

ARIZONA PUBLIC SERVICE COMPANY  
INCOME STATEMENT  
TOTAL COMPANY  
TEST YEAR ENDED JUNE 30, 2019  
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Total Company</u>			<u>Line No.</u>
		Actual For The Test Year Ended 6/30/2019 (a) (A)	Proforma Adjustments (b) (B)	Test Year Results After Proforma Adjustments (c) (C)	
	Operating Revenues:				
1.	Revenues from Base Rates	\$ 3,284,386	\$ 5,612	\$ 3,289,998	1.
2.	Revenues from Surcharges	128,995	(128,995)	0	2.
3.	Other Electric Revenues	216,871	(6,040)	210,831	3.
4.	Total	<u>3,630,252</u>	<u>(129,423)</u>	<u>3,500,829</u>	4.
	Operating expenses:				
5.	Fuel and purchased power	1,094,682	(139,546)	955,136	5.
6.	Operations and maintenance	909,326	(170,517)	738,809	6.
7.	Depreciation and amortization	584,838	138,005	722,843	7.
8.	Income taxes	123,315	(3)	123,312	8.
9.	Taxes other than income taxes	215,143	15,324	230,467	9.
10.	Total	<u>2,927,304</u>	<u>(156,737)</u>	<u>2,770,567</u>	10.
11.	Operating income	<u>702,948</u>	<u>27,314</u>	<u>730,262</u>	11.
	Other income (deductions):				
12.	Income taxes	6,467	-	6,467	12.
13.	Allowance for equity funds used during construction	43,927	-	43,927	13.
14.	Other income	34,998	-	34,998	14.
15.	Other expense	(22,582)	-	(22,582)	15.
16.	Total	<u>62,810</u>	<u>-</u>	<u>62,810</u>	16.
17.	Income before interest deductions	<u>765,758</u>	<u>27,314</u>	<u>793,072</u>	17.
	Interest deductions (income):				
18.	Interest charges	227,758	-	227,758	18.
19.	Allowance for borrowed funds used during construction	(23,293)	-	(23,293)	19.
20.	Total	<u>204,465</u>	<u>-</u>	<u>204,465</u>	20.
21.	Net income	<u>\$ 561,293</u>	<u>\$ 27,314</u>	<u>\$ 588,607</u>	21.

Supporting Schedules:

(a) E-2  
(b) C-2

Recap Schedules:

(c) A-2

ARIZONA PUBLIC SERVICE COMPANY  
INCOME STATEMENT  
ACC JURISDICTION  
TEST YEAR ENDED JUNE 30, 2019  
(Thousands of Dollars)

		<b>ACC Jurisdiction</b>			
<u>Line No.</u>	<u>Description</u>	Actual For The Test Year Ended 6/30/2019 <u>(A)</u>	Proforma Adjustments (a) <u>(B)</u>	Test Year Results After Proforma Adjustments <u>(C)</u>	<u>Line No.</u>
Operating Revenues:					
1.	Revenues from Base Rates	\$ 3,273,579	\$ 5,612	\$ 3,279,191	1.
2.	Revenues from Surcharges	128,979	(128,979)	0	2.
3.	Other Electric Revenues	148,270	(6,040)	142,230	3.
4.	Total	<u>3,550,829</u>	<u>(129,407)</u>	<u>3,421,422</u>	4.
Operating expenses:					
5.	Fuel and purchased power	1,083,273	(139,278)	943,995	5.
6.	Operations and maintenance	1,052,961	(168,419)	884,542	6.
7.	Depreciation and amortization	511,942	135,543	647,485	7.
8.	Income taxes	113,517	145	113,662	8.
9.	Taxes other than income taxes	177,260	14,259	191,519	9.
10.	Total	<u>2,938,954</u>	<u>(157,750)</u>	<u>2,781,204</u>	10.
11.	Operating income	<u>611,875</u>	<u>28,343</u>	<u>640,218</u>	(b) 11.
Other income (deductions):					
12.	Income taxes	-	-		12.
13.	Allowance for equity funds used during construction	-	-		13.
14.	Other income	-	-		14.
15.	Other expense	-	-		15.
16.	Total	<u>-</u>	<u>-</u>	<u>-</u>	16.
17.	Income before interest deductions	<u>611,875</u>	<u>28,343</u>	<u>640,218</u>	17.
Interest deductions (income):					
18.	Interest charges	-	-		18.
19.	Allowance for borrowed funds used during construction	-	-		19.
20.	Total	<u>-</u>	<u>-</u>	<u>-</u>	20.
21.	Net income	<u>\$ 611,875</u>	<u>\$ 28,343</u>	<u>\$ 640,218</u>	21.

Supporting Schedules:  
(a) C-2

Recap Schedules:  
(b) A-1

ARIZONA PUBLIC SERVICE COMPANY  
INCOME STATEMENT PRO FORMA ADJUSTMENTS  
TEST YEAR ENDED  
JUNE 30, 2019  
(Thousands of Dollars)

Line No.	Description	(1)		(2)		(3)	
		Total Co. (A)	ACC (B)	Total Co. (C)	ACC (D)	Total Co. (E)	ACC (F)
	Electric Operating Revenues						
1.	Revenues from Base Rates	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2.	Revenues from Surcharges	-	-	-	-	-	-
3.	Other Electric Revenues	-	-	-	-	-	-
4.	Total Electric Operating Revenues	-	-	-	-	-	-
5.	Electric Fuel and Purchased Power Costs	-	-	-	-	-	-
6.	Oper Rev Less Fuel & Purch Pwr Costs	-	-	-	-	-	-
	Other Operating Expenses:						
7.	Operations Excluding Fuel Expense	-	-	-	-	-	-
8.	Maintenance	-	-	-	-	-	-
9.	Subtotal	-	-	-	-	-	-
10.	Depreciation and Amortization	8,337	8,297	704	701	26,552	25,025
11.	Amortization of Gain	-	-	-	-	-	-
12.	Administrative and General	-	-	-	-	-	-
13.	Other Taxes	1,209	1,203	495	493	9,084	8,787
14.	Total Other Operating Expense	9,546	9,500	1,199	1,193	35,636	33,812
15.	Operating Income Before Income Tax	(9,546)	(9,500)	(1,199)	(1,193)	(35,636)	(33,812)
16.	Interest Expense	(410)	(408)	684	681	3,411	3,237
17.	Taxable Income	(9,136)	(9,092)	(1,883)	(1,874)	(39,047)	(37,049)
18.	Current Income Tax Rate - 24.75%	(2,261)	(2,250)	(466)	(464)	(9,664)	(9,170)
19.	Operating Income (line 15 minus line 18)	\$ (7,285)	\$ (7,250)	\$ (733)	\$ (729)	\$ (25,972)	\$ (24,642)

<b>PRO FORMA WITNESS:</b>	LOCKWOOD	LOCKWOOD	LOCKWOOD
<b>PRO FORMA FUNCTIONALIZATION or ALLOCATION FACTOR: [WITNESS: SNOOK]</b>	1. Jurisdictional 2. Assigned to Production - Demand (DEMPROD1)	1. Jurisdictional 2. Assigned to Production - Demand (DEMPROD1)	1. Jurisdictional 2. Distribution facilities functionalized on Distribution and IT/Facilities functionalized on Wages & Salaries

- (1) Adjustment to Test Year operations to include depreciation, interest expense, property taxes and reduced income tax expense associated with Fossil Generation Post-Test Year Plant Additions. Pro forma adjusted as shown on Schedule B-2, page 1, column 2.
- (2) Adjustment to Test Year operations to include depreciation, interest expense, property taxes and reduced income tax expense associated with Nuclear Generation Post-Test Year Plant Additions. Pro forma adjusted as shown on Schedule B-2, page 1, column 3.
- (3) Adjustment to Test Year operations to include depreciation, interest expense, property taxes and reduced income tax expense associated with Distribution and IT/Facilities Post-Test Year Plant Additions. Pro forma adjusted as shown on Schedule B-2, page 2, column 4.

Supporting Schedules:  
N/A

Recap Schedules:  
(a) C-1

ARIZONA PUBLIC SERVICE COMPANY  
 INCOME STATEMENT PRO FORMA ADJUSTMENTS  
 TEST YEAR ENDED  
 JUNE 30, 2019  
 (Thousands of Dollars)

Line No.	Description	(4)		(5)		(6)	
		Total Co. (G)	ACC (H)	Total Co. (I)	ACC (J)	Total Co. (K)	ACC (L)
				Technology Innovation Post-Test Year Plant Additions	Renewables Post-Test Year Plant Additions	Base Fuel and Purchased Power	
	Electric Operating Revenues						
1.	Revenues from Base Rates	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2.	Revenues from Surcharges	-	-	-	-	-	-
3.	Other Electric Revenues	-	-	-	-	-	-
4.	Total Electric Operating Revenues	-	-	-	-	-	-
5.	Electric Fuel and Purchased Power Costs	-	-	-	-	(51,260)	(51,260)
6.	Oper Rev Less Fuel & Purch Pwr Costs	-	-	-	-	51,260	51,260
	Other Operating Expenses:						
7.	Operations Excluding Fuel Expense	-	-	-	-	-	-
8.	Maintenance	-	-	-	-	-	-
9.	Subtotal	-	-	-	-	-	-
10.	Depreciation and Amortization	2,545	2,545	926	926	-	-
11.	Amortization of Gain	-	-	-	-	-	-
12.	Administrative and General	-	-	-	-	-	-
13.	Other Taxes	480	480	97	97	-	-
14.	Total Other Operating Expense	3,025	3,025	1,023	1,023	-	-
15.	Operating Income Before Income Tax	(3,025)	(3,025)	(1,023)	(1,023)	51,260	51,260
16.	Interest Expense	473	473	(162)	(162)	-	-
17.	Taxable Income	(3,498)	(3,498)	(860)	(860)	51,260	51,260
18.	Current Income Tax Rate - 24.75%	(866)	(866)	(213)	(213)	12,687	12,687
19.	Operating Income (line 15 minus line 18)	\$ (2,159)	\$ (2,159)	\$ (810)	\$ (810)	\$ 38,573	\$ 38,573

<p><b>PRO FORMA WITNESS:</b></p> <p><b>PRO FORMA FUNCTIONALIZATION or ALLOCATION FACTOR:</b> [WITNESS: SNOOK]</p>	<p>LOCKWOOD</p> <p>1. ACC Specific 2. Functionalize as Distribution.</p>	<p>LOCKWOOD</p> <p>1. ACC Specific 2. Renewables functionalized on Demand Production [Retail DEMPROD1]</p>	<p>SNOOK</p> <p>1. ACC Specific 2. Assigned to Production - Energy (Retail Only ENERGY2)</p>
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- (4) Adjustment to Test Year operations to include depreciation, interest expense, property taxes and reduced income tax expense associated with Technology Innovation Post-Test Year Plant Additions. Pro forma adjusted as shown on Schedule B-2, page 2, column 5.
- (5) Adjustment to Test Year operations to include depreciation, interest expense, property taxes and reduced income tax expense associated with Renewables Post-Test Year Plant Additions. Pro forma adjusted as shown on Schedule B-2, page 2, column 6.
- (6) Adjustment to Test Year operations to include 2018 base fuel and purchased power ¢/kWh costs at adjusted Test Year consumption.

Supporting Schedules:  
N/A

Recap Schedules:  
(a) C-1

ARIZONA PUBLIC SERVICE COMPANY  
 INCOME STATEMENT PRO FORMA ADJUSTMENTS  
 TEST YEAR ENDED  
 JUNE 30, 2019  
 (Thousands of Dollars)

Line No.	Description	(7) Test Year PSA Revenue and Deferred Fuel Amortization		(8) Test Year Retail Deferred Fuel Expense and Non-Cash Mark-to-Market Accruals		(9) Test Year Deferred Chemical Expense	
		Total Co. (M)	ACC (N)	Total Co. (O)	ACC (P)	Total Co. (Q)	ACC (R)
	Electric Operating Revenues						
1.	Revenues from Base Rates	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2.	Revenues from Surcharges	(89,285)	(89,040)	-	-	-	-
3.	Other Electric Revenues	-	-	-	-	-	-
4.	Total Electric Operating Revenues	(89,285)	(89,040)	-	-	-	-
5.	Electric Fuel and Purchased Power Costs	(90,598)	(90,349)	40,435	40,435	-	-
6.	Oper Rev Less Fuel & Purch Pwr Costs	1,313	1,309	(40,435)	(40,435)	-	-
	Other Operating Expenses:						
7.	Operations Excluding Fuel Expense	1,313	1,309	-	-	-	-
8.	Maintenance	-	-	-	-	3,194	3,194
9.	Subtotal	1,313	1,309	-	-	3,194	3,194
10.	Depreciation and Amortization	-	-	-	-	-	-
11.	Amortization of Gain	-	-	-	-	-	-
12.	Administrative and General	-	-	-	-	-	-
13.	Other Taxes	-	-	-	-	-	-
14.	Total Other Operating Expense	1,313	1,309	-	-	3,194	3,194
15.	Operating Income Before Income Tax	-	-	(40,435)	(40,435)	(3,194)	(3,194)
16.	Interest Expense	-	-	-	-	-	-
17.	Taxable Income	-	-	(40,435)	(40,435)	(3,194)	(3,194)
18.	Current Income Tax Rate - 24.75%	-	-	(10,008)	(10,008)	(791)	(791)
19.	Operating Income (line 15 minus line 18)	\$ -	\$ -	\$ (30,427)	\$ (30,427)	\$ (2,403)	\$ (2,403)

**PRO FORMA WITNESS:**  
**PRO FORMA FUNCTIONALIZATION**  
**or ALLOCATION FACTOR:**  
**[WITNESS: SNOOK]**

**SNOOK**  
 1. Jurisdictional  
 2. Revenues and Expenses are class specific.

**SNOOK**  
 1. ACC Specific  
 2. Assigned to Production - Energy (Retail Only ENERGY2\_XAG1)

**SNOOK**  
 1. ACC Specific  
 2. Assigned to Production - Energy (Retail Only ENERGY2\_XAG1)

- (7) Adjustment to Test Year retail operating revenues and fuel and purchased power expense to remove retail PSA revenue and amortization of deferred fuel related to prior periods.
- (8) Adjustment to Test Year retail fuel and purchased power costs to remove retail PSA deferred fuel and mark-to-market accruals.
- (9) Adjustment to Test Year operation and maintenance costs to remove retail PSA deferred chemical expenses.

Supporting Schedules:  
 N/A

Recap Schedules:  
 (a) C-1

ARIZONA PUBLIC SERVICE COMPANY  
 INCOME STATEMENT PRO FORMA ADJUSTMENTS  
 TEST YEAR ENDED  
 JUNE 30, 2019  
 (Thousands of Dollars)

(10)

(11)

(12)

Line No.	Description	Normalize Weather Conditions		Annualize Customer Levels		Schedule 1 Fees	
		Total Co. (S)	ACC (T)	Total Co. (U)	ACC (V)	Total Co. (W)	ACC (X)
	Electric Operating Revenues						
1.	Revenues from Base Rates	\$ (6,049)	\$ (6,049)	\$ 12,911	\$ 12,911	\$ -	\$ -
2.	Revenues from Surcharges	-	-	-	-	-	-
3.	Other Electric Revenues	-	-	-	-	(6,040)	(6,040)
4.	Total Electric Operating Revenues	(6,049)	(6,049)	12,911	12,911	(6,040)	(6,040)
5.	Electric Fuel and Purchased Power Costs	(1,812)	(1,812)	3,854	3,854	-	-
6.	Oper Rev Less Fuel & Purch Pwr Costs	(4,237)	(4,237)	9,057	9,057	(6,040)	(6,040)
	Other Operating Expenses:						
7.	Operations Excluding Fuel Expense	-	-	-	-	-	-
8.	Maintenance	-	-	-	-	-	-
9.	Subtotal	-	-	-	-	-	-
10.	Depreciation and Amortization	-	-	-	-	-	-
11.	Amortization of Gain	-	-	-	-	-	-
12.	Administrative and General	-	-	-	-	-	-
13.	Other Taxes	-	-	-	-	-	-
14.	Total Other Operating Expense	-	-	-	-	-	-
15.	Operating Income Before Income Tax	(4,237)	(4,237)	9,057	9,057	(6,040)	(6,040)
16.	Interest Expense	-	-	-	-	-	-
17.	Taxable Income	(4,237)	(4,237)	9,057	9,057	(6,040)	(6,040)
18.	Current Income Tax Rate - 24.75%	(1,049)	(1,049)	2,242	2,242	(1,495)	(1,495)
19.	Operating Income (line 15 minus line 18)	<u>\$ (3,188)</u>	<u>\$ (3,188)</u>	<u>\$ 6,815</u>	<u>\$ 6,815</u>	<u>\$ (4,545)</u>	<u>\$ (4,545)</u>

**PRO FORMA WITNESS:**

**PRO FORMA FUNCTIONALIZATION  
 or ALLOCATION FACTOR:  
 [WITNESS: SNOOK]**

**SNOOK**

1. ACC Specific
2. Revenues and Expenses are class specific.

**SNOOK**

1. ACC Specific
2. Revenues and Expenses are class specific.

**HOBBICK**

1. ACC Specific
2. Functionalized on Customer Accounts (CUSTNUM\_A)

(10) Adjustment to Test Year operating revenues to reflect normal weather conditions for the ten years ended 6/30/2019.

(11) Adjustment to Test Year operating revenues to reflect the annualization of customer levels at 6/30/2019.

(12) Adjustment to Test Year operations to account for additional adjustments related to disconnect policy. Additional adjustments to Revenues reflecting policies changes to multiple fees collected.

Supporting Schedules:  
 N/A

Recap Schedules:  
 (a) C-1

ARIZONA PUBLIC SERVICE COMPANY  
 INCOME STATEMENT PRO FORMA ADJUSTMENTS  
 TEST YEAR ENDED  
 JUNE 30, 2019  
 (Thousands of Dollars)

Line No.	Description	(13) Uncollectible Bad Debt		(14) Crisis Bill		(15) Customer Affordability	
		Total Co. (Y)	ACC (Z)	Total Co. (AA)	ACC (AB)	Total Co. (AC)	ACC (AD)
	Electric Operating Revenues						
1.	Revenues from Base Rates	\$ -	\$ -	\$ (1,250)	\$ (1,250)	\$ -	\$ -
2.	Revenues from Surcharges	-	-	-	-	-	-
3.	Other Electric Revenues	-	-	-	-	-	-
4.	Total Electric Operating Revenues	-	-	(1,250)	(1,250)	-	-
5.	Electric Fuel and Purchased Power Costs	-	-	-	-	-	-
6.	Oper Rev Less Fuel & Purch Pwr Costs	-	-	(1,250)	(1,250)	-	-
	Other Operating Expenses:						
7.	Operations Excluding Fuel Expense	6,427	6,427	-	-	(17,782)	(17,782)
8.	Maintenance	-	-	-	-	-	-
9.	Subtotal	6,427	6,427	-	-	(17,782)	(17,782)
10.	Depreciation and Amortization	-	-	-	-	-	-
11.	Amortization of Gain	-	-	-	-	-	-
12.	Administrative and General	-	-	-	-	-	-
13.	Other Taxes	-	-	-	-	-	-
14.	Total Other Operating Expense	6,427	6,427	-	-	(17,782)	(17,782)
15.	Operating Income Before Income Tax	(6,427)	(6,427)	(1,250)	(1,250)	17,782	17,782
16.	Interest Expense	-	-	-	-	-	-
17.	Taxable Income	(6,427)	(6,427)	(1,250)	(1,250)	17,782	17,782
18.	Current Income Tax Rate - 24.75%	(1,591)	(1,591)	(309)	(309)	4,401	4,401
19.	Operating Income (line 15 minus line 18)	<u>\$ (4,836)</u>	<u>\$ (4,836)</u>	<u>\$ (941)</u>	<u>\$ (941)</u>	<u>\$ 13,381</u>	<u>\$ 13,381</u>

<b>PRO FORMA WITNESS:</b>  <b>PRO FORMA FUNCTIONALIZATION          or ALLOCATION FACTOR:</b> <b>[WITNESS: SNOOK]</b>	<b>HOBBIK</b> 1. ACC Specific 2. Functionalized on Customer Accounts (CUSTNUM_A)	<b>HOBBIK</b> 1. ACC Specific 2. Assigned to System Benefits (Retail ERGSYSBEN)	<b>LOCKWOOD</b> 1. ACC Specific 2. Functionalized on Wages & Salaries less Transmission
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- (13) Adjustment to Test Year operations to account for expected increases in write-offs due to disconnect policy.
- (14) Adjustment to Test Year operating revenues to reflect the increase need in crisis billing assistance.
- (15) Adjustment to include forecasted impacts to 2020 O&M as a result of the Customer Affordability program.

Supporting Schedules:  
N/A

Recap Schedules:  
(a) C-1

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

ARIZONA PUBLIC SERVICE COMPANY  
 INCOME STATEMENT PRO FORMA ADJUSTMENTS  
 TEST YEAR ENDED  
 JUNE 30, 2019  
 (Thousands of Dollars)

Line No.	Description	(16)		(17)		(18)	
		Total Co. (AE)	ACC (AF)	Total Co. (AG)	ACC (AH)	Total Co. (AI)	ACC (AJ)
	Electric Operating Revenues						
1.	Revenues from Base Rates	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2.	Revenues from Surcharges	-	-	-	-	(6,769)	(6,769)
3.	Other Electric Revenues	-	-	-	-	-	-
4.	Total Electric Operating Revenues	-	-	-	-	(6,769)	(6,769)
5.	Electric Fuel and Purchased Power Costs	-	-	-	-	-	-
6.	Oper Rev Less Fuel & Purch Pwr Costs	-	-	-	-	(6,769)	(6,769)
	Other Operating Expenses:						
7.	Operations Excluding Fuel Expense	(3,643)	(3,344)	3,298	3,298	(6,769)	(6,769)
8.	Maintenance	-	-	-	-	-	-
9.	Subtotal	(3,643)	(3,344)	3,298	3,298	(6,769)	(6,769)
10.	Depreciation and Amortization	-	-	-	-	-	-
11.	Amortization of Gain	-	-	-	-	-	-
12.	Administrative and General	-	-	-	-	-	-
13.	Other Taxes	-	-	-	-	-	-
14.	Total Other Operating Expense	(3,643)	(3,344)	3,298	3,298	(6,769)	(6,769)
15.	Operating Income Before Income Tax	3,643	3,344	(3,298)	(3,298)	-	-
16.	Interest Expense	-	-	-	-	-	-
17.	Taxable Income	3,643	3,344	(3,298)	(3,298)	-	-
18.	Current Income Tax Rate - 24.75%	902	828	(816)	(816)	-	-
19.	Operating Income (line 15 minus line 18)	\$ 2,741	\$ 2,516	\$ (2,482)	\$ (2,482)	\$ -	\$ -

**PRO FORMA WITNESS:**  
**PRO FORMA FUNCTIONALIZATION**  
**or ALLOCATION FACTOR:**  
**[WITNESS: SNOOK]**

BLANKENSHIP  
 1. Jurisdictional  
 2. Functionalized on Wages & Salaries

BLANKENSHIP  
 1. ACC Specific  
 2. Functionalized on Distribution.

BLANKENSHIP  
 1. ACC Specific  
 2. Revenues are class specific and expenses are functionalized on Distribution of W&S

- (16) Adjustment to Test Year operations to include interest income and realized gain on investments in active union medical trust.  
 (17) Adjustment to represent the forecasted impacts to 2020 O&M as a result of increases to the distribution Fire Mitigation program.  
 (18) Adjustment to Test Year operations to remove the Regulatory Assessment surcharges from operating revenues and expenses.

Supporting Schedules:  
 N/A

Recap Schedules:  
 (a) C-1



ARIZONA PUBLIC SERVICE COMPANY  
 INCOME STATEMENT PRO FORMA ADJUSTMENTS  
 TEST YEAR ENDED  
 JUNE 30, 2019  
 (Thousands of Dollars)

Line No.	Description	(19)		(20)		(21)	
		Total Co. (AK)	ACC (AL)	Total Co. (AM)	ACC (AN)	Total Co. (AO)	ACC (AP)
	Electric Operating Revenues						
1.	Revenues from Base Rates	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2.	Revenues from Surcharges	(33,311)	(33,369)	(39,792)	(39,792)	(3,898)	(3,888)
3.	Other Electric Revenues	-	-	-	-	-	-
4.	Total Electric Operating Revenues	(33,311)	(33,369)	(39,792)	(39,792)	(3,898)	(3,888)
5.	Electric Fuel and Purchased Power Costs	-	-	-	-	-	-
6.	Oper Rev Less Fuel & Purch Pwr Costs	(33,311)	(33,369)	(39,792)	(39,792)	(3,898)	(3,888)
	Other Operating Expenses:						
7.	Operations Excluding Fuel Expense	(33,311)	(33,369)	(39,792)	(39,792)	-	-
8.	Maintenance	-	-	-	-	-	-
9.	Subtotal	(33,311)	(33,369)	(39,792)	(39,792)	-	-
10.	Depreciation and Amortization	-	-	-	-	-	-
11.	Amortization of Gain	-	-	-	-	-	-
12.	Administrative and General	-	-	-	-	-	-
13.	Other Taxes	-	-	-	-	-	-
14.	Total Other Operating Expense	(33,311)	(33,369)	(39,792)	(39,792)	-	-
15.	Operating Income Before Income Tax	-	-	-	-	(3,898)	(3,888)
16.	Interest Expense	-	-	-	-	-	-
17.	Taxable Income	-	-	-	-	(3,898)	(3,888)
18.	Current Income Tax Rate - 24.75%	-	-	-	-	(965)	(962)
19.	Operating Income (line 15 minus line 18)	\$ -	\$ -	\$ -	\$ -	\$ (2,933)	\$ (2,926)

**PRO FORMA WITNESS:** BLANKENSHIP  
 1. Jurisdictional  
 2. Revenues are class specific

**PRO FORMA FUNCTIONALIZATION or ALLOCATION FACTOR:** BLANKENSHIP  
 1. ACC Specific  
 2. Revenues are class specific

**[WITNESS: SNOOK]** BLANKENSHIP  
 1. Jurisdictional  
 2. Revenues are class specific

- (19) Adjustment to Test Year operations to remove the Transmission Cost Adjustor from operating revenues and expenses.
- (20) Adjustment to Test Year operations to remove the LFCR mechanism from operating revenues.
- (21) Adjustment to Test Year operations to remove the EIS from operating revenues.

Supporting Schedules:  
 N/A

Recap Schedules:  
 (a) C-1

ARIZONA PUBLIC SERVICE COMPANY  
 INCOME STATEMENT PRO FORMA ADJUSTMENTS  
 TEST YEAR ENDED  
 JUNE 30, 2019  
 (Thousands of Dollars)

Line No.	Description	(22)		(23)		(24)	
		Total Co. (AQ)	ACC (AR)	Total Co. (AS)	ACC (AT)	Total Co. (AU)	ACC (AV)
	Electric Operating Revenues						
1.	Revenues from Base Rates	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2.	Revenues from Surcharges	(26,717)	(26,689)	(72,697)	(72,670)	143,475	143,238
3.	Other Electric Revenues	-	-	-	-	-	-
4.	Total Electric Operating Revenues	(26,717)	(26,689)	(72,697)	(72,670)	143,475	143,238
5.	Electric Fuel and Purchased Power Costs	-	-	(38,930)	(38,916)	-	-
6.	Oper Rev Less Fuel & Purch Pwr Costs	(26,717)	(26,689)	(33,767)	(33,754)	143,475	143,238
	Other Operating Expenses:						
7.	Operations Excluding Fuel Expense	(26,717)	(26,689)	(33,445)	(33,433)	-	-
8.	Maintenance	-	-	-	-	-	-
9.	Subtotal	(26,717)	(26,689)	(33,445)	(33,433)	-	-
10.	Depreciation and Amortization	-	-	-	-	-	-
11.	Amortization of Gain	-	-	-	-	-	-
12.	Administrative and General	-	-	-	-	-	-
13.	Other Taxes	-	-	-	-	-	-
14.	Total Other Operating Expense	(26,717)	(26,689)	(33,445)	(33,433)	-	-
15.	Operating Income Before Income Tax	-	0	(322)	(321)	143,475	143,238
16.	Interest Expense	-	-	-	-	-	-
17.	Taxable Income	-	0	(322)	(321)	143,475	143,238
18.	Current Income Tax Rate - 24.75%	-	-	(80)	(80)	35,510	35,451
19.	Operating Income (line 15 minus line 18)	\$ -	\$ 0	\$ (242)	\$ (241)	\$ 107,965	\$ 107,787

**PRO FORMA WITNESS:**  
  
**PRO FORMA FUNCTIONALIZATION**  
**or ALLOCATION FACTOR:**  
**[WITNESS: SNOOK]**

BLANKENSHIP  
 1. Jurisdictional  
 2. Revenues and Expenses are class specific.

BLANKENSHIP  
 1. Jurisdictional  
 2. Revenues and Expenses are class specific.

BLANKENSHIP  
 1. Jurisdictional  
 2. Revenues and Expenses are class specific.

(22) Adjustment to Test Year operations to remove the DSMAC from operating revenues and expenses.

(23) Adjustment to Test Year operations to remove the REAC from operating revenues and transfer a portion of the expenses related to APS Solar Communities (formerly known as AZ Sun II) to base rates.

(24) Adjustment to Test Year operations to remove and transfer the TEAM adjustor from operating revenues.

Supporting Schedules:  
 N/A

Recap Schedules:  
 (a) C-1

ARIZONA PUBLIC SERVICE COMPANY  
 INCOME STATEMENT PRO FORMA ADJUSTMENTS  
 TEST YEAR ENDED  
 JUNE 30, 2019  
 (Thousands of Dollars)

Line No.	Description	(25)		(26)		(27)	
		Total Co. (AW)	ACC (AX)	Total Co. (AY)	ACC (AZ)	Total Co. (BA)	ACC (BB)
	Electric Operating Revenues						
1.	Revenues from Base Rates	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2.	Revenues from Surcharges	-	-	-	-	-	-
3.	Other Electric Revenues	-	-	-	-	-	-
4.	Total Electric Operating Revenues	-	-	-	-	-	-
5.	Electric Fuel and Purchased Power Costs	-	-	-	-	-	-
6.	Oper Rev Less Fuel & Purch Pwr Costs	-	-	-	-	-	-
	Other Operating Expenses:						
7.	Operations Excluding Fuel Expense	-	-	-	-	-	-
8.	Maintenance	-	-	-	-	-	-
9.	Subtotal	-	-	-	-	-	-
10.	Depreciation and Amortization	8,259	8,220	9,245	9,201	1,045	1,040
11.	Amortization of Gain	-	-	-	-	-	-
12.	Administrative and General	-	-	-	-	-	-
13.	Other Taxes	-	-	-	-	-	-
14.	Total Other Operating Expense	8,259	8,220	9,245	9,201	1,045	1,040
15.	Operating Income Before Income Tax	(8,259)	(8,220)	(9,245)	(9,201)	(1,045)	(1,040)
16.	Interest Expense	-	-	-	-	-	-
17.	Taxable Income	(8,259)	(8,220)	(9,245)	(9,201)	(1,045)	(1,040)
18.	Current Income Tax Rate - 24.75%	(2,044)	(2,034)	(2,288)	(2,277)	(259)	(257)
19.	Operating Income (line 15 minus line 18)	\$ (6,215)	\$ (6,186)	\$ (6,957)	\$ (6,924)	\$ (786)	\$ (783)

**PRO FORMA WITNESS:**  
**PRO FORMA FUNCTIONALIZATION**  
**or ALLOCATION FACTOR:**  
**[WITNESS: SNOOK]**

BLANKENSHIP  
 1. Jurisdictional  
 2. Assigned to Production - Demand (DEMPROD1)

BLANKENSHIP  
 1. Jurisdictional  
 2. Assigned to Production - Demand (DEMPROD1)

BLANKENSHIP  
 1. Jurisdictional  
 2. Assigned to Production - Demand (DEMPROD1)

- (25) Adjustment to Test Year operations to include the amortization of the Four Corners SCR deferral.
- (26) Adjustment to Test Year operations to include the amortization of the Ocotillo Modernization Project deferral.
- (27) Adjustment to Test Year operations to reflect Four Corners inventory cost recovery.

Supporting Schedules:  
 N/A

Recap Schedules:  
 (a) C-1

ARIZONA PUBLIC SERVICE COMPANY  
 INCOME STATEMENT PRO FORMA ADJUSTMENTS  
 TEST YEAR ENDED  
 JUNE 30, 2019  
 (Thousands of Dollars)

Line No.	Description	(28)		(29)		(30)	
		Total Co. (BC)	ACC (BD)	Total Co. (BE)	ACC (BF)	Total Co. (BE)	ACC (BF)
	Electric Operating Revenues						
1.	Revenues from Base Rates	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2.	Revenues from Surcharges	-	-	-	-	-	-
3.	Other Electric Revenues	-	-	-	-	-	-
4.	Total Electric Operating Revenues	-	-	-	-	-	-
5.	Electric Fuel and Purchased Power Costs	-	-	-	-	-	-
6.	Oper Rev Less Fuel & Purch Pwr Costs	-	-	-	-	-	-
	Other Operating Expenses:						
7.	Operations Excluding Fuel Expense	-	-	-	-	(10,567)	(10,522)
8.	Maintenance	-	-	-	-	(6,446)	(6,418)
9.	Subtotal	-	-	-	-	(17,014)	(16,940)
10.	Depreciation and Amortization	1,523	1,516	(329)	(327)	-	-
11.	Amortization of Gain	-	-	-	-	-	-
12.	Administrative and General	-	-	-	-	541	539
13.	Other Taxes	-	-	-	-	-	-
14.	Total Other Operating Expense	1,523	1,516	(329)	(327)	(16,473)	(16,401)
15.	Operating Income Before Income Tax	(1,523)	(1,516)	329	327	16,473	16,401
16.	Interest Expense	-	-	(110)	(109)	-	-
17.	Taxable Income	(1,523)	(1,516)	439	437	16,473	16,401
18.	Current Income Tax Rate - 24.75%	(377)	(375)	109	108	4,077	4,059
19.	Operating Income (line 15 minus line 18)	\$ (1,146)	\$ (1,141)	\$ 220	\$ 219	\$ 12,396	\$ 12,342

<p><b>PRO FORMA WITNESS:</b></p> <p><b>PRO FORMA FUNCTIONALIZATION or ALLOCATION FACTOR:</b>                  [WITNESS: SNOOK]</p>	<p>BLANKENSHIP</p> <p>1. Jurisdictional                  2. Assigned to Production - Demand (DEMPROD1)</p>	<p>BLANKENSHIP</p> <p>1. Jurisdictional                  2. Assigned to Production - Demand (DEMPROD1)</p>	<p>BLANKENSHIP</p> <p>1. Jurisdictional                  2. Assigned to Production - Energy (ENERGY1)</p>
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- (28) Adjustment to Test Year operations to reflect Cholla inventory cost recovery.
- (29) Adjustment to Test Year operations to reflect amortization of regulatory disallowance of West Phoenix Unit 4 over the remaining life of the plant as required by previous ACC Decision Nos. 67744 and 69663. Pro forma adjusted as shown on Schedule B-2, page 3, column 8.
- (30) Adjustment to Test Year operations to remove Navajo O&M and A&G costs as a result of the closure of Navajo Power Plant.

Supporting Schedules:  
 N/A

Recap Schedules:  
 (a) C-1

ARIZONA PUBLIC SERVICE COMPANY  
INCOME STATEMENT PRO FORMA ADJUSTMENTS  
TEST YEAR ENDED  
JUNE 30, 2019  
(Thousands of Dollars)

Line No.	Description	(31)		(32)		(33)	
		Total Co. (BG)	ACC (BH)	Total Co. (BI)	ACC (BJ)	Total Co. (BK)	ACC (BL)
	Electric Operating Revenues						
1.	Revenues from Base Rates	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2.	Revenues from Surcharges	-	-	-	-	-	-
3.	Other Electric Revenues	-	-	-	-	-	-
4.	Total Electric Operating Revenues	-	-	-	-	-	-
5.	Electric Fuel and Purchased Power Costs	-	-	-	-	-	-
6.	Oper Rev Less Fuel & Purch Pwr Costs	-	-	-	-	-	-
	Other Operating Expenses:						
7.	Operations Excluding Fuel Expense	5,643	5,618	2,117	2,117	-	-
8.	Maintenance	1,104	1,099	-	-	-	-
9.	Subtotal	6,747	6,717	2,117	2,117	-	-
10.	Depreciation and Amortization	-	-	-	-	89,703	88,861
11.	Amortization of Gain	-	-	-	-	-	-
12.	Administrative and General	(16)	(16)	-	-	-	-
13.	Other Taxes	-	-	-	-	-	-
14.	Total Other Operating Expense	6,730	6,701	2,117	2,117	89,703	88,861
15.	Operating Income Before Income Tax	(6,730)	(6,701)	(2,117)	(2,117)	(89,703)	(88,861)
16.	Interest Expense	-	-	-	-	-	-
17.	Taxable Income	(6,730)	(6,701)	(2,117)	(2,117)	(89,703)	(88,861)
18.	Current Income Tax Rate - 24.75%	(1,666)	(1,659)	(524)	(524)	(22,202)	(21,993)
19.	Operating Income (line 15 minus line 18)	\$ (5,064)	\$ (5,042)	\$ (1,593)	\$ (1,593)	\$ (67,501)	\$ (66,868)

<p><b>PRO FORMA WITNESS:</b></p> <p><b>PRO FORMA FUNCTIONALIZATION or ALLOCATION FACTOR: [WITNESS: SNOOK]</b></p>	<p>BLANKENSHIP</p> <p>1. Jurisdictional 2. Assigned to Production - Energy (ENERGY1)</p>	<p>BLANKENSHIP</p> <p>1. ACC Specific 2. Assigned to Customer Accounts (CUSTDEP)</p>	<p>BLANKENSHIP</p> <p>1. Jurisdictional 2. Assigned to PT&amp;D, General and Intangible functionalized on Wages &amp; Salaries</p>
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- (31) Adjust Test Year to reflect the continuing operations of the Ocotillo Power Plant with the retirement of the 2 steam units and the addition of the new units.
- (32) Adjustment to Test Year Operations to reflect the operating income impact of interest on customer deposits using January 2019 interest rates.
- (33) Adjustment to Test Year operations to reflect depreciation expense based on the 2019 Depreciation Rate Study.

Supporting Schedules:  
N/A

ARIZONA PUBLIC SERVICE COMPANY  
 INCOME STATEMENT PRO FORMA ADJUSTMENTS  
 TEST YEAR ENDED  
 JUNE 30, 2019  
 (Thousands of Dollars)

Line No.	Description	(34)		(35)		(36)	
		Total Co. (BM)	ACC (BN)	Total Co. (BO)	ACC (BP)	Total Co. (BQ)	ACC (BR)
	Electric Operating Revenues						
1.	Revenues from Base Rates	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2.	Revenues from Surcharges	-	-	-	-	-	-
3.	Other Electric Revenues	-	-	-	-	-	-
4.	Total Electric Operating Revenues	-	-	-	-	-	-
5.	Electric Fuel and Purchased Power Costs	-	-	-	-	-	-
6.	Oper Rev Less Fuel & Purch Pwr Costs	-	-	-	-	-	-
	Other Operating Expenses:						
7.	Operations Excluding Fuel Expense	(410)	(376)	11,251	10,328	(8,429)	(7,738)
8.	Maintenance	(84)	(77)	-	-	-	-
9.	Subtotal	(494)	(453)	11,251	10,328	(8,429)	(7,738)
10.	Depreciation and Amortization	-	-	-	-	-	-
11.	Amortization of Gain	-	-	-	-	-	-
12.	Administrative and General	-	-	-	-	-	-
13.	Other Taxes	-	-	-	-	-	-
14.	Total Other Operating Expense	(494)	(453)	11,251	10,328	(8,429)	(7,738)
15.	Operating Income Before Income Tax	494	453	(11,251)	(10,328)	8,429	7,738
16.	Interest Expense	-	-	-	-	-	-
17.	Taxable Income	494	453	(11,251)	(10,328)	8,429	7,738
18.	Current Income Tax Rate - 24.75%	122	112	(2,785)	(2,556)	2,086	1,915
19.	Operating Income (line 15 minus line 18)	\$ 372	\$ 341	\$ (8,466)	\$ (7,772)	\$ 6,343	\$ 5,823

**PRO FORMA WITNESS:**  
**PRO FORMA FUNCTIONALIZATION**  
**or ALLOCATION FACTOR:**  
**[WITNESS: SNOOK]**

BLANKENSHIP  
 1. Jurisdictional  
 2. Functionalized on Wages & Salaries

BLANKENSHIP  
 1. Jurisdictional  
 2. Functionalized on Wages & Salaries

BLANKENSHIP  
 1. Jurisdictional  
 2. Functionalized on Wages & Salaries

(34) Adjustment to Test Year operations to reflect the annualization of payroll, payroll tax and non-retirement benefit expenses to March 2019 employee levels for performance review and March 2020 Union employee levels.

(35) Adjustment to Test Year operations to reflect the current December 2018 actuarial valuation of retirement program expenses.

(36) Adjustment to Test Year operations to remove Supplemental Excess Benefit Retirement Plan Expense (SERP).

Supporting Schedules:  
 N/A

Recap Schedules:  
 (a) C-1

ARIZONA PUBLIC SERVICE COMPANY  
 INCOME STATEMENT PRO FORMA ADJUSTMENTS  
 TEST YEAR ENDED  
 JUNE 30, 2019  
 (Thousands of Dollars)

Line No.	Description	(37)		(38)		(39)	
		Total Co. (BS)	ACC (BT)	Total Co. (BU)	ACC (BV)	Total Co. (BW)	ACC (BX)
	Electric Operating Revenues						
1.	Revenues from Base Rates	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2.	Revenues from Surcharges	-	-	-	-	-	-
3.	Other Electric Revenues	-	-	-	-	-	-
4.	Total Electric Operating Revenues	-	-	-	-	-	-
5.	Electric Fuel and Purchased Power Costs	-	-	-	-	-	-
6.	Oper Rev Less Fuel & Purch Pwr Costs	-	-	-	-	-	-
	Other Operating Expenses:						
7.	Operations Excluding Fuel Expense	(15,882)	(14,580)	4,153	3,812	-	-
8.	Maintenance	-	-	126	116	-	-
9.	Subtotal	(15,882)	(14,580)	4,279	3,928	-	-
10.	Depreciation and Amortization	-	-	-	-	-	-
11.	Amortization of Gain	-	-	-	-	-	-
12.	Administrative and General	-	-	1,327	1,218	-	-
13.	Other Taxes	-	-	-	-	-	-
14.	Total Other Operating Expense	(15,882)	(14,580)	5,606	5,146	-	-
15.	Operating Income Before Income Tax	15,882	14,580	(5,606)	(5,146)	-	-
16.	Interest Expense	-	-	-	-	23,665	24,404
17.	Taxable Income	15,882	14,580	(5,606)	(5,146)	(23,665)	(24,404)
18.	Current Income Tax Rate - 24.75%	3,931	3,608	(1,388)	(1,274)	(5,857)	\$ (6,040)
19.	Operating Income (line 15 minus line 18)	\$ 11,951	\$ 10,972	\$ (4,218)	\$ (3,872)	\$ 5,857	\$ 6,040

**PRO FORMA WITNESS:**  
**PRO FORMA FUNCTIONALIZATION**  
**or ALLOCATION FACTOR:**  
**[WITNESS: SNOOK]**

BLANKENSHIP  
 1. Jurisdictional  
 2. Functionalized on Wages & Salaries

BLANKENSHIP  
 1. Jurisdictional  
 2. Functionalized on Wages & Salaries

BLANKENSHIP  
 1. Jurisdictional  
 2. Calculated as the weighted average of "Other Tax Items"

(37) Adjustment to Test Year operations to remove stock compensation expense.

(38) Adjustment to Test Year operations to normalize the cash incentive program over a 3 year period.

(39) Adjustment to Test Year operations for top down income tax true-ups consistent with Decision Nos. 69663, 71448, 73183, and 76295 using the 6/30/2019 rate base and cost of long-term debt. Tax true-ups are reflected as interest in this adjustment.

Supporting Schedules:  
 N/A

Recap Schedules:  
 (a) C-1

ARIZONA PUBLIC SERVICE COMPANY  
 INCOME STATEMENT PRO FORMA ADJUSTMENTS  
 TEST YEAR ENDED  
 JUNE 30, 2019  
 (Thousands of Dollars)

(40)

(41)

(42)

Line No.	Description	Annualize Property Tax Expense		Amortize Property Tax Deferral		West Phoenix Removal Costs	
		Total Co. (BY)	ACC (BZ)	Total Co. (CA)	ACC (CB)	Total Co. (CC)	ACC (CD)
	Electric Operating Revenues						
1.	Revenues from Base Rates	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2.	Revenues from Surcharges	-	-	-	-	-	-
3.	Other Electric Revenues	-	-	-	-	-	-
4.	Total Electric Operating Revenues	-	-	-	-	-	-
5.	Electric Fuel and Purchased Power Costs	-	-	-	-	-	-
6.	Oper Rev Less Fuel & Purch Pwr Costs	-	-	-	-	-	-
	Other Operating Expenses:						
7.	Operations Excluding Fuel Expense	-	-	-	-	-	-
8.	Maintenance	-	-	-	-	-	-
9.	Subtotal	-	-	-	-	-	-
10.	Depreciation and Amortization	-	-	-	-	998	993
11.	Amortization of Gain	-	-	-	-	-	-
12.	Administrative and General	-	-	-	-	-	-
13.	Other Taxes	4,549	3,789	(590)	(590)	-	-
14.	Total Other Operating Expense	4,549	3,789	(590)	(590)	998	993
15.	Operating Income Before Income Tax	(4,549)	(3,789)	590	590	(998)	(993)
16.	Interest Expense	-	-	(33)	(33)	-	-
17.	Taxable Income	(4,549)	(3,789)	623	623	(998)	(993)
18.	Current Income Tax Rate - 24.75%	(1,126)	(938)	154	154	(247)	(246)
19.	Operating Income (line 15 minus line 18)	\$ (3,423)	\$ (2,851)	\$ 436	\$ 436	\$ (751)	\$ (747)

**PRO FORMA WITNESS:**

**PRO FORMA FUNCTIONALIZATION  
 or ALLOCATION FACTOR:  
 [WITNESS: SNOOK]**

**BLANKENSHIP**

1. Jurisdictional
2. Functionalized on P T & D

**BLANKENSHIP**

- ACC Specific
2. Distribution Property Tax functionalized on Distribution and Generation Property Tax functionalized on Demand Production (Retail DEMPROD1)

**BLANKENSHIP**

1. Jurisdictional
2. Assigned to Production Demand (DEMPROD1)

(40) Adjustment to Test Year operations to annualize property taxes calculated using the anticipated 2019 tax assessment ratio and tax rate.

(41) Adjustment to amortize the property tax deferral as authorized in Decision No. 76295 over 10 years. Pro forma adjusted as shown on Schedule B-2, page 3, column 9.

(42) Adjustment to include additional costs of removal related to the decommissioning of West Phoenix Steam Units 4, 5 & 6.

Supporting Schedules:  
 N/A

Recap Schedules:  
 (a) C-1



ARIZONA PUBLIC SERVICE COMPANY  
 INCOME STATEMENT PRO FORMA ADJUSTMENTS  
 TEST YEAR ENDED  
 JUNE 30, 2019  
 (Thousands of Dollars)

Line No.	Description	(43)		(44)		(45)	
		Total Co. (CE)	ACC (CF)	Total Co. (CG)	ACC (CH)	Total Co. (CI)	ACC (CJ)
	Electric Operating Revenues						
1.	Revenues from Base Rates	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2.	Revenues from Surcharges	-	-	-	-	-	-
3.	Other Electric Revenues	-	-	-	-	-	-
4.	Total Electric Operating Revenues	-	-	-	-	-	-
5.	Electric Fuel and Purchased Power Costs	(3,145)	(3,131)	1,910	1,902	-	-
6.	Oper Rev Less Fuel & Purch Pwr Costs	3,145	3,131	(1,910)	(1,902)	-	-
	Other Operating Expenses:						
7.	Operations Excluding Fuel Expense	-	-	-	-	-	-
8.	Maintenance	-	-	-	-	-	-
9.	Subtotal	-	-	-	-	-	-
10.	Depreciation and Amortization	-	-	-	-	-	-
11.	Amortization of Gain	-	-	-	-	-	-
12.	Administrative and General	-	-	-	-	-	-
13.	Other Taxes	-	-	-	-	-	-
14.	Total Other Operating Expense	-	-	-	-	-	-
15.	Operating Income Before Income Tax	3,145	3,131	(1,910)	(1,902)	-	-
16.	Interest Expense	-	-	-	-	(195)	(179)
17.	Taxable Income	3,145	3,131	(1,910)	(1,902)	195	179
18.	Current Income Tax Rate - 24.75%	778	775	(473)	(471)	48	44
19.	Operating Income (line 15 minus line 18)	\$ 2,367	\$ 2,356	\$ (1,437)	\$ (1,431)	\$ (48)	\$ (44)

**PRO FORMA WITNESS:**  
  
**PRO FORMA FUNCTIONALIZATION  
 or ALLOCATION FACTOR:**  
**[WITNESS: SNOOK]**

BLANKENSHIP  
 1. Jurisdictional  
 2. Assigned to System Benefits  
 (ERGSYSBEN)

BLANKENSHIP  
 1. Jurisdictional  
 2. Assigned to System Benefits  
 (ERGSYSBEN)

BLANKENSHIP  
 1. Jurisdictional  
 2. Functionalized on Wages & Salaries

- (43) Adjustment to Test Year operations to reflect most recent Four Corners Power Plant coal reclamation study.
- (44) Adjustment to Test Year operations to reflect the most recent Navajo Power Plant coal reclamation study.
- (45) Adjustment to Test Year interest expense for cash working capital rate base pro forma adjustment. Pro forma adjusted as shown on Schedule B-2, page 4, column 10.

Supporting Schedules:  
 N/A

Recap Schedules:  
 (a) C-1

ARIZONA PUBLIC SERVICE COMPANY  
 INCOME STATEMENT PRO FORMA ADJUSTMENTS  
 TEST YEAR ENDED  
 JUNE 30, 2019  
 (Thousands of Dollars)

(46)

(47)

(48)

Line No.	Description	Normalize Advertising		Normalize Nuclear Maintenance Expense		Normalize Fossil Maintenance Expense	
		Total Co. (CK)	ACC (CL)	Total Co. (CM)	ACC (CN)	Total Co. (CO)	ACC (CP)
	Electric Operating Revenues						
1.	Revenues from Base Rates	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2.	Revenues from Surcharges	-	-	-	-	-	-
3.	Other Electric Revenues	-	-	-	-	-	-
4.	Total Electric Operating Revenues	-	-	-	-	-	-
5.	Electric Fuel and Purchased Power Costs	-	-	-	-	-	-
6.	Oper Rev Less Fuel & Purch Pwr Costs	-	-	-	-	-	-
	Other Operating Expenses:						
7.	Operations Excluding Fuel Expense	(2,264)	(2,264)	-	-	-	-
8.	Maintenance	-	-	1,386	1,380	5,882	5,856
9.	Subtotal	(2,264)	(2,264)	1,386	1,380	5,882	5,856
10.	Depreciation and Amortization	-	-	-	-	-	-
11.	Amortization of Gain	-	-	-	-	-	-
12.	Administrative and General	-	-	-	-	-	-
13.	Other Taxes	-	-	-	-	-	-
14.	Total Other Operating Expense	(2,264)	(2,264)	1,386	1,380	5,882	5,856
15.	Operating Income Before Income Tax	2,264	2,264	(1,386)	(1,380)	(5,882)	(5,856)
16.	Interest Expense	-	-	-	-	-	-
17.	Taxable Income	2,264	2,264	(1,386)	(1,380)	(5,882)	(5,856)
18.	Current Income Tax Rate - 24.75%	560	560	(343)	(342)	(1,456)	(1,449)
19.	Operating Income (line 15 minus line 18)	\$ 1,704	\$ 1,704	\$ (1,043)	\$ (1,038)	\$ (4,426)	\$ (4,407)

**PRO FORMA WITNESS:**

**PRO FORMA FUNCTIONALIZATION  
 or ALLOCATION FACTOR:  
 [WITNESS: SNOOK]**

**BLANKENSHIP**

1. ACC Specific
2. Functionalized on Wages & Salaries less Transmission

**BLANKENSHIP**

1. Jurisdictional
2. Assigned to Production - Energy (ENERGY1)

**BLANKENSHIP**

1. Jurisdictional
2. Assigned to Production - Energy (ENERGY1)

(46) Adjustment to Test Year operations to normalize advertising expense over a 3 year period.

(47) Adjustment to Test Year operations to normalize nuclear production maintenance expense over a 3 year period.

(48) Adjustment to Test Year operations to normalize fossil production maintenance expense over a 6 year period.

Supporting Schedules:  
 N/A

Recap Schedules:  
 (a) C-1

ARIZONA PUBLIC SERVICE COMPANY  
INCOME STATEMENT PRO FORMA ADJUSTMENTS  
TEST YEAR ENDED  
JUNE 30, 2019

(49) (Thousands of Dollars)

(50)

(51)

Line No.	Description	Adjust Sundance Maintenance		Remove Out of Period and Miscellaneous Items		Cholla Unit 2 Regulatory Asset Amortization	
		Total Co. (CQ)	ACC (CR)	Total Co. (CS)	ACC (CT)	Total Co. (CS)	ACC (CT)
	Electric Operating Revenues						
1.	Revenues from Base Rates	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2.	Revenues from Surcharges	-	-	-	-	-	-
3.	Other Electric Revenues	-	-	-	-	-	-
4.	Total Electric Operating Revenues	-	-	-	-	-	-
5.	Electric Fuel and Purchased Power Costs	-	-	-	-	-	-
6.	Oper Rev Less Fuel & Purch Pwr Costs	-	-	-	-	-	-
	Other Operating Expenses:						
7.	Operations Excluding Fuel Expense	-	-	-	-	-	-
8.	Maintenance	1,487	1,481	-	-	-	-
9.	Subtotal	1,487	1,481	-	-	-	-
10.	Depreciation and Amortization	-	-	-	-	(11,504)	(11,454)
11.	Amortization of Gain	-	-	-	-	-	-
12.	Administrative and General	-	-	(14,207)	(13,042)	-	-
13.	Other Taxes	-	-	-	-	-	-
14.	Total Other Operating Expense	1,487	1,481	(14,207)	(13,042)	(11,504)	(11,454)
15.	Operating Income Before Income Tax	(1,487)	(1,481)	14,207	13,042	11,504	11,454
16.	Interest Expense	-	-	-	-	-	-
17.	Taxable Income	(1,487)	(1,481)	14,207	13,042	11,504	11,454
18.	Current Income Tax Rate - 24.75%	(368)	(366)	3,516	3,228	2,847	2,835
19.	Operating Income (line 15 minus line 18)	\$ (1,119)	\$ (1,115)	\$ 10,691	\$ 9,814	\$ 8,657	\$ 8,619

**PRO FORMA WITNESS:**  
  
**PRO FORMA FUNCTIONALIZATION**  
**or ALLOCATION FACTOR:**  
**[WITNESS: SNOOK]**

BLANKENSHIP  
1. Jurisdictional  
2. Assigned to Production - Energy  
(ENERGY1)

BLANKENSHIP  
1. Jurisdictional  
2. Functionalized on Wages & Salaries

BLANKENSHIP  
1. Jurisdictional  
2. Assigned to System Benefits  
(ERGSYSBEN)

(49) Adjustment to Test Year operations to annualize the accrual of Sundance maintenance costs as authorized in Decision No. 69663.

(50) Adjustment to Test Year operations to remove out of period and miscellaneous items from the Test Year period.

(51) Adjust test year to amortize Cholla Unit 2 Regulatory Asset over the remaining plant life instead of the accelerated method approved in Decision No. 76295.

Supporting Schedules:  
N/A

Recap Schedules:  
(a) C-1

ARIZONA PUBLIC SERVICE COMPANY  
INCOME STATEMENT PRO FORMA ADJUSTMENTS  
TEST YEAR ENDED  
JUNE 30, 2019  
(Thousands of Dollars)

(52)

Line No.	Description	Total Income Statement Adjustments	
		(a) Total Co. (CU)	(a) ACC (CV)
	Electric Operating Revenues		
1.	Revenues from Base Rates	\$ 5,612	\$ 5,612
2.	Revenues from Surcharges	(128,995)	(128,979)
3.	Other Electric Revenues	(6,040)	(6,040)
4.	Total Electric Operating Revenues	<u>(129,423)</u>	<u>(129,407)</u>
5.	Electric Fuel and Purchased Power Costs	<u>(139,546)</u>	<u>(139,278)</u>
6.	Oper Rev Less Fuel & Purch Pwr Costs	10,123	9,871
	Other Operating Expenses:		
7.	Operations Excluding Fuel Expense	(164,811)	(163,748)
8.	Maintenance	6,649	6,630
9.	Subtotal	<u>(158,162)</u>	<u>(157,118)</u>
10.	Depreciation and Amortization	138,005	135,543
11.	Amortization of Gain	-	-
12.	Administrative and General	(12,355)	(11,301)
13.	Other Taxes	15,324	14,259
14.	Total Other Operating Expense	<u>(17,188)</u>	<u>(18,617)</u>
15.	Operating Income Before Income Tax	<u>27,311</u>	<u>28,488</u>
16.	Interest Expense	27,324	27,903
17.	Taxable Income	<u>(13)</u>	585
18.	Current Income Tax Rate - 24.75%	(3)	145
19.	Operating Income (line 15 minus line 18)	<u>\$ 27,314</u>	<u>\$ 28,343</u>

**PRO FORMA WITNESS:**

**PRO FORMA FUNCTIONALIZATION  
or ALLOCATION FACTOR:  
[WITNESS: SNOOK]**

Supporting Schedules:  
N/A

Recap Schedules:  
(a) C-1

ARIZONA PUBLIC SERVICE COMPANY  
 COMPUTATION OF GROSS REVENUE CONVERSION FACTOR  
 TOTAL COMPANY  
 TEST YEAR ENDED JUNE 30, 2019

<u>Line No.</u>	<u>Description</u>	<u>2019</u>	<u>Percentage of Incremental Gross Revenues</u>	<u>Line No.</u>
1.	Federal Income Taxes		21.00%	1.
2.	State Income Taxes Net of Federal Tax Benefit		<u>3.75%</u>	2.
3.	Total Tax Percentage		24.75%	3.
4.	Operating Income % = 100% - Tax Percentage		75.25%	4.
5.	1/Operating Income % = Gross Revenue Conversion Factor (a)		1.3288	5.

Supporting Schedules:

N/A

Recap Schedules:

(a) A-1

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