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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

2010 AUG 30 P 3:46

ARIZONA CORPORATION 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 )  
THEREON AND TO APPROVE RATES )  
DESIGNED TO DEVELOP SUCH RETURN. )

NOTICE OF FILING

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

RESPECTFULLY SUBMITTED this 30<sup>th</sup> day of August 2010.

ROSHKA DEWULF & PATTEN, PLC

By

Michael W. Patten

Jason D. Gellman

One Arizona Center

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Phoenix, Arizona 85004

Attorneys for Trico Electric Cooperative, Inc.

Original and 13 copies of the foregoing filed this 30<sup>th</sup> day of August 2010 with:

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

Arizona Corporation Commission  
DOCKETED

AUG 30 2010

DOCKETED BY

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1 Copy of the foregoing hand-delivered/mailed  
2 this 30<sup>th</sup> day of August 2010, to:

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4 Administrative Law Judge  
5 Hearing Division  
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**BEFORE THE ARIZONA CORPORATION COMMISSION**

**COMMISSIONERS**

KRISTIN K. MAYES CHAIRMAN  
GARY PIERCE  
PAUL NEWMAN  
SANDRA D. KENNEDY  
BOB STUMP

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 )  
THEREON AND TO APPROVE RATES )  
DESIGNED TO DEVELOP SUCH RETURN. )  
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Rebuttal Testimony of

Vincent Nitido

on Behalf of

Trico Electric Cooperative, Inc.

August 30, 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 rebuttal testimony?**

10 A. My rebuttal testimony supports Arizona Electric Power Cooperative, Inc's ("AEPCO")  
11 application for new rates. On behalf of Trico, I am responding to the direct testimony of  
12 Arizona Corporation Commission Staff ("Staff"), the rebuttal testimony of AEPCO and  
13 the rebuttal of Mohave Electric Cooperative ("MEC"). Specifically, I am providing  
14 testimony on behalf of Trico supporting the proposal contained in AEPCO's rebuttal  
15 testimony for a debt service coverage ratio (DSC) of 1.32. I also agree with and support  
16 the rebuttal testimony of Carl Stover, who provides additional support for AEPCO's  
17 position on the DSC.  
18

19 **Q. Does Trico continue to support AEPCO's proposed rates in this docket?**

20 A. Yes. As indicated in my direct testimony in this docket, Trico supports AEPCO's  
21 Amended Application in this docket (filed on April 20, 2010), which was the result of  
22 extended negotiations between AEPCO and its member cooperatives. Trico further  
23 supports the slight modification to those rates set forth in AEPCO's rebuttal testimony.  
24  
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27

1 **Q. AEPCO is proposing a revised DSC in its Rebuttal Testimony. Does Trico support**  
2 **the revised DSC?**

3 Trico does support the DSC of 1.32 that AEPCO proposes in its rebuttal testimony. Let  
4 me provide some background on the evolution of the DSC. AEPCO's original filed  
5 testimony proposed a DSC of 1.35. After extensive analysis and negotiation, AEPCO and  
6 its members agreed that a DSC of 1.275 was sufficient for a member-owned Generation  
7 and Transmission Cooperative like AEPCO, and would provide adequate operating  
8 revenue while minimizing the rate impact on AEPCO's member distribution cooperatives  
9 and their customers. AEPCO provided amended testimony supporting that agreement  
10 along with its Amended Application.

11  
12 The direct testimony of the Staff witnesses in this docket recommends a significantly  
13 higher DSC of 1.40, while excluding certain non-test year expenses relating to a reduction  
14 in employees and an employee incentive plan that is unlikely to achieve a payout.

15  
16 As Mr. Pierson has indicated in his rebuttal testimony, AEPCO and its members analyzed  
17 Staff's recommendation and concluded that taking the non-test year expense reduction into  
18 account, a DSC of 1.32 will still provide AEPCO with sufficient operating margins and  
19 allow the customers of AEPCO's member distribution cooperatives to share in the  
20 reductions in the form of lower rates. As Mr. Pierson indicates AEPCO agreed to submit  
21 rebuttal testimony in support of a DSC of 1.32, based on the recommendation and support  
22 of all of the AEPCO Members.

23  
24 Trico supports the modification of the DSC from 1.275 to 1.32. It was arrived through  
25 analysis and negotiation consistent with the resolution of the issues agreed to in AEPCO's  
26 Amended Application and it is an important element to the overall resolution of the  
27 challenging rate issues in this docket.

1 **Q. Has Trico reviewed the surrebuttal testimony of Mohave Electric Cooperative, Inc.**  
2 **(“MEC”) witness Carl N. Stover, Jr.?**

3 A. Yes.

4  
5 **Q. Does Trico support Mr. Stover’s analysis regarding the competing proposals of**  
6 **AEPCO and Staff?**

7 A. Yes. Trico agrees with Mr. Stover’s analysis concerning Staff’s revenue  
8 recommendations based on a 1.40 DSC, which will lead to an additional \$1,403,322  
9 annual revenue increase over what AEPCO is requesting in its rebuttal filing. Mr.  
10 Stover’s testimony reflects Trico’s concerns over Staff’s position.

11

12 **Q. What concerns does Trico have regarding Staff’s recommended increase?**

13 A. Mr. Vickroy’s recommended increase will put unnecessary additional burden on Trico  
14 and its member-customers because, under Staff’s proposal, Trico believes that AEPCO  
15 will be charging more than necessary to maintain sufficient net margin and cash flow  
16 after servicing debt. That is borne out by the agreed upon revenue requirement submitted  
17 by AEPCO in its rebuttal testimony and by Mr. Stover’s rebuttal testimony.

18

19 **Q. Can you describe those concerns in more detail?**

20 A. Certainly. Trico believes it and its member-customers should not be burdened with any  
21 more of an increase than necessary to provide AEPCO with sufficient net margin and  
22 cash flow to run its operations. Trico, being a distribution cooperative, has been in the  
23 position of requesting increases to rates twice in the past six years. At the same time,  
24 Trico has sought to increase rates only when necessary and only to the extent necessary  
25 to cover operating expenses and provide a sufficient margin so that it can continue to  
26 operate. Considering the current economic climate, any increase should be no more than  
27 necessary. Trico is unconvinced that Mr. Vickroy’s recommendation for AEPCO is

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essential for AEPCO. To the contrary, AEPCO's rebuttal filing indicates that it believes less of an increase is required.

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

A. Yes, it does.