



WHEREAS:

Corporate political spending exposes Pinnacle West Corporation (“the Company”) to risks that could adversely affect the Company’s stated goals, objectives, and ultimately shareholder value. Pinnacle West’s undisclosed “dark money” political contributions have been the source of significant controversy, reputational harm, and business risk.

BE IT RESOLVED:

Shareholders request that Pinnacle West prepare a public report, updated and presented to the appropriate Board committee annually, disclosing monetary and in-kind expenditures on political activities that cannot be deducted as an “ordinary and necessary” business expense under section 162(e) of the Internal Revenue Code (the “Code”) because they are incurred in connection with: (a) influencing legislation, (b) participating or intervening in any political campaign on behalf of (or in opposition to) any candidate for public office, and (c) attempting to influence the general public, or segments thereof, with respect to elections, legislative matters, or referenda. Shareholders request the report detail:

- contributions to or expenditures in support of or opposition to political candidates, political parties, political committees;
- dues, contributions or other payments made to tax-exempt “social welfare” organizations and “political committees” operating under sections 501(c)(4) and 527 of the Code, respectively, and to tax-exempt entities that write model legislation and operate under section 501(c)(3) of the Code; and
- the portion of dues or other payments made to a tax-exempt entity such as a trade association that are used for an expenditure or contribution and that would not be deductible under section 162(e) of the Code if made directly by the Company.

The report shall identify all recipients and amounts paid to each recipient from Company funds.

SUPPORTING STATEMENT:

Pinnacle West reports a portion of its political spending, and meets the minimal legal requirements that exist for political spending reporting. However, shareholders are concerned that the political spending Pinnacle West reports voluntarily and for compliance does not reveal the full extent of the Company’s use of shareholder money to participate in the political processes. For example, press reports allege that Pinnacle West spent \$3.2 million in “dark money” on the elections of two of their regulators, which is not disclosed by the Company. (Arizona Republic, 2015). In September 2015, Arizona utility regulators requested that Pinnacle West halt its political contributions to campaigns of its regulators, and former utility regulators advocated a subpoena of Pinnacle West’s political spending records. Pinnacle West filed a public response stating that it would continue its political spending.

Pinnacle West’s spending on the campaigns of government officials creates, at a minimum, the appearance of impropriety; further, the legality of its political spending has not been publicly established and cannot be effectively determined without full disclosure. Due to the ongoing nature of the Company’s political activities, and Pinnacle West’s stated intent to continue political spending, proponents request shareholder support this resolution, an earlier version of which received a vote of 30.8% in 2015.