

ARIZONA PUBLIC SERVICE COMPANY
TOTAL COMPANY
SUMMARY COST OF CAPITAL
ADJUSTED TEST YEAR ENDED JUNE 30, 2019
(Thousands of Dollars)

Line No.	Invested Capital	Adjusted*** End of Test Year 6/30/2019				Projected - Present Rates End Of 12/31/2019				Projected - Present Rates End Of 12/31/2020				Line No.
		Amount	%	Cost Rate	Composite Cost	Amount (e)	% (e)	Cost Rate	Composite Cost (e)	Amount (e)	% (e)	Cost Rate	Composite Cost (e)	
1.	Long-Term Debt * (a)	\$4,726,125	45.33%	4.10%	1.86%	\$5,326,125	47.38%	4.12%	1.95%	\$5,651,125	47.20%	4.30%	2.03%	1.
2.	Preferred Stock (b)	-	0.00%	0.00%	0.00%	\$0	0.00%	0.00%	0.00%	\$0	0.00%	0.00%	0.00%	2.
3.	Common Equity (c)	5,700,968	54.67%	10.15%	5.55%	\$5,915,469	52.62%	10.15%	5.34%	\$6,321,352	52.80%	10.15%	5.36%	3.
4.	Short-Term Debt ** (a)	-	0.00%	0.00%	0.00%	\$0	0.00%	0.00%	0.00%	\$0	0.00%	0.00%	0.00%	4.
5.	Total	<u>\$ 10,427,093</u>	<u>100.00%</u>		<u>7.41%</u>	<u>\$ 11,241,594</u>	<u>100.00%</u>		<u>7.29%</u>	<u>\$ 11,972,477</u>	<u>100.00%</u>		<u>7.39%</u>	5.
		Projected - Present Rates End Of 12/31/2021				Projected - Proposed Rates End of 12/31/2021								
		Amount (e)	% (e)	Cost Rate	Composite Cost (e)	Amount (e)	% (e)	Cost Rate	Composite Cost (e)					
6.	Long-Term Debt * (a)	\$6,126,125	47.91%	4.41%	2.11%	\$6,001,125	47.22%	4.38%	2.07%					6.
7.	Preferred Stock (b)	\$0	0.00%	0.00%	0.00%	\$0	0.00%	0.00%	0.00%					7.
8.	Common Equity (c)	\$6,661,147	52.09%	10.15%	5.29%	\$6,708,945	52.78%	10.15%	5.36%					8.
9.	Short-Term Debt ** (a)	\$0	0.00%	0.00%	0.00%	\$0	0.00%	0.00%	0.00%					9.
10.	Total	<u>\$ 12,787,272</u>	<u>100.00%</u>		<u>7.40%</u>	<u>\$ 12,710,070</u>	<u>100.00%</u>		<u>7.43%</u>					10.

Notes:

There may be variances in displayed values due to rounding.

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

** 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 in the cost of capital calculation. For the unadjusted Test Year ending 6/30/2019 there was \$376,873 short-term debt.

*** See Schedule D-1, page 2 of 2 for pro forma adjustments to Test Year actual period ended 6/30/19.

Supporting Schedules:

- (a) D-2
- (b) D-3
- (c) D-4

Recap Schedules:

- (e) A-3

ARIZONA PUBLIC SERVICE COMPANY
TOTAL COMPANY
SUMMARY COST OF CAPITAL
TEST YEAR ENDED JUNE 30, 2019
(Thousands of Dollars)

Line No.	Invested Capital	End of Test Year 6/30/2019 - Unadjusted				Proformas to Test Year Ended 6/30/2019					End of Test Year 6/30/2019 - Adjusted				Line No.
		Amount (d)	% (e)	Cost Rate	Composite Cost (e)	Remove Short-Term Debt **	Pension OCI to Zero ***	Derivative OCI to Zero ***	Combined Total Adj. Amount	Cost Rate Adj.	Amount	%	Cost Rate	Composite Cost	
1.	Long-Term Debt * (a)	\$ 4,726,125	43.86%	4.19%	1.84%	-	-	-	-	-0.09%	\$ 4,726,125	45.33%	4.10%	1.86%	1.
2.	Preferred Stock (b)	-	0.00%	0.00%	0.00%	-	-	-	-	-	-	0.00%	0.00%	0.00%	2.
3.	Common Equity (c) ***	5,673,692	52.65%	10.00%	5.26%	-	26,298	979	27,276	0.15%	5,700,968	54.67%	10.15%	5.55%	3.
4.	Short-Term Debt ** (a)	376,873	3.50%	2.51%	0.09%	(376,873)	-	-	(376,873)	-2.51%	-	0.00%	0.00%	0.00%	4.
5.	Total	\$10,776,690	100.00%		7.19%						\$ 10,427,093	100.00%		7.41%	5.

Notes:

There may be variances in displayed values due to rounding.

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

** 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 ending 6/30/2019 there was \$376,873 short-term debt.

*** OCI removed from balance because no equity or debt issuance was used for the balance.

Supporting Schedules:

- (a) D-2
- (b) D-3
- (c) D-4
- (d) E-1

Recap Schedules:

- (e) A-3

ARIZONA PUBLIC SERVICE COMPANY
 COST OF LONG-TERM AND SHORT-TERM DEBT
 TEST YEAR ENDED JUNE 30, 2019
 (Thousands of Dollars)

Line No.	Description of Debt	Test Year End of Year 6/30/2019		Projected - Present Rates End of Year 6/30/2019		Projected - Present Rates End of Year 12/31/2020		Projected - Present Rates End of Year 12/31/2021		Projected - Proposed Rates End of Year 12/31/2021		Line No.
		Outstanding	Annual Interest *	Outstanding	Annual Interest *	Outstanding	Annual Interest *	Outstanding	Annual Interest *	Outstanding	Annual Interest *	
Long-Term:												
1.	Pollution Control Indebtedness	\$ 151,125	\$ 6,350	\$ 151,125	\$ 6,274	\$ 151,125	\$ 6,274	\$ 151,125	\$ 6,274	\$ 151,125	\$ 6,274	1.
2.	Capitalized Lease obligation	-	-	-	-	-	-	-	-	-	-	2.
3.	Other Long-Term Debt - Unsecured Notes	4,575,000	190,013	5,175,000	211,679	5,500,000	235,349	5,975,000	262,282	5,850,000	255,243	3.
4.	Other	-	1,594	-	1,594	-	1,594	-	1,594	-	1,594	4.
5.	Total Long-Term (a) **	<u>\$ 4,726,125</u>	<u>\$ 197,957</u>	<u>\$ 5,326,125</u>	<u>\$ 219,547</u>	<u>\$ 5,651,125</u>	<u>\$ 243,217</u>	<u>\$ 6,126,125</u>	<u>\$ 270,150</u>	<u>\$ 6,001,125</u>	<u>\$ 263,111</u>	5.
6.	Cost Rate (a)	<u>4.19%</u>		<u>4.12%</u>		<u>4.30%</u>		<u>4.41%</u>		<u>4.38%</u>		6.
Short-term:												
7.	Commercial Paper	376,873	9,451	-	-	-	-	-	-	-	-	7.
8.	Total Short-Term (a) (b) ***	<u>\$ 376,873</u>	<u>\$ 9,451</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	8.
9.	Cost Rate (a)	<u>2.51%</u>		<u>N/A***</u>		<u>N/A***</u>		<u>N/A***</u>		<u>N/A***</u>		9.

Notes:

There may be variances in displayed values due to rounding.

* Including amortization of discount, premium and expense.

** Excludes unamortized discount of (\$38,357).

*** 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 ending 6/30/2019, actual short-term debt was \$376,873.

Supporting Schedules:

(b) E-1

Recap Schedules:

(a) D-1

ARIZONA PUBLIC SERVICE COMPANY
 COST OF PREFERRED STOCK
 TOTAL COMPANY
 TEST YEAR ENDED JUNE 30, 2019
 (Thousands of Dollars)

Line No.	Description of Issue	End of Year 6/30/2019			Projected - Present Rates End of Year 12/31/2019			Projected - Present Rates End of Year 12/31/2020			Projected - Present Rates End of Year 12/31/2021			Projected - Projected Rates End of Year 12/31/2021			Line No.
		Shares Outstanding	Amount	Dividend Requirement	Shares Outstanding	Amount	Dividend Requirement	Shares Outstanding	Amount	Dividend Requirement	Shares Outstanding	Amount	Dividend Requirement	Shares Outstanding	Amount	Dividend Requirement	
1.	No Outstanding Issues	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.
2.	Total (a) (b)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2.
3.	Cost Rate (a)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3.

Supporting Schedules:
 (b) E-1

Recap Schedules:
 (a) D-1

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

ARIZONA PUBLIC SERVICE COMPANY
COST OF COMMON EQUITY
YEAR ENDED JUNE 30, 2019

For purposes of this filing, the Company is proposing a return on common equity of 10.15%.

Supporting Schedules

N/A

Recap Schedules

D-1

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