



WHEREAS: Political spending by Pinnacle West Capital Corporation (“the Company” or “Pinnacle West”) exposes the Company to risks that could adversely affect its stated goals, objectives, and ultimately shareholder value. Pinnacle West’s political contributions have been the source of significant controversy, reputational damage, and business risk.

Pinnacle West has been embroiled in controversy regarding its political spending since 2013, when it admitted to funding an anti-solar campaign. (“Arizona Utility Funds Solar Smear Campaign, Saying It Is ‘Obligated to Fight’”, Greentech Media, October 2013). Pinnacle West’s political spending records have been subpoenaed by a Public Service Commissioner, and its political spending activities are being investigated by the FBI. (“Arizona Corporation Commission’s Robert Burns subpoenas APS, Pinnacle West”, AZ Central, August 2016) (“FBI investigation of APS: 6 things to know”, 12 News, June 2016). In the November 2016 election cycle, Pinnacle West disclosed spending \$3.5 million to help fund the election of three commissioners to the Arizona Corporation Commission, its primary regulator. (“APS spends \$3.5 million on Corp Com campaign; Solar City \$2.2 million”, Arizona Daily Sun, November 2016)

At minimum, Pinnacle West’s political spending creates the appearance of impropriety. Shareholders must understand the full scope of Pinnacle West’s political spending activities to assess whether it comports with the best interests of the Company, its shareholders, and its stakeholders.

Based on the problems to date, the Proponents urge shareholders to support this resolution. Previous resolutions seeking greater transparency on Pinnacle West’s political spending received votes of 30.8% in 2015, and 34.5% in 2016, indicating growing investor support of this critical issue.

RESOLVED: Shareholders request that Pinnacle West prepare a public report fully 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 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 that the report detail any:

- contributions to, or expenditures in support of or in opposition to, political candidates, committees, and parties;
- dues, contributions, or other payments made to tax-exempt organizations operating under sections 501(c)(3), 501(c)(4), and 527 of the Internal Revenue Code, respectively, including tax-exempt entities that write model legislation, and non-profit groups organized to promote “social welfare”;
- portion of dues or other payments made to tax-exempt entities 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 should identify all recipients of Company funds, and amounts paid to each.