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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

Arizona Corporation Commission

9 DOUG LITTLE, Chairman
 10 BOB STUMP
 11 BOB BURNS
 12 ANDY TOBIN
 13 TOM FORESE

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APR 26 2017

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14 IN THE MATTER OF THE
 15 APPLICATION OF ARIZONA PUBLIC
 16 SERVICE COMPANY FOR A HEARING
 17 TO DETERMINE THE FAIR VALUE OF
 18 THE UTILITY PROPERTY OF THE
 19 COMPANY FOR RATEMAKING
 20 PURPOSES, TO FIX A JUST AND
 21 REASONABLE RATE OF RETURN
 22 THEREON, TO APPROVE RATE
 23 SCHEDULES DESIGNED TO DEVELOP
 24 SUCH RETURN

Docket No. E-01345A-16-0036

25 IN THE MATTER OF FUEL AND
 26 PURCHASED POWER PROCUREMENT
 27 AUDITS FOR ARIZONA PUBLIC
 28 SERVICE

Docket No. E-01345A-16-0123

**NOTICE OF FILING TESTIMONY
 SUMMARY OF JAMES D.
 DOWNING**

Electrical District Number Eight and McMullen Valley Water Conservation & Drainage District (hereinafter collectively referred to as "ED8/McMullen"), through its undersigned counsel, hereby provides notice that it has this day filed the attached Testimony Summary of ED8/McMullen witness James D. Downing.

1 DATED this 26th day of April, 2017.

2 MOYES SELLERS & HENDRICKS

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4
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13 ORIGINAL and 13 COPIES of
14 the foregoing filed this
15 26th day of April, 2017, with:

16 Docket Control
17 Arizona Corporation Commission
18 1200 West Washington
19 Phoenix, Arizona 85007

20 COPIES of the foregoing
21 Electronically mailed this
22 26th day of April, 2017, to:

23 All Parties of Record.

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SUMMARY OF DIRECT SETTLEMENT TESTIMONY
OF
JAMES D. DOWNING

Mr. Downing provided pre-filed testimony in opposition to the proposed settlement, on behalf of intervenors Electrical District Number Eight and McMullen Valley Water Conservation & Drainage District (ED8/McMullen)

Mr. Downing's testimony opposes the process of resolution of this case by negotiated settlement agreement among less than all parties to the case. He reminds of the responsibilities and duties of Staff and RUCO to the rate-paying consumers. He objects to the inherent premise that APS is presumptively entitled to an increased revenue requirement, which presumption is evidenced by the willingness of ACC Staff and RUCO to disregard the contrary recommendations of their respective independent consulting experts' analyses and recommendations. He cites the direct testimony of expert witnesses Ralph C. Smith and Frank Radigan and questions the treatment by Staff and RUCO of their own experts' conclusions (adverse to APS) as merely opening bids in a negotiation. He objects to the process of meet-in-the-middle compromise among Staff, RUCO and the major parties.

Mr. Downing questions the settlement's treatment of the Ocotillo generation expansion in the context of APS' decreasing peak demand and energy sales. Using data from the annual reporting by APS' parent, he cites the substantial growth trends of annual capital expenditures, depreciated plant, net income and shareholders' equity, notwithstanding recent years of near flat or declining demand and sales. He cautions the Commission against these trends and the consistently recurring pattern of rate increases by negotiated settlement, without actual cost of service scrutiny.