

PINNACLE WEST CAPITAL CORP

FORM 8-K (Current report filing)

Filed 03/24/09 for the Period Ending 03/24/09

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| Sector | Utilities |
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): March 24, 2009

| Commission File Number | Exact Name of Registrant as Specified in Charter; State of Incorporation; Address and Telephone Number | IRS Employer Identification Number |
|------------------------|---|---------------------------------------|
| 1-8962 | Pinnacle West Capital Corporation (an Arizona corporation) 400 North Fifth Street, P.O. Box 53999 Phoenix, AZ 85072-3999 (602) 250-1000 | 86-0512431 |
| 1-4473 | Arizona Public Service Company (an Arizona corporation) 400 North Fifth Street, P.O. Box 53999 Phoenix, AZ 85072-3999 (602) 250-1000 | 86-0011170 |

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

This combined Form 8-K is separately filed by Pinnacle West Capital Corporation and Arizona Public Service Company. Each registrant is filing on its own behalf all of the information contained in this Form 8-K that relates to such registrant and, where required, its subsidiaries. Except as stated in the preceding sentence, neither registrant is filing any information that does not relate to such registrant, and therefore makes no representation as to any such information.

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Item 8.01 Other Events

On March 24, 2009, the Nuclear Regulatory Commission (the “NRC”) informed Arizona Public Service Company (“APS”) that it is removing Palo Verde Nuclear Generating Station (“Palo Verde”) Unit 3 from the “multiple/repetitive degraded cornerstone” column of the NRC’s Action Matrix (“Column 4”), removing Units 1 and 2 from the “one degraded cornerstone” column (“Column 3”), and returning all three units of the plant to routine inspection and oversight by the NRC. This notification follows the NRC’s completion of its inspections of the corrective actions taken by Palo Verde to address performance deficiencies that caused the NRC to place Unit 3 into Column 4 and Units 1 and 2 into Column 3. The NRC has closed the confirmatory action letter that outlined the performance deficiencies and associated corrective actions. For additional information, see “Business of Arizona Public Service Company — Nuclear Generating Facility — NRC Inspection” in Item 1 of the Pinnacle West Capital Corporation/APS Annual Report on Form 10-K for the fiscal year ended December 31, 2008, and the NRC’s press release dated March 24, 2009 attached hereto as Exhibit 99.1.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

| <u>Exhibit No.</u> | <u>Registrant(s)</u> | <u>Description</u> |
|--------------------|---|---|
| 99.1 | Pinnacle West Capital Corporation APS | NRC Press Release dated March 24, 2009. |

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, each registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PINNACLE WEST CAPITAL CORPORATION
(Registrant)

Dated: March 24, 2009

By: /s/ James R. Hatfield
James R. Hatfield
Senior Vice President and
Chief Financial Officer

ARIZONA PUBLIC SERVICE COMPANY
(Registrant)

Dated: March 24, 2009

By: /s/ James R. Hatfield
James R. Hatfield
Senior Vice President and
Chief Financial Officer



NRC NEWS

U.S. NUCLEAR REGULATORY COMMISSION

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March 24, 2009
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NRC TO REDUCE PALO VERDE OVERSIGHT

The U.S. Nuclear Regulatory Commission has determined that the Palo Verde Nuclear Generating Station has made sufficient performance improvement that it can reduce its level of inspection oversight. The triple-reactor plant, operated by Arizona Public Service Co. (APS), is located 50 miles west of Phoenix., Ariz.

“Performance at Palo Verde has improved substantially and we are adjusting our oversight accordingly,” said Elmo E. Collins, NRC’s Region IV Administrator. “But we will closely monitor the plant. We are reducing our oversight, but not our vigilance.”

For the balance of 2009, Palo Verde will receive the very detailed inspection regime used by the NRC for plants that are operating well, along with some additional inspection to ensure that performance improvements are maintained.

The plant has been under increased NRC oversight since the fourth quarter of 2004 following a finding for a substantial safety issue. Inspectors found that APS had incorrectly left air pockets in portions of the emergency core cooling system at each reactor that could have hindered the system’s operation during certain types of accidents.

“While the facility was being safely operated, the NRC found that safety margins had been reduced and that site-wide corrective actions were needed to improve safety performance,” Collins said in a letter to APS.

The NRC staff issued a Confirmatory Action Letter (CAL) to Palo Verde on Feb. 15, 2008, that documented commitments made by APS to address performance deficiencies in 12 key areas, including weaknesses in problem identification and resolution and human performance issues. In total, the Confirmatory Action Letter consisted of 454 specific tasks.

Although only Unit 3 was receiving the highest level of NRC oversight, many performance issues were site-wide in nature and the licensee's improvement plan targeted Units 1 and 2 as well.

NRC resident and regional inspectors had a primary objective of ensuring Palo Verde was operating safely while the licensee implemented its performance improvement plan. Quarterly public meetings have been held for the past two years in the vicinity of the site at which APS officials and NRC discussed the progress of improvement efforts at Palo Verde.

During the past year, the NRC has conducted five comprehensive team inspections, involving over 1,500 hours of work, to assess the licensee's progress in resolving performance deficiencies. The most recent inspection, conducted earlier this year, involved 10 inspectors from all four of the NRC's regional offices, who spent two weeks on site reviewing licensee actions.

"Based on the results of these inspections, NRC has concluded that you have effectively addressed the causes which led to the safety performance decline and have notably improved safety performance," Collins said in the letter to APS. "Also, you have established programs and procedures which, if effectively implemented, provide a reasonable assurance that the performance improvements are sustainable. The commitments described in the CAL have been completed and these actions have been effective in addressing the specific performance issues."

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