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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

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JEFF HATCH-MILLER, Chairman
WILLIAM A. MUNDELL
MIKE GLEASON
KRISTIN K. MAYES
BARRY WONG

AZ CORP COMMISSION
DOCUMENT CONTROL

19

IN THE MATTER OF THE APPLICATION OF ARIZONA PUBLIC SERVICE COMPANY FOR A HEARING TO DETERMINE THE FAIR VALUE OF THE UTILITY PROPERTY OF THE COMPANY FOR RATEMAKING PURPOSES, TO FIX A JUST AND REASONABLE RATE OF RETURN THEREON, TO APPROVE RATE SCHEDULES DESIGNED TO DEVELOP SUCH RETURN, AND TO AMEND DECISION NO. 67744.

Docket No. E-01345A-05-0816

ARIZONA PUBLIC SERVICE COMPANY'S MOTION TO PREVENT DISCLOSURE OF ITS CONFIDENTIAL CUSTOMER STUDY INTO THE PUBLIC RECORD

IN THE MATTER OF THE INQUIRY INTO THE FREQUENCY OF UNPLANNED OUTAGES DURING 2005 AT PALO VERDE NUCLEAR GENERATING STATION, THE CAUSES OF THE OUTAGES, THE PROCUREMENT OF REPLACEMENT POWER AND THE IMPACT OF THE OUTAGES ON ARIZONA PUBLIC SERVICE COMPANY'S CUSTOMERS

Docket No. E-01345A-05-0826

IN THE MATTER OF THE AUDIT OF THE FUEL AND PURCHASED POWER PRACTICES AND COSTS OF THE ARIZONA PUBLIC SERVICE COMPANY

Docket No. E-01345A-05-0827

Arizona Corporation Commission

DOCKETED

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1 Arizona Public Service Company ("APS" or "the Company") moves to
2 maintain the confidentiality of a proprietary study (the "Study") that the Company
3 disclosed at the request of Commissioner Mayes. The Study clearly qualifies as a
4 legally protected document as it is both (1) a trade secret and (2) proprietary,
5 confidential information of the Company. Thus, APS respectfully requests that the
6 Study remain confidential and not be included in the public docket.

7 FACTUAL BACKGROUND

8 In July 2006, Pinnacle West Capital Corporation ("Pinnacle West"), APS'
9 parent company, commissioned a third-party vendor to conduct a study regarding
10 attitudes of APS customers and community leaders about APS and certain issues
11 relating to APS' regulatory circumstances. *See* Affidavit of Edward Fox, **Exhibit A**
12 hereto, ¶ 2. Pinnacle West paid \$30,000 for the study. *Id.* The third-party vendor
13 developed a protocol for conducting the Study: A number of APS customers and
14 community leaders were asked a series of scripted questions and their responses were
15 recorded. *Id.* ¶ 3. The third-party vendor conducted the study in late July and early
16 August 2006. *Id.* ¶ 4. All responses were subsequently tabulated and analyzed
17 according to various demographic criteria, including but not limited to the
18 interviewee's age, gender, ethnicity, geographic location, etc. *Id.* ¶ 5. The third-party
19 vendor returned the compiled study results to Pinnacle West and APS. *Id.* ¶ 6.

20 Pinnacle West and APS made every effort to protect the confidentiality of the
21 Study. Circulation of the complete Study was limited to six Pinnacle West and APS
22 employees. *Id.* Each of these individuals were instructed to maintain the
23 confidentiality of the Study. *Id.* At a meeting held August 10, 2006, the results of the
24 Study were discussed with a select group of eleven APS and Pinnacle West officers
25 and employees. All people present at this meeting were instructed to maintain the
26 confidentiality of the Study. *Id.* ¶ 7. Summaries of the Study were shared with

1 Pinnacle West and APS' advertising and public relations agencies, pursuant to the
2 terms of written confidentiality agreements with those companies. *Id.* ¶ 8. Other than
3 the people identified above, the Study was not distributed to third parties, nor did APS
4 or Pinnacle West intend to share it with third parties. *Id.* ¶ 9.

5 During the course of the Hearing in this case, Commissioner Mayes learned of
6 the Study and requested that it be disclosed. On October 17, 2006, APS produced the
7 Study pursuant to a Protective Agreement executed by the Company and the
8 Commission on April 26, 2006 (the "Agreement"); attached hereto as **Exhibit B**.
9 When APS filed the Study, it expressly designated as Confidential Information "[t]he
10 results of the poll and other pertinent information . . . pursuant to the executed
11 Protective Agreement." *See* letter dated October 17, 2006, attached hereto as
12 **Exhibit C**. Subsequently, on October 19, 2006, Commissioner Mayes requested on
13 the record that the Study be docketed publicly. *See* 10/19/06 Transcript at 1189:9-16.
14 When APS objected to the public docketing of the Study, Administrative Law Judge
15 Lyn Farmer requested that APS submit a brief outlining the bases for maintaining the
16 confidentiality of the Study. *See id.* at 1306:23-1307:25.

17 LEGAL ANALYSIS

18 **I. The Protective Agreement Between APS and the Commission Governs** 19 **Proposed Inclusion in the Public Record of the Study Designated by APS** 20 **as "Confidential Information"**

21 Under the Agreement, APS may designate as "Confidential Information" "all
22 documents, data, information, studies" and other materials that the "Company claims
23 to be a trade secret, or of a proprietary, confidential, or legally protected nature." *See*
24 Ex. B, § 2. The Agreement binds everyone who receives the Confidential
25 Information. Although "the information provided pursuant to this Protective
26 Agreement [can] be disclosed to the Commission by any Commission signatory to
this Agreement. . . . Such disclosure may be made only if the non-signatory is

1 provided with a copy of this Agreement *and agrees to be bound by its terms.*¹ Ex. B,
2 § 6 (emphasis added).

3 APS has the sole authority to make the initial confidentiality determination for
4 all information it submits to the Commission. Ex. B, § 2. The Agreement requires
5 the Company to have a good faith belief that the information is protected, but APS
6 alone has the authority to make the original designation of material as protected. Ex.
7 B, § 2. Any person who wishes to challenge APS' good faith designation of
8 documents as Confidential Information must follow the procedures in the Agreement.

9 The Agreement establishes the procedures that must be followed before any
10 designated "Confidential Information" can be released into the public record. *See* Ex.
11 B, §§ 7 & 8. Specifically, APS must be provided with "five (5) business days written
12 notice that information designated by Company as Confidential Information shall be
13 subject to disclosure as a public record." Ex. B, § 7. Within five business days of
14 receiving written notice, APS may institute "protective proceeding[s]" to prevent the
15 proposed public disclosure. Ex. B, § 8. APS may institute protective proceedings by
16 filing a motion with the Commission to preclude disclosure. *Id.* Staff then has the
17 opportunity to respond to APS' motion before the Commission or ALJ rules. *Id.*
18 Finally, "[n]otwithstanding any determination by the ALJ or the Commission that any
19 Confidential Information provided pursuant to this Agreement should be made part of
20 the public record . . . , public disclosure shall not occur for a period of five (5)
21 calendar days so that the Company may seek judicial relief." *Id.*²

22 ¹ The Protective Agreement controls disclosures by individual Commissioners,
23 even though none of them signed the Agreement, because no "Confidential
24 Information" can be released to any non-signatory, including a Commissioner, until
he or she agrees to be bound by the Agreement's terms. Ex. B, § 6.

25 ² By submitting this memorandum, APS does not intend to waive, and does not
26 waive, any of the requirements of the Protective Agreement, including but not limited
to the requirement that APS be given a five-day notice in writing of a party's intent to
publicly disclose information designated as "Confidential" under the Agreement.

1 **II. APS Has Properly Designated the Study as “Confidential Information”**
2 **Given That It Is a Legally Protected Trade Secret and Confidential,**
3 **Proprietary Information of APS**

4 **A. The Study is a Trade Secret**

5 Arizona has adopted the Uniform Trade Secrets Act. *See* A.R.S. § 44-401 et
6 seq. Under the Arizona Trade Secrets Act, a trade secret is “information, including a
7 compilation . . . that both”:

8 (a) Derives independent economic value, actual or potential, from not
9 being generally known to, and not being readily ascertainable by proper
10 means, by other persons who can obtain economic value from its
11 disclosure or use.

12 (b) Is the subject of efforts that are reasonable under the circumstances
13 to maintain its secrecy.

14 A.R.S. § 44-401. In general, information qualifies as a trade secret if: (1) it is
15 secret and novel in nature; (2) it derives independent economic value from not being
16 generally known; and (3) its holder takes reasonable steps to ensure secrecy. *See*
17 *Enterprise Leasing Co. v. Ehmke*, 197 Ariz. 144, 3 P.3d 1064 (App. 1999).

18 **1. The Study Contains Secret and Novel Information**

19 The hallmark of a trade secret is its secrecy. Thus, the subject matter must be
20 secret and “it must be of such a nature that it would not occur to persons in the trade
21 or business.” *Id.* at 149, 3 P.3d at 1069. Moreover, “the information must be
22 sufficiently novel such that it is not readily ascertainable . . . in the industry.” *Id.*
23 Although matters of public knowledge generally cannot be appropriated as “secret,” a
24 compilation of general concepts may amount to a trade secret when the owner has
25 created an “effective, successful and valuable integration of those public elements
26 such that the owner derives a competitive advantage from it.” *Id.* Indeed, courts
generally have recognized that a company’s effort to collect and synthesize
information in the public domain is sufficiently secret and novel to qualify as a trade
secret. *See, e.g., Integrated Cash Mgmt. Servs., Inc. v. Digital Transactions, Inc.*, 920

1 F.2d 171, 174 (2d Cir. 1990)(‘a trade secret can exist in a combination of
2 characteristics and components, each of which, by itself, is in the public domain”);
3 *Picker Int’l Corp. v. Imaging Equip. Servs., Inc.*, 931 F.Supp. 18, 38 (D. Mass. 1995)
4 (“A compilation of public information is protected if that information is, as a result of
5 a business’ efforts, combined in a unique way.”); *ISC-Bunker Ramo Corp. v. Altech,*
6 *Inc.*, 765 F. Supp. 1310, 1322 (N.D. Ill. 1990) (“[T]he effort of compiling useful
7 information is, of itself, entitled to protection even if the information is otherwise
8 generally known.”).

9 In *Enterprise v. Ehmke*, the Arizona Court of Appeals recognized that a
10 document created by Enterprise that compiled “several factors helpful to managing a
11 successful branch office” was entitled to trade secret protection, even though it was
12 “only a slight advance over common knowledge.” *Enterprise*, 197 Ariz. at 150, 3
13 P.3d at 1070. The court recognized that, taken out of context, the information on the
14 document appeared only to consist of general knowledge of persons in the industry.
15 *Id.* Nevertheless, the compilation of information was an original product that
16 provided Enterprise economic value in running the business, thus giving Enterprise a
17 competitive advantage in the marketplace. *Id.*

18 Following these precedents, APS’ Study is sufficiently “secret and novel” to
19 qualify for trade secret protection. APS, along with its third-party contractor,
20 compiled an original script of questions to gain insight into key constituents’ attitudes
21 toward the Company. These constituents’ attitudes are not public knowledge; they
22 are not available in trade journals, reference books, or published materials; and they
23 are not known to outsiders who could obtain an economic benefit from the
24 information. *See id.* Although another company could presumably obtain the same
25 results from a survey by asking the same questions of the same people, the particular
26 questions asked, the populations chosen for sampling and questioning, and the

1 analysis of the study responses are all valuable advances over public knowledge that
2 make the Study proprietary to APS and qualify it for trade secret protection. Like the
3 Enterprise document, APS' Study is an original product that provides economic value
4 to APS, giving it a competitive advantage in the marketplace. *See id; cf. Centrol, Inc.*
5 *v. Morrow*, 489 N.W.2d 890 (S.D. 1992) (recognizing that patron survey forms are a
6 protected trade secret).

7 **2. The Study Derives Economic Value from Not Being**
8 **Generally Known**

9 Without question, the APS Study “derives independent economic value, *actual*
10 *or potential*, from not being generally known” to other entities who “can obtain
11 economic value from [the Study’s] disclosure or use.” A.R.S. § 44-401 (emphasis
12 added); *see also Enterprise*, 197 Ariz. at 148, 3 P.3d 1068 (a trade secret “has the
13 potential to be used in one’s business and that gives one an opportunity to obtain an
14 advantage over competitors who do not know of or use it”).

15 APS has existing and potential competitors both within and outside of its
16 service territory who could easily derive economic value from the Study. *See* A.R.S.
17 §§ 30-801 et seq. (providing for electric power competition). There is most definitely
18 competition between electric companies in different service areas on such measures as
19 customer attraction, attention and satisfaction, and there could be competition within
20 APS’ service area under the Commission’s retail competition rules. The fact that the
21 Company has this competitive posture benefits APS customers in such areas as
22 productivity, efficiency, operational excellence, and innovation. Moreover, a
23 company’s reputation is one of its most important assets. To the extent that research
24 studies allow APS to protect and enhance its reputation and improve customer service
25 by obtaining feedback and other information from customers, there is clear economic
26 value that is unique to the Company and should be protected.

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3. **APS Has Taken Reasonable Precautions to Maintain the Secrecy of the Study**

Finally, APS has taken reasonable precautions to maintain the secrecy of the Study. “[T]he most important factor in gaining trade-secret protection is demonstrating that the owner has taken such precautions as are reasonable under the circumstances to preserve the secrecy of the information.” *Enterprise*, 197 Ariz. at 150, 3 P.3d at 1070. APS has limited disclosure of the Study to particular employees in need of the information to perform their duties and to the Commission. *See* Ex. A at ¶¶ 6-9. Similarly, each person who received the information at the Commission has signed the Protective Agreement limiting its disclosure.

Given the confidential and “novel” nature of the Study, the economic value of the Study to the Company, and APS’ reasonable precautions to maintain the secrecy of the Study’s results, the Study is a legally protected trade secret under Arizona law not subject to disclosure in the public record.

B. **The Study is Confidential, Proprietary Information of APS That Warrants Protection From Public Disclosure**

Assuming *arguendo* that the Study did not qualify as an APS trade secret, at a minimum it is confidential, proprietary information that should not be made part of the public record.

As recently as 2004 the Commission recognized the confidential nature of sales and marketing scripts in the telecommunications context. In 2004, the Commission was developing regulations for the implementation of Arizona’s “Slamming and Cramming” rules. After extensive discussions with the effected telecommunications companies, the Commission agreed that the companies should be allowed to file their marketing and sales scripts *under seal* with the Commission. Ariz. Admin. Code § 14-2-2011(A). Through its requirement that the scripts be filed

1 under seal, the Commission recognized that marketing and sales scripts reveal
2 proprietary marketing strategies and are inherently confidential.

3 Similarly, scripted consumer studies addressing consumer attitudes about a
4 public utility may also reveal the utility's proprietary marketing and service strategies.
5 Just as the telephone companies' scripts are submitted under seal and are not subject
6 to public disclosure, so too the APS Study has been submitted under seal and should
7 not be entered into the public domain.

8 The federal government has also recognized the need for state Commissions to
9 protect the sensitive commercial information of electric companies as they examine
10 the company's records. *See* 16 U.S.C. § 824(g)(2) (providing that a "state
11 Commission" that examines the records or memoranda of an electric company that it
12 regulates "shall not publicly disclose trade secrets or sensitive commercial
13 information").

14 Thus, even apart from trade secret protection, there are legitimate business
15 reasons why a study of the attitudes and opinions of APS customers and community
16 leaders -- which informs the Company's customer service and communication
17 decisions -- should not be made part of the public record.

18 C. **Public Policy Dictates That This Confidential APS Study Not Be**
19 **Publicly Disclosed**

20 Without regard to the trade secret and proprietary nature of the Study in
21 question, it would offend public policy for the Commission to order that the Study be
22 made public. A company regulated by the Commission -- like any company -- has to
23 have the ability to gather information in the marketplace (particularly from its
24 customers) in order to inform its business decisions and improve its products or
25 services. Such market or customer studies are a form of market intelligence and self-
26 critical analysis that public policy encourages. Indeed, it is these same public policy

1 considerations that underlie the rule of evidence that prohibits discovery or use of a
2 party's subsequent remedial measures following an accident or product failure or the
3 gathering of information to prevent further occurrences. *See* Rules 407 of the Federal
4 Rules of Evidence and the Arizona Rules of Evidence. *See also Jimenez v. Wal-Mart*
5 *Stores, Inc.*, 206 Ariz. 424, 79 P.3d 673 (App. 2003).

6 Moreover, a company required to publicly disclose customer and community
7 leader study information would certainly be chilled in conducting such studies for fear
8 that any information critical of the company -- information that might otherwise be
9 beneficial and useful in improving the company's products or services -- would be
10 taken out of context and otherwise used to the detriment of the company and its
11 shareholders. Indeed, it is hard to imagine that a company would conduct a
12 potentially revealing or self-critical study of customers if the company knew that the
13 study results would be made public. For these reasons alone, established public
14 policy dictates that the Study -- which APS conducted with the full expectation that it
15 would be kept confidential -- not be made public.

16 Nor is there any sound policy or regulatory reason for the Study to be made
17 public. APS never sought to use the Study in this proceeding, did not conduct the
18 Study for use in this proceeding, and has not relied on the Study in this proceeding.
19 In addition, there has been no showing that the Study has any relevance to the issues
20 in this proceeding. Nevertheless, the Commission and the other parties to this
21 proceeding have been given access to the Study results subject to the terms of the
22 Protective Agreement in compliance with the informal request by Commissioner
23 Mayes. Designation of the Study as "Confidential" by APS does not unreasonably
24 inhibit use of the Study to the extent that the Study is shown to be relevant to this
25 proceeding. Until there has been a showing, however, that the Study has relevance to
26 this proceeding and that there is a sufficient legal and factual basis for removing the

1 Study from the confidentiality protections of the Protective Agreement, the request for
2 public disclosure is unwarranted.³

3 **III. Conclusion**

4 For the foregoing reasons, APS asks that its confidential customer Study not be
5 released into the public record.

6
7 RESPECTFULLY SUBMITTED this 25th day of October, 2006.

8
9 Thomas L. Mumaw
10 Karilee S. Ramaley
11 PINNACLE WEST CAPITAL CORP.
12 Law Department

13
14 Deborah R. Scott
15 Kimberly A. Grouse
16 SNELL & WILMER L.L.P.

17
18 William J. Maledon
19 Ronda R. Fisk
20 OSBORN MALEDON, P.A.

21 Attorneys for Arizona Public Service Company

22
23 By 
24 William J. Maledon

25
26
³ The governing principles that underlie Rule 26(c) of the Arizona Rules of Civil Procedure (and the comparable Rule of the Federal Rules of Civil Procedure) relating to protective orders with respect to confidential, proprietary information are the same as those discussed herein. The cases under those Rules that authorize and direct protection of trade secret or other confidential, proprietary business information are legion and stand squarely for the proposition that public policy and public confidence in the court would be undermined if such information were not protected from public disclosure. See, e.g., *Cornet Stores v. Superior Court*, 108 Ariz. 84, 492 P.2d 1191 (1972)(trial court correctly determined that a company's confidential employee information "should not be made public" and therefore properly entered protective order pursuant to Rule 26(c)).

1 ORIGINAL and 15 copies of the foregoing
filed this 25th day of October, 2006, with:

2
3 Docket Control
4 Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

5 AND copies of the foregoing mailed, faxed or
6 transmitted electronically this 25th day of
October, 2006, to:

7 All Parties of Record

8 Birdie Cobb
Birdie Cobb

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EXHIBIT A

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

JEFF HATCH-MILLER, Chairman
WILLIAM A. MUNDELL
MIKE GLEASON
KRISTIN K. MAYES
BARRY WONG

IN THE MATTER OF THE APPLICATION OF ARIZONA PUBLIC SERVICE COMPANY FOR A HEARING TO DETERMINE THE FAIR VALUE OF THE UTILITY PROPERTY OF THE COMPANY FOR RATEMAKING PURPOSES, TO FIX A JUST AND REASONABLE RATE OF RETURN THEREON, TO APPROVE RATE SCHEDULES DESIGNED TO DEVELOP SUCH RETURN, AND TO AMEND DECISION NO. 67744.

Docket No. E-01345A-05-0816

AFFIDAVIT OF EDWARD FOX

IN THE MATTER OF THE INQUIRY INTO THE FREQUENCY OF UNPLANNED OUTAGES DURING 2005 AT PALO VERDE NUCLEAR GENERATING STATION, THE CAUSES OF THE OUTAGES, THE PROCUREMENT OF REPLACEMENT POWER AND THE IMPACT OF THE OUTAGES ON ARIZONA PUBLIC SERVICE COMPANY'S CUSTOMERS

Docket No. E-01345A-05-0826

IN THE MATTER OF THE AUDIT OF THE FUEL AND PURCHASED POWER PRACTICES AND COSTS OF THE ARIZONA PUBLIC SERVICE COMPANY

Docket No. E-01345A-05-0827

1 I, EDWARD FOX, do hereby affirm and swear as follows:

2 1. I am the Vice President for the Arizona Public Service Company
3 (“APS”).

4 2. In July 2006, Pinnacle West Capital Corporation (“Pinnacle West”),
5 APS’ parent company, commissioned a third-party vendor to conduct a study
6 regarding attitudes of APS customers and community leaders about APS and certain
7 issues relating to APS’ regulatory circumstances. Pinnacle West paid \$30,000 for the
8 study.

9 3. The third-party vendor developed a protocol for conducting the Study.
10 A number of APS customers and community leaders were asked a series of scripted
11 questions and their responses were recorded.

12 4. The third-party vendor conducted the study in late July and early
13 August 2006.

14 5. All responses were subsequently tabulated and analyzed according to
15 various demographic criteria, including but not limited to the interviewee’s age,
16 gender, ethnicity, geographic location, etc.

17 6. The third-party vendor returned the compiled study results to Pinnacle
18 West and APS. Circulation of the complete Study was limited to six Pinnacle West
19 and APS employees, including myself. At my direction, each of these individuals was
20 instructed to maintain the confidentiality of the Study.

21 7. At a meeting held August 10, 2006, the results of the Study were
22 discussed with a select group of eleven APS and Pinnacle West officers and
23 employees. I instructed this group to maintain the confidentiality of the Study.

24 8. Summaries of the Study were shared with Pinnacle West and APS’
25 advertising and public relations agencies, pursuant to the terms of written
26 confidentiality agreements with those companies.

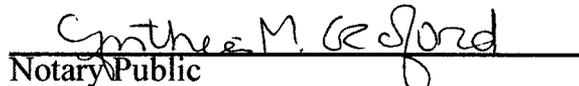
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9. Other than the persons and companies identified above, the Study was not distributed to third parties, nor did APS or Pinnacle West intend to share it with third parties.

DATED this 25th day of October, 2006.


EDWARD FOX

SUBSCRIBED AND SWORN TO before me this 25th day of October, 2006.


Notary Public

My commission expires:

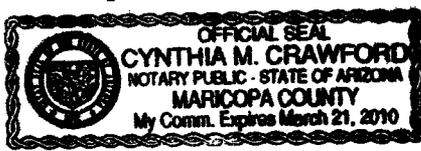


EXHIBIT B

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

JEFF HATCH-MILLER, Chairman
WILLIAM A. MUNDELL
MARC SPITZER
MIKE GLEASON
KRISTIN K. MAYES

IN THE MATTER OF THE APPLICATION OF
ARIZONA PUBLIC SERVICE COMPANY FOR A
HEARING TO DETERMINE THE FAIR VALUE
OF THE UTILITY PROPERTY OF THE
COMPANY FOR RATEMAKING PURPOSES, TO
FIX A JUST AND REASONABLE RATE OF
RETURN THEREON, TO APPROVE RATE
SCHEDULES DESIGNED TO DEVELOP SUCH
RETURN AND TO AMEND DECISION NO.
67744.

Docket No. E-01345A-05-0816

PROTECTIVE AGREEMENT

The Arizona Corporation Commission Staff ("Staff") has requested access to certain documents, data, studies, and other materials, some of which Arizona Public Service Company ("Company") alleges may be of a proprietary, confidential, or legally protected nature ("Confidential Information").

In order to expedite the provision of information, Company, Staff, and any independent contracting consultants retained by Staff for this docket (cumulatively referred to herein as "the parties") agree as follows:

§1. Non-Disclosure. Except with the prior written consent of the party originally designating a document to be stamped as Confidential Information, or as hereinafter provided under this Agreement, no Confidential Information may be disclosed to any person. This requirement does not prohibit Staff from using and disclosing Confidential Information provided by Company in reports or documents that aggregate all information gathered from the parties to this docket, provided Company's individual disclosure is indiscernible from the aggregate report. In addition, where Confidential Information provided by Company is confidential solely as a result of either disclosing individual customer information, or disclosing specific prices, this Agreement shall not prohibit Staff

1 from the public disclosure of such information in an aggregated form, where no individual customer
2 or specific individual price can be ascertained.

3 **§2. Designation of Confidential Information.** For purposes of this Agreement, all
4 documents, data, information, studies and all other written, printed, transcribed, audio-taped, or
5 video-taped materials furnished to Staff that Company claims to be a trade secret, or of a proprietary,
6 confidential, or legally protected nature, shall be designated and referred to herein as "Confidential
7 Information." Access to and review of Confidential Information shall be strictly controlled by the
8 terms of this Agreement.

9 All Confidential Information provided to Staff pursuant to this Agreement shall be so marked
10 by Company with a designation indicating its alleged trade secret, proprietary, confidential, or legally
11 protected nature. The Company shall memorialize any Confidential Information disclosed verbally
12 by Company in writing within five (5) business days of its verbal disclosure, and the writing shall be
13 marked by the Company with the appropriate designation. Any Confidential Information disclosed
14 verbally by Company shall be safeguarded by Staff and its contracting consultants only during the
15 five (5) business day period during which memorialization may be provided. Company agrees that it
16 will carefully consider the basis upon which any information is claimed to be trade secret,
17 proprietary, confidential, or otherwise legally protected. Company shall designate as Confidential
18 Information, only such information as it has a good faith basis for claiming to be legally protected.
19 Where a part of a document, or only a part of an informational submittal may reasonably be
20 considered to be trade secret, proprietary, confidential, or otherwise legally protected, Company shall
21 only designate that part of such information submittal as Confidential Information under this
22 Agreement. Information that is publicly available from any other source shall not be claimed as
23 Confidential Information under this Agreement.

24 **§3. Performance Under Agreement Does Not Result in Waiver or Disclosure.**
25 Execution of this Agreement by the parties and performance of their obligations hereunder shall not
26 result in waiver of any claim, issue, or dispute concerning the trade secret, proprietary, confidential,
27 or legally protected nature of the Confidential Information provided. Neither shall the limited
28 provision of Confidential Information by Company pursuant to this Agreement, nor the limited

1 provision by Staff of Confidential Information pursuant to Section 6 of this Agreement constitute
2 public disclosure of it.

3 **§4. Access to Confidential Information.** Prior to reviewing any Confidential
4 Information, any Commission Staff member or independent contracting consultant shall first be
5 required to read a copy of this Protective Agreement, and to certify by his/her signature on Exhibit A
6 of this Agreement, that he/she has reviewed the same and has consented to be bound by its terms.
7 Exhibit A of this Agreement shall contain the signatory's full name, business address, employer, and
8 position with, or relationship to, the Arizona Corporation Commission ("Commission"). Upon
9 execution, any and all Exhibits shall be promptly provided to counsel for Company.

10 **§5. Use of Confidential Information.** All persons who are signatories to this Agreement
11 shall neither use nor disclose the Confidential Information for purposes of business or competition, or
12 for any purposes other than those necessary for the disposition of this docket, including preparation
13 for and the conduct of any administrative or legal proceeding. All persons entitled to review or
14 afforded access to Confidential Information shall keep it secure as trade secret, confidential, or
15 legally protected information in accordance with the purposes and intent of this Agreement.

16 **§6. Non-Signatories Entitled to Review.** The information provided pursuant to this
17 Protective Agreement may be disclosed to other members of the Staff and to the Commission by any
18 Commission signatory to this Agreement only to the extent that disclosure is necessary to the
19 disposition of this docket. Such disclosure may be made only if the non-signatory is provided with a
20 copy of this Agreement and agrees to be bound by its terms. This provision is not intended to
21 preclude any party from providing confidential information under seal to either the Commission or a
22 Commission Administrative Law Judge for the purposes of Paragraph 8 of this agreement or for any
23 other purpose.

24 **§7. Disclosure of Information to the Public.** The Confidential Information provided
25 pursuant to this Agreement shall not be disclosed, nor shall it be made a part of the public record in
26 this docket, or in any other administrative or legal proceeding unless Staff provides Company five (5)
27 business days written notice that information designated by Company as Confidential Information
28 shall be subject to disclosure as a public record. Upon the expiration of five (5) business days from

1 the date written notice is received by Company, any Confidential Information identified in the notice
2 as subject to disclosure shall become part of the public record in this docket, unless Company
3 initiates a protective proceeding under the terms of this Agreement.

4 **§8. Protective Proceedings to Prevent Disclosure to the Public.** In the event that
5 Company seeks to prevent public disclosure of Confidential Information pursuant to Paragraph 7
6 above, Company shall file within five (5) business days of receipt of Staff's written notice, a motion
7 presenting the specific grounds upon which it claims that the Confidential Information should not be
8 disclosed or should not be made a part of the public record. Staff shall have an opportunity to
9 respond to the motion. Company's motion may be ruled upon by either the Commission or an
10 assigned Commission Administrative Law Judge ("ALJ"). Company may provide to the
11 Commission or the ALJ the Confidential Information referenced in the motion without waiver that
12 the information should remain confidential under the terms of this Agreement. Any Confidential
13 Information so provided shall be kept under seal for the purpose of permitting inspection by the
14 Commission or the ALJ prior to ruling on the motion.

15 Notwithstanding any determination by the ALJ or the Commission that any Confidential
16 Information provided pursuant to this Agreement should be made a part of the public record or
17 otherwise disclosed, public disclosure shall not occur for a period of five (5) calendar days so that
18 Company may seek judicial relief from the ALJ or the Commission's decision. Upon expiration of
19 the five (5) day period, the Commission shall release the information to the public unless Company
20 has received a stay or determination from a court of competent jurisdiction that the records, data,
21 information, or study are proprietary and are not public records subject to disclosure under A.R.S.
22 § 39-101 et seq.

23 **§9. Judicial Proceedings Related to Non-Party's Request for Disclosure.** Where the
24 Commission, ALJ or Staff determines that disclosure is not appropriate, in any judicial action against
25 the Commission and/or Commissioners by the party seeking disclosure of the information, unless
26 specifically named, Company, as the real party in interest, shall join in the action as a co-defendant.
27 Company also agrees to indemnify and hold the Commission harmless from any assessment of
28 expenses, attorneys' fees, or damages under A.R.S. § 39-121.02 or any other law, resulting from

1 denial of access by the Commission to the information, data, records, or study subsequently found to
2 be non-confidential.

3 In the event that the Commission becomes legally compelled (by deposition, interrogatory,
4 request for documents, subpoena, civil investigative demand, or similar process) to disclose any of
5 the Confidential Information, the Commission shall provide Company with prompt written notice of
6 such requirement so that Company may seek an appropriate remedy and/or waive compliance.
7 Company agrees that upon receipt of such notice, Company will either undertake to oppose
8 disclosure of the Confidential Information or waive compliance with this Agreement. In the event
9 that disclosure of the Confidential Information is ordered, the Commission agrees to furnish only that
10 portion of the Confidential Information that is legally required.

11 **§10. No Preclusion of Evidentiary Objections.** In the event that disclosure of
12 Confidential Information occurs, the provision of such information by Company pursuant to this
13 Agreement shall not limit the right of Company to object to its relevance or admissibility in
14 proceedings before the Commission.

15 **§11. Return of Confidential Information.** Upon the final disposition of any
16 administrative or legal proceeding arising in or from this docket, within 90 days Company shall
17 submit a written request for the return of all Confidential Information, copies thereof, and notes made
18 by signatories to this Agreement. If such a request is not received within the stated 90 days, Staff
19 shall destroy all Confidential Information, copies thereof, and notes made by signatories to this
20 Agreement, or return to Company all Confidential Information, copies thereof, and notes made by
21 signatories to this Agreement, following written notice to Company of Staff's intent to return.

22 **§12. No Admission of Privileged or Confidential Status.** By participating in this
23 Agreement, Staff and its contracting consultants are neither admitting nor agreeing with Company
24 that any of the materials or communications designated as Confidential Information are, either in fact
25 or as a matter of law, a trade secret or of a proprietary, confidential, or legally protected nature.

26 **§13. Breach of Agreement.** Company, in any legal action or complaint it files in any court
27 alleging breach of this Agreement shall, at the written request of the Commission, name the Arizona
28 Corporation Commission as a Defendant therein.

1 §14. Non-Termination. The provisions of this Agreement shall not terminate at the
2 conclusion of this proceeding.

3
4 DATED this 26th day of April 2006.

5
6 ARIZONA CORPORATION COMMISSION

ARIZONA PUBLIC SERVICE COMPANY

7
8
9 By Christopher C. Kempley
10 Christopher C. Kempley, Chief Counsel
11 Janet Wagner, Senior Staff Attorney
12 Jason D. Gellman, Senior Staff Attorney
13 Legal Division
14 Arizona Corporation Commission
15 1200 West Washington
16 Phoenix, AZ 85007
17 (602) 542-3402

8
9 By Thomas L. Mumaw
10 Thomas L. Mumaw
11 Pinnacle West Capital Corporation
12 Law Department
13 P. O. Box 53999
14 Phoenix, Arizona 85072-3999

EXHIBIT "A"

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I have read the foregoing Protective Agreement dated _____, 2006, *In The Matter Of The Application Of Arizona Public Service Company For A Hearing To Determine The Fair Value Of The Utility Property Of The Company For Ratemaking Purposes, To Fix A Just And Reasonable Rate Of Return Thereon, To Approve Rate Schedules Designed To Develop Such Return And To Amend Decision No. 67744 - Docket No. E-01345A-05-0816* and agree to be bound by the terms and conditions of such Agreement.

Name

Signature

Employer or Firm

Business Address

Position or relationship with the
Arizona Corporation Commission

Date

EXHIBIT C



Brian Brumfield
Supervisor
Regulatory Affairs

Tel. 602-250-2708
Fax 602-250-3003
e-mail Brian.Brumfield@aps.com

Mail Station 9708
PO Box 53999
Phoenix, Arizona 85072-3999

October 17, 2006

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

RE: APS' RESPONSE TO COMMISSIONER MAYES REQUEST ON OCTOBER 10, 2006,
IN THE APS RATE CASE HEARING (DOCKET NOS. E-01345A-05-0816, E-01345A-
05-0826 AND E-01345A-05-0827)

Dear Sir or Madam:

On October 10, 2006, Commissioner Mayes requested that APS file in Docket certain information concerning the recent opinion poll conducted for APS.

The results of the poll and other pertinent information are confidential and therefore are being provided to the Commission, Staff and interested parties under seal pursuant to the executed Protective Agreement.

Sincerely,

Brian Brumfield
Supervisor
Regulatory Affairs

BB/dst

Cc: Parties of Record

AZ CORP COMMISSION
DOCUMENT CONTROL

2006 OCT 17 A 10: 07

RECEIVED