



0000094056

Leland R. Snook
Director
State Regulation & Pricing

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

ORIGINAL

February 24, 2009

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

RE: APS COMPLIANCE WITH DECISION NO. 70667 – APS/PINNACLE WEST COMMUNICATIONS WITH CREDIT RATING AGENCIES
Docket No. E-01345A-08-0172

Attached please find copies of Arizona Public Service Company (APS) and Pinnacle West's available past communications with credit rating agencies as instructed per Decision No. 70667 (December 24th, 2008):

"Arizona Public Service Company shall file all currently existing communications within 10 days of the effective date of this Decision and shall file future communication on a monthly basis. The first such monthly report shall be due on February 1, 2009, and the monthly filing shall continue until the conclusion of Arizona Public Service Company's general rate case. Thereafter, Arizona Public Service Company shall make such filings on a six month basis, with the first filing due by January 1, 2010."

This monthly filing covers the communications with rating agencies from January 28, 2008 through February 19, 2009. If you have any questions or concerns please contact David Rumolo (602)-250-3933.

Sincerely,


Leland R. Snook

LS/dst

Attachments

CC: Ernest Johnson
Brain Bozzo
Barbara Keene
Terri Ford

Arizona Corporation Commission
DOCKETED

FEB 24 2009

DOCKETED BY 

RECEIVED
2009 FEB 24 P 4:44
AZ CORP COMMISSION
DOCKET CONTROL

Rating Agency Communication Log

Date	Person	APS/PNW Personnel	Subject	Comment
1/29/2009	Scott Solomon, Moody's	Jim McGill	E-mailed completed Bad Debt Expense Questionnaire to Scott	
1/30/2009	Phil Smyth, Fitch	Investor Relations (IR)	IR sent press release on APS Resource Plan Filing with ACC	
1/30/2009	Tony Bettinelli, S&P	IR	IR sent press release on APS Resource Plan Filing with ACC	
1/30/2009	Laura Schumacher, Moody's	IR	IR sent press release on APS Resource Plan Filing with ACC	
2/4/2009	Tony Bettinelli, S&P	Jim McGill	E-mailed indenture for potential debt issue	
2/4/2009	Phil Smyth, Fitch	Jim McGill	E-mailed indenture for potential debt issue	
2/4/2009	Laura Schumacher, Moody's	Jim McGill	E-mailed indenture for potential debt issue	
2/5/2009	Phil Smyth, Fitch	Investor Relations (IR)	IR sent release regarding retail rate case update	
2/5/2009	Tony Bettinelli, S&P	IR	IR sent release regarding retail rate case update	
2/5/2009	Laura Schumacher, Moody's	IR	IR sent release regarding retail rate case update	
2/5/2009	Tony Bettinelli, S&P	Jim McGill	E-mail from Tony re: indenture discussion	
2/6/2009	Tony Bettinelli, S&P	Jim McGill, Rufad Omanovic	Potential debt issue and retail rate case settlement discussions	
2/11/2009	Mitchell Moss, Moody's	Rufad Omanovic	E-mail from Mitchell requesting financial statements	
2/16/2009	Laura Schumacher, Moody's	Jim McGill	E-mailed information on year-end cash balances and available credit facilities	
2/17/2009	Laura Schumacher, Moody's	Jim McGill	E-mail from Laura clarifying request for financial statements	
2/17/2009	Laura Schumacher, Moody's	Jim McGill	E-mailed 2007 financial statements to Laura	
2/17/2009	Laura Schumacher, Moody's	Jim McGill	Called Laura to schedule update call	
2/17/2009	Phil Smyth, Fitch	Jim McGill	Called Phil to schedule update call	
2/18/2009	Laura Schumacher, Moody's	Jim McGill	E-mailed from Laura requesting Chris Froggatt's contact info	
2/18/2009	Laura Schumacher, Moody's	Jim McGill	E-mailed Chris Froggatt's contact info to Laura	
2/18/2009	Tony Bettinelli, S&P	Jim McGill	Called Tony to schedule update call	
2/18/2009	Laura Schumacher, Moody's	Jim McGill	E-mail from Laura requesting additional information on year-end cash balances and available credit facilities	
2/18/2009	Laura Schumacher, Moody's	Jim McGill	E-mailed Laura the requested additional information on year-end cash balances and available credit facilities	
2/18/2009	Tony Bettinelli, S&P	Jim McGill	E-mail from Tony requesting info on bad debt, customer growth	
2/19/2009	Phil Smyth, Fitch	Jim Hatfield, Chris Froggatt, Jim McGill, Rufad Omanovic	Called Phil to update on earnings, SunCor, and upcoming debt issue	
2/19/2009	Laura Schumacher, Moody's	Jim Hatfield, Chris Froggatt, Jim McGill, Rufad Omanovic	Called Laura to update on earnings, SunCor, and upcoming debt issue	
2/19/2009	Tony Bettinelli, S&P	Jim Hatfield, Chris Froggatt, Jim McGill, Rufad Omanovic	Called Tony to update on earnings, SunCor, and upcoming debt issue	

Reminder: Request from Moody's Investors Service

McGill, James T(Z71171)

From: McGill, James T(Z71171)
Sent: Thursday, January 29, 2009 6:50 AM
To: 'Solomon, Scott'
Subject: RE: Reminder: Request from Moody's Investors Service
Attachments: Moody's 2009 Bad Debt Expense Study.doc

Scott,
Attached is the completed questionnaire.

Jim

From: Solomon, Scott [mailto:Scott.Solomon@moodys.com]
Sent: Tuesday, January 27, 2009 2:02 PM
To: Solomon, Scott
Subject: Reminder: Request from Moody's Investors Service

The attached questionnaire was forwarded on January 21, 2009. Could you please have it have completed and returned by Friday, January 30, 2009?

<<Bad_Debt_Study.doc>>

Regards,
Scott Solomon
Vice President, Senior Analyst
Moody's Investors Service
212-553-4358
scott.solomon@moodys.com

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Moody's 2009 Regulated Utilities Bad Debt Expense Study:

1. Have you experienced increases in past due payments and bad debt expense from your residential, commercial and industrial customers over the past 12 months? If so, what has been the percentage increase in past due receivables overall and by type of customer (residential, commercial and industrial)? What are the expectations for the next 12 months?

Response: Yes, we have experienced increases in past due payments and bad debt expense over the last 12 months. Based on actuals, we have increased our bad debt accrual from 0.17% of customer revenues to 0.21%. We have not seen any change with regard to type of customers groups and the losses by type. We continue to see that 96-97% of all our losses are from the residential group. We have budgeted for the losses in 2009 to be at least equal to those we saw in 2008.

2. Please summarize any energy assistance programs that may be provided in your utility's service territory, including the funding mechanism for such a program. Has funding for the program increased over the past 12 months? Does the program provide mitigation against increases in bad debt?

Response: Low income customers may be eligible to receive a discount on their electric bill through the APS Energy Support Program (E-3) or Medical Care Equipment Program (E-4). E-3 and E-4 offer a discount up to 40% off the cost of electricity for customers who meet certain income guidelines. The income guidelines are based on 150 percent of the federal poverty guidelines as determined by the Arizona Department of Economic Security (DES) and changed every July 1st. The discount varies depending on how much electricity is used each month.

Additionally, customers on E-3 and E-4 are exempt from Power Supply Adjustor (PSA) charges. The PSA is an adjustment mechanism that collects the difference between what we are paying for fuel and purchased power.

We successfully lobbied for additional Low-Income Home Energy Assistance Program (LIHEAP) funds and those funds were tripled. LIHEAP is a federal program that provides a one time payment for a delinquent utility bill.

3. What measures are in place with your public utility commission(s) to enable you to pass through the increased costs of bad debt expenses onto ratepayers or to recover a majority of your customer bad debt expenses from ratepayers?

Response: We currently recover bad debt expense as part of our base rates based on an historical "test year." In the current ACC proceeding, we've requested a \$1m increase in the 2007 test year levels based on recent experience. The current

ACC Staff recommendation supports our proposed 0.21% level. Recovery at the higher level won't begin until new rates become effective.

4. If you have had debt mitigation measures in your rate design, how long do you expect it would take to recoup these expenses?

Response: See 3.

McGill, James T(Z71171)

From: McCallister, Bobbe S(Z99772) on behalf of Hickman, Rebecca (Z46875)
Sent: Friday, January 30, 2009 9:08 AM
Subject: PNW/APS: Press Release Regarding APS Resource Plan Filing with ACC

Arizona Public Service Company has filed a comprehensive Resource Plan with the Arizona Corporation Commission, and issued a press release earlier this morning. The text of the press release is included below in this message.

If you have any questions about this plan or need other information about our company, please contact me or Lisa Malagon (602-250-5671).

Sincerely,

Becky

Rebecca L. Hickman
Director of Investor Relations
Pinnacle West Capital Corporation
400 North 5th Street, Station 9998
Phoenix, Arizona 85004
Telephone: (602) 250-5668
Fax: (602) 250-2789
E-mail: rhickman@pinnaclewest.com

APS REPORT CHARTS CLEAN ENERGY FUTURE

Renewables, Energy Efficiency to Power Arizona's Long-term Electric Needs

PHOENIX – Over the next two decades, APS customers could receive significantly more of their electricity from clean energy sources under a comprehensive Resource Plan filed today with the Arizona Corporation Commission.

Developed with substantial public input, the report identifies a balanced path to Arizona's energy future. By 2025, APS envisions producing a significant amount of power through solar plants and other renewables, while simultaneously helping customers improve the energy efficiency of their homes and businesses. The Company will also review baseload resource alternatives beyond 2020 and plans to keep its carbon dioxide emissions in the year 2025 at or below 2009 levels.

APS projects customer demand in 2025 will be more than 50 percent higher than today. The Resource Plan weighs the benefits of various electric generation resources to determine how to best meet this challenge. The report thoroughly evaluates economic, environmental, technological and other key factors to propose the types of resources to meet customer needs.

"The path to meeting the energy demands of 2025 is challenging and filled with opportunities," said APS Chief Executive Officer, Don Brandt. "Working with the Arizona Corporation Commission, the steps we take now will improve energy security for customers, reduce climate effects and position Arizona as a renewable energy leader for decades to come."

Our Resource Plan includes these recommendations:

Increasing the role of renewable energy sources, such as solar

APS will accelerate the development of renewable energy and will work with the ACC to seize opportunities for early adoption. APS proposes to exceed the current Renewable Energy Standard (RES), which requires the Company to generate 15 percent of its energy from renewables by 2025. APS expects to add approximately 1,600 megawatts (MW) of renewable resources, or enough energy for about 400,000 homes. Renewables should satisfy about 45 percent of the projected growth in energy consumption. This could include the construction of up to 1,000 MW of solar power plants, similar to Solana Generating Station, a 280 MW facility planned for 2012. APS also plans continued expansion of distributed energy resources as well as other renewable energy purchases. The Company will continue to engage and evaluate the market for renewable power projects. In addition to solar and wind, renewable energy sources currently include biomass, biogas and geothermal facilities.

Providing opportunities for all customers to improve energy efficiency

Under the plan, customers will have increased opportunities to use electricity more efficiently saving both energy and

money. These efficiency efforts could yield a reduction of almost 600 MW of demand from the grid – or, enough energy to power more than 110,000 homes. Current ACC-approved programs include air conditioner replacement rebates, retail discounts on compact fluorescent light bulbs; energy efficient home building standards and incentives for businesses to install energy efficient motors, lighting, cooling and refrigeration equipment. Over time, these programs could reach a wider range of customers and include new energy efficient opportunities.

Evaluating the potential for nuclear power; leveling off fossil fuel consumption

In keeping with best practices, APS will continue to evaluate options for new nuclear power as a baseload resource beyond 2020. Under the plan, APS will attempt to moderate increases in natural gas consumption and to limit, where prudent, their utilization over time. APS will require new gas resources to replace expiring contracts and to help meet summer peak demand. The Company has not included new coal-fired generation in the proposed plan.

Developed over the past 18 months, the APS Resource Plan incorporates input from more than 100 public meetings held statewide.

“This plan reflects the highly productive discussions we’ve had with the public about the right resources for Arizona’s specific strengths and challenges. We believe the choices not only reflect our strong commitment to Arizona’s sustainability, but also provide a diverse balance of resources for our customers,” said APS President and Chief Operating Officer, Don Robinson. “We look forward to presenting and explaining the plan to the Arizona Corporation Commission and other stakeholders.”

Overall, the plan could require a total investment of \$18 billion over the next two decades. APS may fund these investments directly, or, like Solana, allow other entities to construct plants and then sell power to the Company.

The Resource Plan Report filing along with supplemental materials and public meeting summaries are available on the APS website at www.aps.com/resources.

APS, Arizona’s largest and longest-serving electric utility, serves 1.1 million customers in 11 of the state’s 15 counties. With headquarters in Phoenix, APS is the principal subsidiary of Pinnacle West Capital Corp. (NYSE: PNW).

McGill, James T(Z71171)

From: McGill, James T(Z71171)
Sent: Wednesday, February 04, 2009 4:05 PM
To: 'Bettinelli, Antonio'
Subject: Indenture

Attachments: US_NE_500297215_3.DOC

Tony,
Attached is the indenture for the potential upcoming debt issue. Let me know if you have any questions.

Jim



US_NE_500297215
_3.DOC (747 KB)...

McGill, James T(Z71171)

From: McGill, James T(Z71171)
Sent: Wednesday, February 04, 2009 4:05 PM
To: 'Philip.Smyth@fitchratings.com'
Subject: Indenture

Attachments: US_NE_500297215_3.DOC

Phil,
Attached is the indenture for the potential upcoming debt issue. Let me know if you have any questions.

Jim



US_NE_500297215
_3.DOC (747 KB)...

McGill, James T(Z71171)

To: Schumacher, Laura
Subject: Indenture

Attachments: US_NE_500297215_3.DOC

Laura,
Attached is the indenture for the potential upcoming debt offering. Let me know if you have any questions.

Jim



US_NE_500297215
_3.DOC

McGill, James T(Z71171)

From: Higuchi, Dene C(Z05435) on behalf of Hickman, Rebecca (Z46875)
Sent: Thursday, February 05, 2009 8:42 AM
Subject: PNW/APS: Retail Rate Case Update

On January 30, 2009, Arizona Public Service Company (APS) and parties to its pending general retail rate case participated in initial discussions regarding possible settlement of the case. A second meeting has been scheduled on February 5, 2009.

To allow the parties time to conduct settlement discussions, an Arizona Corporation Commission (ACC) administrative law judge issued a procedural order yesterday suspending for at least 30 days the procedural schedule previously established for the rate case. The procedural order requires APS and/or the ACC staff to make a filing prior to the end of the 30-day suspension period updating the ACC on the status of the settlement discussions and making any appropriate procedural recommendations.

If you have any questions about this information or about our company, please contact me or Lisa Malagon (602-250-5671).

Sincerely,

Becky

Rebecca L. Hickman
Director of Investor Relations
Pinnacle West Capital Corporation
400 North 5th Street, Station 9998
Phoenix, Arizona 85004
Telephone: (602) 250-5668
Fax: (602) 250-2789
E-mail: rhickman@pinnaclewest.com

McGill, James T(Z71171)

From: Bettinelli, Antonio [Antonio_Bettinelli@standardandpoors.com]
Sent: Thursday, February 05, 2009 5:12 PM
To: McGill, James T(Z71171)
Subject: RE: Indenture

Let's chat tomorrow. What works for you?

From: James.McGill@pinnaclewest.com [mailto:James.McGill@pinnaclewest.com]
Sent: Wednesday, February 04, 2009 3:05 PM
To: Bettinelli, Antonio
Subject: Indenture

Tony,
Attached is the indenture for the potential upcoming debt issue. Let me know if you have any questions.

Jim

<<US_NE_500297215_3.DOC>>

Email Firewall made the following annotations

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McGill, James T(Z71171)

From: McGill, James T(Z71171)
Sent: Thursday, February 05, 2009 6:27 PM
To: 'Antonio_Bettinelli@standardandpoors.com'
Subject: Re: Indenture

Open 7 to 9 and 10 to 12 (Phx time)

From: Bettinelli, Antonio
To: McGill, James T(Z71171)
Sent: Thu Feb 05 17:11:54 2009
Subject: RE: Indenture

Let's chat tomorrow. What works for you?

From: James.McGill@pinnaclewest.com [mailto:James.McGill@pinnaclewest.com]
Sent: Wednesday, February 04, 2009 3:05 PM
To: Bettinelli, Antonio
Subject: Indenture

Tony,
Attached is the indenture for the potential upcoming debt issue. Let me know if you have any questions.

Jim

<<US_NE_500297215_3.DOC>>

Email Firewall made the following annotations

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McGill, James T(Z71171)

From: Omanovic, Rufad (Z72366)
Sent: Wednesday, February 11, 2009 9:33 AM
To: McGill, James T(Z71171)
Subject: FW: Consolidating Statements

From: Moss, Mitchell [mailto:Mitchell.Moss@moodys.com]
Sent: Wednesday, February 11, 2009 09:31
To: Omanovic, Rufad (Z72366)
Subject: Consolidating Statements

Rufad

Please send us consolidating statements for PNW for 2007 and SunCor financials for 2007, preliminary or final-- whichever is available.

Thanks
Mitchell

Mitchell Moss, CFA
Moody's Investors Service
7 World Trade Center, At 250 Greenwich Street
New York, NY 10007
212-553-4478, 212-298-6478 fax
mitchell.moss@moodys.com

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McGill, James T(Z71171)

From: McGill, James T(Z71171)
Sent: Monday, February 16, 2009 9:20 AM
To: 'Schumacher, Laura'
Subject: Liquidity Info

Attachments: 200812-31 Liquidity.xls

Laura,
Here is a summary of our cash position and revolvers as of 12/31/08.

Mitchell's request for consolidating financial statements referenced 2007 statements. Did he mean 2008? The 2008 statements have not been completed yet.

Jim



200812-31
liquidity.xls (15 KB..)

Cash and Credit Lines

December 31, 2008

(\$000)

	APS	PWCC
Cash on Hand	\$ 71,544	\$ 105,245
Available Credit Lines	866,143	1,299,000
Outstanding Balance	(521,684)	(785,684)
Remaining Balance	\$ 344,459	\$ 513,316

McGill, James T(Z71171)

From: Schumacher, Laura [Laura.Schumacher@moodys.com]
Sent: Tuesday, February 17, 2009 5:44 AM
To: McGill, James T(Z71171)
Subject: RE: Liquidity Info

Thanks Jim,

On the consolidating statments, we would like both 2007 and 2008. 2007 now, and 2008 when they become available.

Thanks,
Laura

-----Original Message-----

From: James.McGill@pinnaclewest.com [mailto:James.McGill@pinnaclewest.com]
Sent: Monday, February 16, 2009 11:20 AM
To: Schumacher, Laura
Subject: Liquidity Info

Laura,
Here is a summary of our cash position and revolvers as of 12/31/08.

Mitchell's request for consolidating financial statements referenced 2007 statements. Did he mean 2008? The 2008 statements have not been completed yet.

Jim

<<200812-31 Liquidity.xls>>

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McGill, James T(Z71171)

From: Schumacher, Laura [Laura.Schumacher@moodys.com]
Sent: Wednesday, February 18, 2009 2:29 PM
To: McGill, James T(Z71171)
Subject: RE: Liquidity Info

Jim,

We notice the Pinnacle information is consolidated. Can you please also give us the balances for the holding company only? Can you also tell us of the outstanding balances, how much is cash draws vs LCs vs CP cover (if any).

Thanks,
Laura

-----Original Message-----

From: James.McGill@pinnaclewest.com [mailto:James.McGill@pinnaclewest.com]
Sent: Monday, February 16, 2009 11:20 AM
To: Schumacher, Laura
Subject: Liquidity Info

Laura,
Here is a summary of our cash position and revolvers as of 12/31/08.

Mitchell's request for consolidating financial statements referenced 2007 statements. Did he mean 2008? The 2008 statements have not been completed yet.

Jim

<<200812-31 Liquidity.xls>>

Email Firewall made the following annotations

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McGill, James T(Z71171)

From: McGill, James T(Z71171)
Sent: Wednesday, February 18, 2009 3:58 PM
To: 'Schumacher, Laura'
Subject: 2008 12-31 Liquidity.xls

Attachments: 2008 12-31 Liquidity.xls

Laura,
The additional information has been added in an additional tab. Let me know if you have any questions.

Jim



2008 12-31
Liquidity.xls (10 K...

Cash and Credit Lines

December 31, 2008

(\$000)

	APS	PNW Parent
Cash on Hand	\$ 71,544	\$ 6,262
Available Credit Lines	866,143	282,857
Outstanding Balance	(521,684)	(144,000)
CP Cover	-	-
Outstanding L/Cs	-	(7,247)
Remaining Balance	\$ 344,459	\$ 131,610

Cash and Credit Lines

December 31, 2008

(\$000)

	APS	PWCC
Cash on Hand	\$ 71,544	\$ 105,245
Available Credit Lines	866,143	1,299,000
Outstanding Balance	(521,684)	(785,684)
CP Cover	-	-
Outstanding L/Cs	-	(7,247)
Remaining Balance	\$ 344,459	\$ 506,069

McGill, James T(Z71171)

From: Bettinelli, Antonio [Antonio_Bettinelli@standardandpoors.com]
Sent: Wednesday, February 18, 2009 5:21 PM
To: McGill, James T(Z71171)
Subject: RE: Data request REVISED
Attachments: Stats for S&P.xls

Jim,

I've condensed the statistical information in the request I sent last month into one table. If you could track down these numbers for us, it would be very helpful. The stats in the table are just an example. Let me know when we can expect this. Thanks.

Tony

-----Original Message-----

From: Bettinelli, Antonio
Sent: Wednesday, January 21, 2009 8:26 PM
To: 'James T. McGill'
Subject: Data request

Jim,

I also have a data request. Would you or someone on your team be able to pull together some items for us? For year end 2007 and 2008 we would like to know the following data points for the metro area: Vacancy rates, foreclosures, unemployment, population, number of meters and past due accounts (number and percentage) by customer class. And for each entire year, the total unpaid amounts billed. Let me know if you need any clarifications.

Regards,
Tony

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Company Data	2007	2008	Nov	Dec	Jan
Customers					
Residential	2,603,320	2,604,108	2,603,073	2,604,108	2,614,685
Commercial (Non-Residential)	377,193	379,563	379,420	379,563	380,580
Past Due Accounts					
Residential (\$m)	17.7	17.6	17.4	17.5	18.4
Commercial	10.8	12.1	11.0	12.0	12.6
Inactive (Residential & Non Residential)	31.0	33.8	33.8	33.8	35.4
Bad Debt/Write-off (\$m)	35.3	50.0	3.0	6.4	6.7
Bad Debt/Write-off (\$m) cummulative			43.6	50.0	6.7
Employment Data	2007	2008	Nov	Dec	Jan
Employment (000's)	2,336.5	2,313.4	2,336.8	2,313.4	2,290.2
Y/Y % Change	0.1	(1.0)	(1.1)	(1.2)	(1.3)
Unemployment Rate	7.8	8.9	8.1	8.9	9.8