

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 17 2018

ARIZONA CORP COMMISSION
UTILITIES DIVISION - DIRECTOR'S OFFICE

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	2017
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FOR COMMISSION USE:

ANN 01	17
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4-17-18

COMPANY INFORMATION

Company Name (Business Name) <u>Arizona Public Service Company</u>			
Mailing Address <u>P.O. Box 53999</u>			
(Street)			
<u>Phoenix</u>	<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)			
<u>602-371-7171</u>	<u>1-800-253-9405</u>		
Local Customer Service Phone No. (Include Area Code)	(1-800 or other long distance Customer Service Phone No.)		
Email Address <u>aps@aps.com</u>		Website address <u>www.aps.com</u>	

MANAGEMENT INFORMATION

■ **Regulatory Contact:**

■ **Management Contact:** Kerri Carnes Manager, State Regulation and Compliance
(Name) (Title)

400 N. 5th Street, MS 9712 Phoenix Arizona 85004
(Street) (City) (State) (Zip)

602-250-3341 602-250-3003
Telephone No. (Include Area Code) 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 _____

Statutory Agent: CT Corporation System
(Name)

3800 N Central Avenue Suite 460 Phoenix Arizona 85012
(Street) (City) (State) (Zip)

602-248-1145 N/A N/A
Telephone No. (Include Area Code) Fax No. (Include Area Code) Cell No. (Include Area Code)

Attorney: Jeffrey B. Guldner, Executive Vice President Public Policy & 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 _____

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	1,080,665	13,207,136,000
Commercial	128,696	12,380,386,000
Industrial	3,665	2,272,895,000
Public Street and Highway Lighting	1,208	146,289,000
Irrigation	393	11,305,000
Total Retail	1,214,627	28,018,011,000

Wholesale Information

	Number of Customers	Number of kWh Sold
Resale	12	56,998,000
Short-term Sales (durations of less than one year)	28	2,835,161,000
Total Wholesale	40	2,892,159,000

Total MWh Sold 30,910,170 MWh

Maximum Peak Load 7,367 MW

COMPANY NAME: Arizona Public Service Company

UTILITY SHUTOFFS / DISCONNECTS

MONTH	Termination without Notice R14-2-211.B	Termination with Notice R14-2-211.C	OTHER
JANUARY	3	7,371	0
FEBRUARY	1	5,522	0
MARCH	0	0	0
APRIL	0	0	0
MAY	2	430	0
JUNE	7	5,789	2
JULY	5	6,979	2
AUGUST	5	4,005	2
SEPTEMBER	4	8,443	4
OCTOBER	1	11,541	1
NOVEMBER	3	4,816	3
DECEMBER	4	896	0
TOTALS →	35	55,792	14

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**

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APR 17 2018

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

ARIZONA CORP COMMISSION
UTILITIES DIVISION - DIRECTOR'S OFFICE

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

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2017

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 2017 WAS:

Arizona Intrastate Gross Operating Revenues Only (\$)
\$ 3,747,721,562

**(THE AMOUNT IN BOX ABOVE
INCLUDES \$ 329,272,430
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 11th **DAY OF**

(SEAL)

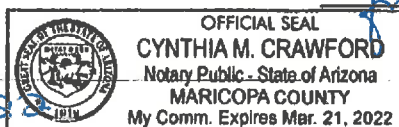
COUNTY NAME: Maricopa	
MONTH April	2018

Cynthia M. Crawford

SIGNATURE OF NOTARY PUBLIC

MY COMMISSION EXPIRES

3-21-2022



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

RECEIVED

APR 17 2018

ARIZONA CORP COMMISSION
UTILITIES DIVISION - DIRECTOR'S OFFICE

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	2017

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 2017 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES
\$ 1,961,822,406

(THE AMOUNT IN BOX AT LEFT INCLUDES \$ 169,369,579 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

11th

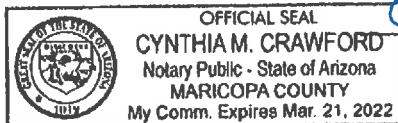
DAY OF

(SEAL)

NOTARY PUBLIC NAME	
COUNTY NAME: Maricopa	
MONTH	2018
April	

MY COMMISSION EXPIRES

3-21-2022



Cynthia M. Crawford
SIGNATURE OF NOTARY PUBLIC

FINANCIAL INFORMATION

Attach to this annual report a copy of the Company year-end (Calendar Year 2017) 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, 2017 (pages 97 – 100).

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

	December 31,	
	2017	2016
ASSETS		
PROPERTY, PLANT AND EQUIPMENT (Notes 1, 6 and 9)		
Plant in service and held for future use	\$ 17,654,078	\$ 17,228,787
Accumulated depreciation and amortization	(6,041,965)	(5,881,941)
Net	11,612,113	11,346,846
Construction work in progress	1,266,636	989,497
Palo Verde sale leaseback, net of accumulated depreciation of \$241,405 and \$237,535 (Note 18)	109,645	113,515
Intangible assets, net of accumulated amortization of \$581,135 and \$603,637	257,028	89,868
Nuclear fuel, net of accumulated amortization of \$144,070 and \$147,202	117,408	119,004
Total property, plant and equipment	13,362,830	12,658,730
INVESTMENTS AND OTHER ASSETS		
Nuclear decommissioning trust (Notes 13 and 19)	871,000	779,586
Assets from risk management activities (Note 16)	51	1
Other assets	67,103	48,320
Total investments and other assets	938,154	827,907
CURRENT ASSETS		
Cash and cash equivalents	13,851	8,840
Customer and other receivables	292,791	262,611
Accrued unbilled revenues	112,434	107,949
Allowance for doubtful accounts	(2,513)	(3,037)
Materials and supplies (at average cost)	262,630	252,777
Fossil fuel (at average cost)	25,258	28,608
Income tax receivable	—	11,174
Assets from risk management activities (Note 16)	1,931	19,694
Deferred fuel and purchased power regulatory asset (Note 3)	75,637	12,465
Other regulatory assets (Note 3)	172,451	94,410
Other current assets	41,055	41,849
Total current assets	995,525	837,340
DEFERRED DEBITS		
Regulatory assets (Notes 1, 3, and 4)	1,202,302	1,313,428
Assets for other postretirement benefits (Note 7)	265,139	162,911
Other	129,801	130,859
Total deferred debits	1,597,242	1,607,198
TOTAL ASSETS	\$ 16,893,751	\$ 15,931,175

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

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

	December 31,	
	2017	2016
LIABILITIES AND EQUITY		
CAPITALIZATION		
Common stock	\$ 178,162	\$ 178,162
Additional paid-in capital	2,571,696	2,421,696
Retained earnings	2,533,954	2,331,245
Accumulated other comprehensive loss (Note 20)	(26,983)	(25,423)
Total shareholder equity	5,256,829	4,905,680
Noncontrolling interests (Note 18)	129,040	132,290
Total equity	5,385,869	5,037,970
Long-term debt less current maturities (Note 6)	4,491,292	4,021,785
Total capitalization	9,877,161	9,059,755
CURRENT LIABILITIES		
Short-term borrowings (Note 5)	—	135,500
Current maturities of long-term debt (Note 6)	82,000	—
Accounts payable	247,852	259,161
Accrued taxes (Note 4)	157,349	130,576
Accrued interest	55,533	52,525
Common dividends payable	77,700	72,900
Customer deposits	70,388	82,520
Liabilities from risk management activities (Note 16)	59,252	25,836
Liabilities for asset retirements (Note 11)	4,192	8,703
Regulatory liabilities (Note 3)	100,086	99,899
Other current liabilities	243,922	226,417
Total current liabilities	1,098,274	1,094,037
DEFERRED CREDITS AND OTHER		
Deferred income taxes (Note 4)	1,742,485	2,999,295
Regulatory liabilities (Notes 1, 3, and 4)	2,452,536	948,916
Liabilities for asset retirements (Note 11)	666,527	607,234
Liabilities for pension benefits (Note 7)	306,542	488,253
Liabilities from risk management activities (Note 16)	37,170	47,238
Customer advances	113,996	88,672
Coal mine reclamation	215,830	206,645
Deferred investment tax credit	205,575	210,162
Unrecognized tax benefits (Note 4)	43,876	37,408
Other	133,779	143,560
Total deferred credits and other	5,918,316	5,777,383
COMMITMENTS AND CONTINGENCIES (SEE NOTES)		
TOTAL LIABILITIES AND EQUITY	\$ 16,893,751	\$ 15,931,175

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,		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 523,802	\$ 481,634	\$ 469,207
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization including nuclear fuel	608,935	564,091	571,540
Deferred fuel and purchased power	(48,405)	(60,303)	14,997
Deferred fuel and purchased power amortization	(14,767)	38,152	1,617
Allowance for equity funds used during construction	(47,011)	(42,140)	(35,215)
Deferred income taxes	249,465	221,167	223,069
Deferred investment tax credit	(4,587)	23,082	8,473
Change in derivative instruments fair value	(373)	(403)	(381)
Changes in current assets and liabilities:			
Customer and other receivables	(68,040)	(1,601)	(21,040)
Accrued unbilled revenues	(4,485)	(11,709)	4,293
Materials, supplies and fossil fuel	(6,503)	(1,454)	(23,945)
Income tax receivable	11,174	(14,567)	—
Other current assets	(6,775)	(21,640)	4,498
Accounts payable	(26,561)	(67,543)	(34,891)
Accrued taxes	26,773	(13,912)	13,378
Other current liabilities	27,912	5,097	(3,718)
Change in margin and collateral accounts — assets	(300)	673	(324)
Change in margin and collateral accounts — liabilities	(533)	17,735	22,776
Change in long-term regulatory liabilities	45,764	14,682	(20,535)
Change in unrecognized tax benefits	5,891	1,628	(10,328)
Change in other long-term assets	(78,540)	(45,866)	(813)
Change in other long-term liabilities	(31,106)	(76,855)	(82,628)
Net cash flow provided by operating activities	<u>1,161,730</u>	<u>1,009,948</u>	<u>1,100,030</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(1,381,930)	(1,248,010)	(1,072,053)
Contributions in aid of construction	23,708	64,296	46,546
Allowance for borrowed funds used during construction	(22,112)	(19,481)	(16,183)
Proceeds from nuclear decommissioning trust sales	542,246	633,410	478,813
Investment in nuclear decommissioning trust	(544,527)	(635,691)	(496,062)
Other	(18,538)	(13,865)	(1,093)
Net cash flow used for investing activities	<u>(1,401,153)</u>	<u>(1,219,341)</u>	<u>(1,060,032)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of long-term debt	549,478	693,151	842,415
Repayment of long-term debt	—	(370,430)	(415,570)
Short-term borrowings and (repayments) -- net	(135,500)	135,500	(147,400)
Dividends paid on common stock	(296,800)	(281,300)	(266,900)
Equity infusion from Pinnacle West	150,000	42,000	—
Noncontrolling interests	(22,744)	(22,744)	(35,002)
Net cash flow provided by (used for) financing activities	<u>244,434</u>	<u>196,177</u>	<u>(22,457)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>5,011</u>	<u>(13,216)</u>	<u>17,541</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>8,840</u>	<u>22,056</u>	<u>4,515</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 13,851</u>	<u>\$ 8,840</u>	<u>\$ 22,056</u>
Supplemental disclosure of cash flow information:			
Cash paid (received) during the year for:			
Income taxes, net of refunds	\$ (14,098)	\$ 26,864	\$ 14,831
Interest, net of amounts capitalized	184,210	181,809	167,670
Significant non-cash investing and financing activities:			
Accrued capital expenditures	\$ 130,057	\$ 114,874	\$ 83,798
Dividends declared but not paid	77,700	72,900	69,400

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, 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
Equity infusion from Pinnacle West		—	42,000	—	—	—	42,000
Net income		—	—	462,141	—	19,493	481,634
Other comprehensive income		—	—	—	1,674	—	1,674
Dividends on common stock		—	—	(284,800)	—	—	(284,800)
Other		—	—	—	—	—	—
Stock compensation cumulative effect adjustments (See Note 15)		—	—	5,411	—	—	5,411
Net capital activities by noncontrolling interests		—	—	—	—	(22,743)	(22,743)
Balance, December 31, 2016	71,264,947	178,162	2,421,696	2,331,245	(25,423)	132,290	5,037,970
Equity infusion from Pinnacle West		—	150,000	—	—	—	150,000
Net income		—	—	504,309	—	19,493	523,802
Other comprehensive loss		—	—	—	(1,560)	—	(1,560)
Dividends on common stock		—	—	(301,600)	—	—	(301,600)
Net capital activities by noncontrolling interests		—	—	—	—	(22,743)	(22,743)
Balance, December 31, 2017	71,264,947	\$ 178,162	\$ 2,571,696	\$2,533,954	\$ (26,983)	\$ 129,040	\$ 5,385,869

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: April 12, 2018



Stacy L. Derstine
Vice President, Customer Service and CCO