2012</u>	
Office Supplies and Expense	\$ 81,290	\$ 55,613	\$ 25,677
Outside Services Employed	36,764	35,982	782
Directors' Fees and Expense	87,347	82,137	5,210
Annual Meeting Expense	7,681	7,827	(146)
Dues to Associated Organizations	25,388	25,252	136
Miscellaneous General Expense	43,166	55,973	(12,807)
Utility Commission Related Expenses	9,407	10,001	(594)
Maintenance of General Plant	6,520	7,345	(825)
Duplicate Charges (Credit)	<u>(2,917)</u>	<u>(3,814)</u>	<u>897</u>
Total	<u>\$ 294,646</u>	<u>\$ 276,316</u>	<u>\$ 18,330</u>

DUNCAN VALLEY ELECTRIC COOPERATIVE, INC.

Schedule 12

FIVE YEAR COMPARATIVE DATA

Financial Data	Years Ended December 31,				
	2013	2012	2011	2010	2009
OPERATING REVENUES					
Residential	\$ 2,737,722	\$ 2,651,843	\$ 2,731,289	\$ 2,715,283	\$ 2,822,273
Irrigation	435,275	478,351	510,573	350,023	472,206
Commercial and Industrial	863,637	752,161	767,076	791,275	841,795
Public Street and Highway Lighting	15,310	15,614	16,110	16,443	16,980
Power Cost Under (Over) Billed	(66,368)	21,083	(51,120)	209,994	(127,354)
Rent from Electric Property	23,812	28,718	12,335	12,189	12,429
Other Operating Revenues	21,160	16,671	12,874	10,800	10,787
Total Operating Revenues	\$ 4,030,548	\$ 3,964,441	\$ 3,999,137	\$ 4,106,007	\$ 4,049,116
OPERATING EXPENSES					
Purchased Power	\$ 2,395,616	\$ 2,412,465	\$ 2,482,551	\$ 2,619,295	\$ 2,553,413
Distribution - Operation	601,175	586,392	567,309	651,648	706,197
Distribution - Maintenance	220,670	186,947	199,020	239,380	147,202
Customer Accounts	340,590	331,868	317,590	360,436	332,157
Customer Service and Information	20,230	25,344	21,370	17,888	23,353
Administrative and General Expense	294,646	276,316	260,300	275,165	267,063
Depreciation and Amortization	295,347	282,632	280,069	276,771	272,311
Other Interest	93	142	174	232	274
Total Operating Expenses	\$ 4,168,367	\$ 4,102,106	\$ 4,128,383	\$ 4,440,815	\$ 4,301,970
OPERATING MARGINS (LOSS) - Before Fixed Charges					
	\$ (137,819)	\$ (137,665)	\$ (129,246)	\$ (334,808)	\$ (252,854)
FIXED CHARGES					
Interest on Long-Term Debt	21,694	6,224			48
OPERATING MARGINS (LOSS) - After Fixed Charges					
	\$ (159,513)	\$ (143,889)	\$ (129,246)	\$ (334,808)	\$ (252,902)
Capital Credits	97,205	28,451	128,056	110,439	271,524
NET OPERATING MARGINS (LOSS)					
	\$ (62,308)	\$ (115,438)	\$ (1,190)	\$ (224,369)	\$ 18,622
NONOPERATING MARGINS (LOSS)					
Interest Income	\$ 67,569	\$ 64,577	\$ 58,508	\$ 59,493	\$ 26,870
Other Nonoperating Income (Loss)	990			8,829	163
Income (Loss) of Subsidiary	55,842	34,912	42,040	43,324	78,668
	\$ 124,401	\$ 99,489	\$ 100,548	\$ 111,646	\$ 105,701
NET MARGINS (LOSS) - BEFORE COMPREHENSIVE INCOME					
	\$ 62,093	\$ (15,949)	\$ 99,358	\$ (112,723)	\$ 124,323
Miscellaneous Statistics					
Equity to Total Assets	84.58	89.31	90.10	90.64	90.64
Equity to Total Capitalization	92.18	96.93	100.00	100.00	100.00

DUNCAN VALLEY ELECTRIC COOPERATIVE, INC.

Schedule 13

**DIVISIONAL INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Year Ended December 31, 2013			
	Electric		Gas	
	Amount	%	Amount	%
OPERATING REVENUES				
Residential	\$ 2,284,928	66.5	\$ 452,794	75.0
Irrigation	373,858	10.9	61,417	10.2
Commercial and Industrial	780,661	22.7	82,976	13.7
Public Street and Highway Lighting	15,310	0.4		0.0
Power and Gas Cost Over Billed	(68,878)	(2.0)	2,510	0.4
Rent from Electric Property	30,926	0.9		0.0
Other Operating Revenues	17,000	0.5	4,160	0.7
Total Operating Revenues	<u>\$ 3,433,805</u>	<u>100.0</u>	<u>\$ 603,857</u>	<u>100.0</u>
OPERATING EXPENSES				
Purchased Power and Gas	\$ 2,233,228	65.0	\$ 162,388	26.9
Distribution - Operation	336,307	9.8	264,868	43.9
Distribution - Maintenance	151,821	4.4	75,963	12.6
Customer Accounts	273,771	8.0	66,819	11.1
Customer Service and Information	20,230	0.6		0.0
Administrative and General	272,756	7.9	21,890	3.6
Depreciation and Amortization	252,015	7.3	43,332	7.2
Other Interest	93	0.0		0.0
Total Operating Expenses	<u>\$ 3,540,221</u>	<u>103.1</u>	<u>\$ 635,260</u>	<u>105.2</u>
OPERATING LOSS - BEFORE FIXED CHARGES	<u>\$ (106,416)</u>	<u>(3.1)</u>	<u>\$ (31,403)</u>	<u>(5.2)</u>
FIXED CHARGES				
Interest on Long-Term Debt	<u>21,694</u>	<u>0.6</u>		
OPERATING LOSS - AFTER FIXED CHARGES	<u>\$ (128,110)</u>	<u>(3.7)</u>	<u>\$ (31,403)</u>	<u>(5.2)</u>
Capital Credits	<u>97,205</u>	<u>2.8</u>		
NET OPERATING MARGINS (LOSS)	<u>\$ (30,905)</u>	<u>(0.9)</u>	<u>\$ (31,403)</u>	<u>(5.2)</u>
NONOPERATING MARGINS				
Interest Income	\$ 67,569	2.0	\$	
Other Nonoperating Income	990	0.0		
	<u>\$ 68,559</u>	<u>2.0</u>	<u>\$ 0</u>	<u>0.0</u>
DIVISIONAL INCOME (LOSS)	<u>\$ 37,654</u>	<u>1.1</u>	<u>\$ (31,403)</u>	<u>(5.2)</u>

COMPLIANCE SECTION

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

PHONE: (806) 747-3806

FAX: (806) 747-3815

8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

**LETTER TO BOARD OF DIRECTORS REGARDING POLICIES
CONCERNING AUDITS OF CFC BORROWERS**

Board of Directors
Duncan Valley Electric Cooperative, Inc.
Duncan, Arizona

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Duncan Valley Electric Cooperative, Inc. (the Cooperative), for the year ended December 31, 2013, and have issued our report thereon dated February 7, 2014.

In connection with our audits, nothing came to our attention that caused us to believe that the Cooperative failed to comply with the terms of Article V of the National Rural Utilities Finance Corporation Loan Agreement insofar as they relate to accounting matters. However, our audits were not directed primarily toward obtaining knowledge of such noncompliance.

The Cooperative's accounting and reporting procedures were considered adequate in all material respects. The records were maintained in accordance with the prescribed Uniform System of Accounts. The procedures used in accounting for material, transportation, labor, and overhead costs provide a fair distribution of these costs to construction, retirement, and maintenance or other expense accounts.

During the year ended December 31, 2013, the Cooperative was advanced \$475,099 in loan funds for the purpose of funding the Accelerated Funding Payment from NRECA.

This report is intended solely for the information and use of the Board of Directors and management of Duncan Valley Electric Cooperative, Inc. and the National Rural Utilities Cooperative Finance Corporation and is not intended to be and should not be used by anyone other than these specified parties.

Bolinger, Segars, Gilbert & Moss L.L.P.

Certified Public Accountants

February 7, 2014

Attachment 3

DUNCAN VALLEY ELECTRIC COOPERATIVE, INC. - Gas Division
DOCKET NO. G-02528A-14-0361
Test Year Ended January 31, 2014

COMPUTATION OF INCREASE IN GROSS REVENUE REQUIREMENTS

Schedule A-1

Supporting Schedules: B-2, C-1, H-1

1 Adjusted Rate Base	\$ 614,803
2 Adjusted Operating Income	\$ (43,398)
3 Current Rate of Return	-7.06%
4 Required Operating Income	\$ (18,253)
5 Required Rate of Return	-2.97%
6 Operating Income Deficiency	\$ (25,145)
7 Gross Revenue Conversion Factor	1.00
8 Increase in Gross Revenue Requirement	\$ 25,145

Customer Classification	Projected Increase Due to Rates	
	Revenue	Percent
Small Meter <250 CFH	\$ 21,203	5.7%
Medium Meter >250 <425 CFH	\$ 3,335	9.0%
Large Meter >425 CFH	\$ 606	5.6%
Total Revenue	\$ 25,145	6.0%
Residential Customers	\$ 18,905	5.7%

DUNCAN VALLEY ELECTRIC COOPERATIVE, INC. - Gas Division
DOCKET NO. G-02528A-14-0361
Test Year Ended January 31, 2014

CONSTRUCTION EXPENDITURES AND GROSS UTILITY PLANT IN SERVICE

Schedule A-4

Supporting Schedules: E-5, F-3

		Construction		Net	Ending	Accumulated	Net
		Expenditures	Retirements	General	Plant	Depreciation	Plant
	2011	\$ 24,281	\$ 5,828	\$ -	\$ 1,520,097	\$ 862,839	\$ 657,259
	2012	\$ 13,876	\$ 8,519	\$ 1,422	\$ 1,526,876	\$ 895,966	\$ 630,910
	Test Year	\$ 21,231	\$ 6,121	\$ -	\$ 1,545,771	\$ 936,297	\$ 609,474
Proj.	2014	\$ 25,000	\$ 6,000	\$ -	\$ 1,564,771	\$ 918,068	\$ 646,703
Proj.	2015	\$ 25,000	\$ 6,000	\$ -	\$ 1,583,771	\$ 929,215	\$ 654,555
Proj.	2016	\$ 25,000	\$ 6,000	\$ -	\$ 1,602,771	\$ 940,363	\$ 662,408

DUNCAN VALLEY ELECTRIC COOPERATIVE, INC. - Gas Division
DOCKET NO. G-02528A-14-0361
Test Year Ended January 31, 2014

SUMMARY CHANGES IN FINANCIAL POSITION
Schedule A-5
Supporting Schedules: F-2

	12/31/2011	12/31/2012	Test Year	Proposed Rates
<u>Sources of Funds</u>				
Net Margins	\$ (8,641)	\$ (21,591)	\$ (43,398)	\$ (18,253)
Depreciation	\$ 43,301	\$ 42,928	\$ 43,284	\$ 43,284
Deferred Charges	\$ -	\$ -	\$ -	\$ -
Deferred Credits	\$ -	\$ -	\$ -	\$ -
Accounts Receivable	\$ (7,690)	\$ 28,965	\$ (17,684)	\$ (17,684)
Inventories & Other Current Assets	\$ 2,763	\$ (621)	\$ 717	\$ 717
Payables & Accrued Expenses	\$ (16,547)	\$ (1,820)	\$ 11,587	\$ 11,587
Total Funds from Operations	\$ 13,186	\$ 47,861	\$ (5,494)	\$ 19,651
Intracompany Financing	\$ 12,013	\$ (31,281)	\$ 30,997	\$ 5,853
Total Funds from Financing	\$ 12,013	\$ (31,281)	\$ 30,997	\$ 5,853
Total Funds Received	\$ 25,199	\$ 16,580	\$ 25,503	\$ 25,503
<u>Application of Funds</u>				
Gross Additions to Plant	\$ (24,280)	\$ (15,298)	\$ (25,016)	\$ (25,016)
Retirements (Salvage - Removal Costs)	\$ (919)	\$ (1,282)	\$ (488)	\$ (488)
Total Funds Applied	\$ (25,199)	\$ (16,580)	\$ (25,503)	\$ (25,503)
Change in Funds All Activities	\$ -	\$ -	\$ -	\$ -
Beginning Cash General Funds	\$ -	\$ -	\$ -	\$ -
Ending Cash General Funds	\$ -	\$ -	\$ -	\$ -

DUNCAN VALLEY ELECTRIC COOPERATIVE, INC. - Gas Division
DOCKET NO. G-02528A-14-0361
Test Year Ended January 31, 2014

ORIGINAL COST RATE BASE AND PRO FORMA ADJUSTMENTS
Schedule B-2
Recap Schedules: E-1

	Test Year
Distribution Plant	\$ 1,497,253
General Plant	\$ 45,921
Total Utility Plant in Service	<u>\$ 1,543,174</u>
Less Accumulated Depreciation	<u>\$ 936,297</u>
Net Utility Plant in Service	\$ 606,877
Consumer Deposits	\$ (26,670)
Materials & Supplies	\$ 23,760
Prepayments	\$ 10,836
Total Working Capital	\$ 7,926
Total Rate Base	<u>\$ 614,803</u>

DUNCAN VALLEY ELECTRIC COOPERATIVE, INC. - Gas Division
DOCKET NO. G-02528A-14-0361
Test Year Ended January 31, 2014

COMPUTATION OF WORKING CAPITAL
Schedule B-5
Recap Schedules: E-1

AVERAGE MATERIALS & SUPPLIES, PREPAYMENTS & CONSUMER DEPOSITS

	Materials & Supplies	Prepayments	Consumer Deposits	Working Capital
Jan-2013	\$ 23,646	\$ (4,826)	\$ (27,470)	\$ (8,650)
Feb-2013	\$ 23,673	\$ 727	\$ (27,370)	\$ (2,970)
Mar-2013	\$ 23,588	\$ 2,595	\$ (27,070)	\$ (887)
Apr-2013	\$ 22,023	\$ 26	\$ (26,470)	\$ (4,421)
May-2013	\$ 21,949	\$ 1,330	\$ (26,370)	\$ (3,091)
Jun-2013	\$ 21,975	\$ 18,487	\$ (26,770)	\$ 13,693
Jul-2013	\$ 22,002	\$ 19,817	\$ (26,070)	\$ 15,749
Aug-2013	\$ 23,311	\$ 17,616	\$ (25,970)	\$ 14,956
Sep-2013	\$ 23,310	\$ 19,595	\$ (25,870)	\$ 17,034
Oct-2013	\$ 24,228	\$ 10,341	\$ (26,070)	\$ 8,499
Nov-2013	\$ 24,513	\$ 8,583	\$ (26,570)	\$ 6,525
Dec-2013	\$ 24,236	\$ 3,716	\$ (26,570)	\$ 1,382
Jan-2014	\$ 23,760	\$ 10,836	\$ (26,670)	\$ 7,926 Year End
Average	\$ 23,247	\$ 8,372	\$ (26,562)	\$ 5,057

DUNCAN VALLEY ELECTRIC COOPERATIVE, INC. - Gas Division
DOCKET NO. G-02528A-14-0361
Test Year Ended January 31, 2014

ADJUSTED TEST YEAR INCOME STATEMENT
Schedule C-1
Recap Schedules: A-1, E-2

G/L #	Revenue	Test Year
480 Residential		\$ 434,722
481.1 Irrigation		\$ 77,543
481.2 Commercial		\$ 61,134
Subtotal Revenue from Gas Sales		\$ 573,399
447 Purchased Gas Adjuster		\$ 15,385
451 Misc. Service Revenue		\$ 4,260
Subtotal Other Gas Revenue		\$ 19,645
TOTAL REVENUE		\$ 593,044
	Expenses	
804 Cost of Gas		\$ 169,683
874 Mains & Services		\$ 208,942
877 Measuring & Stations		\$ 15,427
878 Metering		\$ 38,753
880 Other Miscellaneous		\$ 716
881 Rents		\$ 6,967
Subtotal Distribution/Operations		\$ 270,805
887 Mains & Services		\$ 54,439
891 Measuring & Stations		\$ 2,282
893 Metering		\$ 9,970
Subtotal Distribution/Maintenance		\$ 66,691
902 Meter Reading		\$ 10,200
903 Consumer Expense		\$ 50,312
904 Reserve for Bad Debt		\$ 1,600
Subtotal Consumer Accounting		\$ 62,112
909 Marketing		\$ 2,218
910 Information		\$ -
Subtotal Customer Information		\$ 2,218
921 Office Supplies		\$ 5,805
923 Outside Services		\$ 7,579
928 Regulatory		\$ 1,130
930 Miscellaneous General		\$ 7,109
932 General Plant Maintenance		\$ -
Subtotal Administrative & General		\$ 21,623
TOTAL OPERATIONS & MAINTENANCE EXPENSE		\$ 593,132
403 Depreciation Distribution		\$ 42,702
403 Depreciation General Plant		\$ 582
Subtotal Depreciation		\$ 43,284
427 Interest Long Term Debt		\$ -
431 Interest Consumer Deposits		\$ 26
Subtotal Interest		\$ 26
TOTAL COST OF SERVICE		\$ 636,441
OPERATING MARGINS		\$ (43,398)

DUNCAN VALLEY ELECTRIC COOPERATIVE, INC. - Gas Division
DOCKET NO. G-02528A-14-0361
Test Year Ended January 31, 2014

SUMMARY OF INCOME STATEMENT PRO FORMA ADJUSTMENTS
Schedule C-2
Recap Schedules: N/A

No pro forma adjustments were made to the income statement.

DUNCAN VALLEY ELECTRIC COOPERATIVE, INC. - Gas Division
DOCKET NO. G-02528A-14-0361
Test Year Ended January 31, 2014

COST OF LONG-TERM AND SHORT-TERM DEBT
Schedule D-2
Recap Schedules: N/A

DVEC's Gas Division does not have any long-term or short-term debt.

DUNCAN VALLEY ELECTRIC COOPERATIVE, INC. - Gas Division
DOCKET NO. G-02528A-14-0361
Test Year Ended January 31, 2014

COMPARATIVE BALANCE SHEET
Schedule E-1
Recap Schedules: E-5

	Test Year	2012	2011
ASSETS & DEBITS			
Total Utility Plant in Service	\$ 1,543,174	\$ 1,528,259	\$ 1,520,097
Construction Work in Progress	\$ 2,597	\$ (1,382)	\$ -
Total Utility Plant	\$ 1,545,771	\$ 1,526,876	\$ 1,520,097
Accum. Provision for Depreciation	\$ 936,297	\$ 895,966	\$ 862,839
Net Utility Plant	\$ 609,474	\$ 630,910	\$ 657,259
Nonutility Property - Net	\$ -	\$ -	\$ -
Other Investments	\$ -	\$ -	\$ -
Special Funds	\$ -	\$ -	\$ -
Total Property & Investments	\$ -	\$ -	\$ -
Cash-General Funds	\$ -	\$ -	\$ -
Temporary Investments	\$ -	\$ -	\$ -
Accounts Receivable - Net Sales	\$ 109,506	\$ 69,466	\$ 91,948
Accounts Receivable - Net Other	\$ -	\$ -	\$ -
Materials & Supplies	\$ 23,760	\$ 25,490	\$ 25,738
Prepayments	\$ 4,604	\$ 5,602	\$ 4,733
Other Current & Accrued Assets	\$ -	\$ -	\$ -
Total Current Assets	\$ 137,871	\$ 100,557	\$ 122,419
Deferred Debits	\$ 6,231	\$ (4,933)	\$ 6,483
Total Assets & Other Debits	\$ 753,576	\$ 726,534	\$ 786,160
LIABILITIES & CREDITS			
Equity Position - Divisional Balancing	\$ 1,136,414	\$ 1,113,667	\$ 1,144,948
Patronage Capital	\$ -	\$ -	\$ -
Operating Margins - Prior Years	\$ (481,107)	\$ (428,113)	\$ (419,472)
Operating Margins - Current Year	\$ 29,385	\$ (21,591)	\$ (8,641)
Non Operating Margins	\$ -	\$ -	\$ -
Other Margins and Equities	\$ -	\$ -	\$ -
Total Margins & Equities	\$ 684,693	\$ 663,963	\$ 716,835
Long Term Debt	\$ -	\$ -	\$ -
Accounts Payable	\$ 32,231	\$ 19,645	\$ 23,130
Consumer Deposits	\$ 26,670	\$ 26,870	\$ 23,470
Other Current & Accrued Liabilities	\$ 9,981	\$ 16,056	\$ 22,725
Total Current Liabilities	\$ 68,883	\$ 62,571	\$ 69,324
Deferred Credits	\$ -	\$ -	\$ -
Total Liabilities & Other Credits	\$ 753,576	\$ 726,534	\$ 786,160

DUNCAN VALLEY ELECTRIC COOPERATIVE, INC. - Gas Division
DOCKET NO. G-02528A-14-0361
Test Year Ended January 31, 2014

COMPARATIVE INCOME STATEMENTS
Schedule E-2
Recap Schedules: E-6

	Test Year	2012	2011
Operating Revenue	\$ 593,044	\$ 561,930	\$ 599,894
Cost of Purchased Gas	\$ 169,683	\$ 144,059	\$ 179,354
Distribution Expense Operations	\$ 270,805	\$ 257,095	\$ 241,571
Distribution Expense Maintenance	\$ 66,691	\$ 50,677	\$ 55,974
Consumer Accounting	\$ 62,112	\$ 63,182	\$ 62,358
Customer Information	\$ 2,218	\$ 2,337	\$ 2,457
Administrative & General	\$ 21,623	\$ 23,197	\$ 23,479
Total Operations/Maintenance Expense	\$ 593,132	\$ 540,547	\$ 565,194
Depreciation	\$ 43,284	\$ 42,928	\$ 43,301
Interest on Long Term Debt	\$ -	\$ -	\$ -
Interest on Consumer Deposits	\$ 26	\$ 46	\$ 40
Total Cost of Service	\$ 636,441	\$ 583,521	\$ 608,535
Operation Margins	\$ (43,398)	\$ (21,591)	\$ (8,641)
Interest Earned	\$ -	\$ -	\$ -
Other Non-Operating Margins	\$ -	\$ -	\$ -
Total Margins	\$ (43,398)	\$ (21,591)	\$ (8,641)

DUNCAN VALLEY ELECTRIC COOPERATIVE, INC. - Gas Division
DOCKET NO. G-02528A-14-0361
Test Year Ended January 31, 2014

DETAIL OF UTILITY PLANT
Schedule E-5
Recap Schedules: A-4, E-1

	Year End 2012	Total Net Additions	Year End Test Year
Distribution Plant			
376.10 Distribution Mains	\$ 611,852	\$ 6,638	\$ 618,490
376.20 Distribution Mains - Acquisition Adj.	\$ 175,799	\$ -	\$ 175,799
377.10 Distribution Mains - Anodes	\$ 144,383	\$ (4,062)	\$ 140,321
379.10 City Gates	\$ 6,791		\$ 6,791
379.20 City Gates - Acquisition Adj.	\$ 20,339	\$ -	\$ 20,339
380.10 Services	\$ 181,423	\$ 3,543	\$ 184,965
380.20 Services - Acquisition Adj.	\$ 78,490	\$ -	\$ 78,490
382.10 Meters & Regulators	\$ 165,701	\$ 8,796	\$ 174,498
382.20 Meters & Regulators - Acquisition Adj.	\$ 97,559	\$ -	\$ 97,559
Subtotal	\$1,482,338	\$ 14,915	\$1,497,253
General Plant			
391.20 Office Equipment - Acquisition Adj.	\$ 2,000	\$ -	\$ 2,000
393.00 Stores Equipment	\$ 1,413	\$ -	\$ 1,413
394.00 Shop & Garage Equipment	\$ 6,310	\$ -	\$ 6,310
394.20 Shop & Garage Equipment - Acquisition Adj.	\$ 15,778	\$ -	\$ 15,778
395.00 Laboratory Equipment	\$ 17,294	\$ -	\$ 17,294
395.20 Laboratory Equipment - Acquisition Adj.	\$ (2,230)	\$ -	\$ (2,230)
396.20 Power Equipment	\$ 1,116	\$ -	\$ 1,116
397.20 Communications Equipment - Acquisition Adj.	\$ 788	\$ -	\$ 788
398.20 Miscellaneous Equipment - Acquisition Adj.	\$ 3,452	\$ -	\$ 3,452
Subtotal	\$ 45,921	\$ -	\$ 45,921
Total Plant	\$1,528,259	\$ 14,915	\$1,543,174
107.22 Construction Work in Progress - Jan 2013		\$ 296	
107.22 Construction Work in Progress	\$ (1,382)	\$ 2,106	\$ 2,402
Total Plant in Service	\$1,526,876	\$ 17,021	\$1,545,576
Accumulated Depreciation			
108.50 Depreciation - Jan 2013		\$ 3,558	\$ 3,558
108.50 Distribution	\$ 479,767	\$ 36,093	\$ 515,860
108.52 Distribution - Acquisition Adj.	\$ 375,022	\$ -	\$ 375,022
108.7x Depreciation - Jan 2013		\$ 97	\$ 97
108.7x General	\$ 23,108	\$ 582	\$ 23,690
108.72 General - Acquisition Adj.	\$ 18,069	\$ -	\$ 18,069
108.82 Retirement Work in Progress	\$ -	\$ -	\$ -
Subtotal	\$ 895,966	\$ 40,330	\$ 936,297
Total Net Utility Plant	\$ 630,910	\$ (23,309)	\$ 609,279

DUNCAN VALLEY ELECTRIC COOPERATIVE, INC. - Gas Division
DOCKET NO. G-02528A-14-0361
Test Year Ended January 31, 2014

COMPARATIVE DEPARTMENTAL OPERATING INCOME STATEMENTS
Schedule E-6
Recap Schedules: E-2

All schedules reflect gas division operations.

DUNCAN VALLEY ELECTRIC COOPERATIVE, INC. - Gas Division
DOCKET NO. G-02528A-14-0361
Test Year Ended January 31, 2014

OPERATING STATISTICS
Schedule E-7

	Test Year	2012	2011
Therm Sales			
<u>Type of Service</u>			
Small Meter <250 CFH	324,374	320,655	328,745
Medium Meter >250 <425 CFH	82,028	109,583	95,205
Large Meter >425 CFH	14,308	11,931	15,583
Total	420,710	442,169	439,533
<u>Consumer Based Revenue Classes</u>			
Residential	279,317	275,372	286,616
Irrigation	75,287	81,598	65,951
Commercial	66,106	85,199	86,966
Total	420,710	442,169	439,533
Average Number of Customers			
<u>Type of Service</u>			
Small Meter <250 CFH	729	717	712
Medium Meter >250 <425 CFH	19	19	18
Large Meter >425 CFH	2	2	2
Total	750	738	732
<u>Consumer Based Revenue Classes</u>			
Residential	682	670	669
Irrigation	18	57	49
Commercial	51	10	14
Total	751	737	732
Average Monthly Therm Use			
<u>Type of Service</u>			
Small Meter <250 CFH	37	37	38
Medium Meter >250 <425 CFH	363	481	441
Large Meter >425 CFH	596	497	649
<u>Consumer Based Revenue Classes</u>			
Residential	34	34	36
Irrigation	349	119	112
Commercial	108	710	518
Average Annual Revenue per Residential Customer			
Annual	\$ 637.42	\$ 632.16	\$ 655.04
Monthly	\$ 53.12	\$ 52.68	\$ 54.59
Therm Purchase Expense			
Therms Purchased	378,190	411,698	408,620
Total Cost	\$ 169,683	\$ 144,059	\$ 179,354

DUNCAN VALLEY ELECTRIC COOPERATIVE, INC. - Gas Division
DOCKET NO. G-02528A-14-0361
Test Year Ended January 31, 2014

NOTES TO FINANCIAL STATEMENTS
Schedule E-9

Accounting Method

The accounting records of the Cooperative are maintained in accordance with the Uniform System of Accounts as prescribed by the Federal Energy Regulatory Commission for natural gas utilities.

Depreciation Lives and Methods Employed by Major Classifications of Utility Property

Provision for depreciation of distribution plant at straight-line composite rates as follows:

Distribution Mains	2.80%
Distribution Mains - Anodes	9.60%
City Gates	2.80%
Services	4.10%
Meters & Regulators	2.60%

Provision for depreciation of general plant rates on a straight-line basis as follows:

Stores Equipment		9.60%
Tools, Shop & Garage Equipment	14.00% to	20.00%
Laboratory Equipment	8.00% to	20.00%

Income Tax Treatment

The Cooperative is exempt from federal income taxes under Section 501(c)(12) of the Internal Revenue Code as long as 85% of its revenue is from members for the sole purpose of meeting losses and expenses. For the year ended December 31, 2013, the Cooperative qualified for exemption.

The Cooperative and Subsidiary have adopted the "uncertain tax positions" provisions of accounting principles generally accepted in the United States of America. The primary tax position of the Cooperative is its' filing status as a tax exempt entity. The Cooperative and Subsidiary determined that it is more likely than not that their tax positions will be sustained upon examination by The Internal Revenue Service (IRS), or other State taxing authority, and that all tax benefits are likely to be realized upon settlement with taxing authorities.

Interest Rate Used to Charge Interest During Construction, If Applicable

The Cooperative does not charge interest during construction.

DUNCAN VALLEY ELECTRIC COOPERATIVE, INC. - Gas Division
DOCKET NO. G-02528A-14-0361
Test Year Ended January 31, 2014

PROJECTED INCOME STATEMENT - PRESENT & PROPOSED RATES
Schedule F-1
Recap Schedules: E-2

	Present Rates Test Year	Proposed Rates Test Year w/ Rate Change
Revenue from Gas Sales	\$ 573,399	\$ 598,544
Purchased Gas Adjuster	\$ 15,385	\$ 15,385
Misc. Service Revenue	\$ 4,260	\$ 4,260
Subtotal Other Gas Revenue	\$ 19,645	\$ 19,645
TOTAL REVENUE	\$ 593,044	\$ 618,189
Expenses		
Cost of Gas	\$ 169,683	\$ 169,683
Mains & Services	\$ 208,942	\$ 208,942
Measuring & Stations	\$ 15,427	\$ 15,427
Metering	\$ 38,753	\$ 38,753
Other Miscellaneous	\$ 716	\$ 716
Rents	\$ 6,967	\$ 6,967
Subtotal Distribution/Operations	\$ 270,805	\$ 270,805
Mains & Services	\$ 54,439	\$ 54,439
Measuring & Stations	\$ 2,282	\$ 2,282
Metering	\$ 9,970	\$ 9,970
Subtotal Distribution/Maintenance	\$ 66,691	\$ 66,691
Meter Reading	\$ 10,200	\$ 10,200
Consumer Expense	\$ 50,312	\$ 50,312
Reserve for Bad Debt	\$ 1,600	\$ 1,600
Subtotal Consumer Accounting	\$ 62,112	\$ 62,112
Marketing	\$ 2,218	\$ 2,218
Information	\$ -	\$ -
Subtotal Customer Information	\$ 2,218	\$ 2,218
Office Supplies	\$ 5,805	\$ 5,805
Outside Services	\$ 7,579	\$ 7,579
Regulatory	\$ 1,130	\$ 1,130
Miscellaneous General	\$ 7,109	\$ 7,109
General Plant Maintenance	\$ -	\$ -
Subtotal Administrative & General	\$ 21,623	\$ 21,623
TOTAL OPER/MAINT EXP.	\$ 593,132	\$ 593,132
Depreciation Distribution	\$ 42,702	\$ 42,702
Depreciation General Plant	\$ 582	\$ 582
Subtotal Depreciation	\$ 43,284	\$ 43,284
Interest Long Term Debt	\$ -	\$ -
Interest Consumer Deposits	\$ 26	\$ 26
Subtotal Interest	\$ 26	\$ 26
TOTAL COST OF SERVICE	\$ 636,441	\$ 636,441
OPERATING MARGINS	\$ (43,398)	\$ (18,253)

DUNCAN VALLEY ELECTRIC COOPERATIVE, INC. - Gas Division
DOCKET NO. G-02528A-14-0361
Test Year Ended January 31, 2014

PROJECTED CHANGES IN FINANCIAL POSITION

Schedule F-2

Recap Schedules: A-5, F-3

	Test Year	Proposed Rates
<u>Sources of Funds</u>		
Net Margins	\$ (43,398)	\$(18,253)
Depreciation	\$ 43,284	\$ 43,284
Deferred Charges	\$ -	\$ -
Deferred Credits	\$ -	\$ -
Accounts Receivable	\$ (17,684)	\$(17,684)
Inventories & Other Current Assets	\$ 717	\$ 717
Payables & Accrued Expenses	\$ 11,587	\$ 11,587
Total Funds from Operations	\$ (5,494)	\$ 19,651
Intracompany Financing	\$ 30,997	\$ 5,853
Total Funds from Financing	\$ 30,997	\$ 5,853
Total Funds Received	\$ 25,503	\$ 25,503
<u>Application of Funds</u>		
Gross Additions to Plant	\$ (25,016)	\$(25,016)
Retirements (Salvage - Removal Costs)	\$ (488)	\$ (488)
Total Funds Applied	\$ (25,503)	\$(25,503)
Change in Funds All Activities	\$ -	\$ -
Beginning Cash General Funds	\$ -	\$ -
Ending Cash General Funds	\$ -	\$ -

DUNCAN VALLEY ELECTRIC COOPERATIVE, INC. - Gas Division
DOCKET NO. G-02528A-14-0361
Test Year Ended January 31, 2014

PROJECTED CONSTRUCTION REQUIREMENTS

Schedule F-3

Recap Schedules: A-4, F-2

		Distribution	General	Total
	2011	\$ 24,281	\$ -	\$ 24,281
	2012	\$ 13,876	\$ 1,422	\$ 15,298
	Test Year	\$ 21,231	\$ -	\$ 21,231
Projected	2014	\$ 25,000	\$ -	\$ 25,000
Projected	2015	\$ 25,000	\$ -	\$ 25,000
Projected	2016	\$ 25,000	\$ -	\$ 25,000

DUNCAN VALLEY ELECTRIC COOPERATIVE, INC. - Gas Division
DOCKET NO. G-02528A-14-0361
Test Year Ended January 31, 2014

ASSUMPTIONS USED IN DEVELOPING PROJECTION
Schedule F-4

- 1 Customer growth
No adjustment for customer growth was made

- 2 Growth in consumption and customer demand
No adjustment to test year customer usage was made

- 3 Changes in expenses
No projections were made for expenses. As explained in Schedule C-2 no pro forma adjustments have been made.

- 4 Construction requirements including production reserves and changes in plant capacity
Construction projections are based on prior years net plant additions.
DVEC is a distribution cooperative and has no production facilities.

- 5 Capital structure changes
All capital structure changes are current and reflected in the test year data. No changes were made beyond test year data.

- 6 Financing costs, interest rates
No financing is being used by DVEC's gas division

DUNCAN VALLEY ELECTRIC COOPERATIVE, INC. - Gas Division
DOCKET NO. G-02528A-14-0361
Test Year Ended January 31, 2014

SUMMARY OF REVENUES BY CUSTOMER CLASSIFICATION - PRESENT AND PROPOSED RATES
Schedule H-1
Recap Schedules: A-1, H-2

	Present Rates	Proposed Rates	Revenue Increase	Percent Increase
Small Meter <250 CFH	\$ 371,308	\$ 392,512	\$ 21,203	5.7%
Medium Meter >250 <425 CFH	\$ 37,050	\$ 40,385	\$ 3,335	9.0%
Large Meter >425 CFH	\$ 10,750	\$ 11,356	\$ 606	5.6%
Totals	\$ 419,108	\$ 444,253	\$ 25,145	6.0%
Purchase Gas Adjustor Billed	\$ 154,291	\$ 154,291		
Prior Year Bill Corrections				
Minimum Bill Contracts				
Total - Test Year	\$ 573,399	\$ 598,544		
From C-1 Revenue from Gas Sales	\$ 573,399			

DUNCAN VALLEY ELECTRIC COOPERATIVE, INC. - Gas Division
DOCKET NO. G-02528A-14-0361
Test Year Ended January 31, 2014

ANALYSIS OF REVENUE BY DETAILED CLASS
Schedule H-2
Recap Schedules: H-1

	Billing Units	Present Rates		Proposed Rates		Revenue Increase	Percent Increase
		Charge	Revenue	Charge	Revenue		
Small Meter <250 CFH							
Winter							
System Charge	3,672	\$ 20.00	\$ 73,440	\$ 21.00	\$ 77,112	\$ 3,672	5.0%
Therm Charge	238,364	\$ 0.73000	\$ 174,006	\$ 0.76939	\$ 183,395	\$ 9,389	5.4%
Revenue Totals			\$ 247,446		\$ 260,507	\$ 13,061	5.3%
Summer							
System Charge	5,075	\$ 20.00	\$ 101,500	\$ 21.00	\$ 106,575	\$ 5,075	5.0%
Therm Charge	86,010	\$ 0.26000	\$ 22,363	\$ 0.29566	\$ 25,430	\$ 3,067	13.7%
Revenue Totals			\$ 123,863		\$ 132,005	\$ 8,142	6.6%
Total Small	Sys Chg	8,747	\$ 371,308	\$ 392,512	\$ 21,203	5.7%	
	Therms	324,374					
Medium Meter >250 <425 CFH							
Winter							
System Charge	79	\$ 30.00	\$ 2,370	\$ 31.50	\$ 2,489	\$ 119	5.0%
Therm Charge	19,027	\$ 0.73000	\$ 13,890	\$ 0.76939	\$ 14,639	\$ 749	5.4%
Revenue Totals			\$ 16,260		\$ 17,128	\$ 868	5.3%
Summer							
System Charge	147	\$ 30.00	\$ 4,410	\$ 31.50	\$ 4,631	\$ 221	5.0%
Therm Charge	63,001	\$ 0.26000	\$ 16,380	\$ 0.29566	\$ 18,627	\$ 2,247	13.7%
Revenue Totals			\$ 20,790		\$ 23,257	\$ 2,467	11.9%
Total Medium	Sys Chg	226	\$ 37,050	\$ 40,385	\$ 3,335	9.0%	
	Therms	82,028					
Large Meter >425 CFH							
Winter							
System Charge	10	\$ 40.00	\$ 400	\$ 42.00	\$ 420	\$ 20	5.0%
Therm Charge	12,914	\$ 0.73000	\$ 9,427	\$ 0.76939	\$ 9,936	\$ 509	5.4%
Revenue Totals			\$ 9,827		\$ 10,356	\$ 529	5.4%
Summer							
System Charge	14	\$ 40.00	\$ 560	\$ 42.00	\$ 588	\$ 28	5.0%
Therm Charge	1,394	\$ 0.26000	\$ 362	\$ 0.29566	\$ 412	\$ 50	13.7%
Revenue Totals			\$ 922		\$ 1,000	\$ 78	8.4%
Total Large	Sys Chg	24	\$ 10,750	\$ 11,356	\$ 606	5.6%	
	Therms	14,308					
Totals	Sys Chg	8,997	\$ 419,108	\$ 444,253	\$ 25,145	6.0%	
	Therms	420,710					
Purchase Cost Adjustor			\$ 154,291				
Total - Test Year			\$ 573,399				
From C-1 Revenue from Gas Sales			\$ 573,399				

ANALYSIS OF REVENUE - RESIDENTIAL CUSTOMERS

	Billing Units	Present Rates		Proposed Rates		Revenue Increase	Percent Increase
		Charge	Revenue	Charge	Revenue		
Small Meter <251 CFH							
Winter							
System Charge	3,432	\$ 20.00	\$ 68,640	\$ 21.00	\$ 72,072	\$ 3,432	5.0%
Therm Charge	205,503	\$ 0.73000	\$ 150,017	\$ 0.76939	\$ 158,112	\$ 8,095	5.4%
Revenue Totals			\$ 218,657		\$ 230,184	\$ 11,527	5.3%
Summer							
System Charge	4,746	\$ 20.00	\$ 94,920	\$ 21.00	\$ 99,666	\$ 4,746	5.0%
Therm Charge	73,814	\$ 0.26000	\$ 19,192	\$ 0.29566	\$ 21,824	\$ 2,632	13.7%
Revenue Totals			\$ 114,112		\$ 121,490	\$ 7,378	6.5%
Total Residential	Sys Chg	8,178	\$ 332,769	\$ 351,674	\$ 18,905	5.7%	
	Therms	279,317					

DUNCAN VALLEY ELECTRIC COOPERATIVE, INC. - Gas Division
DOCKET NO. G-02528A-14-0361
Test Year Ended January 31, 2014

CHANGES IN REPRESENTATIVE RATE SCHEDULES
Schedule H-3

	Present Rates	Proposed Rates	Change
Small Meter <250 CFH			
Winter			
System Charge	\$ 20.00	\$ 21.00	\$ 1.00
Therm Charge	0.73000	0.76939	0.03939
Summer			
System Charge	\$ 20.00	\$ 21.00	\$ 1.00
Therm Charge	0.26000	0.29566	0.03566
Medium Meter >250 <425 CFH			
Winter			
System Charge	\$ 30.00	\$ 31.50	\$ 1.50
Therm Charge	0.73000	0.76939	0.03939
Summer			
System Charge	\$ 30.00	\$ 31.50	\$ 1.50
Therm Charge	0.26000	0.29566	0.03566
Large Meter >425 CFH			
Winter			
System Charge	\$ 40.00	\$ 42.00	\$ 2.00
Therm Charge	0.73000	0.76939	0.03939
Summer			
System Charge	\$ 40.00	\$ 42.00	\$ 2.00
Therm Charge	0.26000	0.29566	0.03566

DUNCAN VALLEY ELECTRIC COOPERATIVE, INC. - Gas Division
DOCKET NO. G-02528A-14-0361
Test Year Ended January 31, 2014

TYPICAL BILL ANALYSIS - BASE REVENUE ONLY
Schedule H-4.0

Small Meter <250 CFH	Present Rates	Proposed Rates	\$ Change	% Change
System Charge	\$ 20.00	\$ 21.00	\$ 1.00	5.00%
Therm Charge Winter	\$ 0.73000	\$ 0.76939	\$0.03939	5.40%
Therm Charge Summer	\$ 0.26000	\$ 0.29566	\$0.03566	13.72%

Usage	Winter			
0	\$ 20.00	\$ 21.00	\$ 1.00	5.00%
25	\$ 38.25	\$ 40.23	\$ 1.98	5.18%
50	\$ 56.50	\$ 59.47	\$ 2.97	5.26%
52 ^	\$ 57.96	\$ 61.01	\$ 3.05	5.26%
53 *	\$ 58.69	\$ 61.78	\$ 3.09	5.26%
60 ^^	\$ 63.80	\$ 67.16	\$ 3.36	5.27%
65 **	\$ 67.45	\$ 71.01	\$ 3.56	5.28%
75	\$ 74.75	\$ 78.70	\$ 3.95	5.28%
100	\$ 93.00	\$ 97.94	\$ 4.94	5.31%
150	\$ 129.50	\$ 136.41	\$ 6.91	5.34%
200	\$ 166.00	\$ 174.88	\$ 8.88	5.35%
250	\$ 202.50	\$ 213.35	\$ 10.85	5.36%
300	\$ 239.00	\$ 251.82	\$ 12.82	5.36%
400	\$ 312.00	\$ 328.76	\$ 16.76	5.37%
500	\$ 385.00	\$ 405.70	\$ 20.70	5.38%
750	\$ 567.50	\$ 598.04	\$ 30.54	5.38%
1000	\$ 750.00	\$ 790.39	\$ 40.39	5.39%
1500	\$ 1,115.00	\$ 1,175.09	\$ 60.09	5.39%

Usage	Summer			
0	\$ 20.00	\$ 21.00	\$ 1.00	5.00%
13 * ^	\$ 23.38	\$ 24.84	\$ 1.46	6.24%
16 ^^	\$ 24.16	\$ 25.73	\$ 1.57	6.50%
17 **	\$ 24.42	\$ 26.03	\$ 1.61	6.59%
25	\$ 26.50	\$ 28.39	\$ 1.89	7.13%
50	\$ 33.00	\$ 35.78	\$ 2.78	8.42%
75	\$ 39.50	\$ 43.17	\$ 3.67	9.29%
100	\$ 46.00	\$ 50.57	\$ 4.57	9.93%
150	\$ 59.00	\$ 65.35	\$ 6.35	10.76%
200	\$ 72.00	\$ 80.13	\$ 8.13	11.29%
250	\$ 85.00	\$ 94.92	\$ 9.92	11.67%
300	\$ 98.00	\$ 109.70	\$ 11.70	11.94%
400	\$ 124.00	\$ 139.26	\$ 15.26	12.31%
500	\$ 150.00	\$ 168.83	\$ 18.83	12.55%
750	\$ 215.00	\$ 242.75	\$ 27.75	12.91%
1000	\$ 280.00	\$ 316.66	\$ 36.66	13.09%
1500	\$ 410.00	\$ 464.49	\$ 54.49	13.29%

^Residential Median
 ^^Residential Average
 *Median
 **Average

DUNCAN VALLEY ELECTRIC COOPERATIVE, INC. - Gas Division
DOCKET NO. G-02528A-14-0361
Test Year Ended January 31, 2014

TYPICAL BILL ANALYSIS - BASE REVENUE ONLY
Schedule H-4.1

Medium Meter >250 <425 CFH	Present Rates	Proposed Rates	\$ Change	% Change
System Charge	\$ 30.00	\$ 31.50	\$ 1.50	5.00%
Therm Charge Winter	\$ 0.73000	\$ 0.76939	\$ 0.03939	5.40%
Therm Charge Summer	\$ 0.26000	\$ 0.29566	\$ 0.03566	13.72%

Usage	Winter			
0 *	\$ 30.00	\$ 31.50	\$ 1.50	5.00%
1	\$ 30.73	\$ 32.27	\$ 1.54	5.01%
50	\$ 66.50	\$ 69.97	\$ 3.47	5.22%
100	\$ 103.00	\$ 108.44	\$ 5.44	5.28%
150	\$ 139.50	\$ 146.91	\$ 7.41	5.31%
200	\$ 176.00	\$ 185.38	\$ 9.38	5.33%
241 **	\$ 205.93	\$ 216.92	\$ 10.99	5.34%
250	\$ 212.50	\$ 223.85	\$ 11.35	5.34%
300	\$ 249.00	\$ 262.32	\$ 13.32	5.35%
400	\$ 322.00	\$ 339.26	\$ 17.26	5.36%
500	\$ 395.00	\$ 416.20	\$ 21.20	5.37%
750	\$ 577.50	\$ 608.54	\$ 31.04	5.37%
1000	\$ 760.00	\$ 800.89	\$ 40.89	5.38%
1500	\$ 1,125.00	\$ 1,185.59	\$ 60.59	5.39%
2000	\$ 1,490.00	\$ 1,570.28	\$ 80.28	5.39%
2500	\$ 1,855.00	\$ 1,954.98	\$ 99.98	5.39%
3000	\$ 2,220.00	\$ 2,339.67	\$ 119.67	5.39%

Usage	Summer			
0	\$ 30.00	\$ 31.50	\$ 1.50	5.00%
50	\$ 43.00	\$ 46.28	\$ 3.28	7.63%
100	\$ 56.00	\$ 61.07	\$ 5.07	9.05%
150	\$ 69.00	\$ 75.85	\$ 6.85	9.93%
173 *	\$ 74.98	\$ 82.65	\$ 7.67	10.23%
200	\$ 82.00	\$ 90.63	\$ 8.63	10.52%
250	\$ 95.00	\$ 105.42	\$ 10.42	10.97%
300	\$ 108.00	\$ 120.20	\$ 12.20	11.30%
400	\$ 134.00	\$ 149.76	\$ 15.76	11.76%
429 **	\$ 141.54	\$ 158.34	\$ 16.80	11.87%
500	\$ 160.00	\$ 179.33	\$ 19.33	12.08%
750	\$ 225.00	\$ 253.25	\$ 28.25	12.56%
1000	\$ 290.00	\$ 327.16	\$ 37.16	12.81%
1500	\$ 420.00	\$ 474.99	\$ 54.99	13.09%
2000	\$ 550.00	\$ 622.82	\$ 72.82	13.24%
2500	\$ 680.00	\$ 770.65	\$ 90.65	13.33%
3000	\$ 810.00	\$ 918.48	\$ 108.48	13.39%

*Median
 **Average

DUNCAN VALLEY ELECTRIC COOPERATIVE, INC. - Gas Division
DOCKET NO. G-02528A-14-0361
Test Year Ended January 31, 2014

TYPICAL BILL ANALYSIS - BASE REVENUE ONLY
Schedule H-4.2

Large Meter >425 CFH	Present Rates	Proposed Rates	\$ Change	% Change
System Charge	\$ 40.00	\$ 42.00	\$ 2.00	5.00%
Therm Charge Winter	\$ 0.73000	\$ 0.76939	\$0.03939	5.40%
Therm Charge Summer	\$ 0.26000	\$ 0.29566	\$0.03566	13.72%

Usage	Winter			
0	\$ 40.00	\$ 42.00	\$ 2.00	5.00%
50	\$ 76.50	\$ 80.47	\$ 3.97	5.19%
100	\$ 113.00	\$ 118.94	\$ 5.94	5.26%
150	\$ 149.50	\$ 157.41	\$ 7.91	5.29%
200	\$ 186.00	\$ 195.88	\$ 9.88	5.31%
250	\$ 222.50	\$ 234.35	\$ 11.85	5.33%
300	\$ 259.00	\$ 272.82	\$ 13.82	5.34%
400	\$ 332.00	\$ 349.76	\$ 17.76	5.35%
500	\$ 405.00	\$ 426.70	\$ 21.70	5.36%
750	\$ 587.50	\$ 619.04	\$ 31.54	5.37%
1000	\$ 770.00	\$ 811.39	\$ 41.39	5.38%
1291 **	\$ 982.43	\$ 1,035.28	\$ 52.85	5.38%
1319 *	\$ 1,002.87	\$ 1,056.83	\$ 53.96	5.38%
1500	\$ 1,135.00	\$ 1,196.09	\$ 61.09	5.38%
2000	\$ 1,500.00	\$ 1,580.78	\$ 80.78	5.39%
2500	\$ 1,865.00	\$ 1,965.48	\$ 100.48	5.39%
3000	\$ 2,230.00	\$ 2,350.17	\$ 120.17	5.39%

Usage	Summer			
0	\$ 40.00	\$ 42.00	\$ 2.00	5.00%
50	\$ 53.00	\$ 56.78	\$ 3.78	7.13%
57 *	\$ 54.82	\$ 58.85	\$ 4.03	7.35%
75	\$ 59.50	\$ 64.17	\$ 4.67	7.85%
100 **	\$ 66.00	\$ 71.57	\$ 5.57	8.44%
150	\$ 79.00	\$ 86.35	\$ 7.35	9.30%
200	\$ 92.00	\$ 101.13	\$ 9.13	9.92%
250	\$ 105.00	\$ 115.92	\$ 10.92	10.40%
300	\$ 118.00	\$ 130.70	\$ 12.70	10.76%
400	\$ 144.00	\$ 160.26	\$ 16.26	11.29%
500	\$ 170.00	\$ 189.83	\$ 19.83	11.66%
750	\$ 235.00	\$ 263.75	\$ 28.75	12.23%
1000	\$ 300.00	\$ 337.66	\$ 37.66	12.55%
1500	\$ 430.00	\$ 485.49	\$ 55.49	12.90%
2000	\$ 560.00	\$ 633.32	\$ 73.32	13.09%
2500	\$ 690.00	\$ 781.15	\$ 91.15	13.21%
3000	\$ 820.00	\$ 928.98	\$ 108.98	13.29%

*Median
 **Average

DUNCAN VALLEY ELECTRIC COOPERATIVE, INC. - Gas Division
DOCKET NO. G-02528A-14-0361
Test Year Ended January 31, 2014

BILL COUNT
Schedule H-5.1

Medium Meter >250 <425 CFH -Winter-

START BLOCK		END BLOCK		# BILLS		% BILLS		# Therms		% Therms	
BLOCK	BLOCK	BLOCK	CUMM.	BLOCK	CUMM.	BLOCK	CUMM.	BLOCK	CUMM.	BLOCK	CUMM.
0	0	41	41	51.90%	51.90%	0	0	0.00%	0.00%		
1	50	11	52	13.92%	65.82%	64	64	0.34%	0.34%		
51	100	1	53	1.27%	67.09%	85	149	0.45%	0.78%		
101	250	6	59	7.59%	74.68%	1,018	1,167	5.35%	6.13%		
251	500	5	64	6.33%	81.01%	2,013	3,180	10.58%	16.71%		
501	750	4	68	5.06%	86.08%	2,384	5,564	12.53%	29.24%		
751	1,000	5	73	6.33%	92.41%	4,168	9,732	21.91%	51.15%		
1,001	1,250	1	74	1.27%	93.67%	1,135	10,867	5.97%	57.11%		
1,251	1,500	2	76	2.53%	96.20%	2,960	13,827	15.56%	72.67%		
1,501	1,750	2	78	2.53%	98.73%	3,310	17,137	17.40%	90.07%		
1,751	2,000	1	79	1.27%	100.00%	1,890	19,027	9.93%	100.00%		
2,001	2,500	0	79	0.00%	100.00%	0	19,027	0.00%	100.00%		
2,501	3,000	0	79	0.00%	100.00%	0	19,027	0.00%	100.00%		
Totals				79		19,027					
from H-2				79		19,027					

AVERAGE NUMBER OF CUSTOMERS	16
AVERAGE CONSUMPTION	241
MEDIAN CONSUMPTION	0

-Summer-

START BLOCK		END BLOCK		# BILLS		% BILLS		# Therms		% Therms	
BLOCK	BLOCK	BLOCK	CUMM.	BLOCK	CUMM.	BLOCK	CUMM.	BLOCK	CUMM.	BLOCK	CUMM.
0	0	20	20	25.32%	25.32%	0	0	0.00%	0.00%		
1	50	30	50	37.97%	63.29%	312	312	1.64%	1.64%		
51	100	12	62	15.19%	78.48%	945	1,257	4.97%	6.61%		
101	250	19	81	24.05%	102.53%	3,327	4,584	17.49%	24.09%		
251	500	26	107	32.91%	135.44%	9,157	13,741	48.13%	72.22%		
501	750	14	121	17.72%	153.16%	8,473	22,214	44.53%	116.75%		
751	1,000	5	126	6.33%	159.49%	4,394	26,608	23.09%	139.84%		
1,001	1,250	5	131	6.33%	165.82%	5,591	32,199	29.38%	169.23%		
1,251	1,500	4	135	5.06%	170.89%	5,522	37,721	29.02%	198.25%		
1,501	1,750	5	140	6.33%	177.22%	8,072	45,793	42.42%	240.67%		
1,751	2,000	1	141	1.27%	178.48%	1,898	47,691	9.98%	250.65%		
2,001	2,500	4	145	5.06%	183.54%	9,371	57,062	49.25%	299.90%		
2,501	3,000	2	147	2.53%	186.08%	5,939	63,001	31.21%	331.11%		
Totals				147		63,001					
from H-2				147		63,001					

AVERAGE NUMBER OF CUSTOMERS	21
AVERAGE CONSUMPTION	429
MEDIAN CONSUMPTION	173

DUNCAN VALLEY ELECTRIC COOPERATIVE, INC. - Gas Division
DOCKET NO. G-02528A-14-0361
Test Year Ended January 31, 2014

BILL COUNT
Schedule H-5.2

Large Meter >425 CFH

-Winter-

START		END		# BILLS		% BILLS		# Therms		% Therms	
BLOCK	BLOCK	BLOCK	CUMM.	BLOCK	CUMM.	BLOCK	CUMM.	BLOCK	CUMM.	BLOCK	CUMM.
	0		0	0	0	0.00%	0.00%	0	0	0.00%	0.00%
	1		50	0	0	0.00%	0.00%	0	0	0.00%	0.00%
	51		100	0	0	0.00%	0.00%	0	0	0.00%	0.00%
	101		250	1	1	10.00%	10.00%	190	190	1.47%	1.47%
	251		500	0	1	0.00%	10.00%	0	190	0.00%	1.47%
	501		750	2	3	20.00%	30.00%	1,262	1,452	9.77%	11.24%
	751		1,000	0	3	0.00%	30.00%	0	1,452	0.00%	11.24%
	1,001		1,250	1	4	10.00%	40.00%	1,047	2,499	8.11%	19.35%
	1,251		1,500	2	6	20.00%	60.00%	2,637	5,136	20.42%	39.77%
	1,501		1,750	2	8	20.00%	80.00%	3,394	8,530	26.28%	66.05%
	1,751		2,000	1	9	10.00%	90.00%	1,838	10,368	14.23%	80.28%
	2,001		2,500	0	9	0.00%	90.00%	0	10,368	0.00%	80.28%
	2,501		3,000	1	10	10.00%	100.00%	2,546	12,914	19.72%	100.00%
Totals				10			12,914				
from H-2				10			12,914				

AVERAGE NUMBER OF CUSTOMERS	2
AVERAGE CONSUMPTION	1,291
MEDIAN CONSUMPTION	1,319

-Summer-

START		END		# BILLS		% BILLS		# Therms		% Therms	
BLOCK	BLOCK	BLOCK	CUMM.	BLOCK	CUMM.	BLOCK	CUMM.	BLOCK	CUMM.	BLOCK	CUMM.
	0		0	4	4	40.00%	40.00%	0	0	0.00%	0.00%
	1		50	2	6	20.00%	60.00%	49	49	0.38%	0.38%
	51		100	3	9	30.00%	90.00%	198	247	1.53%	1.91%
	101		250	4	13	40.00%	130.00%	877	1,124	6.79%	8.70%
	251		500	1	14	10.00%	140.00%	270	1,394	2.09%	10.79%
	501		750	0	14	0.00%	140.00%	0	1,394	0.00%	10.79%
	751		1,000	0	14	0.00%	140.00%	0	1,394	0.00%	10.79%
	1,001		1,250	0	14	0.00%	140.00%	0	1,394	0.00%	10.79%
	1,251		1,500	0	14	0.00%	140.00%	0	1,394	0.00%	10.79%
	1,501		1,750	0	14	0.00%	140.00%	0	1,394	0.00%	10.79%
	1,751		2,000	0	14	0.00%	140.00%	0	1,394	0.00%	10.79%
	2,001		2,500	0	14	0.00%	140.00%	0	1,394	0.00%	10.79%
	2,501		4,000	0	14	0.00%	140.00%	0	1,394	0.00%	10.79%
Totals				14			1,394				
from H-2				14			1,394				

AVERAGE NUMBER OF CUSTOMERS	2
AVERAGE CONSUMPTION	100
MEDIAN CONSUMPTION	57

Attachment 4

IMPORTANT RATE INCREASE NOTICE - PLEASE READ

Duncan Valley Electric Cooperative, Inc. – Gas Division ("DVEC" or "Cooperative") has notified the Arizona Corporation Commission ("Commission") that it intends to file a streamlined application ("Streamlined Application") on or about October 27, 2014, to increase its rates and charges pursuant to A.R.S. § 40-250 and A.A.C. R14-2-107 ("Rule 107"), the Commission's rule authorizing the filing of streamlined rate applications for electric and natural gas cooperatives. DVEC is requesting an overall rate increase of \$25,145 or 6% over actual test year total base revenue (this is the maximum allowed per Rule 107). DVEC states that the rate increase is necessary to partially recover operating costs. The last general rate increase for DVEC was effective April 1, 2006.

A residential customer with monthly natural gas consumption of 60 therms (average usage) in the winter will see an increase in his/her bill of \$3.36 per month (from \$63.80 to \$67.16), or 5.27%. A residential customer with monthly natural gas consumption of 16 therms (average usage) in the summer will see an increase in his/her bill of \$1.57 per month (from \$24.16 to \$25.73), or 6.50%. A residential customer with monthly natural gas consumption of 52 therms (median usage) in the winter will see an increase in his/her bill of \$3.05 per month (from \$57.96 to \$61.01), or 5.26%. A residential customer with monthly natural gas consumption of 13 therms (median usage) in the summer will see an increase in his/her bill of \$1.46 per month (from \$23.38 to \$24.84), or 6.24%. The proposed percentage increases by rate class over existing base rates are:

Small Meter 250 CFH* and below	5.7%
Medium Meter Above 250 CFH to 425 CFH	9.0%
Large Meter Above 425 CFH	5.6%
*CFH – Cubic Feet per Hour	

Processing the Streamlined Application

Rule 107 provides streamlined procedures that should reduce rate case expense for processing rate applications of electric and natural gas cooperatives where (i) the requested increase in total base revenue does not exceed 6% of the actual test year total base revenue; (ii) the change in base revenue generated by any one rate class is no greater than 150% of the overall base revenue increase; (iii) there is no change greater than 25% in the customer charge within a rate schedule for residential customers; and (iv) there is no change in the rate blocks or the percentage relationship of the prices among rate blocks. The rule requires that not sooner than 20 days or later than 50 days after providing this notice to customers, DVEC may file its Streamlined Application to increase rates. Streamlined refers to the fact that such an application will be processed under a shorter time-frame than a rate increase application filed pursuant to A.A.C. R14-2-103 ("Rule 103") and, therefore, receive a less comprehensive (possibly less costly) review/analysis by Commission Staff than a Rule 103 review/analysis. DVEC's Streamlined Application may be approved without a formal evidentiary hearing. However, the Commission may at any time - at the request of Staff, an intervenor, or on its own - require DVEC's rate increase application to be processed pursuant to the more comprehensive Rule 103 requirements. You can view the entire Rule 103 and 107 at http://www.azsos.gov/public_services/Title_14/14-02.htm#ARTICLE_1.

Public Comment and Intervention

A person desiring to object to the Streamlined Application or to request intervention in the rate case must file the objection or the intervention request not later than the date specified below. Within 14 days after the deadline for objections and intervention requests, the Commission's Utilities Division Staff must determine the eligibility and sufficiency of the Streamlined Application under Rule 107.

Written public comments regarding DVEC's Streamlined Application, including objections to it being processed pursuant to the alternative Rule 107 streamlined requirements, may be submitted by mailing a letter referencing Docket No. G-02528A-14-0361 to the Commission's Consumer Services Section at 1200 W. Washington, Phoenix, Arizona 85007, or by e-mail. For a form to use and instructions on how to e-mail comments to the Commission, go to: <http://www.azcc.gov/Divisions/Utilities/forms/PublicCommentForm.pdf>.

Requests to intervene may be filed in Docket No. G-02528A-14-0361 by any person entitled by law to intervene or who is directly and substantially affected by the proceeding. If you require assistance, either to provide public comment or to seek intervention, you may contact the Commission's Consumer Services Section during normal business hours at 602-542-4251 or 1-800-222-7000 (Phoenix office); or 520-628-6550 or 1-800-535-0148 (Tucson office); or you may contact DVEC during normal business hours at 928-359-2503 or 800-669-2503. All motions to intervene and all objections to the streamlined Application must be filed on or before November 7, 2014.

The Rule 107 streamlined rate process is available to DVEC only if the Commission receives objections from less than 37 DVEC customers by November 7, 2014. If the Commission receives objections from at least 37 DVEC customers by November 7, 2014, DVEC will not be eligible to use the Rule 107 streamlined process, but will instead need to use the Rule 103 rate increase application process which would involve a formal evidentiary hearing and a more comprehensive review/analysis by Commission Staff.

How You Can View or Obtain a Copy of the Application and Other Filed Documents

A copy of the Streamlined Application is available for public inspection during regular business hours at DVEC's offices located at 379597 Az 75, Duncan, Arizona 85534. A copy of the Streamlined Application is also available at DVEC's website (www.dvec.org). After October 27, 2014, a copy of the Streamlined Application will also be available for public inspection during regular business hours at the Commission's Docket Control Center at 1200 W. Washington Street, Phoenix, Arizona, 85007, in the Commission's Tucson Office at 400 W. Congress, Tucson, Arizona, 85701 and on the Internet via the Commission's website (www.azcc.gov) using the e-Docket function.

DVEC Contact Information

Duncan Valley Electric Cooperative, Inc.
379597 Az 75
PO Box 440
Duncan, Arizona 85534
Phone: 928-359-2503 or 800-669-2503

ADA/Equal Access Information

The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request a reasonable accommodation, such as a sign language interpreter, as well as request this document in an alternative format, by contacting the ADA Coordinator, Shaylin Bernal, e-mail SABernal@azcc.gov, voice phone number 602-542-3931. Requests should be made as soon as possible to allow time to arrange the accommodation.

Attachment 5

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 COMMISSIONERS

3 BOB STUMP – CHAIRMAN
4 GARY PIERCE
5 BRENDA BURNS
6 BOB BURNS
7 SUSAN BITTER SMITH

8 IN THE MATTER OF THE APPLICATION
9 OF DUNCAN VALLEY ELECTRIC
10 COOPERATIVE, INC. - GAS DIVISION FOR
11 A DETERMINATION OF THE FAIR VALUE
12 OF ITS PROPERTY FOR RATEMAKING
13 PURPOSES, TO FIX A JUST AND
14 REASONABLE RATE OF RETURN
15 THEREON, TO APPROVE RATES
16 DESIGNED TO DEVELOP SUCH RETURN,
17 AND FOR RELATED APPROVALS.

DOCKET NO. G-02528A-14-0361

DECISION NO. _____

ORDER

13 Open Meeting
14 [INSERT DATE]
15 Phoenix, Arizona

16 **BY THE COMMISSION:**

17 * * * * *

18 Having considered the entire record herein and being fully advised in the premises, the
19 Arizona Corporation Commission ("Commission") finds, concludes and orders that:

20 FINDINGS OF FACT

21 1. In Decision 73649 (February 6, 2013), the Arizona Corporation Commission
22 ("Commission") adopted revisions to A.A.C. R14-2-103 and added a new section A.A.C. R14-2-107
23 establishing an alternative streamlined ratemaking application and process for nonprofit cooperatives
24 providing electric or natural gas utility service.

25 2. Duncan Valley Electric Cooperative, Inc., ("DVEC" or the "Cooperative") is a non-
26 profit cooperative which provides natural gas service to customers in Arizona.

27 3. On September 5, 2014, DVEC submitted to the Commission's Utilities Division Staff
28 ("Staff") a Request for Pre-Filing Eligibility Review in accordance with A.A.C. R14-2-107(C) which

1 included a draft of an application ("Application") to increase rates and charges pursuant to A.A.C. R14-
2 2-107 and A.R.S. § 40-250, a proposed form of customer notice, and a proposed form of recommended
3 order.

4 4. On October 6, 2014, DVEC met with Staff as required by A.A.C. R14-2-107(C)(3) to
5 discuss the Cooperative's eligibility under A.A.C. R14-2-107(B), the proposed form of customer notice,
6 and the proposed form of recommended order. At the meeting, Staff advised DVEC that it met the
7 eligibility requirements of A.A.C. R14-2-107(B) for filing a streamlined rate case. At the meeting, Staff
8 also approved the form of customer notice to be mailed to customers as required by A.A.C. R14-2-
9 107(C)(5) and A.A.C. R14-2-107(D).

10 5. DVEC filed a Request for Docket Number and Notice of Filing Proposed form of
11 Customer Notice on October 6, 2014, in accordance with A.A.C. R14-2-107(C)(4). The docket number
12 was assigned that same day.

13 6. On October 7, 2014 DVEC caused a copy of the approved customer notice to be mailed
14 via First Class Mail to all customers of record as of the date of mailing. On October 15, 2014, DVEC
15 docketed a Notice of Mailing Customer Notice certifying that the approved customer notice was mailed
16 via First Class Mail by October 7, 2014 to each customer of the Cooperative as required by A.A.C.
17 R14-2-107(C)(5) and A.A.C. R14-2-107(D). The customer notice set a deadline of November 7, 2014
18 for customers of DVEC to file intervention requests and/or objections to the Application.

19 7. On October 28, 2014, DVEC filed its Application pursuant to A.R.S. § 40-250 and
20 A.A.C. R14-2-107 to increase its rates and charges using a test year ending January 31, 2014 ("Test
21 Year"). DVEC requested that the Application be approved without a hearing.

22 8. No customer of DVEC filed an application to intervene in this docket. As of the date of
23 the deadline for submitting objections, [INSERT NUMBER OF OBJECTIONS] customers of the
24 Cooperative submitted objections to the Application.

25 9. On [INSERT DATE], Staff filed a Notice of Eligibility pursuant to A.A.C. R14-2-
26 107(H)(2) notifying DVEC that it met all of the eligibility requirements set forth in A.A.C. R14-2-
27 107(B) to file a rate case under A.A.C. R14-2-107.
28

1 10. On [INSERT DATE], Staff filed a Notice of Sufficiency pursuant to A.A.C. R14-2-
2 107(H)(3) notifying DVEC that the Application met all of the requirements of R14-2-107(E) and
3 classifying the Cooperative as a Class C utility.

4 11. On [INSERT DATE], Staff filed a Staff Report recommending approval of the
5 Application without a hearing.

6 12. On [INSERT DATE], DVEC filed a response to the Staff Report.

7 13. DVEC is an Arizona member-owned non-profit natural gas distribution cooperative
8 headquartered in Duncan, Arizona. The Cooperative provides natural gas distribution service to
9 approximately 746 members/customers located in Greenlee County.

10 14. DVEC has an 8-member Board of Directors ("Board") which is elected by the
11 membership of the Cooperative to oversee all aspects of the Cooperative's operations. The Board
12 approved the filing of the Application at a regular meeting of the Board on August 18, 2014.

13 15. DVEC's current rates and charges were established in Decision 68599 issued March 23,
14 2006. In its Application, DVEC sought to increase its annual gross revenue requirement by \$25,145,
15 from adjusted Test Year revenues of \$593,044 to \$618,189, an increase of 6% over actual Test Year
16 total base revenue. The rate increase would yield Operating Loss of \$18,253. DVEC's proposal results
17 in a -2.97% rate of return on Fair Value Rate Base ("FVRB").

18 16. The Application shows that an average residential customer with monthly consumption
19 of 60 therms (average usage) in the winter will see an increase in his or her bill of \$3.36 per month
20 (\$63.80 to \$67.16), or 5.27%, while a residential customer with a monthly energy consumption of 16 therms
21 (average usage) in the summer will see an increase in his/her bill of \$1.57 per month (\$24.16 to \$25.73), or
22 6.50%. A residential customer with monthly energy consumption of 52 therms (median usage) in the winter will
23 see an increase in his/her bill of \$3.05 per month (\$57.96 to \$61.01), or 5.26%. A residential customer with
24 monthly energy consumption of 13 therms (median usage) in the summer will see an increase in his/her bill of
25 \$1.46 per month (\$23.38 to \$24.84), or 6.24%.

26 17. The Cooperative's Application states that the rate increase is necessary to partially
27 recover operating costs. The rate increase will allow DVEC to maintain the financial integrity of the
28 Cooperative.

1 18. As attachments to the Application, DVEC submitted audited financial statements for
2 the year ended December 31, 2013, and a copy of its certified annual financial and statistical report to
3 the National Rural Utilities Cooperative Finance Corporation ("CFC") for calendar year 2013 including
4 a divisional financial report.

5 19. The Application uses Original Cost Rate Base as FVRB. DVEC waived the use of
6 reconstruction cost new rate base to determine the Cooperative's fair value rate base as required by
7 A.A.C. R14-2-107(E)(2).

8 20. The Application does not propose (i) any change to an existing adjustor or surcharge
9 mechanism; (ii) adoption of any new adjustor or surcharge mechanism; (iii) adoption of a new hook-up
10 fee or another new type of fee; (iv) any rate structure change as defined in 13 A.A.C. R14-2-107(A)(11);
11 or (v) any non-price tariff change. The Application does not seek financing approval or consolidation
12 with another docket.

13 21. DVEC is a distribution cooperative. Pursuant to A.A.C. R14-2-107(B)(14), objections
14 to the Application timely submitted by the Cooperative's customers may represent no more than 5% of
15 all customer accounts or no more than 1,000 customer accounts, whichever is fewer. For purposes of
16 determining eligibility under this rule, the total number of Arizona DVEC customer accounts as of
17 January 31, 2014 was 749. Five percent of the customer accounts is 37 accounts, so the applicable
18 complaint threshold for DVEC is 37. As of the November 7, 2014 objection deadline, the Commission
19 received [INSERT NUMBER OF COMPLAINTS] customer objections to the Application, which is far
20 below the threshold under A.A.C. R14-2-107(B)(14).

21 22. DVEC's FVRB is determined to be \$614,803, which is the same as its OCRB.

22 23. In the Test Year, DVEC had adjusted total revenues of \$593,044.

23 24. We find that DVEC's request to increase its annual gross revenue requirement by
24 \$25,145, from adjusted Test Year revenues of \$593,044 to \$618,189, complies with A.A.C. R14-2-107.
25 The rate increase will yield an Operating Loss of \$18,253, resulting in a -2.97% rate of return on
26 FVRB.

27 25. We find that DVEC's Application fully complies with the requirements of A.A.C. R14-
28 2-107.

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BY ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, JODI JERICH, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this ____ day of _____, _____

JODI JERICH
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

Decision No. _____