

ARIZONA PUBLIC SERVICE COMPANY
 COMPUTATION OF INCREASE IN GROSS REVENUE REQUIREMENTS
 ACC JURISDICTION
 ADJUSTED TEST YEAR ENDED JUNE 30, 2019
 (Thousands of Dollars)

Line No.	Description	Electric			Line No.
		Original Cost	RCND	Fair Value	
1.	Rate Base	\$ 8,872,984 (a)	\$ 15,747,542 (a)	\$ 12,310,263	1.
2.	Operating Income	640,218 (b)	640,218 (b)	640,218 (b)	2.
3.	Current Rate of Return	7.22%	4.07%	5.20%	3.
4.	Required Operating Income	657,488	657,488	657,488	4.
5.	Required Rate of Return on OCRB	7.41% *	4.18% *	5.34% *	5.
6.	Operating Income Deficiency on OCRB	17,270	17,270	17,270	6.
7.	Gross Revenue Conversion Factor	1.3288 (c)	1.3288 (c)	1.3288 (c)	7.
8.	Increase in Base Revenue Requirements Based on OCRB	\$ 22,948 **	\$ 22,948 **	\$ 22,948 **	8.
9.	After Tax Return on Fair Value Increment			45,643	9.
10.	Requested Increase in Base Revenue Requirements			\$ 68,591	10.
11.	Required Rate of Return with Fair Value Increment			5.62%	11.
	<u>Customer Classification</u>	<u>Projected Revenue Increase Due to Base Rates</u>	<u>Base Rate % Increase</u>	<u>Bill Impact % Increase</u>	
12.	Residential	\$ 38,941	2.24%	5.41%	12.
13.	General Service	28,136	1.91%	5.82%	13.
14.	Irrigation and Water Pumping	427	1.33%	5.60%	14.
15.	Outdoor Lighting	758	3.64%	5.60%	15.
16.	Dusk-to-Dawn	329	3.63%	5.58%	16.
17.	Total	68,591 (d)	2.09%	5.60%	17.
18.	Total Sales to Ultimate Retail Customers	\$ 3,279,191			18.

Notes:

* The Rate of Return for OCRB, RCND and Fair Value does not reflect the need for a return on the difference between Fair Value Rate Base and Original Cost Rate Base but is simply a mathematical derivation based upon the original cost rate of return.

** Does not include the fair value increment reflected on Line 9.

Supporting Schedules:

- (a) B-1
- (b) C-1, page 2 of 2
- (c) C-3
- (d) H-1

Recap Schedules:

N/A

ARIZONA PUBLIC SERVICE COMPANY
SUMMARY RESULTS OF OPERATIONS
TOTAL COMPANY
PRIOR YEARS, TEST YEAR AND PROJECTED YEARS
TEST YEAR ENDED JUNE 30, 2019
(Thousands of Dollars, except per share amounts)

Line No.	Description	Prior Years		Test Year		Projected Years				Line No.
		Year Ended 12/31/2017 (a)	Year Ended 12/31/2018 (a)	Year Ended 6/30/2019 (a)	Adjusted 06/30/2019 (b)	Present Rates 12/31/2019 (c)	Present Rates 12/31/2020 (c)	Present Rates 12/31/2021 (c)	Proposed Rates 12/31/2021 (c)	
		(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	
1.	Gross Revenues	\$ 3,554,140	\$ 3,684,474	\$ 3,630,252	\$ 3,500,829	\$ 3,591,124	\$ 3,695,343	\$ 3,881,901	\$ 4,045,286	1.
2.	Revenue Deductions & Operating Expenses	2,893,569	2,974,339	2,927,304	2,770,567	2,889,011	2,955,743	3,125,947	3,214,300	2.
3.	Operating Income	660,571	710,135	702,948	730,262	702,113	739,600	755,954	830,986	3.
4.	Other Income and (Deductions)	35,789	66,341	62,810	62,810	65,252	65,789	76,548	39,582	4.
5.	Interest Expense	192,051	206,211	204,465	204,465	203,216	242,046	253,754	249,714	5.
6.	Net Income	\$ 504,309	\$ 570,265	\$ 561,293	\$ 588,607	\$ 564,149	\$ 563,343	\$ 578,748	\$ 620,854	6.
7.	Earnings Per Average Common Share *	\$ 7.08	\$ 8.00	\$ 7.88	\$ 8.26	N/A	N/A	N/A	N/A	7.
8.	Dividends Per Common Share *	\$ 4.23	\$ 4.50	\$ 4.64	\$ 4.64	N/A	N/A	N/A	N/A	8.
9.	Payout Ratio *	59.8%	56.3%	59.0%	56.2%	N/A	N/A	N/A	N/A	9.
10.	Total Company Return on Average Invested Capital	7.3%	7.7%	7.3%	7.3%	7.1%	7.0%	6.8%	7.1%	10.
11.	Total Company Return on Year End Capital	7.1%	7.5%	7.1%	7.1%	6.9%	6.8%	6.5%	6.9%	11.
12.	Total Company Return on Average Common Equity	9.9%	10.4%	10.2%	9.9%	9.8%	9.2%	9.0%	9.6%	12.
13.	Total Company Return on Year End Common Equity	9.6%	10.1%	9.9%	9.7%	9.6%	9.0%	8.7%	9.3%	13.
14.	ACC Jurisdictional Return on Year End Common Equity	9.5%	9.6%	9.7%	9.8%	9.6%	9.1%	8.9%	9.6%	14.
15.	Times Bond Interest Earned- Before Income Taxes	5.0	4.5	4.3	4.5	4.2	3.9	3.9	4.0	15.
16.	Times Total Interest & Preferred Dividends Earned- After Income Taxes	3.6	3.8	3.7	3.9	3.8	3.3	3.3	3.5	16.

Notes

* Optional for projected years. Lines 7 and 8 are calculated using the common stock shares of Arizona Public Service Company, as indicated by the SFRs. APS's common stock shares have remained constant at 71.3 million, even though Pinnacle West has increased its equity investment in APS, and all APS shares are wholly owned by Pinnacle West Capital Corp. Pinnacle West's common stock is publicly held and the PNW share count is more indicative of the increasing equity investment needed to support APS's investment to serve its customers. APS's dividends per share of Pinnacle West diluted common stock outstanding was \$2.68 and \$2.85 for year end 2017 and 2018, and \$2.94 for Test Year ended June 30, 2019, and adjusted Test Year ended 6/30/2019, respectively.

Supporting Schedules:

- (a) E-2
- (b) C-1
- (c) F-1

Recap Schedules:

N/A

ARIZONA PUBLIC SERVICE COMPANY
SUMMARY OF CAPITAL STRUCTURE
PRIOR YEARS, TEST YEAR AND PROJECTED YEARS
TEST YEAR ENDED JUNE 30, 2019
(Thousands of Dollars)

Line No.	Description	Prior Years (a)		Actual	Projected Years (b)				Line No.
		Year Ended 12/31/2017 (A)	Year Ended 12/31/2018 (B)	Test Year (a) Ended 06/30/2019 (C)	Present Rates Year Ended 12/31/2019 (D)	Present Rates Year Ended 12/31/2020 (E)	Present Rates Year Ended 12/31/2021 (F)	Proposed Rates Year Ended 12/31/2021 (G)	
1.	Short-Term Debt *	\$ -	\$ -	\$ 376,873	\$ -	\$ -	\$ -	\$ -	1.
2.	Long-Term Debt (with Cur Maturities) **	4,608,125	4,726,125	4,726,125	5,326,125	5,651,125	6,126,125	6,001,125	2.
3.	TOTAL DEBT	4,608,125	4,726,125	5,102,998	5,326,125	5,651,125	6,126,125	6,001,125	3.
4.	Preferred Stock	-	-	-	-	-	-	-	4.
5.	Common Equity	5,256,829	5,661,007	5,673,692	5,915,469	6,321,352	6,661,147	6,708,945	5.
6.	Total Capital	<u>\$ 9,864,954</u>	<u>\$ 10,387,132</u>	<u>\$ 10,776,690</u>	<u>\$ 11,241,594</u>	<u>\$ 11,972,477</u>	<u>\$ 12,787,272</u>	<u>\$ 12,710,070</u>	6.
<u>Capitalization Ratios:</u>									
7.	Short-Term Debt *	0.00%	0.00%	3.50%	0.00%	0.00%	0.00%	0.00%	7.
8.	Long-Term Debt	46.71%	45.50%	43.86%	47.38%	47.20%	47.91%	47.22%	8.
9.	TOTAL DEBT	46.71%	45.50%	47.35%	47.38%	47.20%	47.91%	47.22%	9.
10.	Preferred Stock	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	10.
11.	Common Equity	53.29%	54.50%	52.65%	52.62%	52.80%	52.09%	52.78%	11.
		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	
12.	Weighted Cost of Short-Term Debt *	0.00%	0.00%	0.09%	0.00%	0.00%	0.00%	0.00%	12.
13.	Weighted Cost of Long-Term Debt	2.18%	2.15%	1.84%	1.95%	2.03%	2.11%	2.07%	13.
14.	Weighted Cost of Senior Capital	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	14.

Notes

There may be variances in displayed values due to rounding

* Under FERC regulations, short-term debt is utilized as a source of financing on Construction Work in Progress, therefore recoverable through AFUDC provisions and excluded from the cost of capital calculation. For the unadjusted Test Year ended 6/30/2019 there was \$376,873 short-term debt.

** Debt balances exclude unamortized discounts/premiums/debt issuance cost and Palo Verde capital lease obligation.

Supporting Schedules:

- (a) E-1
- (b) D-1

Recap Schedules:

N/A

ARIZONA PUBLIC SERVICE COMPANY
CONSTRUCTION EXPENDITURES, NET PLANT PLACED IN SERVICE AND GROSS UTILITY PLANT IN SERVICE
TOTAL COMPANY
PRIOR YEARS, CURRENT YEAR AND PROJECTED YEARS
TEST YEAR ENDED JUNE 30, 2019
(Thousands of Dollars)

<u>Line No.</u>	<u>Year</u>	<u>Construction Expenditures*</u> (A)	<u>Net Plant Placed In Service</u> (B)	<u>Gross Utility Plant in Service</u> (C)	<u>Line No.</u>
1.	Year Ended 2017	\$ 1,335,057	\$ 576,525	\$ 18,233,599	1.
2.	Year Ended 2018	1,198,556	1,092,387	19,325,986	(b) 2.
3.	6 Months Ended June 30, 2019	521,885 (a)	920,318	20,246,304	(b) 3.
4.	Projected Year - Year Ended 12/31/2019	1,233,032 (a)	1,654,274	20,980,260	4.
5.	Projected Year - Year Ended 12/31/2020	1,327,461 (a)	1,065,887	22,046,148	5.
6.	Projected Year - Year Ended 12/31/2021	1,467,875 (a)	1,185,536	23,231,683	6.

Notes:

* Includes nuclear fuel and all construction expenditures reflected on accrual basis.

Supporting Schedules:

- (a) F-3
- (b) E-5

Recap Schedules:

N/A

NOTE: There may be variances in displayed values due to rounding.

ARIZONA PUBLIC SERVICE COMPANY
SUMMARY CHANGES IN FINANCIAL POSITION
TOTAL COMPANY
PRIOR YEARS, CURRENT YEAR AND PROJECTED YEARS
TEST YEAR ENDED JUNE 30, 2019
(Thousands of Dollars)

Line No.	Description	Prior Years (a)		Actual	Projected Years (b)				Line No.
		Year Ended	Year Ended	Test Year (a)	Present Rates	Present Rates	Present Rates	Proposed Rates	
		12/31/2017	12/31/2018	Year Ended	Year Ended	Year Ended	Year Ended	Year Ended	
		(A)	(B)	(C)	(D)	(E)	(F)	(G)	
<u>Sources / use of Funds:</u>									
1.	Operations	\$ 1,138,986	\$ 1,232,057	\$ 1,161,042	\$ 1,002,067	\$ 1,231,459	\$ 1,290,778	\$ 1,418,453	1.
2.	Outside Financing	267,178	(52,755)	(106,507)	263,215	179,444	226,051	98,377	2.
3.	Total Funds Provided	<u>1,406,164</u>	<u>1,179,302</u>	<u>1,054,535</u>	<u>1,265,282</u>	<u>1,410,903</u>	<u>1,516,830</u>	<u>1,516,830</u>	3.
<u>Application of Funds:</u>									
4.	Capital Expenditures *	1,358,222	1,141,345	1,012,335	1,144,829	1,420,906	1,464,630	1,464,630	4.
5.	Other	42,931	46,101	44,605	59,807	56,350	52,200	52,200	5.
6.	Total Funds Applied	<u>\$ 1,401,153</u>	<u>\$ 1,187,446</u>	<u>\$ 1,056,940</u>	<u>\$ 1,204,636</u>	<u>\$ 1,477,256</u>	<u>\$ 1,516,830</u>	<u>\$ 1,516,830</u>	6.

Notes:

* Capital expenditures are shown net of contributions in aid of construction and are reflected on a cash basis.

Supporting Schedules:

(a) E-3
(b) F-2

Recap Schedules:

N/A