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State Regulation

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2012 JUL 26 P 4:31

AZ CORP COMMISSION
DOCKET CONTROL

July 26, 2012

Docket Control
Arizona Corporation Commission
1200 W. Washington
Phoenix, AZ 85007

RE: APS/Pinnacle West Communications with Credit Rating Agencies
Docket No. E-01345A-08-0172

Pursuant to Decision No. 70667 dated December 24, 2008:

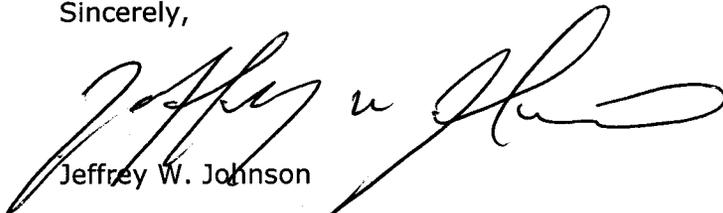
Arizona Public Service Company shall file all currently existing communications within 10 days of the effective date of this Decision and shall file future communications on a monthly basis. The first such monthly report shall be due on February 1, 2009, and the monthly filings shall continue until the 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.

On June 29, 2012 Arizona Public Service Company ("APS") filed its Monthly Communications with Agencies report for the period from December 28, 2011 through June 20, 2012. Subsequent communications occurred between June 20 and July 1, 2012. Therefore, APS is providing this supplemental filing in this matter covering the remaining communications through the reporting period.

Pursuant to Commission Decision No. 73183, this reporting requirement is eliminated as of July 1, 2012.

If you have any questions regarding this information, please contact Jeff Johnson at (602)250-2661.

Sincerely,


Jeffrey W. Johnson

Attachment

CC: Steve Olea
Brian Bozzo
Terri Ford

Arizona Corporation Commission

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JUL 26 2012

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Rating Agency Communication Log

	Date	Person	APS/PNW Personnel	Subject	Comment
63	6/26/2012	Mitchell Moss, Moody's	Lee Nickloy	Phone call regarding capital expenditures, depreciation and recovery mechanisms	
64	6/28/2012	Sam Haddad, Fitch	Lee Nickloy	Email with article concerning a court decision and the effect it may have on US coal plant output	

Dolyniuk, Karen E

From: Dolyniuk, Karen E
Sent: Thursday, July 26, 2012 10:44 AM
To: Dolyniuk, Karen E
Subject: FW: Rating Agency Communications

From: Nickloy, Lee R
Sent: Thursday, June 28, 2012 2:34 PM
To: Sarti, Daniel
Subject: RE: Rating Agency Communications

Call from Mitchell Moss at Moody's on 6/26, questions around capex and depreciation and amounts included in various recovery mechanisms

From: Sarti, Daniel
Sent: Wednesday, June 27, 2012 12:07 PM
To: Nickloy, Lee R; Hatfield, James R; Ewen, Peter M
Subject: Rating Agency Communications

Gentlemen,

Karen is out of the office today so I am making this request on her behalf. Please send me all communications you have had with the rating agencies since **June 21st**. This includes emails and phone conversations as well as any information we have provided them. Also, let me know if anything should be considered **Confidential**.

Thank you!

Dan Sarti

Manager - Corporate Finance
Pinnacle West Capital Corporation/Arizona Public Service Company
Ph: 602-250-3315
Fax: 602-250-5640

Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Tuesday, July 24, 2012 2:31 PM
To: Dolyniuk, Karen E
Subject: FW: Fitch Ratings: Court Decision Likely to Reduce U.S. Coal Plant Output

From: Sam.Haddad@fitchratings.com [<mailto:Sam.Haddad@fitchratings.com>]
Sent: Thursday, June 28, 2012 11:20 AM
Subject: Fitch Ratings: Court Decision Likely to Reduce U.S. Coal Plant Output

From Fitch Ratings

28 June, 2012 9:21 AM

Decision Likely to Reduce U.S. Coal Plant Output

Fitch believes the federal appeals court decision to uphold the Environmental Protection Agency's (EPA) greenhouse gas rules will limit the use of coal for electricity generation and increase the nation's reliance on other fuel options. We also believe it will severely constrain the construction of future coal-fired plants. The U.S. Court of Appeals said the EPA was correct in using existing federal laws to reduce emissions of six gasses, including carbon dioxide, by denying two of the challenges and dismissing the others yesterday.

The effects of these rules are expected to further strain the operations of older, smaller coal-fired plants already struggling to address imposed restrictions on other pollutants. Many of these plants may be prematurely retired, as significant new investment would be needed to meet prescribed emissions requirements. Most are located in the Midwest and central states, including Pennsylvania, Ohio, Indiana, Illinois, and Michigan. We also foresee a continued reduction in the use of coal as a fuel and an increase in the use of natural gas. Fuel price dynamics have already begun a large shift for some electricity producers. According to the U.S. Energy Information Administration, in April 2011, almost twice as much of U.S. net power output was generated from coal than natural gas-fired units. In April 2012, they contributed nearly the same. Other power resources, including nuclear, may also be given greater consideration going forward.

Future construction of coal-fired plants is unlikely given these rules and a myriad of others due this year and next. We will monitor the effects of the potential coincident retiring and lack of new construction closely.

The effects on bondholders is expected to vary based on issuer-specific factors, including power supply mix relative to the region, state environmental initiatives, rate flexibility, recourse to regulated cost recovery, and the owner's debt, leverage, and capital structure, among others.

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