

ARIZONA PUBLIC SERVICE COMPANY
 PROJECTED INCOME STATEMENTS
 TOTAL COMPANY
 PRESENT RATES AND WITH PROPOSED RATE INCREASE
 TEST YEAR ENDED JUNE 30, 2019 AND PROJECTED YEARS
 (Thousands of Dollars)

Line No.	Description	Test Year (a)	Projected Years (b)			Line No.	
		Actual Year Ended 6/30/2019 (a) (A)	Present Rates Year Ended 12/31/2019 (B)	Present Rates Year Ended 12/31/2020 (C)	Present Rates Year Ended 12/31/2021 (D)		Proposed Rates Year Ended 12/31/2021 (E)
1.	Electric operating revenues	\$ 3,630,252	\$ 3,591,124	\$ 3,695,343	\$ 3,881,901	\$ 4,045,286	1.
2.	Fuel and purchased power	1,094,682	1,052,685	1,067,502	1,142,922	1,142,922	2.
3.	Operating revenues less fuel and purchased power	<u>2,535,570</u>	<u>2,538,439</u>	<u>2,627,841</u>	<u>2,738,979</u>	<u>2,902,364</u>	3.
Other Operating Expenses:							
4.	Operations and maintenance excluding fuel and purchased power *	909,326	942,329	891,620	908,664	908,664	4.
5.	Depreciations and amortization	584,838	598,714	623,983	655,356	765,650	5.
6.	Income taxes	123,315	74,464	138,191	161,076	145,755	6.
7.	Taxes other than income taxes	215,143	220,819	234,447	257,929	251,309	7.
8.	Operating income	<u>702,948</u>	<u>702,113</u>	<u>739,600</u>	<u>755,954</u>	<u>830,986</u>	8.
Other Income (Deductions):							
9.	Income taxes	6,467	(3,067)	(5,903)	(7,159)	5,000	9.
10.	Allowance for equity funds used during construction	43,927	29,173	23,120	31,663	31,663	10.
11.	Other income	34,998	52,897	61,461	64,934	15,809	11.
12.	Other expenses	<u>(22,582)</u>	<u>(13,751)</u>	<u>(12,889)</u>	<u>(12,890)</u>	<u>(12,890)</u>	12.
13.	Total	62,810	65,252	65,789	76,548	39,582	13.
14.	Income before interest deductions	<u>765,758</u>	<u>767,365</u>	<u>805,389</u>	<u>832,502</u>	<u>870,568</u>	14.
Interest Deductions							
15.	Interest on long-term debt	227,758	220,573	254,717	272,637	268,597	15.
16.	Allowance for borrowed funds used during construction	<u>(23,293)</u>	<u>(17,357)</u>	<u>(12,671)</u>	<u>(18,883)</u>	<u>(18,883)</u>	16.
17.	Total	<u>204,465</u>	<u>203,216</u>	<u>242,046</u>	<u>253,754</u>	<u>249,714</u>	17.
18.	Net Income	<u>\$ 561,293</u>	<u>\$ 564,149</u>	<u>\$ 563,343</u>	<u>\$ 578,748</u>	<u>\$ 620,854</u>	18.
19.	Earnings per Share of Average Common Stock Outstanding **	\$ 7.88	N/A	N/A	N/A	N/A	19.
20.	Total Company Return on Average Common Equity	10.2%	9.8%	9.2%	9.0%	9.6%	20.
21.	Total Company Average Common Equity	5,479,604	5,774,687	6,091,302	6,464,141	6,490,786	21.
22.	Total Company Return on Year End Common Equity	9.9%	9.6%	9.0%	8.7%	9.3%	22.
23.	Total Company End of Period Common Equity	5,673,692	5,888,361	6,294,244	6,634,039	6,681,837	23.
24.	ACC Jurisdictional Return on Year End Common Equity	9.7%	9.6%	9.1%	8.9%	9.6%	24.

Notes:

* Includes expenses related to Renewable Energy Standard and Demand Side Management programs.

** Line 19 is calculated using the common stock shares of Arizona Public Service Company. APS's common stock shares have remained constant at 71.3 million, and are wholly owned by Pinnacle West Capital Corporation. 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 earnings per share of Pinnacle West diluted common stock outstanding was \$4.64 for the year ended 6/30/2019.

There may be variances in displayed values due to rounding.

Supporting Schedules:

(a) E-2

Recap Schedules:

(b) A-2

ARIZONA PUBLIC SERVICE COMPANY
 PROJECTED CHANGES IN FINANCIAL POSITION
 TOTAL COMPANY
 PRESENT RATES AND WITH PROPOSED RATE INCREASE
 TEST YEAR ENDED JUNE 30, 2019 AND PROJECTED YEARS
 (Dollars in Thousands)

Line No.	Description	Test Year (a)	Projected Years (b)			Line No.	
		Actual Year Ended 6/30/2019 (a) (A)	Present Rates Year Ended 12/31/2019 (B)	Present Rates Year Ended 12/31/2020 (C)	Present Rates Year Ended 12/31/2021 (D)		Proposed Rates Year Ended 12/31/2021 (E)
Cash Flows from Operating Activities:							
1.	Net Income	\$ 561,293	\$ 564,149	\$ 563,343	\$ 578,748	\$ 620,854	1.
Items Not Requiring Cash:							
2.	Depreciation and amortization including nuclear fuel	654,254	665,260	708,116	743,124	853,418	2.
3.	Allowance for equity funds used during construction	(43,927)	(29,173) (c)	(23,120) (c)	(31,663) (c)	(31,663) (c)	3.
4.	Deferred income taxes	38,930	16,845	26,730	130,954	72,557	4.
5.	Deferred fuel and purchased power	(44,867)	(55,569)	(10,028)	(60,428)	(60,428)	5.
6.	Deferred fuel and purchased power amortization	89,206	49,389	43,329	57,060	57,060	6.
7.	Other	(93,847)	(208,833)	(76,910)	(127,017)	(93,345)	7.
8.	Net cash flow provided by operating activities	<u>1,161,042</u>	<u>1,002,067</u>	<u>1,231,459</u>	<u>1,290,778</u>	<u>1,418,453</u>	8.
Cash Flows from Investing Activities:							
9.	Capital expenditures *	(1,039,621)	(1,144,829)	(1,420,906)	(1,464,630)	(1,464,630)	9.
10.	Contributions in aid of construction *	27,286	-	-	-	-	10.
11.	Allowance for borrowed funds used during construction	(23,293)	(17,357) (c)	(12,671) (c)	(18,883) (c)	(18,883) (c)	11.
12.	Proceeds from nuclear decommissioning trust sales and other special use funds	704,160	-	-	-	-	12.
13.	Investment in nuclear decommissioning trust and other special use funds	(723,292)	(42,450)	(43,680)	(33,317)	(33,317)	13.
14.	Other	(2,180)	-	-	-	-	14.
15.	Net cash flow used for investing activities	<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>	15.
Cash Flows from Financing Activities:							
16.	Issuance of long-term debt	792,569	1,100,000	775,000	475,000	350,000	16.
17.	Repayment of long-term debt	(600,000)	(500,000)	(450,000)	-	-	17.
18.	Short-term borrowings and (repayments)-net	(123,076)	16	11,903	(9,996)	(12,872)	18.
19.	Dividends paid on common stock	(326,000)	(336,802)	(357,459)	(388,952)	(388,750)	19.
20.	Equity infusion from Pinnacle West	150,000	-	200,000	150,000	150,000	20.
21.	Net cash flow used for financing activities	<u>(106,507)</u>	<u>263,215</u>	<u>179,444</u>	<u>226,051</u>	<u>98,377</u>	21.
22.	Net (decrease) increase in cash and cash equivalents	(2,405)	60,646	(66,353)	-	-	22.
23.	Cash and cash equivalents at beginning of period	3,760	5,707	66,353	-	-	23.
24.	Cash and cash equivalents at end of period	<u>\$ 1,355</u>	<u>\$ 66,353</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	24.

Notes:

* For future years capital expenditures are shown after contributions in aid of construction on a cash basis.
 There may be variances in displayed values due to rounding.

Supporting Schedules:

(a) E-3
 (c) F-3

Recap Schedules:

(b) A-5

ARIZONA PUBLIC SERVICE COMPANY
 PROJECTED CAPITAL EXPENDITURES
 TOTAL COMPANY
 YEAR TO DATE JUNE 30, 2019 AND PROJECTED YEARS
 (Thousands of Dollars)

Line No.	Description	Year to Date 6/30/2019 (A)	Projected Years		Line No.	
			Year Ended 12/31/2019 (B)	Year Ended 12/31/2020 (C)		Year Ended 12/31/2021 (D)
	Electric:					
1.	Production Plant:	\$ 184,602	\$ 367,699	\$ 449,534	\$ 691,524	1.
2.	Transmission:	74,251	204,073	189,308	234,912	2.
3.	Distribution:	231,196	512,146	528,178	399,713	3.
4.	General:	31,836	149,115	160,442	141,726	4.
5.	Total Construction Expenditures (a) *	<u>521,885</u>	<u>1,233,032</u>	<u>1,327,461</u>	<u>1,467,875</u>	5.
6.	Property Taxes Capitalized	<u>1,829</u>	<u>3,658</u>	<u>3,140</u>	<u>3,786</u>	6.
7.	Capital Expenditures	523,714	1,236,690	1,330,601	1,471,661	7.
8.	Allowance for Equity Funds Used During Construction	18,760	29,173 (b)	23,120 (b)	31,663 (b)	8.
9.	Allowance for Borrowed Funds Used During Construction	11,159	17,357 (b)	12,671 (b)	18,883 (b)	9.
10.	Total Capital Expenditures with AFUDC	<u>\$ 553,633</u>	<u>\$ 1,283,220</u>	<u>\$ 1,366,392</u>	<u>\$ 1,522,207</u>	10.

Notes:

* Construction expenditures are reflected on an accrual basis.
 There may be variances in displayed values due to rounding.

Supporting Schedules:

N/A

Recap Schedules:

(a) A-4

(b) F-2

ARIZONA PUBLIC SERVICE COMPANY
ASSUMPTIONS USED IN DEVELOPING PROJECTED
PERIODS ENDING DECEMBER 2019, 2020 & 2021

<u>Line No.</u>	<u>Item</u>	<u>Line No.</u>
1.	A. <u>Customer Growth:</u> Retail customer growth for the period 2019-2021 is forecasted to grow at an average annual rate of 2.1%.	1.
2.	B. <u>Growth in Retail Energy and Retail Peak Demand</u> Retail energy sales, assuming normal weather, for the period 2019 to 2021 are forecasted to grow at an annual average	2.
3.	rate of 2.1%. Growth from new large data center customers adds sales and revenue in 2021. Retail Own Load summer	3.
4.	peak demand for the same period is projected to grow at an annual average rate of 2.6%, assuming normal weather.	4.
5.	Sales growth also reflects the impact of the Company's EE and DG programs.	5.
6.	C. <u>Wholesale and Economy Interchange Sales</u> Firm wholesale sales and peak demand for requirement-to-serve customers are forecasted per existing contracts. The	6.
7.	Company sells energy on an economy interchange basis on a short-term basis from time to time. Such sales are made	7.
8.	at prices above the Company's variable costs to generate energy.	8.
9.	D. <u>Regulatory</u> The proposed rate case assumes new rates are effective on January 1, 2021. The Commission allows APS to pass through	9.
10.	changes in the TCA charged to retail customers once approved by the Federal Energy Regulatory Commission (FERC). In the	10.
11.	Present Rates, TEAM III does not start. In the Proposed Rates, the TEAM III start date is January 1, 2020.	11.
12.	E. <u>Base Fuel Charge and PSA Revenues</u> Base Fuel Charge reflects 3.0168 cents/kWh consistent with Decision No. 76295. Forecast further assumes the Power	12.
13.	Supply Adjustor (PSA) mechanisms are in effect and a new Forward Adjustor is set each year reflecting that year's anticipated	13.
14.	fuel and purchased power costs which differ from the Base Fuel Rate. The Forward Adjustor is reset annually with the first	14.
15.	billing cycle in February. Starting February 1, 2019 the new PSA surcharge included in the forecast is 0.1658 cents/kWh.	15.
16.	F. <u>Fuel</u> Fuel costs are based on projected sales, forward contract and market fuel prices, and projected operating availability factors	16.
17.	of power plants. Fuel costs reflect use of the PSA cost deferral and annual adjustor recovery mechanism approved in	17.
18.	Decision No. 76295.	18.
19.	G. <u>Operations & Maintenance Expenses</u> Growth in O&M expense is managed to below the expected rate of inflation of approximately 2.0%. Managed	19.
20.	growth rate excludes fossil plant outages and RES and DSM program costs.	20.
21.	H. <u>Construction Expenditures</u> The level of expenditures is primarily driven by customer, sales, and load growth, maintaining reliability, legal and regulatory	21.
22.	requirements, including environmental requirements and Arizona Sun program. Contributions in aid of construction (CIAC)	22.
23.	are normally used to reduce capital expenditures. See SFR Schedule F-3 for expenditure table.	23.
24.	I. <u>Depreciation</u> In Present Rates, cost deferrals continue to December 31, 2021 for the Four Corners SCRs and the Ocotillo Modernization	24.
25.	Project (OMP). For Proposed Rates, cost deferrals continue through December 31, 2020 for Four Corners SCRs and the OMP.	25.
26.	Starting January 1, 2021 depreciation expense includes 10 year amortization of deferral balance on Four Corners SCRs and the OMP.	26.

	J. <u>Capital Structure Changes</u>	
27.	Capital Structure and Financing are shown on Schedules A-3, D-1, D-2, D-3 and F-2.	27.
	K. <u>Financing</u>	
28.	Forecasted Interest Rates: Pollution Control Bonds - 4.26% in 2019, 4.26% in 2020, 4.26% in 2021	28.
29.	Commercial Paper - 2.50% in 2019, 3.80% in 2020, 3.80% in 2021	29.
30.	New Long-Term Unsecured Debt - 3.78% in 2019, 4.50% in 2020, 5.60% in 2021	30.
31.	APS' parent company may decide to infuse \$200M of equity into APS in 2020 and \$150M in equity into APS in 2021.	31.