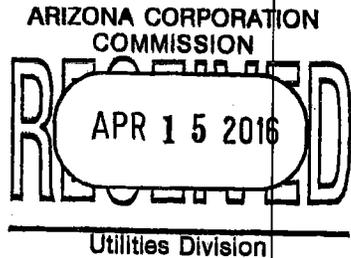


ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL - MAKE CHANGES AS NECESSARY

E-01345A

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



Please click here if pre-printed Company name on this form is not your current Company name or dba name is not included.

Please list current Company name including dba here:

ANNUAL REPORT
Electric

FOR YEAR ENDING

12	31	2015
----	----	------

FOR COMMISSION USE

ANN 01	15
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4-22-16

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)

302-250-3003

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)

602-371-7171

Local Customer Service Phone No. (Include Area Code)

1-800-253-9405

(1-800 or other long distance Customer Service Phone No.)

Email Address aps@aps.com

Website address www.aps.com

MANAGEMENT INFORMATION

■ **Regulatory Contact:**

■ **Management Contact:** Kerri Carnes Manager, State Regulation and Compliance

(Name)

(Title)

400 N 5th Street, Mail Station 9712

(Street)

Phoenix

(City)

AZ

(State)

85004

(Zip)

602-250-3341

Telephone No. (Include Area Code)

602-250-4491

Fax No. (Include Area Code)

Cell No. (Include Area Code)

Email Address Kerri.Carnes@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 aps@aps.com

Statutory Agent: CT Corporation System
(Name)

2390 E. Camelback Road Phoenix Arizona 85016
(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
(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:

- | | |
|--|--|
| <input type="checkbox"/> Sole Proprietor (S) | <input checked="" type="checkbox"/> C Corporation (C) (Other than Association/Co-op) |
| <input type="checkbox"/> Partnership (P) | <input type="checkbox"/> Subchapter S Corporation (Z) |
| <input type="checkbox"/> Bankruptcy (B) | <input type="checkbox"/> Association/Co-op (A) |
| <input type="checkbox"/> Receivership (R) | <input type="checkbox"/> Limited Liability Company |
| <input type="checkbox"/> Other (Describe) | |

COUNTIES SERVED

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

- | | | |
|--|--|--|
| <input checked="" type="checkbox"/> APACHE | <input checked="" type="checkbox"/> COCHISE | <input checked="" type="checkbox"/> COCONINO |
| <input checked="" type="checkbox"/> GILA | <input type="checkbox"/> GRAHAM | <input type="checkbox"/> GREENLEE |
| <input checked="" type="checkbox"/> LA PAZ | <input checked="" type="checkbox"/> MARICOPA | <input type="checkbox"/> MOHAVE |
| <input checked="" type="checkbox"/> NAVAJO | <input checked="" type="checkbox"/> PIMA | <input checked="" type="checkbox"/> PINAL |
| <input type="checkbox"/> SANTA CRUZ | <input checked="" type="checkbox"/> YAVAPAI | <input checked="" type="checkbox"/> YUMA |
| <input type="checkbox"/> STATEWIDE | | |

SERVICES AUTHORIZED TO PROVIDE

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

- Electric**
- 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

Retail Information

	Number of Arizona Customers	Number of kWh Sold in Arizona
Residential	1,046,989	13,159,754,000
Commercial	125,579	12,364,153,000
Industrial	3,444	2,264,610,000
Public Street and Highway Lighting	1,182	151,051,000
Irrigation	300	10,923,000
Total Retail	1,177,494	27,950,491,000

Wholesale Information

	Number of Customers	Number of kWh Sold
Resale	15	576,064,000
Short-term Sales (durations of less than one year)	32	5,102,299,000
Total Wholesale	47	5,678,363,000

Total MWh Sold 33,628,854 MWh

Maximum Peak Load 7,320 MW

COMPANY NAME: Arizona Public Service Company

UTILITY SHUTOFFS / DISCONNECTS

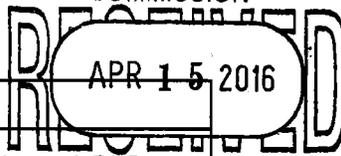
MONTH	Termination without Notice R14-2-211.B	Termination with Notice R14-2-211	OTHER
JANUARY	4	6,299	1
FEBRUARY	5	5,729	2
MARCH	7	6,518	1
APRIL	5	5,873	3
MAY	6	5,544	0
JUNE	8	4,911	3
JULY	5	6,359	1
AUGUST	6	6,998	0
SEPTEMBER	9	5,503	0
OCTOBER	5	9,117	1
NOVEMBER	3	7,627	0
DECEMBER	3	7,451	0
TOTALS →		77,929	12

OTHER (description):

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

**VERIFICATION
AND
SWORN STATEMENT
Intrastate Revenues Only**

ARIZONA CORPORATION
COMMISSION



VERIFICATION

STATE OF _____

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 Utilities Division

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

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2015

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 2015 WAS:

Arizona Intrastate Gross Operating Revenues Only (\$)
\$ 3,616,667,246

(THE AMOUNT IN BOX ABOVE INCLUDES \$ 319,179,478 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

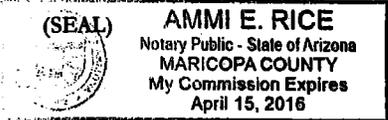
SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS _____ DAY OF

12th

COUNTY NAME	Maricopa
MONTH	April 2016



Ammi E. Rice

SIGNATURE OF NOTARY PUBLIC

MY COMMISSION EXPIRES 4/15/2016

**VERIFICATION
AND
SWORN STATEMENT
RESIDENTIAL REVENUE
INTRASTATE REVENUES ONLY**

ARIZONA CORPORATION
COMMISSION
RECEIVED
APR 15 2016

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

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

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

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2015

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 2015 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES
\$ 1,866,111,979

(THE AMOUNT IN BOX AT LEFT INCLUDES \$ 164,179,478 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

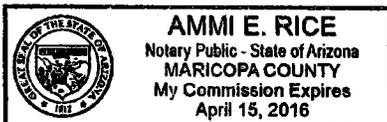
THIS 12th DAY OF

(SEAL)

MY COMMISSION EXPIRES

NOTARY PUBLIC NAME <i>Ammi E. Rice</i>
COUNTY NAME <i>Maricopa</i>
MONTH <i>April</i> .2016

Ammi E. Rice
SIGNATURE OF NOTARY PUBLIC



FINANCIAL INFORMATION

Attach to this annual report a copy of the Company year-end (Calendar Year 2015) 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 For 10-K for the fiscal year ended December 31, 2015 (pages 88 – 91).

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

	December 31,	
	2015	2014
ASSETS		
PROPERTY, PLANT AND EQUIPMENT (Notes 1, 6 and 9)		
Plant in service and held for future use	\$ 16,218,724	\$ 15,539,811
Accumulated depreciation and amortization	(5,590,937)	(5,394,650)
Net	10,627,787	10,145,161
Construction work in progress	812,845	682,807
Palo Verde sale leaseback, net of accumulated depreciation of \$233,665 and \$229,795 (Note 18)	117,385	121,255
Intangible assets, net of accumulated amortization of \$546,038 and \$489,538	123,820	119,600
Nuclear fuel, net of accumulated amortization of \$146,228 and \$143,554	123,139	125,201
Total property, plant and equipment	11,804,976	11,194,024
INVESTMENTS AND OTHER ASSETS		
Nuclear decommissioning trust (Notes 13 and 19)	735,196	713,866
Assets from risk management activities (Note 16)	12,106	17,620
Other assets	34,455	33,362
Total investments and other assets	781,757	764,848
CURRENT ASSETS		
Cash and cash equivalents	22,056	4,515
Customer and other receivables	274,428	297,712
Accrued unbilled revenues	96,240	100,533
Allowance for doubtful accounts	(3,125)	(3,094)
Materials and supplies (at average cost)	234,234	218,889
Fossil fuel (at average cost)	45,697	37,097
Assets from risk management activities (Note 16)	15,905	13,785
Deferred fuel and purchased power regulatory asset (Note 3)	—	6,926
Other regulatory assets (Note 3)	149,555	129,808
Deferred income taxes (Note 4)	—	55,253
Other current assets	35,765	38,693
Total current assets	870,755	900,117
DEFERRED DEBITS		
Regulatory assets (Notes 1, 3, and 4)	1,214,146	1,054,087
Assets for other postretirement benefits (Note 7)	182,625	149,260
Other	127,923	128,026
Total deferred debits	1,524,694	1,331,373
TOTAL ASSETS	\$ 14,982,182	\$ 14,190,362

The accompanying notes are an integral part of the financial statements.

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

	December 31,	
	2015	2014
LIABILITIES AND EQUITY		
CAPITALIZATION		
Common stock	\$ 178,162	\$ 178,162
Additional paid-in capital	2,379,696	2,379,696
Retained earnings	2,148,493	1,968,718
Accumulated other comprehensive (loss):		
Pension and other postretirement benefits (Note 7)	(19,942)	(37,948)
Derivative instruments (Note 16)	(7,155)	(10,385)
Total shareholder equity	4,679,254	4,478,243
Noncontrolling interests (Note 18)	135,540	151,609
Total equity	4,814,794	4,629,852
Long-term debt less current maturities (Note 6)	3,337,391	2,881,573
Total capitalization	8,152,185	7,511,425
CURRENT LIABILITIES		
Short-term borrowings (Note 5)	—	147,400
Current maturities of long-term debt (Note 6)	357,580	383,570
Accounts payable	291,574	289,930
Accrued taxes (Note 4)	144,488	131,110
Accrued interest	56,003	52,358
Common dividends payable	69,400	65,800
Customer deposits	73,073	72,307
Liabilities from risk management activities (Note 16)	77,716	59,676
Liabilities for asset retirements (Note 11)	28,573	32,462
Deferred fuel and purchased power regulatory liability (Note 3)	9,688	—
Other regulatory liabilities (Note 3)	136,078	130,549
Other current liabilities	180,535	167,302
Total current liabilities	1,424,708	1,532,464
DEFERRED CREDITS AND OTHER		
Deferred income taxes (Note 4)	2,764,489	2,571,365
Regulatory liabilities (Notes 1, 3, and 4)	994,152	1,051,196
Liabilities for asset retirements (Note 11)	415,003	358,288
Liabilities for pension benefits (Note 7)	459,065	424,508
Liabilities from risk management activities (Note 16)	89,973	50,602
Customer advances	115,609	123,052
Coal mine reclamation	201,984	198,292
Deferred investment tax credit	187,080	178,607
Unrecognized tax benefits (Note 4)	35,251	45,740
Other	142,683	144,823
Total deferred credits and other	5,405,289	5,146,473
COMMITMENTS AND CONTINGENCIES (SEE NOTES)		
TOTAL LIABILITIES AND EQUITY	\$ 14,982,182	\$ 14,190,362

The accompanying notes are an integral part of the financial statements.

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

	Year Ended December 31,		
	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 469,207	\$ 447,320	\$ 458,861
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization including nuclear fuel	571,540	496,393	492,226
Deferred fuel and purchased power	14,997	(26,927)	21,678
Deferred fuel and purchased power amortization	1,617	40,757	31,190
Allowance for equity funds used during construction	(35,215)	(30,790)	(25,581)
Deferred income taxes	223,069	155,401	278,101
Deferred investment tax credit	8,473	26,246	52,542
Change in derivative instruments fair value	(381)	339	534
Changes in current assets and liabilities:			
Customer and other receivables	(21,040)	(52,466)	(46,552)
Accrued unbilled revenues	4,293	(3,737)	(1,951)
Materials, supplies and fossil fuel	(23,945)	3,724	(11,878)
Income tax receivable	—	135,179	(134,590)
Other current assets	4,498	3,766	(17,112)
Accounts payable	(34,891)	(2,355)	47,870
Accrued taxes	13,378	8,650	5,760
Other current liabilities	(3,718)	33,970	(9,005)
Change in margin and collateral accounts — assets	(324)	(343)	993
Change in margin and collateral accounts — liabilities	22,776	(24,975)	12,355
Change in long-term regulatory liabilities	(20,535)	59,618	64,473
Change in long-term income tax receivable	—	—	137,665
Change in unrecognized tax benefits	(10,328)	2,778	(91,244)
Change in other long-term assets	(813)	(62,739)	(46,675)
Change in other long-term liabilities	(82,628)	(85,642)	(24,969)
Net cash flow provided by operating activities	<u>1,100,030</u>	<u>1,124,167</u>	<u>1,194,691</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(1,072,053)	(910,084)	(1,016,322)
Contributions in aid of construction	46,546	20,325	41,090
Allowance for borrowed funds used during construction	(16,183)	(15,457)	(14,861)
Proceeds from nuclear decommissioning trust sales	478,813	356,195	446,025
Investment in nuclear decommissioning trust	(496,062)	(373,444)	(463,274)
Other	(1,093)	347	(2,067)
Net cash flow used for investing activities	<u>(1,060,032)</u>	<u>(922,118)</u>	<u>(1,009,409)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of long-term debt	842,415	606,126	136,307
Repayment of long-term debt	(415,570)	(527,578)	(122,828)
Short-term borrowings and payments — net	(147,400)	(5,725)	60,950
Dividends paid on common stock	(266,900)	(253,600)	(242,100)
Noncontrolling interests	(35,002)	(20,482)	(17,385)
Net cash flow used for financing activities	<u>(22,457)</u>	<u>(201,259)</u>	<u>(185,056)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>17,541</u>	<u>790</u>	<u>226</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>4,515</u>	<u>3,725</u>	<u>3,499</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 22,056</u>	<u>\$ 4,515</u>	<u>\$ 3,725</u>
Supplemental disclosure of cash flow information:			
Cash paid (received) during the year for:			
Income taxes, net of refunds	\$ 14,831	\$ (86,054)	\$ 7,524

Interest, net of amounts capitalized		167,670		173,436		180,757
Significant non-cash investing and financing activities:						
Accrued capital expenditures	\$	83,798	\$	44,712	\$	33,184
Dividends declared but not paid		69,400		65,800		62,500
Liabilities assumed related to acquisition of SCE's Four Corners' interest		—		—		145,609

The accompanying notes are an integral part of the financial statements.

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

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total
	Shares	Amount					
Balance, December 31, 2012	71,264,947	\$ 178,162	\$ 2,379,696	\$ 1,624,237	\$ (89,095)	\$ 129,483	\$ 4,222,483
Net income		—	—	424,969	—	33,892	458,861
Other comprehensive income		—	—	—	35,723	—	35,723
Dividends on common stock		—	—	(244,800)	—	—	(244,800)
Other		—	—	(8)	—	—	(8)
Net capital activities by noncontrolling interests		—	—	—	—	(17,385)	(17,385)
Balance, December 31, 2013	71,264,947	178,162	2,379,696	1,804,398	(53,372)	145,990	4,454,874
Net income		—	—	421,219	—	26,101	447,320
Other comprehensive income		—	—	—	5,039	—	5,039
Dividends on common stock		—	—	(256,900)	—	—	(256,900)
Other		—	—	1	—	—	1
Net capital activities by noncontrolling interests		—	—	—	—	(20,482)	(20,482)
Balance, December 31, 2014	71,264,947	178,162	2,379,696	1,968,718	(48,333)	151,609	4,629,852
Net income		—	—	450,274	—	18,933	469,207
Other comprehensive income		—	—	—	21,236	—	21,236
Dividends on common stock		—	—	(270,500)	—	—	(270,500)
Other		—	—	1	—	—	1
Net capital activities by noncontrolling interests		—	—	—	—	(35,002)	(35,002)
Balance, December 31, 2015	71,264,947	\$ 178,162	\$ 2,379,696	\$ 2,148,493	\$ (27,097)	\$ 135,540	\$ 4,814,794

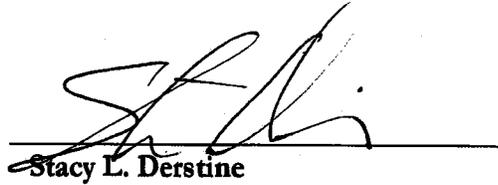
The accompanying notes are an integral part of the financial statements.

**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: _____

4/13/10



Stacy L. Derstine

Vice President, Customer Service and COO