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September 8, 2015 AZCORP COMMISSION

DOCKET CONTROL

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RE: Docket No. AU-00000A-15-0309

Dear [Responsible Party]:

By this letter, we hereby request that all public service corporations and unregulated entities that appear before the Commission agree to voluntarily refrain from making campaign contributions in support of or in opposition to Corporation Commission candidates. We make this request because we believe that political contributions from such entities have damaged the public's perception of the Commission and have placed the Commission in a difficult position.

In the recent past, there have been repeated articles in the press concerning APS's alleged contributions to political campaigns. According to these sources, either APS or Pinnacle West, APS's parent company, allegedly contributed a significant amount of money to certain advocacy organizations, which in turn contributed money in support of or in opposition to a number of candidates. There have also been reports that other entities have also participated in campaign advocacy. When first reported, APS neither confirmed nor denied these claims. Later, however, Pinnacle West appears to have disclosed to its shareholders that it had made campaign contributions in an effort to defend APS against what it considered to be unfair attacks.

We acknowledge that public service corporations have a First Amendment right to support the candidates of their choice. We also recognize that this constitutional right carries with it the right to contribute to political campaigns. The laws governing campaign finance are not within the Commission's purview, and, at the present time, there do not appear to be assertions that Pinnacle West, APS or others have failed to comply with any applicable campaign finance laws. Unfortunately, this technical compliance has not adequately addressed the public's concerns. Especially concerning to us is the public's perception that the Commission, by its silence, has tacitly condoned this behavior.

At this time, we want to make it clear that we view it as unacceptable and inappropriate for public service corporations or others to make campaign contributions in support of or in opposition to any candidate for the Corporation Commission. This behavior has the strong potential to diminish the integrity of the Commission and to engender public doubt as to the Commission's ability to discharge its regulatory responsibilities in a fair and unbiased way. We therefore request that all entities that appear before the Commission—regulated and unregulated—voluntarily refrain from making campaign contributions in support of or in opposition to Corporation Commission candidates.

We view these requests as a first step in addressing the unfortunate perceptions that have been caused by alleged campaign contributions discussed above. At a future time, we will consider whether and to what extent an audit of any public service corporation would be warranted and whether a request for financial information from unregulated entities would be within the Commission's scope of authority.

In closing, we want to make it clear that we believe in a necessary and appropriate degree of independence and separation between the Commission and the entities—both regulated and unregulated—that appear before it. We will continue to work to preserve that separation. Please respond to this request in writing within 45 days of the date of this letter via the Commission's docket or return mail.

Sincerely,

Susan Bitter Smith
Chairman

Robert L. Burns
Commissioner

Arizona Corporation Commission

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