

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

RECEIVED

APR 16 2014

ACC UTILITIES DIRECTOR

ANNUAL REPORT
Electric

FOR YEAR ENDING

| | | |
|----|----|------|
| 12 | 31 | 2013 |
|----|----|------|

FOR COMMISSION USE

| | |
|--------|----|
| ANN 01 | 13 |
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4-16-14

COMPANY INFORMATION

| | | | |
|---|-----------------------------|------------------------------|-------------------|
| Company Name (Business Name) <u>Arizona Public Service Company</u> | | | |
| Mailing Address <u>P.O. Box 53999</u> | | | |
| <u>Phoenix</u> | (Street) | <u>Arizona</u> | <u>85072-3999</u> |
| (City) | | (State) | (Zip) |
| <u>602-250-1000</u> | <u>602-250-3003</u> | <u>N/A</u> | |
| Telephone No. (Include Area Code) | Fax No. (Include Area Code) | Cell No. (Include Area Code) | |
| Email Address _____ | | | |
| Local Office Mailing Address <u>Same as above</u> | | | |
| (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

| | | | |
|--|-----------------------------|------------------------------|--------------|
| <input checked="" type="checkbox"/> Regulatory Contact: | | | |
| <input checked="" type="checkbox"/> Management Contact: <u>Lisa Malagon</u> <u>Leader, Federal and State Compliance</u> | | | |
| | (Name) | | (Title) |
| <u>400 N. 5th Street, MS 9704</u> | <u>Phoenix</u> | <u>Arizona</u> | <u>85004</u> |
| (Street) | (City) | (State) | (Zip) |
| <u>602-250-5671</u> | <u>N/A</u> | | |
| Telephone No. (Include Area Code) | Fax No. (Include Area Code) | Cell No. (Include Area Code) | |
| Email Address <u>Elisa.Malagon@aps.com</u> | | | |
| On Site Manager: <u>Same as above</u> | | | |
| (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

| | | | |
|-----------------------------------|-----------------------------|------------------------------|-------|
| (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 | 1,019,292 | 13,290,096,000 |
| Commercial | 123,319 | 12,449,137,000 |
| Industrial | 3,402 | 2,191,604,000 |
| Public Street and Highway Lighting | 1150 | 145,349,000 |
| Irrigation | 299 | 11,419,000 |
| Total Retail | 1,147,462 | 28,087,605,000 |

Wholesale Information

| | Number of Customers | Number of kWh Sold |
|---|---------------------|--------------------|
| Resale | 52 | 3,999,940,000 |
| Short-term Sales (durations of less than one year) ¹ | 49 | 2,895,340,000 |
| Total Wholesale | 52 | 3,999,940,000 |

Total MWh Sold 32,087,545 MWh

Maximum Peak Load 6,927 MW

¹ Short-term Sales include services where the duration of each period of commitment is one year or less. Short-term Sales are a subset of the Resale reported above.

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 | 7 | 5858 | 42 |
| FEBRUARY | 8 | 5401 | 38 |
| MARCH | 1 | 5574 | 62 |
| APRIL | 5 | 5667 | 47 |
| MAY | 10 | 5452 | 43 |
| JUNE | 4 | 4473 | 53 |
| JULY | 7 | 6111 | 118 |
| AUGUST | 4 | 6558 | 189 |
| SEPTEMBER | 9 | 7097 | 0 |
| OCTOBER | 5 | 8806 | 24 |
| NOVEMBER | 2 | 6705 | 0 |
| DECEMBER | 3 | 6216 | 0 |
| TOTALS → | 65 | 73918 | 616 |

OTHER (description):

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

VERIFICATION
AND
SWORN STATEMENT
Intrastate Revenues Only

RECEIVED

APR 16 2014

VERIFICATION

ACC UTILITIES DIRECTOR

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 |

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

FOR THE YEAR ENDING

| MONTH | DAY | YEAR |
|-------|-----|------|
| 12 | 31 | 2013 |

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 2013 WAS:

Arizona Intrastate Gross Operating Revenues Only (\$)

\$ 3,580,524,512

(THE AMOUNT IN BOX ABOVE
INCLUDES \$ 324,926,247
IN SALES TAXES BILLED, OR COLLECTED)

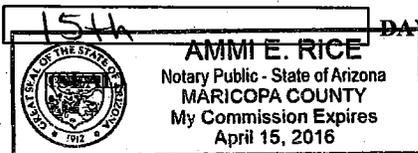
**REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)

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



| | |
|-------------------------|------|
| COUNTY NAME Maricopa | |
| MONTH April | 2014 |

Ammie E. Rice
SIGNATURE OF NOTARY PUBLIC

MY COMMISSION EXPIRES 4/15/16

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

RECEIVED

APR 16 2014

ACC UTILITIES DIRECTOR

STATE OF ARIZONA
I, THE UNDERSIGNED
OF THE

| | |
|--|---|
| COUNTY OF (COUNTY NAME) Maricopa | |
| NAME (OWNER OR OFFICIAL) Denise R. Danner | TITLE 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 | 2013 |

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 2013 WAS:

| |
|---|
| ARIZONA INTRASTATE GROSS OPERATING REVENUES |
| \$ <u>1,839,199,279</u> |

(THE AMOUNT IN BOX AT LEFT
INCLUDES \$ 166,366,432
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 15th DAY OF
(SEAL)

| | |
|------------------------------------|-------|
| NOTARY PUBLIC NAME Ammi E. Rice | |
| COUNTY NAME Maricopa | |
| MONTH April | .2014 |

MY COMMISSION EXPIRES
4/15/16

AMMI E. RICE
Notary Public - State of Arizona
MARICOPA COUNTY
My Commission Expires
April 15, 2016

Ammi E. Rice

SIGNATURE OF NOTARY PUBLIC

FINANCIAL INFORMATION

Attach to this annual report a copy of the Company year-end (Calendar Year 2013) 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, 2013 (pages 158-161).

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

| | December 31, | |
|---|----------------------|----------------------|
| | 2013 | 2012 |
| ASSETS | | |
| PROPERTY, PLANT AND EQUIPMENT (Notes 1, 6 and 10) | | |
| Plant in service and held for future use | \$ 15,196,598 | \$ 14,342,501 |
| Accumulated depreciation and amortization | (5,296,501) | (4,925,990) |
| Net | <u>9,900,097</u> | <u>9,416,511</u> |
| Construction work in progress | 581,369 | 565,716 |
| Palo Verde sale leaseback, net of accumulated depreciation of \$225,925 and \$222,055 (Note 19) | 125,125 | 128,995 |
| Intangible assets, net of accumulated amortization of \$439,703 and \$411,543 | 157,534 | 161,995 |
| Nuclear fuel, net of accumulated amortization of \$146,057 and \$133,950 | 124,557 | 122,778 |
| Total property, plant and equipment | <u>10,888,682</u> | <u>10,395,995</u> |
| INVESTMENTS AND OTHER ASSETS | | |
| Nuclear decommissioning trust (Notes 14 and 20) | 642,007 | 570,625 |
| Assets from risk management activities (Note 17) | 23,815 | 35,891 |
| Other assets | 33,709 | 31,650 |
| Total investments and other assets | <u>699,531</u> | <u>638,166</u> |
| CURRENT ASSETS | | |
| Cash and cash equivalents | 3,725 | 3,499 |
| Customer and other receivables | 299,055 | 274,815 |
| Accrued unbilled revenues | 96,796 | 94,845 |
| Allowance for doubtful accounts | (3,203) | (3,340) |
| Materials and supplies (at average cost) | 221,682 | 218,096 |
| Fossil fuel (at average cost) | 38,028 | 31,334 |
| Income tax receivable | 135,179 | 589 |
| Assets from risk management activities (Note 17) | 17,169 | 25,699 |
| Deferred fuel and purchased power regulatory asset (Note 3) | 20,755 | 72,692 |
| Other regulatory assets (Note 3) | 76,388 | 71,257 |
| Deferred income taxes (Notes 4 and S-1) | -- | 74,420 |
| Other current assets | 39,153 | 37,077 |
| Total current assets | <u>944,727</u> | <u>900,983</u> |
| DEFERRED DEBITS | | |
| Regulatory assets (Notes 1, 3, 4 and S-1) | 711,712 | 1,099,900 |
| Income tax receivable (Notes 4 and S-1) | -- | 70,784 |
| Unamortized debt issue costs | 21,860 | 22,492 |
| Other | 114,865 | 114,222 |
| Total deferred debits | <u>848,437</u> | <u>1,307,398</u> |
| TOTAL ASSETS | <u>\$ 13,381,377</u> | <u>\$ 13,242,542</u> |

See Notes to Pinnacle West's Consolidated Financial Statements and Supplemental Notes to APS's Consolidated Financial Statements.

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

| | December 31, | |
|--|----------------------|----------------------|
| | 2013 | 2012 |
| LIABILITIES AND EQUITY | | |
| CAPITALIZATION | | |
| Common stock | \$ 178,162 | \$ 178,162 |
| Additional paid-in capital | 2,379,696 | 2,379,696 |
| Retained earnings | 1,804,398 | 1,624,237 |
| Accumulated other comprehensive (loss): | | |
| Pension and other postretirement benefits (Note 8) | (30,313) | (39,503) |
| Derivative instruments (Note 17) | (23,059) | (49,592) |
| Total shareholder equity | 4,308,884 | 4,093,000 |
| Noncontrolling interests (Note 19) | 145,990 | 129,483 |
| Total equity | 4,454,874 | 4,222,483 |
| Long-term debt less current maturities (Note 6) | 2,671,465 | 3,074,088 |
| Total capitalization | 7,126,339 | 7,296,571 |
| CURRENT LIABILITIES | | |
| Short-term borrowings (Note 5) | 153,125 | 92,175 |
| Current maturities of long-term debt (Note 6) | 540,424 | 122,828 |
| Accounts payable | 281,237 | 215,577 |
| Accrued taxes (Notes 4 and S-1) | 122,460 | 116,700 |
| Accrued interest | 48,132 | 49,135 |
| Common dividends payable | 62,500 | 59,800 |
| Customer deposits | 76,101 | 79,689 |
| Deferred income taxes | 2,033 | -- |
| Liabilities from risk management activities (Note 17) | 31,892 | 73,741 |
| Liabilities for asset retirements (Note 12) | 32,896 | -- |
| Regulatory liabilities (Note 3) | 99,273 | 88,116 |
| Other current liabilities | 130,774 | 145,326 |
| Total current liabilities | 1,580,847 | 1,043,087 |
| DEFERRED CREDITS AND OTHER | | |
| Deferred income taxes (Notes 4 and S-1) | 2,347,724 | 2,133,976 |
| Regulatory liabilities (Notes 1, 3, 4, and S-1) | 801,297 | 759,201 |
| Liability for asset retirements (Note 12) | 313,833 | 357,097 |
| Liabilities for pension and other postretirement benefits (Note 8) | 476,017 | 1,017,556 |
| Liabilities from risk management activities (Note 17) | 70,315 | 85,264 |
| Customer advances | 114,480 | 109,359 |
| Coal mine reclamation | 207,453 | 118,860 |
| Deferred investment tax credit | 152,361 | 99,819 |
| Unrecognized tax benefits (Notes 4 and S-1) | 42,209 | 70,932 |
| Other | 148,502 | 150,820 |
| Total deferred credits and other | 4,674,191 | 4,902,884 |
| COMMITMENTS AND CONTINGENCIES (SEE NOTES) | | |
| TOTAL LIABILITIES AND EQUITY | \$ 13,381,377 | \$ 13,242,542 |

See Notes to Pinnacle West's Consolidated Financial Statements and Supplemental Notes to APS's Consolidated Financial Statements.

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

| | Year Ended December 31, | | |
|---|-------------------------|------------------|------------------|
| | 2013 | 2012 | 2011 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net income | \$ 458,861 | \$ 427,110 | \$ 363,773 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization including nuclear fuel | 492,226 | 481,168 | 493,653 |
| Deferred fuel and purchased power | 21,678 | 71,573 | 69,166 |
| Deferred fuel and purchased power amortization | 31,190 | (116,716) | (155,157) |
| Allowance for equity funds used during construction | (25,581) | (22,436) | (23,707) |
| Deferred income taxes | 278,101 | 202,159 | 110,565 |
| Deferred investment tax credit | 52,542 | 41,579 | 58,240 |
| Change in derivative instruments fair value | 534 | (749) | 4,064 |
| Changes in current assets and liabilities: | | | |
| Customer and other receivables | (46,552) | 12,914 | 34,913 |
| Accrued unbilled revenues | (1,951) | 30,394 | (21,947) |
| Materials, supplies and fossil fuel | (11,878) | (23,043) | (23,398) |
| Income tax receivable | (134,590) | (2,280) | 2,869 |
| Other current assets | (17,112) | (27,745) | (5,473) |
| Accounts payable | 47,870 | (97,395) | 73,369 |
| Accrued taxes | 5,760 | 7,330 | 2,234 |
| Other current liabilities | (9,005) | 6,070 | 18,762 |
| Change in margin and collateral accounts – assets | 993 | 2,216 | 33,349 |
| Change in margin and collateral accounts – liabilities | 12,355 | 137,785 | 29,731 |
| Change in long-term regulatory liabilities | 64,473 | 13,539 | 37,009 |
| Change in long-term income tax receivable | 137,665 | (1,756) | (3,530) |
| Change in unrecognized tax benefits | (91,244) | (2,583) | 9,125 |
| Change in other long-term assets | (46,043) | 1,391 | (41,788) |
| Change in other long-term liabilities | (25,601) | 34,854 | 61,990 |
| Net cash flow provided by operating activities | <u>1,194,691</u> | <u>1,175,379</u> | <u>1,127,812</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Capital expenditures | (1,016,322) | (889,551) | (878,546) |
| Contributions in aid of construction | 41,090 | 49,876 | 38,096 |
| Allowance for borrowed funds used during construction | (14,861) | (14,971) | (18,358) |
| Proceeds from nuclear decommissioning trust sales | 446,025 | 417,603 | 497,780 |
| Investment in nuclear decommissioning trust | (463,274) | (434,852) | (513,799) |
| Proceeds from sale of life insurance policies | -- | -- | 44,183 |
| Other | (2,067) | (1,099) | (3,306) |
| Net cash flow used for investing activities | <u>(1,009,409)</u> | <u>(872,994)</u> | <u>(833,950)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Issuance of long-term debt | 136,307 | 351,081 | 295,353 |
| Repayment of long-term debt | (122,828) | (529,286) | (430,169) |
| Short-term borrowings and payments – net | 60,950 | 92,175 | -- |
| Dividends paid on common stock | (242,100) | (222,200) | (228,900) |
| Noncontrolling interests | (17,385) | (10,529) | (10,210) |
| Net cash flow used for financing activities | <u>(185,056)</u> | <u>(318,759)</u> | <u>(373,926)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 226 | (16,374) | (80,064) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 3,499 | 19,873 | 99,937 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 3,725</u> | <u>\$ 3,499</u> | <u>\$ 19,873</u> |
| Supplemental disclosure of cash flow information: | | | |
| Cash paid during the year for: | | | |
| Income taxes, net of refunds | \$ 7,524 | \$ 1,196 | \$ 25,975 |
| Interest, net of amounts capitalized | \$ 180,757 | \$ 196,038 | \$ 210,995 |
| Significant non-cash investing and financing activities: | | | |
| Accrued capital expenditures | \$ 33,184 | \$ 26,208 | \$ 27,245 |
| Dividends declared but not paid | \$ 62,500 | \$ 59,800 | \$ -- |
| Liabilities assumed related to acquisition of SCE's Four Corners' interest | \$ 145,609 | \$ -- | \$ -- |

See Notes to Pinnacle West's Consolidated Financial Statements and Supplemental Notes to APS's Consolidated Financial Statements.

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

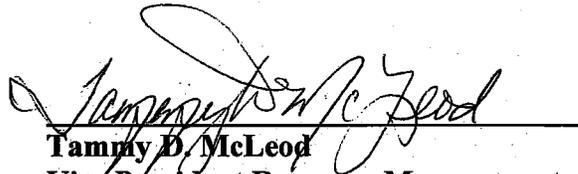
| | Year Ended December 31, | | |
|--|-------------------------|---------------------|---------------------|
| | 2013 | 2012 | 2011 |
| COMMON STOCK | \$ 178,162 | \$ 178,162 | \$ 178,162 |
| ADDITIONAL PAID-IN CAPITAL | 2,379,696 | 2,379,696 | 2,379,696 |
| RETAINED EARNINGS | | | |
| Balance at beginning of year | 1,624,237 | 1,510,740 | 1,403,390 |
| Net income attributable to common shareholder | 424,969 | 395,497 | 336,249 |
| Dividends on common stock | (244,800) | (282,000) | (228,900) |
| Other | (8) | -- | 1 |
| Balance at end of year | <u>1,804,398</u> | <u>1,624,237</u> | <u>1,510,740</u> |
| ACCUMULATED OTHER | | | |
| COMPREHENSIVE INCOME (LOSS) | | | |
| Balance at beginning of year | (89,095) | (125,591) | (136,295) |
| Other comprehensive income attributable to common shareholder | 35,723 | 36,496 | 10,704 |
| Balance at end of year | <u>(53,372)</u> | <u>(89,095)</u> | <u>(125,591)</u> |
| NONCONTROLLING INTERESTS | | | |
| Balance at beginning of year | 129,483 | 108,399 | 91,084 |
| Net income attributable to noncontrolling interests | 33,892 | 31,613 | 27,524 |
| Net capital activities by noncontrolling interests | (17,385) | (10,529) | (10,209) |
| Balance at end of year | <u>145,990</u> | <u>129,483</u> | <u>108,399</u> |
| TOTAL EQUITY | <u>\$ 4,454,874</u> | <u>\$ 4,222,483</u> | <u>\$ 4,051,406</u> |
| COMPREHENSIVE INCOME ATTRIBUTABLE TO COMMON SHAREHOLDER | | | |
| Net income attributable to common shareholder | \$ 424,969 | \$ 395,497 | \$ 336,249 |
| Other comprehensive income | 35,723 | 36,496 | 10,704 |
| Total comprehensive income attributable to common shareholder | <u>\$ 460,692</u> | <u>\$ 431,993</u> | <u>\$ 346,953</u> |

See Notes to Pinnacle West's Consolidated Financial Statements and Supplemental Notes to APS'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 15, 2014


Tammy D. McLeod
Vice President Resource Management