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State Regulation

Mail Station 9708
PO Box 53999
Phoenix, Arizona 85072-3999
Tel 602-250-2661
Jeffrey.Johnson@aps.com

March 1, 2013

Docket Control
Arizona Corporation Commission
1200 W. Washington
Phoenix, AZ 85007

RE: Arizona Public Service Company's Quarterly Financial Reporting
Docket No. E-01345A-08-0172

Arizona Public Service Company ("APS") submits the following attached information in compliance with Sections 13.4(b) (i), (ii), (iii) and (vii) of the Financial Reporting Requirements of the Settlement Agreement approved in Decision No. 71448. Please note some of the information is confidential and will be provided to parties who have executed a protective agreement.

If you have any questions regarding this information, please contact Zac Fryer at (602)250-4167.

Sincerely,

Leland R. Snook for

Jeffrey W. Johnson

JJ/cd

cc: Brian Bozzo
Steve Olea
Terri Ford
Barbara Keene
Parties of Record

Arizona Corporation Commission
DOCKETED
MAR 1 2013
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DM

Copy of the foregoing delivered this
1st day of March, 2013 to:

Maureen Scott
Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007

Janet Wagner
Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007

Terri Ford
Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007

Barbara Keene
Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007

Elijah Abinah
Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007

Daniel Pozefsky
Chief Counsel
RUCO
1110 West Washington
Suite 220
Phoenix, AZ 85007

William A. Rigsby
RUCO
1110 West Washington
Suite 220
Phoenix, AZ 85007

C. Webb Crocket
Fennemore Craig
3003 North Central
Suite 2600
Phoenix, AZ 85012

Kevin Higgins
Energy Strategies, LLC
215 South State Street
Suite 200
Salt Lake City, UT 84111

Michael L. Kurtz
Boehm, Kurt & Lowry
36 East Seventh Street
Suite 2110
Cincinnati, OH 45202

Kurt J. Boehm
Boehm, Kurt & Lowry
36 East Seventh Street
Suite 2110
Cincinnati, OH 45202

Denis George
Corporate Energy Manager (G09)
The Kroger Company
1014 Vine Street
Cincinnati, OH 45202

Stephen J. Baron
J. Kennedy & Associates
570 Colonial Park Drive
Suite 305
Roswell, GA 30075

Theodore Roberts
Law Department
Sempra Energy
101 Ash Street
H Q 13D
San Diego, CA 92101

Lawrence V. Robertson, Jr.
2247 E. Frontage Road
Tubac, AZ 85646

Michael A. Curtis
501 East Thomas Road
Phoenix, AZ 85012

William P. Sullivan
501 East Thomas Road
Phoenix, AZ 85012

Larry K. Udall
501 East Thomas Road
Phoenix, AZ 85012

Michael Grant
Gallagher & Kennedy, P.A.
2575 East Camelback Road
Phoenix, AZ 85016

Gary Yaquinto
Arizona Investment Council
2100 North Central
Suite 210
Phoenix, AZ 85004

David Berry
Western Resource Advocates
P.O. Box 1064
Scottsdale, AZ 85252

Tim Hogan
Arizona Center for Law in the Public Interest
202 East McDowell Road
Suite 153
Phoenix, AZ 85004

Jeff Schlegel
SWEEP Arizona Representatives
1167 W. Samalayuca Drive
Tucson, AZ 85704

Jay I. Moyes
Moyes, Sellers & Sims
1850 North Central Avenue
Suite 1100
Phoenix, AZ 85004

Jeffrey J. Woner
K.R. Saline & Associates, PLC
160 N. Pasadena
Suite 101
Mesa, AZ 85201

Scott Canty
General Counsel
The Hopi Tribe
P.O. Box 123
Kykotsmovi, AZ 86039

Cynthia Zwick
1940 E. Luke Avenue
Phoenix, AZ 85016

Nicholas J. Enoch
349 North 4th Avenue
Phoenix, AZ 85003

Karen S. White
Air Force Utility Litigation & Negotiation Team
AFLOA/JACL-ULT
139 Barnes Drive
Tyndall AFB, FL 32403

Douglas V. Fant
Law Offices of Douglas V. Fant
3655 W. Anthem Drive
Suite A-109 PMB 411
Anthem, AZ 85086

Barbara Wyllie-Pecora
14410 W. Gunsight Dr.
Sun City West, AZ 85375

Carlo Dal Monte
Catalyst Paper Corporation
65 Front Street
Suite 201
Nanaimo, BC 0

Steve Morrison
SCA Tissue North America
14005 West Old Hwy 66
Bellemont, AZ 86015

APS's ROE, FFO/Debt, FFO/Interest and Total Debt/Capital Ratio
Pursuant to Sections 13.4(b)(i) & (ii) of the Settlement
December 31, 2012

ROE:	9.9%
FFO/Debt Ratio:	25.9%
FFO/Interest Ratio:	5.8
Total Debt/Capital Ratio:	52.5%

APS Return on Average Common Equity and Major Factors Impacting Return on Average Common Equity for Twelve Months Ended (TME) December 2012 compared to TME September 2012 Pursuant to Decision No. 71448, Section 13.4(b)(i) "Financial Reporting"

($ in millions)

Line		Pre-tax Earnings Impact	After-tax Earnings Impact		
1	TME September 2012 - APS Net income attributable to common shareholder		$ 383		
2	TME September 2012 - APS 13 Point average common equity			$ 3,956	
3	TME September 2012 - APS Return on 13 point average common equity				9.7%
	Major factors impacting the change in return on average common equity				
4	Impacts of retail regulatory settlement	25	15		
5	Higher retail transmission revenues	11	7		
6	Higher margin due to customer usage partially offset by weather	5	3		
7	Lower depreciation primarily due to Palo Verde license extensions partially offset by increased plant	4	2		
8	Higher fuel and purchased power costs	(5)	(3)		
9	Higher O&M primarily due to increased information technology costs	(5)	(3)		
10	Higher O&M due to increased pension amortization and other employee benefit costs	(8)	(5)		
11	All Other	(6)	(4)		
12	Total change in APS after-tax earnings		12		
13	TME December 2012 - APS Net income attributable to common shareholder		$ 395		
14	TME December 2012 - APS 13 Point average common equity			$ 3,991	
15	TME December 2012 - APS Return on 13 point average common equity				9.9%
16	Change in APS Return on 13 point average common equity for TME December 2012 compared to TME September 2012				0.2%

Pages 2-4 Intentionally Omitted – Contains Confidential Information

Pinnacle West Capital Corporation Stock Price and Book Value
Pursuant to Section 13.4(b)(iii) of the Settlement
December 31, 2012

Stock Price per Share:	$50.98
Book Value per Share:	$36.20
Market-to-Book Value ratio:	1.41

2012 APS Incentive Plan Criterion and Results

Company Results

2012 APS Incentive Earnings: $352M (57% of Total Company Incentive Maximum)

Business-Unit Results

Customer Service, Delivery & Regulatory	Measure (Target Level)
Employees - 25%	***Safety***
	OSHA Recordables (10%)
	Energy Delivery
	Customer Service
	Regulatory
	Event Free Clock Resets (15%)
Operational Excellence - 20%	***Reliability***
	MAIFI - All Weather (4%)
	SAIDI - All Weather (4%)
	SAIFI - All Weather (4%)
	Planned Maintenance Scorecard (4%)
	Compliance WECC/NERC/FERC Balanced Scorecard (4%)
Environmental Stewardship - 10%	Environmental Incidents (No Significant Confirmed "Notice of Violation") - (5%)
	Demand Side Management Programs % of sales (5%)
Customers & Communities - 20%	Customer Contact - CCT (5%)
	Customer Satisfaction - CST "Very Satisfied" or "Satisfied" (10%)
	JD Power Residential IOU Survey (5%)
Shareholder Value - 25%	Capital Budget (10%)
	O&M Budget (15%)
Total BU Incentive Results: 94% of maximum	

Fossil Generation	Measure (Target Level)
Employees	OSHA Recordables
Operational Excellence - 25%	Fleet Commercial Availability
Shareholder Value - 25%	Net Operating Expense
Operational Excellence/ Environmental Stewardship - 50%	Metrics Vary by Plant
Total BU Incentive Results: 88% of maximum	

Palo Verde Nuclear Generation	Measure (Target Level)
Employees – 27.5%	***Safety & Employees***
	Accreditation (4%)
	VPP Submit (4%)
	OSHA Recordables - APS (5%)
	OSHA Recordables – Non-Utility (5%)
	Safety Area Inspections (5%)
	Industrial Safety Observations (2.0%)
	Collective Radiation Exposure (REM) (2.5%)
Operational Excellence - 30%	Site Capacity Factor (20%)
	Spring 2012 Outage Duration (4%)
	Fall 2012 Outage Duration (4%)
	Outage Milestones Missed (Critical) (2%)
Performance Improvement – 22.5%	Equipment Reliability Index (5%)
	CAP Scorecard (5%)
	Site Clock Resets (5%)
	Plant Metrics
	Site Operational Focus Indicator (7.5%)
Shareholder Value - 20%	O&M Budget (15%)
	Capital Budget (5%)
Total BU Incentive Results: 74% of maximum	

Corporate Resources	Measure (Target Level)
Employees - 25%	***Safety***
	OSHA Recordables - Corporate Resources (10%)
	Event Free Clock Resets (15%)
Operational Excellence - 45%	Average of All Business Unit Results
Customers & Communities - 5%	JD Power Residential IOU Survey (2.5%)
	M & T Operating Efficiencies (2.5%)
Shareholder Value - 25%	O&M Budget (15%)
	Construction (5%)
	Below-the-Line (5%)
Total BU Incentive Results: 88% of maximum	