ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY

E-01345A
Arizona Public Service Company
PO Box 53999
Station 9708
Phoenix, AZ 85072-3999

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APR 15 2013
AZ CORP COMM
Director - Utilities

ANNUAL REPORT
Electric

FOR YEAR ENDING

12	31	2012

FOR COMMISSION USE

ANN 01	12

4-16-13

COMPANY INFORMATION

Company Name (Business Name) Arizona Public Service Company

Mailing Address P.O. Box 53999
(Street)

Phoenix (City) Arizona (State) 85072-3999 (Zip)

602-250-1000 Telephone No. (Include Area Code) 602-250-3003 Fax No. (Include Area Code) N/A Cell No. (Include Area Code)

Email Address

Local Office Mailing Address Same as above
(Street)

(City) (State) (Zip)

Local Office Telephone No. (Include Area Code) Fax No. (Include Area Code) Cell No. (Include Area Code)

Email Address

MANAGEMENT INFORMATION

☒ **Regulatory Contact:**

☒ **Management Contact:** Leland R. Snook, Director, Rates and Pricing
(Name) (Title)

400 N. 5th Street, MS 9708 (Street) Phoenix (City) Arizona (State) 85004 (Zip)

602-250-3730 Telephone No. (Include Area Code) 602-250-3003 Fax No. (Include Area Code) N/A Cell No. (Include Area Code)

Email Address Leland.Snook@aps.com

On Site Manager: Same as above
(Name)

(Street) (City) (State) (Zip)

Telephone No. (Include Area Code) Fax No. (Include Area Code) Cell No. (Include Area Code)

Email Address

Statutory Agent: CT Corporation
(Name)

3225 N. Central Ave	Phoenix	Arizona	85012
(Street)	(City)	(State)	(Zip)

602-250-3252	N/A	N/A
Telephone No. (Include Area Code)	Fax No. (Include Area Code	Cell No. (Include Area Code)

Attorney: David P. Falck, Executive Vice President, General Counsel and Secretary
(Name)

400 N. 5th Street, MS 9068	Phoenix	Arizona	85004
(Street)	(City)	(State)	(Zip)

602-250-3252	N/A	N/A
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Cell No. (Include Area Code)

Email Address David.Falck@aps.com

OWNERSHIP INFORMATION

Check the following box that applies to your company:

- ☐ **Sole Proprietor (S)**
- ☒ **C Corporation (C) (Other than Association/Co-op)**
- ☐ **Partnership (P)**
- ☐ **Subchapter S Corporation (Z)**
- ☐ **Bankruptcy (B)**
- ☐ **Association/Co-op (A)**
- ☐ **Receivership (R)**
- ☐ **Limited Liability Company**
- ☐ **Other (Describe)**_____

COUNTIES SERVED

Check the box below for the county/ies in which you are certificated to provide service:

☒ **APACHE**	☒ **COCHISE**	☒ **COCONINO**
☒ **GILA**	☐ **GRAHAM**	☐ **GREENLEE**
☒ **LA PAZ**	☒ **MARICOPA**	☐ **MOHAVE**
☒ **NAVAJO**	☒ **PIMA**	☒ **PINAL**
☐ **SANTA CRUZ**	☒ **YAVAPAI**	☒ **YUMA**
☐ **STATEWIDE**		

SERVICES AUTHORIZED TO PROVIDE

Check the following box/es for the services that you are authorized to provide:

- [X] **Electric**
  - [X] Investor Owned Electric
  - [ ] Rural Electric Cooperative
  - [ ] Utility Distribution Company
  - [ ] Electric Service Provider
    - [ ] Transmission Service Provider
    - [ ] Meter Service Provider
    - [ ] Meter Reading Service Provider
    - [ ] Billing and Collection
    - [ ] Ancillary Services
    - [ ] Generation Provider
    - [ ] Aggregator/Broker
- [ ] **Other** (Specify)_____

STATISTICAL INFORMATION

Total number of customers	1,132,345	
Residential	1,005,074	
Commercial	122,360	
Industrial	3,417	
Public Street and Highway lighting	1,141	
Irrigation	304	
Resale	49	
Total kilowatt-hours sold	32,497,063,000	kWh
Residential	13,256,456,000	
Commercial	12,531,865,000	
Industrial	2,209,407,000	
Public Street and Highway lighting	143,192,000	
Irrigation	13,216,000	
Resale	4,342,927,000	
Maximum Peak Load	7,207	MW

COMPANY NAME: Arizona Public Service Company

UTILITY SHUTOFFS / DISCONNECTS

MONTH		Termination without Notice R14-2-211.B	Termination with Notice R14-2-211	OTHER
JANUARY		2	5,032	52
FEBRUARY		4	4,888	43
MARCH		6	5,059	48
APRIL		3	4,894	41
MAY		2	4,950	20
JUNE		4	4,191	36
JULY		6	6,316	128
AUGUST		2	5,893	158
SEPTEMBER		4	6,991	249
OCTOBER		4	9,364	338
NOVEMBER		1	7,215	177
DECEMBER		4	6,021	80
TOTALS →		42	70,814	1,370

OTHER (description):

Customers that received disconnection of service notices, and who have made dishonored payments attempting to avoid disconnection or to reestablish connection.

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AZ CORP COMM
Director - Utilities

VERIFICATION
AND
SWORN STATEMENT
Intrastate Revenues Only

VERIFICATION

STATE OF Arizona

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME)	Maricopa
NAME (OWNER OR OFFICIAL) TITLE	Denise R. Danner, Vice President, Controller and CAO
COMPANY NAME	Arizona Public Service Company

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2012

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2012 WAS:

Arizona Intrastate Gross Operating Revenues Only ($)

$ 3,429,938,229

(THE AMOUNT IN BOX ABOVE INCLUDES $ 331,584,240 **IN SALES TAXES BILLED, OR COLLECTED)**

****REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)**

Denise R. Danner
SIGNATURE OF OWNER OR OFFICIAL

602 250-2747
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF Maricopa

THIS April 12, **DAY OF** 2013

(SEAL) OFFICIAL SEAL
R. ANN HENRY
Notary Public - State of Arizona
MARICOPA COUNTY
My Comm. Expires Jan. 11, 2015

SIGNATURE OF NOTARY PUBLIC

MY COMMISSION EXPIRES 1-11-15

VERIFICATION
AND
SWORN STATEMENT
RESIDENTIAL REVENUE
INTRASTATE REVENUES ONLY

RECEIVED
APR 15 2013
AZ CORP COMM
Director - Utilities

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME) Maricopa	
NAME (OWNER OR OFFICIAL) Denise R. Danner, Vice President, Controller and	TITLE CAO
COMPANY NAME Arizona Public Service Company	

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2012

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2012 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES
$ 1,754,427,839

(THE AMOUNT IN BOX AT LEFT INCLUDES $ 169,032,225 IN SALES TAXES BILLED, OR COLLECTED

***RESIDENTIAL REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED.**

Denise R. Danner
SIGNATURE OF OWNER OR OFFICIAL

602 250-2747
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS _____ **DAY OF**

(SEAL)

OFFICIAL SEAL
R. ANN HENRY
Notary Public - State of Arizona
MARICOPA COUNTY
My Comm. Expires Jan. 11, 2015

MY COMMISSION EXPIRES 1-11-15

NOTARY PUBLIC NAME	R. Ann Henry
COUNTY NAME	MARICOPA
MONTH April 12,	,20 13

SIGNATURE OF NOTARY PUBLIC

FINANCIAL INFORMATION

Attach to this annual report a copy of the Company year-end (Calendar Year 2012) financial statements. If you do not compile these reports, the Utilities Division will supply you with blank financial statements for completion and filing. **ALL INFORMATION MUST BE ARIZONA-SPECIFIC AND REFLECT OPERATING RESULTS IN ARIZONA.**

Attached are the Arizona Public Service Company Balance Sheets, Statements of Cash Flows, and Statements of Changes in Equity from the Arizona Public Service Company Form 10-K for the fiscal year ended December 31, 2012 (pages 159-162).

ARIZONA PUBLIC SERVICE COMPANY
CONSOLIDATED BALANCE SHEETS
(dollars in thousands)

	December 31, 2012	December 31, 2011
ASSETS		
PROPERTY, PLANT AND EQUIPMENT (Notes 1, 6 and 10)		
Plant in service and held for future use	$ 14,342,501	$ 13,750,105
Accumulated depreciation and amortization	(4,925,990)	(4,706,462)
Net	9,416,511	9,043,643
Construction work in progress	565,716	496,745
Palo Verde sale leaseback, net of accumulated depreciation of $222,055 and $218,186 (Note 20)	128,995	132,864
Intangible assets, net of accumulated amortization of $411,543 and $372,573	161,995	170,416
Nuclear fuel, net of accumulated amortization of $133,950 and $113,375	122,778	118,098
Total property, plant and equipment	10,395,995	9,961,766
INVESTMENTS AND OTHER ASSETS		
Nuclear decommissioning trust (Notes 14 and 22)	570,625	513,733
Assets from risk management activities (Note 18)	35,891	49,322
Other assets	31,650	30,551
Total investments and other assets	638,166	593,606
CURRENT ASSETS		
Cash and cash equivalents	3,499	19,873
Customer and other receivables	274,815	280,100
Accrued unbilled revenues	94,845	125,239
Allowance for doubtful accounts	(3,340)	(3,748)
Materials and supplies (at average cost)	218,096	204,387
Fossil fuel (at average cost)	31,334	22,000
Assets from risk management activities (Note 18)	25,699	30,264
Deferred fuel and purchased power regulatory asset (Note 3)	72,692	27,549
Other regulatory assets (Note 3)	71,257	69,072
Deferred income taxes (Notes 4 and S-1)	74,420	111,503
Other current assets	37,666	29,355
Total current assets	900,983	915,594
DEFERRED DEBITS		
Regulatory assets (Notes 1, 3, 4 and S-1)	1,099,900	1,352,079
Income tax receivable (Notes 4 and S-1)	70,784	69,028
Unamortized debt issue costs	22,492	21,181
Other	114,222	118,983
Total deferred debits	1,307,398	1,561,271
TOTAL ASSETS	$ 13,242,542	$ 13,032,237

See Notes to Pinnacle West's Consolidated Financial Statements and Supplemental Notes to Arizona Public Service Company's Consolidated Financial Statements.

ARIZONA PUBLIC SERVICE COMPANY
CONSOLIDATED BALANCE SHEETS
(dollars in thousands)

	December 31, 2012	December 31, 2011
LIABILITIES AND EQUITY		
CAPITALIZATION		
Common stock	$ 178,162	$ 178,162
Additional paid-in capital	2,379,696	2,379,696
Retained earnings	1,624,237	1,510,740
Accumulated other comprehensive (loss):		
Pension and other postretirement benefits (Note 8)	(39,503)	(38,886)
Derivative instruments (Note 18)	(49,592)	(86,705)
Total shareholder equity	4,093,000	3,943,007
Noncontrolling interests (Note 20)	129,483	108,399
Total equity	4,222,483	4,051,406
Long-term debt less current maturities (Note 6)	3,035,219	2,828,507
Palo Verde sale leaseback lessor notes less current maturities (Notes 6 and 20)	38,869	65,547
Total capitalization	7,296,571	6,945,460
CURRENT LIABILITIES		
Commercial paper (Note 5)	92,175	--
Current maturities of long-term debt (Note 6)	122,828	477,435
Accounts payable	215,577	322,047
Accrued taxes (Notes 4 and S-1)	116,700	113,930
Accrued interest	49,135	54,611
Common dividends payable	59,800	--
Customer deposits	79,689	72,176
Liabilities from risk management activities (Note 18)	73,741	53,968
Regulatory liabilities (Note 3)	88,116	88,362
Other current liabilities	145,326	140,185
Total current liabilities	1,043,087	1,322,714
DEFERRED CREDITS AND OTHER		
Deferred income taxes (Notes 4 and S-1)	2,133,976	1,952,608
Regulatory liabilities (Notes 1, 3, 4, and S-1)	759,201	737,332
Liability for asset retirements (Note 12)	357,097	279,643
Liabilities for pension and other postretirement benefits (Note 8)	1,017,556	1,222,542
Liabilities from risk management activities (Note 18)	85,264	82,495
Customer advances	109,359	116,805
Coal mine reclamation	118,860	117,896
Unrecognized tax benefits (Notes 4 and S-1)	70,932	72,073
Other	250,639	182,669
Total deferred credits and other	4,902,884	4,764,063
COMMITMENTS AND CONTINGENCIES (SEE NOTES)		
TOTAL LIABILITIES AND EQUITY	$ 13,242,542	$ 13,032,237

See Notes to Pinnacle West's Consolidated Financial Statements and Supplemental Notes to Arizona Public Service Company's Consolidated Financial Statements.

ARIZONA PUBLIC SERVICE COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)

	Year Ended December 31,		
	2012	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 427,110	$ 363,773	$ 355,826
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization including nuclear fuel	481,168	493,653	471,226
Deferred fuel and purchased power	71,573	69,166	93,631
Deferred fuel and purchased power amortization	(116,716)	(155,157)	(122,481)
Allowance for equity funds used during construction	(22,436)	(23,707)	(22,066)
Deferred income taxes	243,738	168,805	224,095
Change in derivative instruments fair value	(749)	4,064	2,688
Changes in current assets and liabilities:			
Customer and other receivables	12,914	34,913	(49,956)
Accrued unbilled revenues	30,394	(21,947)	7,679
Materials, supplies and fossil fuel	(23,043)	(23,398)	12,276
Other current assets	(27,745)	(5,473)	4,718
Accounts payable	(97,395)	73,369	18,066
Accrued taxes and income tax receivable – net	5,050	5,103	(51,620)
Other current liabilities	6,070	18,762	(2,853)
Change in margin and collateral accounts – assets	2,216	33,349	(9,937)
Change in margin and collateral accounts – liabilities	137,785	29,731	(88,315)
Change in long-term regulatory liabilities	13,539	37,009	56,801
Change in long-term income tax receivable	(1,756)	(3,530)	--
Change in unrecognized tax benefits	(2,583)	9,125	(73,189)
Change in other long-term assets	1,391	(41,788)	(46,118)
Change in other long-term liabilities	34,854	61,990	(85,136)
Net cash flow provided by operating activities	1,175,379	1,127,812	695,335
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(889,551)	(878,546)	(747,967)
Contributions in aid of construction	49,876	38,096	32,754
Allowance for borrowed funds used during construction	(14,971)	(18,358)	(16,479)
Proceeds from nuclear decommissioning trust sales	417,603	497,780	560,469
Investment in nuclear decommissioning trust	(434,852)	(513,799)	(584,885)
Proceeds from sale of life insurance policies	--	44,183	--
Other	(1,099)	(3,306)	8,576
Net cash flow used for investing activities	(872,994)	(833,950)	(747,532)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of long-term debt	351,081	295,353	--
Repayment of long-term debt	(529,286)	(430,169)	(27,694)
Short-term borrowings and payments – net	92,175	--	--
Equity infusion	--	--	252,833
Dividends paid on common stock	(222,200)	(228,900)	(182,400)
Noncontrolling interests	(10,529)	(10,210)	(11,403)
Net cash flow provided by (used for) financing activities	(318,759)	(373,926)	31,336
NET DECREASE IN CASH AND CASH EQUIVALENTS	(16,374)	(80,064)	(20,861)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	19,873	99,937	120,798
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 3,499	$ 19,873	$ 99,937
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Income taxes, net of refunds	$ 1,196	$ 25,975	$ 81,339
Interest, net of amounts capitalized	$ 196,038	$ 210,995	$ 208,251
Significant non-cash investing and financing activities:			
Accrued capital expenditures	$ 26,208	$ 27,245	$ 19,226
Dividends declared but not paid	$ 59,800	$ --	$ --

See Notes to Pinnacle West's Consolidated Financial Statements and Supplemental Notes to Arizona Public Service Company's Consolidated Financial Statements.

ARIZONA PUBLIC SERVICE COMPANY
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(dollars in thousands)

	Year Ended December 31,		
	2012	2011	2010
COMMON STOCK	$ 178,162	$ 178,162	$ 178,162
ADDITIONAL PAID-IN CAPITAL			
Balance at beginning of year	2,379,696	2,379,696	2,126,863
Equity infusion	--	--	252,833
Balance at end of year	2,379,696	2,379,696	2,379,696
RETAINED EARNINGS			
Balance at beginning of year	1,510,740	1,403,390	1,250,126
Net income attributable to common shareholder	395,497	336,249	335,663
Dividends on common stock	(282,000)	(228,900)	(182,400)
Other	--	1	1
Balance at end of year	1,624,237	1,510,740	1,403,390
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)			
Balance at beginning of year	(125,591)	(136,295)	(109,796)
Other comprehensive income (loss) attributable to common shareholder	36,496	10,704	(26,499)
Balance at end of year	(89,095)	(125,591)	(136,295)
NONCONTROLLING INTERESTS			
Balance at beginning of year	108,399	91,084	82,324
Net income attributable to noncontrolling interests	31,613	27,524	20,163
Net capital activities by noncontrolling interests	(10,529)	(10,209)	(11,403)
Balance at end of year	129,483	108,399	91,084
TOTAL EQUITY	$ 4,222,483	$ 4,051,406	$ 3,916,037
COMPREHENSIVE INCOME ATTRIBUTABLE TO COMMON SHAREHOLDER			
Net income attributable to common shareholder	$ 395,497	$ 336,249	$ 335,663
Other comprehensive income (loss)	36,496	10,704	(26,499)
Total comprehensive income attributable to common shareholder	$ 431,993	$ 346,953	$ 309,164

See Notes to Pinnacle West's Consolidated Financial Statements and Supplemental Notes to Arizona Public Service Company's Consolidated Financial Statements.

CERTIFICATION BY APS
OF
UTILITY SHUTOFFS / DISCONNECTS

I certify that to the best of my knowledge and based on the information made available to me, the attached Utility Shutoffs / Disconnects report is complete and accurate in all material respects.

Date: April 12, 2013

Tammy D. McLeod
Vice President & Chief Customer Officer