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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

KRISTIN K. MAYES - CHAIRMAN

GARY PIERCE

PAUL NEWMAN

SANDRA D. KENNEDY

BOB STUMP

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AZ CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF) DOCKET NO. E-01773A-09-0472
 THE ARIZONA ELECTRIC POWER)
 COOPERATIVE, INC. FOR A HEARING TO)
 DETERMINE THE FAIR VALUE OF ITS)
 PROPERTY FOR RATEMAKING PURPOSES, TO)
 FIX A JUST AND REASONABLE RETURN) **NOTICE OF FILING**
 THEREON AND TO APPROVE RATES)
 DESIGNED TO DEVELOP SUCH RETURN.)

Trico Electric Cooperative, Inc., through undersigned counsel, files the Direct Testimony of Vincent Nitido in the above-captioned docket.

RESPECTFULLY SUBMITTED this 1st day of June 2010.

ROSHKA DEWULF & PATTEN, PLC

By

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Original and 13 copies of the foregoing filed this 1st day of June 2010 with:

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Arizona Corporation Commission

DOCKETED

JUN - 1 2010

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BEFORE THE ARIZONA CORPORATION COMMISSION

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DESIGNED TO DEVELOP SUCH RETURN.)
)
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)

Direct Testimony of

Vincent Nitido

on Behalf of

Trico Electric Cooperative, Inc.

June 1, 2010

1 **Q. Please state your name and business address.**

2 A. My name is Vincent Nitido and my business address is 8600 West Tangerine Road,
3 Marana, Arizona, 85658
4

5 **Q. What is your position with Trico Electric Cooperative, Inc. ("Trico" or the**
6 **"Company")?**

7 A. I am Chief Executive Officer and General Manager of Trico.
8

9 **Q. What is the purpose of your direct testimony?**

10 A. My direct testimony supports Arizona Electric Power Cooperative, Inc's ("AEPCO")
11 application for new rates. I also urge the Commission to approve Trico's Partial
12 Requirements Capacity and Energy Agreement with AEPCO, as it is an integral
13 component of AEPCO's comprehensive rate settlement agreement with its member
14 distribution cooperatives.
15

16 **Q. Please describe Trico.**

17 A. Trico is a not-for-profit electric cooperative serving more than 38,000 customers in
18 northwest Tucson, Marana, Mt. Lemmon, Corona de Tucson, Sahuarita, Green Valley,
19 Three Points, Arivaca and adjacent rural areas. Trico has approximately 38,000
20 customers with approximately 40,000 active meters. We primarily serve residential
21 customers but we have a small but growing number of commercial customers and some
22 large commercial and industrial customers.
23

24 As a member-owned cooperative, each of our customers is also a member of the
25 cooperative. We are governed by a seven member board of directors. Trico members
26
27

1 elect fellow members to represent them on the cooperative's board of directors. One
2 representative is elected from each of seven director districts.

3
4 **Q. Does Trico support AEPCO's proposed rates in this docket?**

5 A. Yes. As indicated in AEPCO's Amended Application in this docket (filed on April 20,
6 2010), subsequent to AEPCO's initial Application (filed October 1, 2009), AEPCO and
7 its distribution cooperative members continued to meet in an attempt to resolve various
8 issues between the companies, including cost allocation and rate design. After extended
9 negotiations, the parties reached agreement on disputed issues. As a result of those
10 agreements, AEPCO's revenue requirement and rate design were modified. Those
11 modifications are reflected in AEPCO's April 20, 2010 filing.

12
13 As a key element in the resolution of the general rate case issues, Trico provided notice
14 to AEPCO on November 20, 2009, that it was exercising its right to convert its Class A
15 membership relationship with AEPCO from an all-requirements relationship to a partial-
16 requirements relationship. Trico's change of status to a Partial Requirements Member
17 ("PRM") was considered and addressed during the course of the rate case negotiations.
18 AEPCO and its members also have agreed upon a modified rate design for AEPCO that
19 would go into effect upon final approval of Trico's PRM status by this Commission and
20 the Rural Utilities Service (RUS). AEPCO and its distribution members are filing a joint
21 request with this Commission for approval of Trico's Partial Requirements Capacity and
22 Energy Agreement and related modifications to the other member agreements (as
23 necessary). Those parties understand that request will be considered in conjunction with
24 this rate case.

1 **Q. Why does Trico support the rates now proposed by AEPCO?**

2 A. Since the conversion of Mohave Electric Cooperative, Inc. (MEC) to partial requirements
3 status with AEPCO in 2001, AEPCO has had different rate structures for its all-
4 requirements members and PRMs. Those differences have resulted in significant cost
5 and rate allocation disputes among the members and AEPCO since that time. The issues
6 and disputes were compounded when Sulphur Springs Valley Electric Cooperative, Inc.
7 (SSVEC) converted to partial requirements status in 2008.

8
9 With Trico's conversion to PRM status, more than 90 percent of AEPCO's peak load will
10 consist of PRMs with similar contracts and consistent allocations. That consistency and
11 equity has been the goal of the negotiations among AEPCO and its member cooperatives
12 leading up to the rate settlement among those parties. Trico believes it is fair and in the
13 best interest of all of the parties to have a uniform method of cost and rate allocation.

14
15 **Q. What is the relationship between the rate case settlement and Trico's conversion to**
16 **PRM status?**

17 A. As I have indicated, Trico's conversion to PRM status is an integral part of AEPCO's rate
18 settlement with its member distribution cooperatives. The most significant issues among
19 the parties to the settlement discussions hinge on the fair and consistent allocation of
20 AEPCO's costs among its members. Trico does not believe that is possible in an
21 organization with significant differences in cost allocation and rate determination
22 between all-requirements and PRMs. Consequently, Trico exercised its right to convert
23 to PRM status in November 2009, and the parties have negotiated the rate settlement
24 issues since that time with the understanding and intention that Trico's PRM status will
25 coincide with the implementation of AEPCO's new rates. An all-requirements rate was
26 not negotiated or proposed for Trico, and the settlement among the parties works only
27

1 with Trico as a PRM. Thus, it is important that the Commission approve the AEPCO
2 rates, Trico's Partial Requirements Capacity and Energy Agreement, the Amendments to
3 the other PRMs' Partial Requirements Capacity and Energy Agreements and the
4 amendments to the all-requirements members' Wholesale Power Contracts, in order for
5 the comprehensive settlement among AEPCO and its members to be realized, and most
6 importantly, for the rates and cost allocation among AEPCO's members to be just and
7 reasonable.
8

9 **Q. What benefits will Trico realize from becoming a partial requirements member of**
10 **AEPCO?**

11 A. In addition to the benefits stated previously, Trico believes that PRM status will provide
12 it with increased flexibility and access to economies of scale, in order to meet its
13 customers' electricity needs in the most economical and responsive way, particularly
14 given the anticipated future growth in our service area. PRM status also allows Trico to
15 better meet its renewable energy and energy efficiency obligations under the
16 Commission's rules.
17

18 **Q. Does this conclude your testimony?**

19 A. Yes, it does.
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