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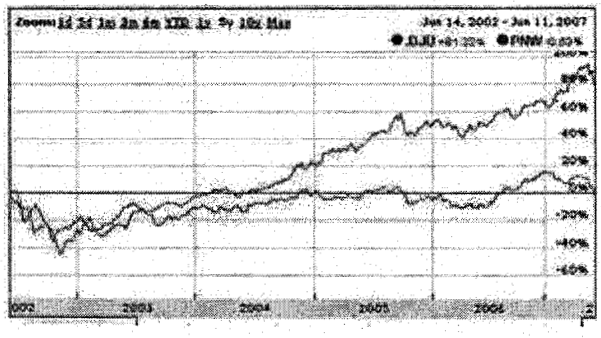
The Decline and Fall of Arizona Public Service

(Update: I left dividend information out of the original post. APS has maintained and indeed increased its dividend throughout the entire period. I've added an entry on March 10, 2006 to reflect this fact.)

The Arizona Corporation Commission will rule Wednesday on Arizona Public Service's latest request for a rate increase. APS is requesting a $449 million increase and the Commission's Hearing Officer has recommended an 11% or $286 million increase.

The company argues that the $286 million increase is inadequate and that the company faces the prospect of having its credit rating downgraded to junk status. APS places the blame for its plight squally at the feet of the Corporation Commission.

Shareholders have the right to be disappointed with APS's performance. Here's a chart that compares the Dow Jones Utility Average to APS's parent company Pinnacle West Corporation (PNW). As you can see, the Dow Jones Utility average is up 80% over the last five years and PNW has actually fallen over the same period. (Click to enlarge the chart.)



However, rather than blame the Corporation Commission for APS's poor performance, I believe the fault lies with APS management. Over the last 10 years, APS management has inserted itself into every policy debate from tax increases for education and transportation to TGEN and the Civic Center. Meanwhile APS has made a series of managerial mistakes that have cost the company hundreds of millions of dollars, devastated its credit and stock price and left it poorly positioned to respond to the needs of the

Greg Here: on The Decline and Fall of Arizona Public Service

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fastest growing state in the nation.

Now APS, facing the possibility of further downgrade, complains that the $286 million the ACC hearing officer has recommended is inadequate and virtually dares the ACC not to give the company what it wants.

Here is a chronology that, in my humble opinion, explains what went wrong with APS. All quotations are out of the Arizona Republic for the date listed.

(Disclosure: I don't generally write about APS or the ACC because I practice in front of the ACC and have had extensive dealings with APS. As RUCO Director, I signed the 1996 and 1999 APS Settlement Agreements, and I currently represent the merchant power plants based at the Palo Verde hub. My comments in Espresso Pundit are my own and do not reflect the views of my clients.)

Let me set the stage.

In 2000 California is in the midst of a power crises and the wholesale price of electricity is at record highs. APS makes millions selling its surplus power into the wholesale market. APS President Bill Post is Chairman of the Greater Phoenix Economic Council. Palo Verde is the largest and one of the best performing nuclear plants in the nation.

December 20, 2000

In order to further capitalize on record high power prices, APS breaks ground on a $1 billion gas-fired power plant called Redhawk.

"It is a merchant plant, built to sell directly to a wholesale market," APS spokesman Foote said. "It is intended to operate exclusively in a competitive market. All of its electricity will be sold in a competitive market."

April 2001

"Stockholders in Pinnacle West, the holding company for Arizona Public Service Co., have watched their investments increase 59 percent over the past 12 months.

Besides producing stellar returns for investors, Pinnacle West Chairman and Chief Executive Officer Bill Post said the sale of the company's excess electricity elsewhere will help the company keep electricity prices low for Arizonans."

November 2001

CEO Bill Post forms a Business Coalition to address the state's shortfalls. "We have no approved action plan for transportation, further reforms are needed in education, and we need to tackle the issue of open spaces."

August 18, 2001

July 2006

October - Election '06

2004

1st Quarter 2005

2nd Quarter 2005

July 2005

August 2005

September 2005

October 2005

November 2005

December 2005

January 2006

February 2006

March - April 2006

May 2006

June 2006

August 2006

September 2006

SITE METER

Pinnacle West Capital Corp. announces to build a $400 million gas-fired power plant in southern Nevada to provide electricity to the Las Vegas market. The plant is to be named Silverhawk.

January 2002

Wholesale power prices collapse.

"Just a year ago, Pinnacle West was reaping the windfall of California's energy crisis and poised to expand its energy capacity, but energy prices have since collapsed and with them the profits and plans of energy firms."

"Exposure to the Enron debacle and a 90 percent plunge in wholesale power prices produced a 14.3 percent slide in fourth-quarter earnings reported Monday by Pinnacle West Capital Corp."

March 2002

"Bill Post, chairman of the Greater Phoenix Economic Council, which spearheaded the coalition formation, said Wednesday that a council will be set up to make sure the effort doesn't lose steam. Formerly taboo business topics such as raising taxes and user fees and tough talk on growth were brought up, if gingerly."

April 12, 2003

"According to a proxy statement filed for the parent company of Arizona Public Service Co., Post's total compensation was up 26 percent, pushing it past the $2 million mark, from $1.6 million the previous year. The biggest boost came from a 67 percent increase in his bonus, which jumped to $900,000 from $540,000 the year before.

Pinnacle West's net income rose 3 percent, to $312.17 million, in 2001, though its stock price slipped 12 percent.

April 23, 2002

Substantially lower wholesale electricity prices produced a 9.6 percent drop in first-quarter net income reported Monday by Pinnacle West Capital Corp.

July 24, 2002

"Reeling from the collapse of its wholesale power marketing business, Pinnacle West Capital Corp. said Tuesday that it would eliminate 600 jobs, or about 8 percent of its workforce, by year's end."

October 21, 2002

Bill Post, chairman and CEO of Pinnacle West Capital Corp. and chairman of the board of Arizona Public Service, will receive the National Americanism Award at Thursday's Anti-Defamation League dinner. He has twice been

chairman of the dinner.

October 29, 2002

Mild summer temperatures, severance costs and a feeble wholesale power market produced sharply lower third-quarter earnings for Pinnacle West Capital Corp.

Also contributing to the lower earnings were a $15 million loss at Pinnacle's El Dorado Investment Co. unit and a $1 million loss at its SunCor Development real-estate unit

November 2002

"Greater Phoenix Business Leadership Coalition are working together like never before and have thrown their support behind the expansion of Phoenix Civic Plaza."

"I think we're on a path where we can make real major additions to the kinds of things that the community needs to do," said Bill Post who is a coalition founder and chairman of its CEO-led steering committee.

November 27, 2002

Governor Elect Napolitano names a blue ribbon panel to analyze Arizona's tax structure. She names Bill Post Co Chair.

December 11, 2002

Post is appointed to the Board of TGen and the Super Bowl Bid Committee.

February 5, 2003

"Pinnacle West Capital Corp. reported its first quarterly loss in a decade Tuesday after one-time charges for canceled contracts and an accounting change eroded profits already weakened by rising fuel costs and an unusually mild winter."

February 26, 2003

Post earns the praise of the Republic Editorial Board for his active support of the publicly-financed Downtown Civic Center.

March 28, 2003

Meanwhile the Redhawk and Silverhawk plants do not earn enough to cover the debt payments and APS seeks permission to loan its competitive affiliate $500 million to cover the shortfall.

"With a 4-1 vote Thursday, the Arizona Corporation Commission approved a $500 million loan from APS to Pinnacle West Capital Corp. to help pay off construction loans associated with its Red Hawk, West Phoenix and Silver

Hawk power plants. The move required the commission's approval because APS would have to borrow the money to lend to its parent, which could put ratepayers at risk."

Spring 2003

Governor Napolitano's Blue Ribbon Tax Commission is meeting nearly every week state wide. Post says "the long-term recommendations could include a revamping of the state's property tax system, closing some sales tax exemptions and other tweaks to Arizona's tax code."

May 27, 2003

Meanwhile, The Company's investment in Redhawk and Silverhawk have soured.

"APS Chairman Bill Post said Wednesday that the company would seek to recover from ratepayers the $1 billion cost of two power plants built by an affiliate and at least $234 million in deregulation-related costs." (So much for the plants being built for the "competitive market.")

June 28, 2003

After a decade of rate decreases, Arizona Public Service Co asked regulators Friday for a $175 million per year rate increase. It is the first rate increase sought by the utility since 1991 and would substantially erode a 15.7 percent drop in rates since 1994.

June 30, 2003

The Blue Ribbon Commission announces an interim report "Perhaps the most controversial is the goal of "vertical equity," with taxes increasing along with the ability to pay."

August 1, 2003

The Republic prints an Op Ed column containing the sentence. "There is one superstar who does seem to stand out and I'd like to throw some kudos at this gentleman because he does seem to rush in where angels fear to tread. His name is Bill Post."

October 23, 2003

After meeting almost constantly for nearly a year the Blue Ribbon Tax Committee issues its recommendations.

"The entire package would broaden the tax base by levying more than $800 million in new taxes on services, property, real estate transactions and businesses that lost exemptions." Additionally, the package would shift $600 million in taxes from businesses to homeowners.

October 24, 2003

"The response was quick and vehement Thursday to proposed tax reforms that could affect life in Arizona from haircuts to home sales to satellite television installations."

"Republican lawmakers said the recommendations will never fly. Realtors set aside $2.1 million to fight the proposals. Small businesses, ranging from bug sprayers to chiropractors, vowed to continue their fight against potentially costly changes in the tax code."

Commission Chairman Bill Post, chief executive officer of Arizona Public Service Co., said through a spokesman Thursday that he didn't want to respond to critics of the recommendations until the plan was finished.

December 18, 2003

Napolitano abandons the Blue Ribbon Commission.

"Gov. Janet Napolitano will not push for tax reform in the 2004 legislative session. The reason, she said, is that her handpicked task force has not delivered its ideas to modernize and streamline the tax code."

January 2004

Nuclear Regulatory Commission officials call in Palo Verde managers to discuss concerns raised over allegations of deteriorating relations between management and workers.

January 15, 2004

Valley leaders on Wednesday launched an intense lobbying effort to persuade lawmakers to place a $15.8 billion transportation plan on the May 18 ballot. "It would mean drivers would spend more time on the road," said Marty Shultz, vice president of government affairs for Pinnacle West Capital Corp. and a key lobbyist for the transportation plan.

February 3, 2004

Unit 1 is shut down when radioactive water is discovered dripping from a drain line.

Also on February 3, 2004

Business leaders and elected officials beat back efforts to wreck the 20-year regional transportation plan of freeways and transit."This sends one of the most important signals we've sent in a long time," said lobbyist Marty Shultz, who played a key role in talks at the Legislature. Shultz, was deputized by Pinnacle West boss Bill Post to push the measure...

February 19, 2004

Unit 2 is shut down when radioactive water is found leaking from a tube in the unit's steam generator. The NRC launches an investigation.

February 29, 2004

Unit 3 is shut down because of electrical problems. Later, boron is found on a heater sleeve, indicating a leak of radioactive material.

March 6 2004

The "Business Coalition" holds its second summit, its top issue: improving the state's education system. Bill Post continues to act as Chair of the groups "Leadership Council."

May 2004

NRC team sent to Palo Verde to investigate a potential erosion of a "culture of safety" after allegations of management-employee disconnect.

June 7 2004

Unit 3 shut down after turbine control fails.

June 14, 2004

Units 1, 2 and 3 are shut down when a power surge cuts off outside power to the plant. NRC sends a team to investigate. Investigators conclude that bird droppings knocked out a transmission line taking down all three reactors and plunging the Valley into a power crunch.

July 4,2004:

A fire at Westwing substation destroys five transformers and restricts power imports.

July 20, 2004:

A fire at Deer Valley substation cuts power to parts of the Valley.

July 29, 2004

All units are taken offline as air is found in a line that provides water for emergency cooling for the plant's three reactor cores.

July 30, 2004

Earnings fall of 11% per share is masked by $21 million one time gain on sale of PNW's ownership in the Phoenix Suns.

August 15, 2004

Bill Post helps launch "Mainstream Arizona", a group "building a big war chest, which it is using to help moderate Republicans win their legislative primaries

in the ongoing battle for the soul of the Arizona GOP."

August 20, 2004

NRC sends team to Palo Verde to evaluate July 29 waterline issue and follow up on investigation of June 14 outage.

September 5, 2004

"Marty Shultz, the quintessential political insider, a lobbyist for Pinnacle West, articulates the growing concerns of corporate Arizona. Shultz has concluded that the current conservative legislative leaders are retreating from the realities of the state's economic and social agenda.

Who was it, he asks, his voice rising, who resisted the Civic Plaza, designed to bolster tourism, a major employer in the state?* "Who resisted the university research for bio-sciences?"* "Who opposed (all-day) kindergarten? It was always the same guys," Shultz said.

September 8, 2004

Mainstream Arizona's mailings trigger matching funds from the Clean Elections Commission and a handful of "Mainstream" incumbents lose their elections. Mainstream Arizona pays a fine for failing to register as a political committee and is disbanded.

February 10, 2005

Unit 1 is shut down to repair a faulty breaker.

March 19, 2005

"Valley power supplies could be tight this summer because of a delay in the arrival of new transformers to replace those destroyed in last summer's disastrous Westwing substation fire."

March 29, 2005

"Arizonans will see their monthly electric bills increase an average of 4.34 percent as a result of a rate increase granted to Arizona Public Service Co. on Monday by state regulators."

"The agreement allows **APS** to recover from ratepayers a $700 million investment in the Redhawk plant made by its parent, Pinnacle West Capital Corp."

"APS is granted a "power-supply adjuster" (PSA) that allows APS to pass on to ratepayers 90 percent of the increases in the costs of fuel for its power plants and electricity that the company must buy to make up supply gaps." However, APS agrees to a narrow trading band. If gas prices rise dramatically, APS pays the excess.

April 17, 2005

Among utilities, Pinnacle West Capital Corp., parent of Arizona Public Service, pays a dividend exceeding 4 percent. That's about twice the payment of Unisource Energy, parent of Tucson Electric Power.

May 22, 2005

Plant operators shut down the Unit 3 reactor May 22 to repair a coolant pump oil leak. While repairing that problem, plant operator Arizona Public Service Co. discovered some problems with the plant's heaters that help regulate pressure in the reactor's cooling system.

July 23, 2005

"Four months after winning approval to increase rates, Arizona Public Service Co. late Friday asked state regulators for another increase in electricity bills to help offset the rising cost of fuel."

"APS wants state regulators to approve an "adjuster" that would raise the typical residential customer's bill 2.1 percent to $110.66 from $107.92. The utility said the increase is warranted under terms of a state-approved rate plan that allows the utility to pass along its fuel costs."

July 28, 2005

Pinnacle West Capital Corp., which reported a second-quarter profit drop largely due to a $59 million after-tax loss from the sale of Silverhawk power plant near Las Vegas.

(Silverhawk is other merchant plant that PNW built at the height of the market. Recall that the ACC put the sister "Redhawk" plant into ratebase, PNW's disastrous foray into merchant power is over.)

August 30, 2005

Hurricane Katrina wipes out most of the Gulf Coast Natural Gas industry. Gas prices break through the PSA trading band almost immediately. Leaving APS on the hook for nearly $500 million in higher gas costs.

September 28, 2005

"Arizona Public Service wants its customers to help pick up the tab for more than $30 million the utility paid to replace energy lost this year when a string of unplanned outages at Palo Verde Nuclear Generating Station shut down the plant's reactors."

October 4, 2005

A reactor at the Palo Verde nuclear power plant has been shut down for the

third time this year due to a leaking oil seal.

October 13, 2005

"The Palo Verde Nuclear Generating Station, 50 miles west of downtown Phoenix, was idle Wednesday after two of its three reactors were shut down because of safety concerns. A third unit at the nation's largest nuclear power plant was taken off-line Oct. 7 for refueling and repairs."

Also on October 13, 2005

The Republic's John Talton gushes "Chairing the Arizona Bioscience Roadmap Steering Committee is Marty Shultz, vice president of government affairs from Pinnacle West Capital Corp., parent company of Arizona Public Service. Shultz is a power broker in the tradition of Arizona business leadership, widely trusted and well positioned to be a mediator."

October 14, 2005

"Pinnacle West Capital Corp.'s stock hit a 52-week low Thursday as investors reacted nervously to the shutdown late Tuesday of the Palo Verde Nuclear Generating Station west of Phoenix."

October 20, 2005

Pinnacle West Capital Corp. said Wednesday that its board approved a 5.3 percent increase in annual dividend payments.

The board's vote means shareholders will see an annual 10-cent increase in dividends to $2 per common share. The new dividend rate of 50 cents per quarter is payable Dec. 1 to shareholders of record as of Nov. 1.

November 5, 2005

"Arizona Public Service is seeking to raise electricity rates 20 percent to pay for soaring energy costs, power plants and distribution lines needed to keep pace with the Valley's rapid growth.

The Phoenix-based utility on Friday filed its largest-ever rate hike request of $409.1 million with the Arizona Corporation Commission, the state regulatory agency that must review and approve rate increases."

December 22, 2005

"Key executives pushed the region's progress in biosciences this year, especially pushing forward the University of Arizona medical school in Phoenix. Don Budinger of the Rodel Foundation, Marty Shultz of Pinnacle West Capital and Dick Silverman of Salt River Project played critical roles in keeping everyone together."

December 23, 2005

"Arizona Public Service Co. warned state regulators on Thursday that soaring natural-gas prices have sent fuel and power costs so high that it may need to seek an emergency rate hike early next year.

Such a move would provide immediate cash for the Phoenix-based utility and appease a Wall Street rating agency that signaled that APS' credit could be downgraded to junk status by January unless regulators allow it to charge more for electricity.

APS already has two cases before the Arizona Corporation Commission and plans a third "adjuster" case in April. All three cases seek to hike electricity bills to raise cash and recover money the utility spends on fuel for power plants and purchased electricity."

January 18, 2006

Palo Verde Unit on is shut down after APS discovers a problem with the unit's main emergency shut-down line.

January 25, 2006

"Arizona Public Service Co. won approval from state regulators on Wednesday to raise electricity bills $112 million in the first of what could be a handful of increases to ease the company's financial jam, executives said more rate hikes are needed to ensure that the firm's corporate bond rating doesn't sink to junk-bond status."

February 2, 2006

"The parent company of Arizona Public Service Co. said its fourth-quarter profits fell 37 percent because of higher fuel costs, a loss from the sale of a power plant, and lower returns from its energy-trading business.

APS executives cited many reasons for the drop in profits: higher operating costs in customer service and electricity generation, a loss from its sale of the Silverhawk power plant in Nevada and less cash generated from its energy trades. Also, the company's 2004 earnings were lifted by the sale of its stake in the Phoenix Suns."

February 3, 2006

"Arizona Public Service on Thursday asked state regulators to approve $59.9 million increase to pay for costs related to last year's outages at Palo Verde Nuclear Generating Station and other fuel costs."

March 10,2006

"Even as Arizona Public Service Co. seeks to collect more than a half-billion dollars by raising electricity bills for customers, its parent company has rewarded investors by increasing dividends every year since 1993.

Pinnacle West Capital Corp. has been one of the most consistent dividend payers among the nation's regulated utilities.

It has increased payouts to investors by 10 cents each year since 1993, making it just one of 11 investor-owned utilities that pay an annual dividend of at least $2 per share. This year, it will return $186.7 million to shareholders."

April 6, 2006

"The Arizona Corporation Commission on Wednesday approved Arizona Public Service Co.'s request to levy a $15.3 million surcharge on customers to recover fuel costs."

April 28, 2006

"Moody's Investors Services on Thursday lowered the bond rating of Arizona Public Service's parent company to one notch above junk status, a move that threatens to significantly raise borrowing costs for the state's largest electric utility."

May 3, 2006

"Electricity bills for Arizona Public Service customers will increase 7.6 percent next month after Arizona regulators on Tuesday approved a special fuel charge that will allow the cash-starved utility to collect an extra $140 million this year."

May 10, 2006

"The Phoenix-based utility reported Tuesday that it lost $5.5 million during the first three months of this year, a sharp reversal from last year when the utility captured a $27 million first-quarter profit."

May 27, 2006

"Phoenix-area business leaders want to knock five years off the Valley's 20-year plan for updating and building freeways. They have called a transportation summit to see if they can complete the work in as few as 15 years. For business people, good transportation is critical because traffic jams cost them money, said summit organizer Marty Shultz, vice president at Pinnacle West Capital Corp. and a longtime transportation activist."

July 4, 2006

"Unit 3 shut down on Saturday after a loss-of-pressure incident that spilled thousands of gallons of non-radioactive water into the reactor's turbine building and elsewhere."

July 8, 2006

Bill Post named to the Board of Governors of Thunderbird School of

International Management.

July 17, 2006

Jack Davis, president and chief executive officer of Arizona Public Service, takes over the role of board chairman of the Greater Phoenix Chamber of Commerce.

July 22, 2006

"Sweltering heat and an influx of new residents produced a 320 percent increase in quarterly profits for the parent company of Arizona Public Service Co. But that doesn't change the utility's plans to ask for significant increases in customers' monthly bills."

July 28, 2006

"State regulators want to hold a special meeting to examine Arizona Public Service Co.'s financial condition after the utility's parent company last week reported a fourfold increase in quarterly profits."

August 11, 2006

"Even after Arizona Public Service Co. halted executive bonuses last year because of a cash crunch, seven of the utility's top executives took stock awards totaling nearly $1 million in late July and early August."

September 13, 2006

"A dozen Palo Verde Nuclear Generating Station supervisors and line workers either have been fired or transferred since February as the plant tries to ease federal regulators' concerns about oversight at the nation's largest nuclear plant."

October 28, 2006

Higher revenue from electricity sales during the summer and fuel-cost deferrals of a year ago helped Pinnacle West Capital Corp report a third-quarter profit 78 percent higher than a year ago.

December 14, 2006

"Arizona Public Service Co. announced a management shake-up Wednesday aimed at improving performance at its troubled Palo Verde Nuclear Generating Station 50 miles west of Phoenix.

The company said that Jim Levine, 57, is retiring as the company's chief nuclear officer and will be replaced after the first of the year.

Donald Brandt, chief financial officer of APS and its parent, Pinnacle West Capital Corp., has been named president of the state's largest electric utility, replacing Jack Davis, who will continue as CEO and head of power

generation."

February 23, 2007

Federal regulators on Thursday downgrade Palo Verde Nuclear Generating Station into the category of most-regulated nuclear plant in the country.

April 21, 2007

"Federal authorities are accusing a former engineer at Palo Verde Nuclear Generating Station of illegally taking software codes to Iran and downloading details of control rooms, reactors and designs of the nation's largest nuclear plant."

April 21, 2007

"Pinnacle West Capital Corp. reported that Chairman Bill Post was paid $7.5 million in total compensation in 2006, according to papers filed Friday with the Securities and Exchange Commission."

May 22, 2007

Bill Post announces that the Arizona Utility Investors Association has changed its name to the Arizona Investment Council and will expand its mission to issues involving the state's infrastructure.

Also on May 22, 2007

Lehman Brothers downgrades APS stock from "Hold" to "Sell." The stock falls 11%.

June 12, 2007

APS files a statement with the ACC claiming that the ACC's proposed $286 million increase "fails to provide an adequate financial basis for APS to maintain its credit and raise necessary capital."

June 13, 2007

Arizona Corporation Commission set to vote on $449 Million APS Rate increase.

So there you have it...the fall of APS. Astonishing isn't it?

Every milestone has been covered in the local media but no one has taken the time to present the big picture. In retrospect the mistakes are obvious: A billion dollar foray into merchant power, too much exposure to natural gas prices, inattention to Palo Verde.

Now, perhaps you can see why Dow Jones Utility Average has risen 15% so far this year while PNW has fallen 5%...not the result that you would expect for

the dominant utility in the fastest growing state in the nation.

All the while, company executives chair transportation committees, blue ribbon panels, chambers of commerce and even a major university. They spend thousands of hours advocating for higher taxes, light rail, consolidated school districts, more freeways, better infrastructure, Bio Tech, the Super Bowl, and a new Downtown Civic Center.

They complain about the Corporation Commission yet it bails them out again and again. By the end of 2005, APS had three rate increase requests pending simultaneously.

On Wednesday, APS will go in front of the Arizona Corporation and once again argue that without adequate relief its bonds will turn to junk. The Commissioners--none of whom want APS to fail on their watch--will likely once more give APS the rate relief it seeks.

The management team will celebrate with a nice dinner and go back to what it does best, building Civic Centers, attracting Super Bowls, accepting awards and reading glowing editorials.

June 12, 2007 in Espresso Pundit | Permalink

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Comments

Greg, kudos for being the only person to give a comprehensive view of the train wreck that is APS. I find it shocking that a corporation such as APS refuses to be accountable to its ratepayers and shareholders as nonregulated corporations are.

It is unbelieveable to me that APS continually focuses so much energy on community relations at the expense of its core purpose when it is a monopoly. This is sheer arrogance. Take a look next time you go to a Diamondbacks game at all of the APS propoganda. I have no idea how much money ratepayers have given to advertise for the monopoly that provides

electricity to Arizona, but it is a shame that APS leadership refuses to prioritize in the face of their capsizing ship.

I wish the Corporation Commission luck with their decision in this matter. APS is basically extorting a rate increase on the backs of the ratepayers to cover their executives' own ineptitude.

Posted by: buttercup | June 12, 2007 at 07:58 AM

Greg,
Many insiders know what you've documented, but even for us it's pretty eye-opening to see the chronology.
Nice work.
Steve

Posted by: Steve Voeller | June 12, 2007 at 09:53 AM

Greg

Nice Job. This is why I consider bloggers to be journalists. And this is why, even though I often disagree with your posts, you have earned my respect.

Thanks for the nice piece of reporting.

Posted by: SonoranSam | June 12, 2007 at 10:01 AM

I will be a candidate for Az Corporation Commissioner in 2008. I am amazed at the mis-management by APS as summarized on your website. If elected to the ACC, I pledge to do all in my power to reverse these disturbing trends.

Rick Fowlkes
Candidate for Az Corporation Commissioner

www.rfowlkes.com

Posted by: Rick Fowlkes | June 12, 2007 at 02:59 PM

You could have included the formation of the School District Redistricting Commission of which Mary Schultz is chair. This committee was formed after intense lobbying of the legislature because APS felt it would lower their secondary assessed valuation, so force school district consolidation in spite of the will of the voters. The school districts have no choice but to hold the election, at taxpayer expense, regardless of community desire for consolidation or not. In some of the targeted communities, local homeowner property taxes will actually go up if the districts are consolidated.

Add to that the role Pinnacle West played in the State Trust Land issue. They were a big donor in the Prop 106 effort, but they knew they would have a right of way through the land no matter who owned it, one of those hidden perks. The potential for millions of dollars to be taken out of schools and handed over to political appointees was the bottom line.

Posted by: Ann | June 12, 2007 at 03:24 PM

Uh, I guess I'm a bit confused at why APS has ANY role in educational stuff. I suspect their role in transportational policy has to do supplying power in areas effected by changes in transportation. Is that correct.

I really like this blog and have little respect for APS from what little I have seen but I would really appreciate it if someone would explain any justification Arizona Public Services has for this stuff. I had thought they were a power company so where am I wrong?

Posted by: Mike | June 12, 2007 at 04:10 PM

Another promotion (distraction?) for Schultz:

(From the AZ Republic) - U.S. Secretary of Transportation Mary Peters, an Arizona native and former director of the state Department of Transportation, has tapped Phoenix executive Martin Shultz to serve on the National Surface Transportation Infrastructure Financing Commission.

Shultz, vice president of government affairs for Pinnacle West Capital Corp., said the 13-member commission is charged with studying the revenue flowing into the federal highway trust fund to build and maintain the nation's roads and transit systems. The panel will issue a report next year recommending ways of reforming and improving the financial viability of the transportation system.

Posted by: Tim | June 12, 2007 at 10:36 PM

Greg,

Great summary! Thanks for putting it together. One item I looked for and did not see was the article last year (?) stating that Pinnacle West was increasing its dividends to its shareholders (all while asking for an increase). It fits right in.

Posted by: Ken | June 12, 2007 at 10:52 PM

APS is typical of large corporations. Far too many people who work in "community relations" are liberals.

Unfortunately, they trick senior management into believing they can buy off so-called "community activists" groups with corporate donations to left-wing "educational groups" and by leading efforts that win praises from liberal newspapers.

That distracts from their core business and creates an economic environment where serving the customer is secondary to being a "good corporate citizen."

Thanks for pointing it out.

Posted by: Chad | June 13, 2007 at 06:01 AM

Greg Here: Ken makes an excellent point, I forgot to include dividend payouts. I've added this entry for March 10, 2006

"Even as Arizona Public Service Co. seeks to collect more than a half-billion dollars by raising electricity bills for customers, its parent company has rewarded investors by increasing dividends every year since 1993.

Pinnacle West Capital Corp. has been one of the most consistent dividend payers among the nation's regulated utilities.

It has increased payouts to investors by 10 cents each year since 1993, making it just one of 11 investor-owned utilities that pay an annual dividend of at least $2 per share. This year, it will return $186.7 million to shareholders."

Posted by: Greg Here: | June 13, 2007 at 07:32 AM

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