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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

BOB STUMP, Chairman
GARY PIERCE
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AZ CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF REORGANIZATION)
OF UNS ENERGY CORPORATION)

DOCKET NO. E-04230A-14-0011
DOCKET NO. E-01933A-14-0011

) NOTICE OF FILING TESTIMONY OF
) DAVID GODLEWSKI ON BEHALF OF
) SOUTHERN ARIZONA
) HOMEBUILDERS ASSOCIATION IN
) SUPPORT OF PROPOSED
) SETTLEMENT AGREEMENT

Southern Arizona Homebuilders Association ("SAHBA") hereby provides notice of filing of the Testimony of David Godlewski on behalf of SAHBA In Support of Proposed Settlement Agreement in the above-docketed proceedings.

Dated this 2nd day of June 2014.

Respectfully submitted,

Lawrence V. Robertson, Jr.
Attorney for Southern Arizona Homebuilders Association

The original and thirteen (13) copies of the foregoing will be filed the 2nd day of June 2014 with:

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

Arizona Corporation Commission

DOCKETED

JUN 02 2014

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1 TESTIMONY OF DAVID GODLEWSKI
2 ON BEHALF OF SOUTHERN ARIZONA HOMEBUILDERS ASSOCIATION
3 IN SUPPORT OF
4 UNS ENERGY/FORTIS MERGER
5 PROPOSED SETTLEMENT AGREEMENT
6 DOCKET NO. E-04230A-14-0011
7 DOCKET NO. E-01933A-14-0011
8

9 **Q.1 Please state your name, business affiliation and business address.**

10 A.1 My name is David Godlewski. I am President of the Southern Arizona Homebuilders
11 Association ("SAHBA"). My business address is 2840 North Country Club Road, Tucson,
12 Arizona, 85716.

13
14 **Q.2 Are you the same David Godlewski whose prepared Direct Testimony was filed in this
15 proceeding with the Commission's Docket Control on April 30, 2014?**

16 A.2 Yes, I am.
17

18 **Q.3 What is the purpose of the testimony you are submitting at this time?**

19 A.3 I am testifying on behalf of SAHBA and its members in support of the Settlement
20 Agreement and related Settlement Conditions in this proceeding. That Settlement
21 Agreement and the related Settlement Conditions were filed with the Commission's Docket
22 Control on May 16, 2014; and, SAHBA is a signatory party to the Settlement Agreement.
23

24 **Q.4 Did SAHBA participate in the negotiations and subsequent drafting which resulted in
25 the Settlement Agreement?**

26 A.4 Yes. I was in attendance throughout the settlement negotiations that were conducted in the
27 Commissioners' Conference Room at the Commission's Offices in Phoenix on May 5,
28 2014. Thereafter, SAHBA's attorney of record in this proceeding and I reviewed the draft

1 language of the Settlement Agreement and related Settlement Conditions, as circulated by
2 the Commission's Staff, and we offered such comment as we deemed necessary or
3 appropriate from SAHBA's perspective. Finally, once the language of the Settlement
4 Agreement and related Settlement Conditions had been agreed upon by all the parties who
5 intended to become signatories, I executed the Settlement Agreement upon behalf of
6 SAHBA.

7
8 **Q.5 Why did SAHBA and its members decide to sign and support the Settlement**
9 **Agreement and related Settlement Conditions?**

10 A.5 The reasons are both general in nature, and specific to the interests of SAHBA and its
11 members.

12 From a general perspective, the Settlement Agreement and related Settlement
13 Conditions reflect the results of good faith and arms-length negotiations among most of the
14 parties to this proceeding and a balancing of interests. In that regard, Sections 1.7 and 5.1
15 of the Settlement Agreement state

16 "The terms of this Agreement are just, reasonable, fair, and in the
17 public interest in that they provide a just and reasonable resolution
18 of the issues arising from this Docket and, among other things,
19 establish appropriate conditions to ensure quality of service by the
20 Regulated Utilities, enhance the financial strength of UNS Energy
21 and the Regulated Utilities, retain local control of the Regulated
22 Utilities, improve access to capital for UNS Energy and the
23 Regulated Utilities, and avoid unnecessary litigation expense and
24 delay."

25 and

26 "This case has attracted a large number of participants with widely
27 diverse interests. To achieve consensus for settlement, many
28 participants are accepting positions that, in any other
circumstances, they would be unwilling to accept. They are doing
so because this Agreement, as a whole, is consistent with their
long-term interests and with the broad public interest. The
acceptance by any Signatory of a specific element of this
Agreement shall not be considered as precedent for acceptance of
that element in any other context."

1 In addition, from the perspective of the specific interests of SAHBA and its
2 members, the Settlement Agreement and certain of the related Settlement Conditions
3 satisfactorily address several interests and concerns that I discussed in my previously filed
4 prepared Direct Testimony in this proceeding. The remainder of the Settlement Conditions
5 are either consistent with or not relevant to the interests of SAHBA and its members.
6

7 **Q.6 Please identify those specific interests and concerns, and discuss the Settlement**
8 **Conditions which satisfactorily address the same.**

9 A.6 One area of interest for SAHBA and its members pertains to Tucson Electric Power
10 Company's ("TEP") current line extension policies. As I indicated in my prepared Direct
11 Testimony, a material change in those policies conceivably could have a detrimental
12 economic impact upon the developer and homebuilder industries in TEP's service area, as
13 well as those other businesses and employers whose economic well-being is dependent
14 upon or influenced by those two industries. Settlement Condition No. 32 is a recognition
15 of and makes specific provision for this interest of SAHBA and its members, and states as
16 follows:

17 "TEP will not propose any material modifications to its existing
18 Line Extension tariff in its next rate case and TEP will abide by the
19 Line Extension tariff as approved by, or may be approved by, the
Commission."

20 As may be noted, this language provides in effect that SAHBA and its members will have
21 (i) advance notice of any material change in its current line extension policies which TEP
22 might wish to propose at some future date, and (ii) an opportunity to express such position
23 as SAHBA might have with respect to such proposed material change in a formal
24 proceeding before the Commission before such a change could become effective. In that
25 regard, given the historic collaborative relationship with has existed between TEP and
26 SAHBA and its members, SAHBA anticipates that TEP would engage in a constructive
27 dialogue with SAHBA before reaching a decision as to whether or not to propose a material
28 change.

1 A second area of interest to SAHBA and its members related to the future size and
2 composition of the Board(s) of Directors of TEP and UNS Electric. As I indicated in my
3 previously filed prepared Direct Testimony, SAHBA and its members believe that the size
4 and composition of future Board(s) of Directors of those two (2) entities should be such as
5 to (i) allow for a diverse mixture of background and experience among the Board members
6 as a whole, and (ii) provide that Board members will be personally familiar with the
7 business conditions and relationships of the service area in question. In that regard,
8 Settlement Condition No. 37 provides as follows:

9 “Fortis shall have appointed the Board of Directors of UNS Energy
10 which shall have oversight over UNS Energy and the Regulated
11 Utilities no later than one year after the closing. A majority of the
12 directors of UNS Energy shall have and shall have had permanent
13 residence in Arizona for at least 3 years prior to appointment. A
14 majority of directors of UNS Energy shall be independent.”

15 Based upon information acquired from representatives of Fortis and UNS Energy during
16 the settlement negotiations as to how Fortis intends to determine the size and composition
17 of future Board(s) of Directors of UNS Energy and the Arizona Utilities, given Fortis’
18 future role as the sole shareholder of UNS Energy, SAHBA and its members believe that
19 Settlement Condition No. 37 satisfactorily addresses the subject of Board of Director size
20 and composition.

21 A third area of interest to SAHBA and its members was continuation of the ongoing
22 positive and collaborative relationship which has existed for a number of years between
23 TEP and SAHBA and its membership. Based upon statements made by Fortis and UNS
24 Energy’s representatives during the settlement negotiations, and given the aforementioned
25 responsiveness of Settlement Condition Nos. 32 and 37 to other areas of interest to SAHBA
26 and its members, we believe that Fortis and UNS Energy intend to both continue and build
27 upon that historic relationship. Further illustrative of that intent is the language of
28 Settlement Condition No. 41(iii), which provides that UNS Energy and its subsidiaries
“shall continue to support, and where appropriate, enhance (a) existing . . . economic . . .
partnerships and (c) consumer partnerships.” Needless to say, against this background, we

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would be very surprised and disappointed if in fact our anticipation did not prove to be the case.

Q.7 Does SAHBA's execution of and support for the Settlement Agreement and related Settlement Conditions mean that SAHBA would have no objection to a Commission decision approving the proposed merger?

A.7 Yes, provided that a final Commission decision did not alter the Settlement Agreement and related Settlement Conditions in such a manner as to be detrimental to the interests of SAHBA and its members.

Q.8 Does that conclude your testimony in support of the Settlement Agreement and related Settlement Conditions?

A.8 Yes, it does.