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November 6, 2013

Arizona Corporation Commission
DOCKETED

NOV - 6 2013

Robert L. Burns
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

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Re: October 30, 2013 Letter Concerning Net Metering Public Relations
Docket No. E-01345A-13-0248

Dear Commissioner Burns:

Arizona Public Service Company submits this response to your October 30, 2013 letter in the above-referenced docket. In your letter, you asked about public relations efforts undertaken by the Company to inform the public about the complicated issues associated with Net Metering (NEM). Before addressing your questions, the following background may provide helpful context.

APS initiated the public discussion about NEM earlier this year with a series of extensive public workshops. These workshops, which included various presentations from the solar industry perspective, focused on facts and policy positions, and exemplified the type of discussion APS sought to have: rational, fact-based exchanges about NEM with any disagreements expressed through dialogue and reasoned debate.

Instead, solar leasing companies adopted a different approach that can best be characterized by recent statements, quoted in SNL Financial, from Jigar Shah, the founder and former CEO of SunEdison: "I love kicking people in the head. And this is going to be amazing with Arizona for us to practice this kicking style to see where it goes." Mr. Shah continued, "[w]e're not going to even acknowledge that [NEM] has any cost to the people. In fact, we're going to say something even more outrageous, which is that we save them [thousands of dollars] for systems that we install."¹

APS will defend its customers and itself when confronted by such an approach.

¹ "In solar/utility fight, some question us vs. them framing," SNL Financial, Monday, October 28, 2013, filed in this docket on October 30, 2013.

In its most recent 10Q filed with the Securities and Exchange Commission, Pinnacle West disclosed that through September 30, 2013, it spent nine million dollars related to communication and other costs associated with NEM and deregulation. This disclosure was recently misreported as the amount spent on public relations efforts only, which is not accurate. A portion of the nine million dollars does include NEM public relations expenditures, as referenced below. But it also includes, for instance, fees paid to technical consultants in connection with policy analysis, such as wholesale market structure and design issues in preparation for the deregulation discussion, among others. And it includes APS's general corporate advertisements, such as APS's general "I Stand for Solar" campaign.

With respect to your specific questions, APS responds as follows:

Question 1: How much money did your company, organization, shareholders, members, and/or parent company spend concerning net metering? Your answers should include funds spent to support lobbying efforts and contributions to organizations that lobby or retain lobbyists to promote supporting views.

Response: In connection with NEM public relations work, Pinnacle West spent approximately 3.7 million dollars.

Question 2: Please identify the approximate number of hours your salaried staff spent on the public relations campaign to support your positions.

Response: NEM is an ongoing program that is supported on a daily basis as part of routine daily operations. APS incurs costs associated with employees in the call center, billing, metering, public affairs, information technology and others that spend part or even all of their daily activities on work that supports or relates to this program. APS understands your question as only seeking incremental time spent by salaried staff on NEM public relations. With this understanding, APS estimates that over the past six months, the equivalent of four full time employees worked full time (approximately 4,000 hours) on NEM public relations.

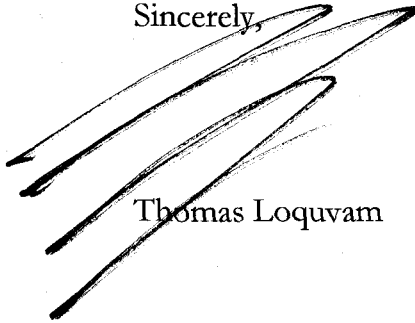
Question 3: If you are a regulated utility, will you be seeking to recover in a future rate case (i.e., through operation and administrative costs, etc.) funds expended to promote your views?

Response: No.

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I hope that these answers provide you the information you need. APS looks forward to working with you, the other commissioners and stakeholders to implement an NEM policy that is fair to all customers and promotes a sustainable future for solar technology in Arizona.

Sincerely,

A handwritten signature in black ink, consisting of several overlapping, sweeping strokes that form a cursive-like shape.

Thomas Loquvam

c: Chairman Bob Stump
Commissioner Gary Pierce
Commissioner Brenda Burns
Commissioner Susan Bitter Smith
Parties of Record