

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**



**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of the**

**Securities Exchange Act of 1934**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | Date of report (Date of earliest event reported): | **May 3, 2016** | |  |  |
|  |  | **Exact Name of Registrant as Specified in** |  |  | **IRS Employer** |  |
| **Commission File Number** |  | **Charter; State of Incorporation;** |  |  |  |
| **Address and Telephone Number** |  |  | **Identification Number** |  |
| **1-8962** |  | **Pinnacle West Capital Corporation** | | | **86-0512431** |  |
|  |  |  |  |  |
|  |  | **(an Arizona corporation)** |  |  |  |  |
|  |  | **400 North Fifth Street, P.O. Box 53999** | | |  |  |
|  |  | **Phoenix, AZ 85072-3999** |  |  |  |  |
|  |  | **(602) 250-1000** |  |  |  |  |
| **1-4473** |  | **Arizona Public Service Company** | | | **86-0011170** |  |
|  |  |  |  |  |

**(an Arizona corporation)**

**400 North Fifth Street, P.O. Box 53999**

**Phoenix, AZ 85072-3999**

**(602) 250-1000**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

* Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
* Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
* Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
* Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

This combined Form 8-K is separately filed or furnished by Pinnacle West Capital Corporation and Arizona Public Service Company. Each registrant is filing or furnishing on its own behalf all of the information contained in this Form 8-K that relates to such registrant and, where required, its subsidiaries. Except as stated in the preceding sentence, neither registrant is filing or furnishing any information that does not relate to such registrant, and therefore makes no representation as to any such information.



**Item 9.01.** **Financial Statements and Exhibits.**

1. **Exhibits.**

The registrants hereby file the following Exhibits to Registration Statement on Form S-3 (No. 333-203578 and No. 333-203578-01, which became effective on April 23, 2015).

|  |  |  |  |
| --- | --- | --- | --- |
| **Exhibit** |  | **Description** |  |
| **No.** |  |  |
| 1.1 | Underwriting Agreement dated May 3, 2016, in connection with the offering of $350,000,000 of 3.75% Notes due 2046. | |  |
| 4.1 | Nineteenth Supplemental Indenture relating to the issuance of $350,000,000 of 3.75% Notes due 2046. | |  |
| 4.2 | Note of 3.75% Notes due 2046. | |  |
| 5.1 | Opinion of David P. Falck, Executive Vice President and General Counsel | |  |
| 99.1 | Information relating to Item 14 of the Registration Statement on Form S-3 (No. 333-203578-01) | |  |
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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, each registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | PINNACLE WEST CAPITAL CORPORATION | | |  |  |
|  |  |  | (Registrant) | | |  |  |
| Dated: May 6, 2016 | | | By: |  | /s/ James R. Hatfield |  |  |
|  |  |  | James R. Hatfield | | |  |  |
|  |  |  | Executive Vice President and | | |  |  |
|  |  |  | Chief Financial Officer | | |  |  |
|  |  |  | ARIZONA PUBLIC SERVICE COMPANY | | |  |  |
|  |  |  | (Registrant) | | |  |  |
| Dated: May 6, 2016 | | | By: |  | /s/ James R. Hatfield |  |  |
|  |  |  | James R. Hatfield | | |  |  |
|  |  |  | Executive Vice President and | | |  |  |
|  |  |  | Chief Financial Officer | | |  |  |
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|  |  |  |  | | |  |  |
|  |  |  | **Exhibit Index** | | |  |  |
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|  |  |  |  |  |  |  |  |



**Exhibit 1.1**

ARIZONA PUBLIC SERVICE COMPANY

$350,000,000 3.75% Notes due 2046

UNDERWRITING AGREEMENT

May 3, 2016

Barclays Capital Inc.

745 Seventh Avenue

New York, New York 10019

Citigroup Global Markets Inc.

388 Greenwich Street

New York, New York 10013

SunTrust Robinson Humphrey, Inc.

3333 Peachtree Road

Atlanta, Georgia 30326

Wells Fargo Securities, LLC

550 South Tryon Street, 5th Floor

Charlotte, North Carolina 28202

As Representatives of the several Underwriters named in Exhibit A hereto

Ladies and Gentlemen:

1. Introduction. Arizona Public Service Company, an Arizona corporation (the “Company”), proposes to issue and sell to Barclays Capital Inc., Citigroup Global Markets Inc., SunTrust Robinson Humphrey, Inc. and Wells Fargo Securities, LLC (collectively, the “Representative”) and the other several underwriters named in Exhibit A hereto (collectively, and including any person substituted for any such underwriter pursuant to Section 8, the “Underwriters”) $350,000,000 in aggregate principal amount of its 3.75% Notes due 2046 (the “Securities”) to be issued under the Indenture dated as of January 15, 1998 (the “Original Indenture”) between the Company and The Bank of New York Mellon Trust Company, N.A. (ultimate successor to The Chase Manhattan Bank), as trustee (the “Trustee”), as amended and supplemented by one or more Supplemental Indentures between the Company and the Trustee (each, a “Supplemental Indenture”) (the Original Indenture as amended and supplemented by such Supplemental Indentures, including the Nineteenth Supplemental Indenture to be dated as of May 6, 2016 between the Company and the Trustee (the “Most Recent Supplemental Indenture”), referred to herein collectively as the “Indenture”). All obligations of the Underwriters hereunder are several and not joint.
2. Representations and Warranties of the Company. In connection with the offering of the Securities, the Company represents and warrants to, and agrees with, the several Underwriters as follows (each representation, warranty or agreement relating to information in the Registration Statement (as defined below) shall be deemed to relate only to information concerning the Company included therein):
   1. A registration statement on Form S-3 (Registration No. 333-203578-01) relating to the Securities has (i) been prepared by the Company in conformity with the requirements of the Securities Act of 1933, as amended (the “Act”), and the rules and regulations of the Securities and Exchange Commission (the “Commission”) thereunder (the “Rules and Regulations”), (ii) been filed with the Commission under the Act and (iii) become effective under the Act. As used in this Agreement:
      1. “Applicable Time” means 3:00 p.m., New York City time, on the date hereof;
      2. “Effective Date” means the date as of which any part of the Registration Statement relating to the offering of the Securities is deemed to have become effective under the Act in accordance with Rule 430B of the Rules and Regulations;
      3. “Issuer Free Writing Prospectus” means each “free writing prospectus” (as defined in Rule 405 of the Rules and Regulations) prepared by or on behalf of the Company or used or referred to by the Company in connection with the offering of the Securities;
      4. “Most Recent Preliminary Prospectus” means the latest Preliminary Prospectus (as defined below), which, for purposes of this Agreement, shall be the Preliminary Prospectus dated May 3, 2016;
      5. “Preliminary Prospectus” means any preliminary prospectus relating to the Securities included in the Registration Statement or filed with the Commission pursuant to Rule 424(b) of the Rules and Regulations (including, for purposes of this definition, any documents incorporated by reference therein as of the Applicable Time), including any preliminary prospectus supplement relating to the Securities;
      6. “Pricing Disclosure Package” means, as of the Applicable Time, the Most Recent Preliminary Prospectus, together with each Issuer Free Writing Prospectus set forth on Exhibit B hereto, if any, and the additional information set forth on Exhibit B hereto, if any;
      7. “Prospectus” means the final prospectus relating to the Securities, including any prospectus supplement thereto relating to the Securities, as filed with the Commission pursuant to Rule 424(b) of the Rules and Regulations; and
      8. “Registration Statement” means, collectively, the various parts of such registration statement, each as amended as of the Effective Date for such part, including any Preliminary Prospectus or the Prospectus and all exhibits to such registration statement.



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Any reference to any Preliminary Prospectus (including the Most Recent Preliminary Prospectus) or the Prospectus shall be deemed to include any documents incorporated by reference therein pursuant to Form S-3 under the Act as of the date of such Preliminary Prospectus or the Prospectus, as the case may be. Any reference to any amendment or supplement to any Preliminary Prospectus or the Prospectus shall be deemed to include any document filed under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), after the date of such Preliminary Prospectus or the Prospectus, as the case may be, and incorporated by reference in such Preliminary Prospectus or the Prospectus, as the case may be. The Commission has not issued any order preventing or suspending the use of any Preliminary Prospectus or the Prospectus or suspending the effectiveness of the Registration Statement, and, to the knowledge of the Company, no proceeding or examination for such purpose or pursuant to Section 8A of the Act against the Company or related to the offering has been instituted or threatened by the Commission. The Commission has not notified the Company of any objection to the use of the form of the Registration Statement.

* 1. The Company was at the time of the initial filing of the Registration Statement, has been at all relevant determination dates thereafter (as provided in clause (2) of the definition of “well-known seasoned issuer” in Rule 405 of the Rules and Regulations), is on the date hereof and will be on the Closing Date (as defined below) a “well-known seasoned issuer” (as defined in Rule 405 of the Rules and Regulations), including not having been an “ineligible issuer” (as defined in Rule 405 of the Rules and Regulations) at any such time or date. The Registration Statement is an “automatic shelf registration statement” (as defined in Rule 405 of the Rules and Regulations) and was filed not earlier than the date that is three years prior to the Closing Date. The conditions for use of Form S-3, as set forth in the General Instructions thereto, have been satisfied.
  2. The Registration Statement, on the Effective Date and the Closing Date, conformed and will conform in all material respects, and any amendments to the Registration Statement filed after the date hereof and on or prior to the Closing Date will conform in all material respects, when filed, to the requirements of the Act, the Trust Indenture Act of 1939, as amended (the “Trust Indenture Act”), and the Rules and Regulations. Any Preliminary Prospectus conformed or will conform, and the Prospectus will conform, in all material respects when filed with the Commission pursuant to Rule 424(b) of the Rules and Regulations and on the Closing Date to the requirements of the Act and the Rules and Regulations. The documents incorporated by reference in any Preliminary Prospectus or the Prospectus conformed, and any further documents so incorporated will conform, when filed with the Commission, in all material respects to the requirements of the Exchange Act and the rules and regulations of the Commission thereunder.
  3. The Registration Statement did not, as of the Effective Date, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; provided, that no representation or warranty is made

1. as to information contained in or omitted from the Registration Statement in reliance upon and in conformity with written information furnished to the Company through the Representative by or on behalf of any Underwriter specifically for inclusion therein, which information consists solely of the information specified in Section 7(b), or (ii) with respect to any Statement of Eligibility (Form T-1) under the Trust Indenture Act filed as an exhibit thereto.

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1. The Prospectus will not, as of its date and on the Closing Date, include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, that no representation or warranty is made as to information contained in or omitted from the Prospectus in reliance upon and in conformity with written information furnished to the Company through the Representative by or on behalf of any Underwriter specifically for inclusion therein, which information consists solely of the information specified in Section 7(b).
2. The documents incorporated by reference in any Preliminary Prospectus or the Prospectus did not, and any further documents filed and incorporated by reference therein will not, when filed with the Commission, include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.
3. The Pricing Disclosure Package will not, as of the Applicable Time, include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, that no representation or warranty is made as to information contained in or omitted from the Pricing Disclosure Package in reliance upon and in conformity with written information furnished to the Company through the Representative by or on behalf of any Underwriter specifically for inclusion therein, which information consists solely of the information specified in Section 7(b). The Company hereby consents to the use of the Pricing Disclosure Package in connection with the sale and distribution of the Securities by the Underwriters.
4. Each Issuer Free Writing Prospectus (including, without limitation, any road show that is a free writing prospectus under Rule 433 of the Rules and Regulations), when considered together with the Pricing Disclosure Package as of the Applicable Time, will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, that no representation or warranty is made as to information contained in or omitted from any Issuer Free Writing Prospectus in reliance upon and in conformity with written information furnished to the Company through the Representative by or on behalf of any Underwriter specifically for inclusion therein, which information consists solely of the information specified in Section 7(b).
5. Each Issuer Free Writing Prospectus conformed or will conform in all material respects to the requirements of the Act and the Rules and Regulations on the date of first use, and the Company has complied or will comply with any filing requirements applicable to such Issuer Free Writing Prospectus pursuant to the Rules and Regulations. The Company has not, on or prior to the date hereof, made any offer relating to the Securities that would constitute an Issuer Free Writing Prospectus, except as set forth on Exhibit C hereto. The Company has retained in accordance with the Rules and Regulations all Issuer Free Writing Prospectuses that were not required to be filed pursuant to the Rules and Regulations.
6. The Company has not distributed and, prior to the later of the Closing Date and completion of the distribution of the Securities, will not distribute any offering material

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in connection with the offering and sale of the Securities other than any Preliminary Prospectus, the Prospectus and each Issuer Free Writing Prospectus set forth on Exhibit C hereto or any Issuer Free Writing Prospectus to which the Representative has consented in accordance with Section 4(e).

1. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Arizona. The Company has the requisite corporate power and corporate authority to conduct its business as such business is currently being conducted as described in the Pricing Disclosure Package.
2. The Company is not and, after giving effect to the offering and sale of the Securities, will not be an “investment company” or an entity “controlled” by an “investment company”, as such terms are defined in the Investment Company Act of 1940, as amended (the “Investment Company Act”).
3. The financial statements of the Company referred to, incorporated by reference or contained in the Registration Statement and the Most Recent Preliminary Prospectus present fairly in all material respects the financial position of the Company as of the dates shown and the results of its operations and cash flows for the periods shown, and such financial statements have been prepared in conformity with generally accepted accounting principles in the United States applied on a consistent basis in all material respects with respect to the periods involved as stated therein (except as disclosed therein). Any schedule included in the Registration Statement presents fairly in all material respects the information required to be stated therein. The Company maintains systems of internal accounting controls and processes sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management’s general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and (iii) assets are safeguarded from loss or unauthorized use that could have a material effect on the financial statements of the Company.
4. The Indenture, other than the Most Recent Supplemental Indenture, has been duly qualified under the Trust Indenture Act, has been duly authorized, executed and delivered by the Company and is a valid and binding agreement of the Company, enforceable against the Company in accordance with its terms, subject to applicable bankruptcy, insolvency or similar laws affecting creditors’ rights generally and general principles of equity. The Most Recent Supplemental Indenture, establishing the terms of the Securities, has been duly authorized by the Company and, when executed and delivered by the Company, will be duly qualified under the Trust Indenture Act and a valid and binding agreement of the Company, enforceable against the Company in accordance with its terms, subject to applicable bankruptcy, insolvency or similar laws affecting creditors’ rights generally and general principles of equity.
5. The Securities to be issued and sold by the Company to the Underwriters hereunder have been duly and validly authorized and, when executed and authenticated in accordance with the provisions of the Indenture and delivered against payment therefor as provided herein, will be entitled to the benefits provided by the Indenture and will be valid and binding obligations of the Company, in each case enforceable against the Company in accordance with their respective terms, subject to applicable bankruptcy, insolvency or similar

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laws affecting creditors’ rights generally and general principles of equity, and will conform to the description of the Securities contained in each of the Most Recent Preliminary Prospectus and the Prospectus.

* 1. The issue and sale of the Securities by the Company, the compliance by the Company with all of the provisions of this Agreement, the Indenture and the Securities and the performance by the Company of its obligations under this Agreement, the Indenture and the Securities will not

1. conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture or mortgage or other deed of trust, loan agreement or other agreement or instrument to which the Company is a party or by which the Company is bound or to which any of the property or assets of the Company is subject, (ii) violate or result in a breach of the Articles of Incorporation, as amended, or Bylaws of the Company, (iii) violate or result in a breach of any federal or state law, rule or regulation applicable to the Company (excluding state securities and blue sky laws) or any judgment, order or decree of any court or governmental agency or body having jurisdiction over the Company or any of its subsidiaries or any of their properties or
2. result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Company (except as contemplated therein), except, in the case of clause (i) and clause (iii) above, for any such conflict, breach or violation that is not reasonably likely to have a material adverse effect on the current or future financial condition of the Company and its consolidated subsidiaries, taken as a whole (a “Material Adverse Effect”). No consent, approval, authorization, order, registration or qualification of or with any such court or federal or state governmental authority is required for the issue and sale of the Securities or the consummation by the Company of the transactions contemplated by this Agreement or the Indenture, except (w) an order of the Arizona Corporation Commission (the “ACC”) authorizing the issuance and sale of the Securities and the execution and delivery of the Indenture on the terms and conditions in this Agreement, the Pricing Disclosure Package and the Prospectus, which order has been granted and is in full force and effect, (x) such consents, approvals, authorizations, registrations or qualifications as may be required under state securities or blue sky laws in connection with the purchase and distribution of the Securities by the Underwriters, (y) the qualification of the Indenture under the Trust Indenture Act and

(z) the registration under the Act of the Securities, and in the case of clause (y) and clause (z) above, such qualification and registration to be obtained on or prior to the Closing Date.

* 1. This Agreement has been duly authorized, executed and delivered by the Company.
  2. With certain exceptions, a public service corporation is required to obtain certificates of convenience and necessity and/or certificates of environmental compatibility from the ACC under the Arizona Revised Statutes (“A.R.S.”) Section 40-281.A and/or A.R.S. Sections 40-360, et seq., for construction of its lines, plant, services or systems, or any extensions thereof, within the State of Arizona, and to obtain franchises or similar consents or permits from counties and incorporated municipalities under A.R.S. Section 40-283.A for the construction, operation and maintenance of transmission and distribution lines within the State of Arizona. The Company holds such valid franchises, certificates of convenience and necessity, certificates of environmental compatibility, licenses, consents and permits pursuant to such statutory provisions as are necessary with respect to the maintenance and operation of its

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property and business as now conducted, except that (i) the Company from time to time makes minor extensions of its system prior to the time a related franchise, certificate, license, consent or permit is procured, (ii) from time to time communities already being served by the Company become incorporated and considerable time may elapse before a franchise, license, consent or permit is procured, (iii) certain franchises, licenses, consents or permits may have expired prior to the renegotiation thereof, (iv) under A.R.S. Section 40-281.B, the Company may extend distribution facilities into areas contiguous to its certificates of convenience and necessity not already served by another electric utility without extending its existing certificates or obtaining new certificates,

1. certain minor defects and exceptions may exist that, individually and in the aggregate, are not deemed material and (vi) no representation is made regarding the geographical scope of any franchise, certificate, license, consent or permit that is not specific as to its geographical scope.
   1. Neither the Company nor any of its subsidiaries or, to the knowledge of the Company, any of their respective affiliates over which any of the foregoing exercises management control (each, a “Controlled Affiliate”) or any director or officer of the Company, any of its subsidiaries or any of their respective Controlled Affiliates (each, a “Manager”) is a Person (as defined in Section 2(t)): (i) listed in the annex to the Executive Order (as defined in Section 2(u)) or identified pursuant to Section 1 of the Executive Order; (ii) that is owned or controlled by, or acting for or on behalf of, any Person listed in the annex to the Executive Order or identified pursuant to the provisions of Section 1 of the Executive Order; (iii) with whom an Underwriter is prohibited from dealing or otherwise engaging in any transaction by any terrorism or anti-laundering law, including the Executive Order; (iv) who commits, threatens, conspires to commit, or support “terrorism” as defined in the Executive Order; (v) who is named as a “Specially designated national or blocked person” on the most current list published by the Office of Foreign Assets Control of the United States Department of the Treasury (“OFAC”) at its official website, at http://www.treas.gov/offices/enforcement/ofac/sdn/t11sdn.pdf or any replacement website or other replacement official publication of such list; or (vi) who is owned or controlled by a Person listed above in clause (iii) or (v) (each, a “Prohibited Person”), and the Company, its subsidiaries and, to the knowledge of the Company, such Controlled Affiliates are in compliance with all applicable orders, rules and regulations of OFAC.
   2. Neither the Company nor any of its subsidiaries or, to the knowledge of the Company, any of their respective Controlled Affiliates or Managers: (i) is the target of economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by OFAC and any similar economic or financial sanctions or trade embargoes of the type described in Section 2(s), Section 2(t), Section 2(u) and Section 2(v) and imposed, administered or enforced from time to time by the United States government, including the United States Department of State (collectively, the “Sanctions”);
2. is owned or controlled by, or acts on behalf of, any individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture, limited liability company or other entity, or a government or any political subdivision or agency thereof (each, a “Person”) that is targeted by United States or multilateral economic or trade sanctions currently in force; (iii) is, or is owned or controlled by, a Person who is located, organized or resident in a country or territory that is, or whose government is, the subject of Sanctions, including, without limitation, Cuba, Iran, North Korea, Sudan and Syria; or (iv) is named, identified or described on any list of Persons with whom United States Persons may not conduct business, including any such blocked

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persons list, designated nationals list, denied persons list, entity list, debarred party list, unverified list, sanctions list or other such lists published or maintained by the United States, including OFAC, the United States Department of Commerce or the United States Department of State.

1. None of the Company’s or its subsidiaries’ assets constitute property of, or are beneficially owned, directly or indirectly, by any Person that is the target of Sanctions, including, but not limited to, the International Emergency Economic Powers Act, 50 U.S.C. §§ 1701 et seq., The Trading with the Enemy Act, 50 U.S.C. App. 1 et seq. (the “Trading With the Enemy Act”), any of the foreign assets control regulations of the Treasury (31 C.F.R., Subtitle B, Chapter V, as amended) (the “Foreign Assets Control Regulations”) or any enabling legislation or regulations promulgated thereunder or executive order relating thereto (which includes, without limitation, (i) Executive Order No. 13224, effective as of September 24, 2001, and relating to Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism (66 Fed. Reg. 49079 (2001)) (the “Executive Order”) and (ii) the USA PATRIOT Act), if the result of such ownership would be that the Securities would be in violation of law (“Embargoed Person”). No Embargoed Person has any interest of any nature whatsoever in the Company if the result of such interest would be that the issuance of the Securities would be in violation of law. The Company has not engaged in business with Embargoed Persons if the result of such business would be that the issuance of the Securities would be in violation of law. The Company will not, directly or indirectly, use the proceeds of the Securities, or contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other Person, (1) to fund any activities or business of or with any Person, or in any country or territory, that, at the time of such funding, is, or whose government is, the subject of Sanctions, or (2) in any other manner that would result in a violation of Sanctions or laws, rules and regulations of any jurisdiction applicable to the Company or its subsidiaries from time to time concerning or relating to bribery or corruption (collectively, the “Anti-Corruption Laws”) by any Person (including any Person holding the Securities). Neither the Company nor any Controlled Affiliate (A) is or will become a “blocked person” as described in the Executive Order, the Trading With the Enemy Act or the Foreign Assets Control Regulations or (B) to the knowledge of the Company, engages in any dealings or transactions, or is otherwise associated, with any such “blocked person”. For purposes of determining whether or not a representation is true under this Section 2(u), the Company shall not be required to make any investigation into (x) the ownership of publicly traded stock or other publicly traded securities or (y) the beneficial ownership of any collective investment fund.
2. Neither the Company nor any of its subsidiaries or, to the knowledge of the Company and its subsidiaries, any of their Managers, has failed to comply with the United States Foreign Corrupt Practices Act, as amended from time to time (the “FCPA”), or any other applicable anti-bribery laws or Anti-Corruption Laws, and it and they have not made, offered, promised or authorized, and will not make, offer, promise or authorize, whether directly or indirectly, any payment, of anything of value to (i) an executive, official, employee or agent of a governmental department, agency or instrumentality, (ii) a director, officer, employee or agent of a wholly or partially government-owned or -controlled company or business, (iii) a political party or official thereof, or candidate for political office or (iv) an executive, official, employee or agent of a public international organization (e.g., the International Monetary Fund or the World Bank) (each, a “Government Official”) while knowing or having a reasonable belief that

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all or some portion will be used for the purpose of: (x) influencing any act, decision or failure to act by a Government Official in his or her official capacity,

1. inducing a Government Official to use his or her influence with a government or instrumentality to affect any act or decision of such government or entity or (z) securing an improper advantage, in each case in order to obtain, retain or direct business.

Any certificate signed by an officer of the Company and delivered to the Representative (or counsel for the Underwriters) in connection with the offering of the Securities shall be deemed a representation and warranty by the Company, as to matters covered thereby on the date of such certificate, to each Underwriter.

1. Purchase, Sale and Delivery of Securities. On the basis of the representations, warranties and agreements herein contained, and subject to the terms and conditions herein set forth, the Company agrees to sell to the Underwriters, and the Underwriters agree, severally and not jointly, to purchase from the Company, the respective principal amounts of the Securities set forth opposite the names of the Underwriters in Exhibit A hereto at the respective prices set forth therein. The time and date of delivery and payment with respect to the Securities shall be 10:00 a.m., New York City time, on May 6, 2016 or such other time and date as the Representative and the Company may agree upon in writing (the “Closing Date”). It is understood that the Underwriters will offer the Securities for sale as set forth in the Pricing Disclosure Package and the Prospectus.

The Securities to be purchased by each Underwriter on the Closing Date shall be in global form, registered in the name of Cede & Co. and shall be delivered by or on behalf of the Company to the Representative, through the facilities of The Depository Trust Company (“DTC”), for the account of the respective Underwriter, against payment by or on behalf of such Underwriter of the purchase price therefor by wire transfer of federal (same-day) funds to the account specified by the Company to the Representative at least 48 hours in advance. The Company will cause any certificates representing the Securities to be made available for checking and packaging at least 24 hours prior to the Closing Date with respect thereto at the office of DTC or its designated custodian.

1. Covenants of the Company. The Company covenants and agrees with each Underwriter that, with respect to the offering of the Securities:
   1. The Company will file any Preliminary Prospectus and the Prospectus with the Commission pursuant to and in accordance with Rule 424(b) of the Rules and Regulations. The Company will prepare a final term sheet, containing solely a description of the Securities, in a form approved by the Representative and will file such final term sheet pursuant to Rule 433(d) of the Rules and Regulations within the time required by such Rule. The Company will file all other material required to be filed by the Company with the Commission pursuant to Rule 433(d) of the Rules and Regulations.
   2. The Company will advise the Representative promptly of any proposed amendment or supplementation of the Registration Statement, any Preliminary Prospectus, the Pricing Disclosure Package or the Prospectus that it proposes to make between the date hereof and the Closing Date (other than any periodic report to be filed by the Company under the

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Exchange Act during such period). The Company will provide the Underwriters and their counsel with a draft of such amendment or supplement prior to

filing and will reasonably consider any changes proposed in writing by counsel for the Underwriters based on legal grounds. The Company will also advise

the Representative of the institution by the Commission of any stop order or of any order preventing or suspending the use of any Preliminary Prospectus, the

Prospectus or any Issuer Free Writing Prospectus or of the initiation or threatening of any proceeding or examination for such purpose or pursuant to

Section 8A of the Act against the Company or related to the offering known to the Company, or of any notice from the Commission objecting to the use of the

form of the Registration Statement or any post-effective amendment thereto and will use its best efforts to prevent the issuance of any such stop order or of

any order preventing the use of any Preliminary Prospectus, the Prospectus or any Issuer Free Writing Prospectus and to obtain as soon as possible its lifting,

if issued.

* 1. The Company will pay the applicable Commission filing fees relating to the Securities within the time required by Rule 456(b)(1)

1. of the Rules and Regulations.
   1. If, at any time when a prospectus relating to the Securities is required to be delivered under the Act (including in circumstances where such requirement can be satisfied pursuant to Rule 172 of the Rules and Regulations), any event occurs as a result of which the Prospectus as then amended or supplemented would include an untrue statement of a material fact, or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, or if it is necessary at any time to amend or supplement the Registration Statement or the Prospectus to comply with applicable law, the Company promptly will (i) notify the Underwriters of such event and (ii) prepare and file with the Commission an amendment or supplement that will correct such statement or omission or an amendment that will effect such compliance. Neither the Representative’s consent to, nor the Underwriters’ delivery of, any such amendment or supplement shall constitute a waiver of any conditions set forth in Section 6.
   2. The Company will not make any offer relating to the Securities that would constitute an Issuer Free Writing Prospectus without the prior written consent of the Representative except as set forth on Exhibit C hereto.
   3. The Company will retain in accordance with the Rules and Regulations all Issuer Free Writing Prospectuses not required to be filed pursuant to the Rules and Regulations. If, at any time when a prospectus relating to the Securities is required to be delivered under the Act (including in circumstances where such requirement can be satisfied pursuant to Rule 172 of the Rules and Regulations), any events shall have occurred as a result of which any Issuer Free Writing Prospectus, as then amended or supplemented, would conflict with the information in the Registration Statement, the Most Recent Preliminary Prospectus or the Prospectus or would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, or if for any other reason it shall be necessary to amend or supplement any Issuer Free Writing Prospectus, the Company will notify the Representative and will amend or supplement such Issuer Free Writing Prospectus to correct such conflict, statement or omission and the Company will comply with any filing requirements applicable to such amended or supplemented Issuer Free Writing Prospectus in accordance with the Rules and Regulations.

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1. As soon as practicable, but not later than 18 months after the date hereof, the Company will make generally available to its security holders an earning statement or statements (which need not be audited) covering a period of at least 12 months beginning after the effective date of the Registration Statement (as defined in Rule 158(c) of the Rules and Regulations), which will satisfy the provisions of Section 11(a) of the Act and the Rules and Regulations.

* 1. The Company will furnish to the Underwriters or the Representative such copies of the Registration Statement (including one copy of the Registration Statement for the Representative and for the counsel for the Underwriters, which is signed and includes all exhibits), any Preliminary Prospectus, the Prospectus and any Issuer Free Writing Prospectus, and all amendments or supplements to such documents, as may be reasonably requested by the Underwriters or the Representative, as the case may be; provided, that the Company will not be required to deliver documents filed by it pursuant to the Exchange Act and thereby incorporated by reference in the Prospectus.
  2. The Company will arrange or cooperate in arrangements for the qualification of the Securities for sale under the securities or blue sky laws of such jurisdictions as the Representative designates and will continue such qualifications in effect so long as required for the distribution of the Securities; provided, that the Company shall not be required to qualify as a foreign corporation in any state, to consent to service of process in any state other than with respect to claims arising out of the offering or sale of the Securities or to meet other requirements deemed by it to be unduly burdensome.
  3. The Company agrees to pay all costs and expenses relating to the following matters: (i) the preparation, printing or reproduction and filing with the Commission of the Registration Statement (including financial statements and exhibits thereto), each Preliminary Prospectus, the Prospectus, each Issuer Free Writing Prospectus or any amendment or supplement to any of them; (ii) the printing (or reproduction) and delivery (including postage, air freight charges and charges for counting and packaging) of such copies of the Registration Statement, each Preliminary Prospectus, the Prospectus, each Issuer Free Writing Prospectus or any amendment or supplement thereto or any document incorporated by reference therein, as may, in each case, be reasonably requested for use in connection with the offering and sale of the Securities; (iii) any rating of the Securities by investment rating agencies;

1. the printing (or reproduction) and delivery of this Agreement, any blue sky memorandum and all other agreements or documents printed (or reproduced) and delivered in connection with the offering of the Securities; (v) any registration or qualification of the Securities for offer and sale under the securities or blue sky laws of the several states (including filing fees and the reasonable fees and expenses of counsel for the Underwriters relating to such registration and qualification); (vi) the transportation and other expenses incurred by or on behalf of Company representatives (other than the Underwriters) in connection with presentations to prospective purchasers of the Securities; and (vii) all other costs and expenses incident to the performance by the Company of its obligations hereunder. It is understood, however, that, except as provided in this Section 4(j), Section 7 and Section 8, the Underwriters will pay all of their own costs and expenses.
   1. Prior to the Closing Date, the Company will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, or file with the Commission a registration

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statement under the Act relating to, any additional debt securities of the Company (or warrants to purchase debt securities of the Company) that mature more than one year after the Closing Date and that are substantially similar to the Securities, or publicly disclose the intention to make any such offer, sale, pledge, disposition or filing, without the prior written consent of the Representative.

1. During the period of two years after the date hereof, the Company will furnish to the Representative and, upon request, each of the other Underwriters (i) as soon as practicable after the end of each fiscal year, a balance sheet and statements of income and changes in common stock equity of the Company as at the end of and for such year, all in reasonable detail and certified by independent registered public accountants, and (ii) (A) as soon as practicable after the end of each quarterly fiscal period (except for the last quarterly fiscal period of each fiscal year), a balance sheet and statement of income of the Company as at the end of and for such period, all in reasonable detail and certified by a principal financial or accounting officer of the Company, (B) as soon as available, a copy of each report of the Company filed with the Commission under the Exchange Act, and (C) from time to time, such other information concerning the Company as may reasonably be requested. So long as the Company has active subsidiaries, such financial statements will be on a consolidated basis to the extent the accounts of the Company and its subsidiaries are consolidated. Information required to be delivered pursuant to this provision will be deemed to have been delivered on the date on which the information has been posted on the Company’s parent’s website at www.pinnaclewest.com or on the Commission’s public website, or at any other website accessible by the Representative and identified in a notice sent by the Company to the Representative.
2. If, immediately prior to the third anniversary (the “Renewal Deadline”) of the initial effective date of the Registration Statement, any of the Securities remain unsold by the Underwriters, the Company will, prior to the Renewal Deadline, file, if it has not already done so and is eligible to do so, a new automatic shelf registration statement relating to the Securities (in which case the Company will provide the Representative and counsel for the Representative with a draft of such automatic shelf registration statement prior to filing and will reasonably consider any changes proposed in writing by counsel for the Representative based on legal grounds). If at the Renewal Deadline the Company is no longer eligible to file an automatic shelf registration statement, the Company will, prior to the Renewal Deadline, if it has not already done so, file a new shelf registration statement relating to the Securities (in which case the Company will provide the Representative and counsel for the Representative with a draft of such new shelf registration statement prior to filing and will reasonably consider any changes proposed in writing by counsel for the Representative based on legal grounds), and will use its best efforts to cause such registration statement to be declared effective within 60 days after the Renewal Deadline. The Company will take all other action necessary or appropriate to permit the public offering and sale of the Securities to continue as contemplated in the expired registration statement relating to the Securities. References in this Section 4(m) to the Registration Statement shall include such new automatic shelf registration statement or such new shelf registration statement, as the case may be.
3. If at any time when Securities remain unsold by the Underwriters the Company receives from the Commission a notice pursuant to Rule 401(g)(2) of the Rules and Regulations or otherwise ceases to be eligible to use the automatic shelf registration statement

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form, the Company will (i) promptly notify the Representative, (ii) promptly file a new registration statement or post-effective amendment on the proper form relating to the Securities (in which case the Company will provide the Representative and counsel for the Representative with a draft of such new registration statement or post-effective amendment prior to filing and will reasonably consider any changes proposed in writing by counsel for the Representative based on legal grounds), (iii) use its best efforts to cause such registration statement or post-effective amendment to be declared effective and (iv) promptly notify the Representative of such effectiveness. The Company will take all other action necessary or appropriate to permit the public offering and sale of the Securities to continue as contemplated in the registration statement that was the subject of the notice pursuant to Rule 401(g)(2) of the Rules and Regulations or for which the Company has otherwise become ineligible. References in this Section 4(n) to the Registration Statement shall include such new registration statement or post-effective amendment, as the case may be.

1. Underwriter Free Writing Prospectus. Each Underwriter hereby agrees that, except for one or more term sheets containing the information set forth or referred to in Exhibit B hereto, it will not use, authorize use of, refer to or participate in the use of any “free writing prospectus”, as defined in Rule 405 of the Rules and Regulations (which term includes use of any written information furnished to the Commission by the Company and not incorporated by reference into the Registration Statement and any press release issued by the Company), other than (i) one or more term sheets relating to the Securities that are not Issuer Free Writing Prospectuses and that contain preliminary terms of the Securities and related customary information not inconsistent with the final term sheet filed by the Company pursuant to Section 4(a), (ii) a free writing prospectus that is not an Issuer Free Writing Prospectus and is not required to be filed with the Commission, (iii) a free writing prospectus that contains no “issuer information” (as defined in Rule 433(h)(2) of the Rules and Regulations) that was not included (including through incorporation by reference) in any Preliminary Prospectus or a previously filed Issuer Free Writing Prospectus, (iv) any Issuer Free Writing Prospectus prepared pursuant to Section 4(a) or Section 4(e) or (v) any free writing prospectus prepared by such Underwriter and approved by the Company in advance in writing.
2. Conditions of the Obligations of the Underwriters. The obligations of the several Underwriters to purchase and pay for the Securities on the Closing Date will be subject to the accuracy of the representations and warranties on the part of the Company herein, to the accuracy of the statements of Company officers made pursuant to the provisions hereof, to the performance by the Company of its obligations hereunder and to the following additional conditions precedent:
   1. On the date hereof, the Representative shall have received a letter in a form reasonably satisfactory to the Representative, dated the date hereof, of Deloitte & Touche LLP, confirming that they are independent registered public accountants within the meaning of the Act and the applicable published Rules and Regulations thereunder and the applicable published rules and regulations of the Public Company Accounting Oversight Board (“PCAOB”) and stating to the effect that:
      1. in their opinion, the financial statements and financial statement schedule audited by them and incorporated by reference

in the Pricing Disclosure

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Package and the Prospectus comply as to form in all material respects with the applicable accounting requirements of the Act and the related published Rules and Regulations;

1. they have performed the procedures specified by the American Institute of Certified Public Accountants for a review of interim financial information as described in PCAOB AU 722, Interim Financial Information, on any unaudited financial statements included in the Pricing Disclosure Package and the Prospectus;
2. on the basis of the review referred to in clause (ii) above, a reading of the latest available interim financial statements of the Company, inquiries of officials of the Company who have responsibility for financial and accounting matters and other specified procedures, nothing came to their attention that caused them to believe that:
   1. the unaudited financial statements, if any, included in the Pricing Disclosure Package and the Prospectus do not comply as to form in all material respects with the applicable accounting requirements of the Act and the related published Rules and Regulations or any material modifications should be made to such unaudited financial statements and summary of earnings for them to be in conformity with generally accepted accounting principles;
   2. if any unaudited “capsule” information is contained in the Pricing Disclosure Package or the Prospectus, the unaudited operating revenues, gross income, net income and net income per share amounts or other amounts constituting such “capsule” information and described in such letter do not agree with the corresponding amounts set forth in the unaudited financial statements or were not determined on a basis substantially consistent with that of the corresponding amounts in the audited statements of income;
   3. at the date of the latest available balance sheet read by such accountants, or at a subsequent specified date not more than three business days prior to the date of such letter, there was any change in the amounts of common stock, redeemable preferred stock or non-redeemable preferred stock of the Company or any increase in long-term debt of the Company or, at the date of the most recent available unaudited financial statements, there was any decrease in net current assets or common stock equity as compared with amounts shown in the most recent financial statements included in the Pricing Disclosure Package and the Prospectus, except in all cases for changes, increases or decreases that result from the declaration or payment of dividends; or
   4. for the period from the closing date of the latest income statement included in the Pricing Disclosure Package and the Prospectus to the closing date of the latest available income statement read by such accountants, there were any decreases, as compared with the corresponding period of the previous year and with the period of corresponding length ended the date of the latest income statement included in the Pricing Disclosure Package and the Prospectus, in the amounts of total revenues or net income;

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except in all cases set forth in clause (C) and clause (D) above for changes, increases or decreases that the Pricing Disclosure Package and the Prospectus disclose have occurred or may occur or that are described in such letter; and

1. they have compared specified dollar amounts (or percentages derived from such dollar amounts) and other financial information contained in the Pricing Disclosure Package and the Prospectus (in each case to the extent that such dollar amounts, percentages and other financial information are derived from the general accounting records of the Company and its subsidiaries subject to the internal controls of the Company’s accounting system or are derived directly from such records by analysis or computation) with the results obtained from inquiries, a reading of such general accounting records and other procedures specified in such letter and have found such dollar amounts, percentages and other financial information to be in agreement with such results, except as otherwise specified in such letter.

All financial statements and schedules included in material incorporated by reference into the Pricing Disclosure Package and the Prospectus shall be deemed included in the Pricing Disclosure Package and the Prospectus for purposes of this Section 6(a).

1. Any Preliminary Prospectus and the Prospectus shall have been timely filed with the Commission in accordance with Section 4(a). The Company shall have complied with all filing requirements applicable to any Issuer Free Writing Prospectus. No stop order suspending the effectiveness of the Registration Statement or preventing or suspending the use of the Prospectus or any Issuer Free Writing Prospectus shall have been issued, no proceeding or examination for such purpose or pursuant to Section 8A of the Act against the Company or related to the offering shall have been initiated or threatened by the Commission and no order directed to the adequacy of any document incorporated by reference in any Preliminary Prospectus or the Prospectus shall have been issued. Any request of the Commission for inclusion of additional information in the Registration Statement or the Prospectus or otherwise shall have been complied with or resolved to the reasonable satisfaction of the Representative. The Commission shall not have notified the Company of any objection to the use of the form of the Registration Statement.
2. Subsequent to the execution of this Agreement and prior to the Closing Date, (i) there shall not have occurred any change, or any development involving a prospective change, in or affecting particularly the financial position, business or properties of the Company and its subsidiaries taken as a whole that, in the reasonable judgment of the Representative, materially impairs the investment quality of the Securities, (ii) there shall not have occurred a suspension or material limitation in trading in securities generally on the New York Stock Exchange or in the Company’s securities, (iii) there shall not have occurred, in respect of the Company’s securities, any downgrading or withdrawal, nor shall any notice have been given in respect of the Company’s securities of any intended or potential downgrading or withdrawal or of any review for a possible change that does not indicate the direction of the possible change, and there shall have been no public announcement that any of the Company’s securities have been placed on CreditWatch or Watchlist or under any similar surveillance or review, in each case with negative implications, by Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, Moody’s Investors Service, Inc. or Fitch, Inc., (iv) there shall

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not have occurred a general moratorium on commercial banking activities in New York declared by either federal or State of New York authorities, (v) there shall not have occurred any material disruption of commercial banking, settlements of securities or clearance services in the United States and (vi) there shall not have occurred any outbreak or escalation of major hostilities in which the United States is involved, any declaration of war by Congress or any other substantial national or international calamity or emergency if, in the judgment of the Representative, the effect of any such outbreak, escalation, declaration, calamity or emergency makes it impractical or inadvisable to proceed with completion of the sale of and payment for the Securities. If the Underwriters elect not to purchase the Securities as a result of the occurrence of one of the events specified in this Section 6(c), the Representative will promptly notify the Company.

1. The Underwriters shall have received an opinion of the General Counsel of the Company, dated the Closing Date, to the effect that:
   1. the Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Arizona, with the requisite corporate power and corporate authority to conduct its business as such business is currently being conducted as described in each of the Pricing Disclosure Package and the Prospectus, and the Company is duly qualified as a foreign corporation to do business, and is in good standing, in the States of California and New Mexico; the opinions expressed above as to the due organization, good standing and qualification of the Company are based solely on such counsel’s review of certain certificates of governmental authorities described in such opinion letter, copies of which have been made available to the Underwriters and their counsel, and such counsel’s opinions with respect to such matters are rendered as of the date of such certificates and are limited accordingly;
   2. the Securities have been duly authorized by all requisite corporate action on the part of the Company and have been duly executed, issued and delivered; the Securities constitute valid and legally binding obligations of the Company entitled to the benefits provided by the Indenture; and the Securities conform in all material respects to the description thereof in each of the Pricing Disclosure Package and the Prospectus;
   3. the Indenture has been duly qualified under the Trust Indenture Act, has been duly authorized by all requisite corporate action on the part of the Company and has been duly executed and delivered by the Company; and the Indenture constitutes a valid, binding and enforceable obligation of the Company;
   4. (a) with certain exceptions, a public service corporation is required to obtain certificates of convenience and necessity and/or certificates of environmental compatibility from the ACC under A.R.S. Section 40-281.A and/or A.R.S. Sections 40-360, et seq., for construction of its lines, plant, services or systems, or any extensions thereof, within the State of Arizona, and to obtain franchises or similar consents or permits from counties and incorporated municipalities under A.R.S. Section 40-283.A for the construction, operation and maintenance of transmission and distribution lines within the State of Arizona; and (b) the Company holds such valid franchises, certificates of convenience and necessity, certificates of environmental compatibility, licenses, consents and permits pursuant to such statutory provisions as are necessary with respect to the

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maintenance and operation of its property and business as now conducted, except that (u) the Company from time to time makes minor extensions of its system prior to the time a related franchise, certificate, license, consent or permit is procured, (v) from time to time communities already being served by the Company become incorporated and considerable time may elapse before a franchise, license, consent or permit is procured, (w) certain franchises, licenses, consents or permits may have expired prior to the renegotiation thereof, (x) under A.R.S. Section 40-281.B, the Company may extend distribution facilities into areas contiguous to its certificates of convenience and necessity not already served by another electric utility without extending its existing certificates or obtaining new certificates, (y) certain minor defects and exceptions may exist that, individually and in the aggregate, are not deemed material and (z) such counsel need not express any opinion regarding the geographical scope of any franchise, certificate, license, consent or permit that is not specific as to its geographical scope;

1. the execution, delivery and performance of this Agreement by the Company have been duly authorized by all requisite corporate action on the part of the Company, and this Agreement has been duly executed and delivered by the Company;

1. the issue and sale of the Securities and the performance by the Company of its obligations under this Agreement, the Indenture and the Securities do not violate or result in a breach of (a) the Articles of Incorporation, as amended, or Bylaws of the Company, (b) any judgment, order or decree of any court or governmental agency or body having jurisdiction over the Company or (c) any federal or state law, rule or regulation applicable to the Company (excluding state securities and blue sky laws), except, in the case of clause (b) and clause (c) above, for any such violation or breach that is not reasonably likely to have a Material Adverse Effect;
2. the issue and sale of the Securities and the performance by the Company of its obligations under this Agreement, the Indenture and the Securities will not cause a breach or default under (a) any agreement to which the Company is a party or by which the Company is bound that is filed as an exhibit to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2015, the Company’s Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2016 or the Company’s Current Reports on Form 8-K filed since the date of filing of the above-referenced Annual Report on Form 10-K, in each case pursuant to Item 601(b)(4), Item 601(b)(10) or Item 601(b)(99) of Regulation S-K or (b) any other indenture or mortgage or other deed of trust, loan agreement or other agreement or instrument to which the Company is a party or by which the Company is bound or to which any of the property or assets of the Company is subject, except, in the case of this clause (b), for any such breach or default that is not reasonably likely to have a Material Adverse Effect (it being understood that such counsel need express no opinion as to any breach or default (x) arising under or based upon any covenant of a financial or numerical nature or requiring computation or (y) otherwise not ascertainable from the face of any such agreement, this Agreement or the Indenture; and it being further understood that the opinion in clause (b) is based solely on such counsel’s personal knowledge after consultation with other lawyers under such counsel’s supervision who are responsible for legal review of contracts);

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1. no consent, approval, authorization, order, registration or qualification of or with any federal or state governmental authority is required for the issue and sale of the Securities, the execution and delivery of the Indenture or the consummation by the Company of the transactions contemplated by this Agreement, except (a) an order of the ACC authorizing the issuance and sale of the Securities and the execution and delivery of the Indenture on the terms and conditions in this Agreement, the Pricing Disclosure Package and the Prospectus, which order has been granted and is in full force and effect, (b) such consents, approvals, authorizations, registrations or qualifications as may be required under state securities or blue sky laws, as to which laws such counsel shall not be required to express an opinion, (c) the qualification of the Indenture under the Trust Indenture Act and (d) the registration under the Act of the Securities;
2. the statements set forth in each of the Pricing Disclosure Package and the Prospectus under the captions “Description Of APS Unsecured Debt Securities” and “Description Of The Notes”, insofar as they purport to constitute a summary of the terms of the Securities and the Indenture, are accurate and complete in all material respects;
3. the Company is not, and, after giving effect to the offering and sale of the Securities, will not be, an “investment company” or an entity “controlled” by an “investment company”, as such terms are defined in the Investment Company Act;
4. to such counsel’s knowledge, there are no legal or governmental proceedings required to be described in the Prospectus that are not described as required, nor any contracts or documents of a character required to be described in the Registration Statement, the Pricing Disclosure Package, or the Prospectus or to be filed as exhibits to the Registration Statement that are not described and filed as required (it being understood that such counsel need express no opinion as to the statements of eligibility and qualification of the Trustee under the Trust Indenture Act);
5. the Registration Statement was automatically effective upon filing; any required filing of each prospectus relating to the Securities (including the Prospectus) pursuant to Rule 424(b) of the Rules and Regulations has been made in the manner and within the time period required by Rule 424(b) of the Rules and Regulations; all material required to be filed by the Company pursuant to Rule 433(d) of the Rules and Regulations has been filed with the Commission within the applicable time period prescribed for such filing by Rule 164 of the Rules and Regulations and Rule 433 of the Rules and Regulations (it being understood that such counsel need express no opinion as to any “free writing prospectus”, as defined in Rule 405 of the Rules and Regulations, that any Underwriter uses, authorizes the use of, refers to or participates in the use of, except for a “free writing prospectus” that is (a) permitted by Section 5 of this Agreement and (b) required to be filed by the Company pursuant to Rule 433(d) of the Rules and Regulations); and, to the knowledge of such counsel, no stop order suspending the effectiveness of the Registration Statement or any notice that would prevent its use has been issued and no proceedings for that purpose have been instituted or threatened; and

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1. the Registration Statement, as of the time it became effective, and the Prospectus, as of the date of such counsel’s opinion, in each case as amended by the Company’s Current Report on Form 8-K to be filed with the Commission on or prior to the Closing Date, with respect to the issuance and sale of the Securities, and other than financial statements and schedules and other financial, statistical or accounting data included or incorporated by reference therein or omitted therefrom, as to which such counsel need express no opinion, appear on their face to be appropriately responsive in all material respects to the requirements of the Act and the Rules and Regulations; and, although such counsel does not assume any responsibility for the accuracy, completeness or fairness of the statements or other information contained in the Registration Statement, the Pricing Disclosure Package or the Prospectus, except as expressly provided in Section 6(d)(ii) and Section 6(d)(ix), and has not independently verified any of such statements or other information, such counsel has no reason to believe that (in each case excluding (a) financial statements and schedules and other financial, statistical or accounting data included or incorporated by reference therein or omitted therefrom, (b) the Statement of Eligibility (Form T-1) of the Trustee under the Indenture, (c) the information contained in the Pricing Disclosure Package and the Prospectus under the caption “Description Of APS Unsecured Debt Securities - Global Securities”, (d) statements in or omissions from the Registration Statement, the Pricing Disclosure Package or the Final Prospectus based upon written information furnished to the Company by any Underwriter through the Representative specifically for use therein and (e) the information contained in the Pricing Disclosure Package and the Prospectus under the caption “Certain Material United States Federal Income Tax Consequences”, as to all of which such counsel need express no opinion):
   1. the Registration Statement, as of the Effective Date, contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein not misleading;

1. the Pricing Disclosure Package, as of the Applicable Time, included any untrue statement of a material fact or omitted to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; or
2. the Prospectus, as of its date or at the date of such counsel’s opinion, included or includes any untrue statement of a material fact or omitted or omits to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

In giving such opinion, (x) such counsel shall state that such opinion is limited to the federal laws of the United States and the law of the State of Arizona, (y) such counsel may rely to the extent such counsel deems appropriate upon the opinion of Pillsbury Winthrop Shaw Pittman LLP, counsel for the Underwriters, as to all matters governed by the law of the State of New York and (z) such counsel may state that his opinions are subject to certain customary assumptions and qualifications acceptable to the Underwriters and their counsel.

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1. The Underwriters shall have received an opinion of Keleher & McLeod, P.A., New Mexico counsel for the Company, dated the Closing Date, to the effect that:
   1. the Company is duly qualified to do business as a foreign corporation, and is in good standing, in the State of New

Mexico; and

* 1. the activities of the Company in the State of New Mexico to date do not constitute it a “public utility” as that term is defined in the relevant laws of the State of New Mexico, and, accordingly, no public utility franchises or certificates of convenience and necessity are necessary under New Mexico law with respect to the maintenance and operation of the Company’s property and business as now conducted in the State of New Mexico and no approval, authorization or consent of the New Mexico Public Regulation Commission or any other public board or body of the State of New Mexico is required for the issuance and sale of the Securities on the terms and conditions set forth or contemplated in this Agreement, the Pricing Disclosure Package and the Prospectus or for the execution of the Most Recent Supplemental Indenture, except as may be required under New Mexico state securities or blue sky laws, as to which laws such counsel need express no opinion.

In giving such opinion, Keleher & McLeod, P.A. may rely to the extent such counsel deems appropriate upon certificates of the Company as to any factual matters upon which any such opinions are based and may rely upon the certificates of public officials concerning the legal existence and good standing of the Company.

1. The Underwriters shall have received from Pillsbury Winthrop Shaw Pittman LLP, counsel for the Underwriters, an opinion or opinions, dated the Closing Date, with respect to such matters as they may reasonably require, and the Company shall have furnished to such counsel such documents as they request for the purpose of enabling them to pass upon such matters.
2. The Underwriters shall have received a certificate of the President or any Vice President and a principal financial or accounting officer of the Company, dated the Closing Date, in which such officers, to the best of their knowledge after reasonable investigation, shall state that (i) the representations and warranties of the Company in this Agreement are true and correct as of the Closing Date, or, where applicable, as of such other date specified in such representation and warranty, (ii) the Company has complied with all agreements and satisfied all conditions on its part to be performed or satisfied pursuant to this Agreement at or prior to such Closing Date, (iii) no stop order suspending the effectiveness of the Registration Statement has been issued, no proceedings or examinations for that purpose or pursuant to Section 8A of the Act against the Company or related to the offering have been instituted or are contemplated by the Commission and the Commission has not notified the Company of any objection to the use of the form of the Registration Statement or any post-effective amendment thereto and (iv) subsequent to the date of the most recent financial statements in the Most Recent Preliminary Prospectus, there has been no material adverse change in or affecting the financial position or results of operations of the Company and its subsidiaries, taken as a whole, other than as set forth or contemplated in the Pricing Disclosure Package.

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* 1. The Underwriters shall have received a letter of Deloitte & Touche LLP, dated the Closing Date, which meets the requirements of Section 6(a), except that the specified date referred to in Section 6(a) will be a date not more than three days prior to the Closing Date for the purposes of this Section 6(h).
  2. The Underwriters shall have received evidence that the Securities have been assigned the ratings set forth in the free writing prospectus that contains the final terms of the Securities in the form set forth in Annex A hereto.
  3. The Underwriters shall have received a certificate of the Vice President and Treasurer of the Company, dated the Closing Date, in form and substance satisfactory to the Underwriters, in which such officer shall certify as to certain factual matters relating to the order of the ACC authorizing the issuance and sale of the Securities.
  4. The Company will furnish the Underwriters with such conformed copies of such opinions, certificates, letters and documents as may be reasonably requested.

1. Indemnification and Contribution.
   1. The Company will indemnify and hold harmless each Underwriter, its directors, officers and affiliates and each person, if any, who controls such Underwriter within the meaning of the Act against any losses, claims, damages or liabilities, joint or several, to which such Underwriter, such directors and officers or such controlling person may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in the Registration Statement, any Preliminary Prospectus, the Prospectus, any Issuer Free Writing Prospectus or any amendment or supplement thereto, or arise out of or are

based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse each Underwriter, such directors, officers and affiliates and each such controlling person for any legal or other expenses reasonably incurred by such Underwriter, such directors, officers and affiliates or such controlling person, as incurred, in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the Company will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in any of such documents in reliance upon and in conformity with written information furnished to the Company by any Underwriter through the Representative specifically for use therein, which information consists solely of the information specified in Section 7(b). This indemnity agreement will be in addition to any liability that the Company may otherwise have.

1. Each Underwriter will severally and not jointly indemnify and hold harmless the Company, each of its directors, each of its officers who have signed the Registration Statement, and each person, if any, who controls the Company within the meaning of the Act, against any losses, claims, damages or liabilities to which the Company or any such director, officer or controlling person may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based

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upon any untrue statement or alleged untrue statement of any material fact contained in the Registration Statement, any Preliminary Prospectus, the Prospectus, any Issuer Free Writing Prospectus or any amendment or supplement thereto, or arise out of or are based upon the omission or the alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Company by such Underwriter through the Representative specifically for use therein, and will reimburse any legal or other expenses reasonably incurred, as incurred, by the Company or any such director, officer or controlling person in connection with investigating or defending any such loss, claim, damage, liability or action. This indemnity agreement will be in addition to any liability that such Underwriter may otherwise have. The Company acknowledges that the statements set forth in the last paragraph of text on the cover page of the Most Recent Preliminary Prospectus and the Prospectus and in the third paragraph, the third sentence of the fifth paragraph, the fourth sentence of the fifth paragraph, the sixth paragraph, the seventh paragraph and the eighth paragraph of text under the caption “Underwriting” in the Most Recent Preliminary Prospectus and the Prospectus constitute the only information furnished in writing by or on behalf of the several Underwriters for inclusion in the Registration Statement, any Preliminary Prospectus, the Prospectus and any Issuer Free Writing Prospectus or any amendment or supplement thereto.

1. Promptly after receipt by an indemnified party under this Section 7 of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against an indemnifying party under this Section 7, notify the indemnifying party of the commencement thereof; provided, that the failure to notify the indemnifying party shall not relieve it from any liability that it may have under Section 7(a) or Section 7(b) except to the extent that it has been materially prejudiced (including through the forfeiture of substantive rights or defenses) by such failure; provided, further, that the failure to notify the indemnifying party shall not relieve it from any liability that it may have to an indemnified party otherwise than under Section 7(a) or Section 7(b). In case any such action is brought against any indemnified party, and it notifies the indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate therein and, to the extent that it may wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party (who shall not, without the consent of the indemnified party, be counsel to the indemnifying party), and, after notice from the indemnifying party to such indemnified party of its assumption of the defense thereof, the indemnifying party will not be liable to such indemnified party under this Section 7 for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation. Notwithstanding the indemnifying party’s election to appoint counsel to represent the indemnified party in an action, the indemnified party shall have the right to employ separate counsel (including local counsel), and the indemnifying party shall bear the reasonable fees, costs and expenses of such separate counsel if (i) the use of counsel chosen by the indemnifying party to represent the indemnified party would present such counsel with a conflict of interest, (ii) the actual or potential defendants in, or targets of, any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded that there may be legal defenses available to it and/or other indemnified parties that are different from or additional to those

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available to the indemnifying party, (iii) the indemnifying party shall not have employed counsel reasonably satisfactory to the indemnified party to represent the indemnified party within a reasonable time after notice of the institution of such action or (iv) the indemnifying party shall authorize the indemnified party to employ separate counsel at the expense of the indemnifying party. It is understood that the indemnifying party shall not, in respect of the legal expenses of any indemnified party in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to any local counsel) for all such indemnified parties. Such firm shall be designated in writing by the Representative, in the case of parties indemnified pursuant to Section 7(a), and by the Company, in the case of parties indemnified pursuant to Section 7(b). An indemnifying party shall not be liable for any settlement of a claim or action effected without its written consent, which shall not be unreasonably withheld. No indemnifying party shall, without the prior written consent of the indemnified parties, which consent shall not be unreasonably withheld, settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified parties are actual or potential parties to such claim or action) unless such settlement, compromise or consent

1. includes an unconditional release of each indemnified party from all liability arising out of such claim, action, suit or proceeding and (ii) does not include any findings of fact or admissions of fault or culpability as to the indemnified parties.
   1. If the indemnification provided for in this Section 7 is unavailable or insufficient to hold harmless an indemnified party for any loss, claim, damage, liability or action described in Section 7(a) or Section 7(b), then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of the losses, claims, damages or liabilities referred to in Section 7(a) or Section 7(b) on the following basis: (i) if such loss, claim, damage, liability or action arises under Section 7(a), then (A) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriters on the other hand from the offering of the Securities or (B) if the allocation provided by clause (A) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (A) above but also the relative fault of the Company on the one hand and the Underwriters on the other hand in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities as well as any other relevant equitable considerations; and (ii) if such loss, claim, damage, liability or action arises under Section 7(b), then in such proportion as is appropriate to reflect the relative fault of the Company on the one hand and the Underwriter on the other hand in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities as well as any other relevant equitable considerations. For purposes of clause (i) above, the relative benefits received by the Company on the one hand and the Underwriters on the other hand shall be deemed to be

in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Company bear to the total underwriting discounts and commissions received by the Underwriters. For purposes of clause (i) and clause (ii) above, the relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or the Underwriters and the parties’ relative intent, knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. The Company and each of the Underwriters agree that it would not be just and

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equitable if contribution pursuant to this Section 7(d) were determined by pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to above in this Section 7(d). The amount paid by an indemnified party as a result of the losses, claims, damages or liabilities referred to in the first sentence of this Section 7(d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any action or claim that is the subject of this Section 7(d). Notwithstanding the provisions of this Section 7(d), no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Securities underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages that such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters’ obligations in this Section 7(d) to contribute are several in proportion to their respective underwriting obligations and not joint.

1. Default of Underwriters; Termination by Underwriters. If any Underwriter or Underwriters default in their obligations to purchase Securities pursuant to this Agreement and the principal amount of Securities that such defaulting Underwriter or Underwriters agreed but failed to purchase is 10% or less of the principal amount of Securities that the Underwriters are obligated to purchase, the Representative (or, if there is no Representative, the Underwriters) may make arrangements satisfactory to the Company for the purchase of such Securities by other persons, including any of the Underwriters, but if no such arrangements are made by the Closing Date the non-defaulting Underwriters shall be obligated severally, in proportion to their respective commitments hereunder, to purchase the Securities that such defaulting Underwriter or Underwriters agreed but failed to purchase. If any Underwriter or Underwriters so default and the aggregate principal amount of Securities with respect to which such default or defaults occur is more than the above-described amount and arrangements satisfactory to the remaining Underwriters and the Company for the purchase of such Securities by other persons are not made within 36 hours after such default, this Agreement will terminate without liability on the part of any non-defaulting Underwriter or the Company, except as provided in Section 9. In any such case, either the Representative or the Company shall have the right to postpone the Closing Date, but in no event for longer than seven days, in order that the required changes, if any, in the Registration Statement and the Prospectus or in any other documents or arrangements may be effected. Nothing herein will relieve a defaulting Underwriter from liability for its default.

If this Agreement shall be terminated by the Underwriters because of any failure or refusal on the part of the Company to comply with the terms or to fulfill any of the conditions of this Agreement, or if for any reason the Company shall be unable to perform its obligations under this Agreement, the Company shall not be liable to any Underwriter or to any member of any selling group for the loss of anticipated profits from the transactions contemplated by this Agreement. However, in such an event, the Company will reimburse the Underwriters for all out-of-pocket expenses (including reasonable fees and disbursements of their counsel) reasonably incurred by the Underwriters in connection with this Agreement and the offering contemplated hereunder; provided, however, that if the Securities are not delivered by or on behalf of the Company solely as a result of the failure to satisfy the condition set forth in Section

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6(c), the Company shall have no liability to the Underwriters except as provided in Section 4(j) and Section 7.

1. Survival of Certain Representations and Obligations. The respective indemnities, agreements, representations, warranties and other statements of the Company or its officers and of the Underwriters set forth in or made pursuant to this Agreement will remain in full force and effect regardless of any investigation, or statement as to the results thereof, made by or on behalf of the Underwriters or the Company or any of its officers or directors or any controlling person, and will survive delivery of and payment for the Securities. If this Agreement is terminated pursuant to Section 8, or if for any reason a purchase pursuant to this Agreement is not consummated, the Company shall remain responsible for the expenses to be paid or reimbursed by it pursuant to Section 4, and the respective obligations of the Company and the Underwriters pursuant to Section 7 shall remain in effect.
2. Notices. All communications hereunder relating to any offering of Securities will be in writing, and, if sent to the Underwriters, may be mailed, delivered or faxed and confirmed to (i) Barclays Capital Inc., 745 Seventh Avenue, New York, New York 10019, Attention: Syndicate Registration (fax: 646-834-8133), (ii) Citigroup Global Markets Inc., 388 Greenwich Street, New York, New York 10013, Attention: General Counsel (fax: 646-291-

1469), (iii) SunTrust Robinson Humphrey, Inc., 3333 Peachtree Road, 11th Floor, Atlanta, Georgia 30326, Attention: Investment Grade Debt Capital Markets

(fax: 404-926-5129), and (iv) Wells Fargo Securities, LLC, 550 South Tryon Street, 5th Floor, Charlotte, North Carolina 28202, Attention: Transaction

Management (fax: 704-410-0326); provided, however, that any notice to an Underwriter pursuant to Section 7 will be mailed, delivered or faxed and

confirmed to each such Underwriter at its own address. All communications hereunder to the Company shall be mailed to the Company, Attention: Treasurer, at 400 North Fifth Street, Mail Station 9040, Phoenix, Arizona 85004, or delivered, or faxed and confirmed to the Company, at 400 North Fifth Street, Mail Station 9040, Phoenix, Arizona 85004 (fax: 602-250-2367).

1. Successors. This Agreement will inure to the benefit of and be binding upon the parties hereto and the Underwriter or Underwriters as are named in Exhibit A hereto and their respective successors and the officers and directors and controlling persons referred to in Section 7, and no other person will have any right or obligation hereunder.
2. Representation of Underwriters. The Representative may act for the Underwriters in connection with the offering contemplated by this Agreement, and any action under this Agreement taken by the Representative will be binding upon the Underwriters.
3. Execution in Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all such respective counterparts shall together constitute a single instrument.
4. Applicable Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York.

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1. Waiver of Jury Trial. The Company and the Underwriters hereby waive their respective rights to jury trial with respect to any litigation arising under, or in connection with, this Agreement.
2. Headings. The headings of the sections of this Agreement have been inserted for convenience of reference only and shall not be deemed a part of this Agreement.
3. No Fiduciary Duty. The Company acknowledges and agrees that in connection with this offering and sale of the Securities or any other services the Underwriters may be deemed to be providing hereunder, notwithstanding any pre-existing relationship, advisory or otherwise, between the parties or any oral representations or assurances previously or subsequently made by the Underwriters: (i) no fiduciary or agency relationship between the Company and any other person, on the one hand, and the Underwriters, on the other hand, exists; (ii) the Underwriters are not acting as advisors, expert or otherwise, to the Company, including, without limitation, with respect to the determination of the public offering price of the Securities, and such relationship between the Company, on the one hand, and the Underwriters, on the other hand, is entirely and solely commercial and is based on arms’-length negotiations; (iii) any duties and obligations that the Underwriters may have to the Company shall be limited to those duties and obligations specifically stated herein; and (iv) the Underwriters and their respective affiliates may have interests that differ from those of the Company. To the full extent allowed by law, the Company hereby waives any claims that the Company may have against the Underwriters with respect to any breach of fiduciary duty in connection with this offering.

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If the foregoing is in accordance with your understanding of our agreement, kindly sign and return to us the enclosed duplicate hereof, whereupon it will become a binding agreement between the Company and the Underwriters in accordance with its terms.

Very truly yours,

ARIZONA PUBLIC SERVICE COMPANY

By: /s/ Lee R. Nickloy

|  |  |
| --- | --- |
| Name: | Lee R. Nickloy |
| Title: | Vice President and Treasurer |

The foregoing Underwriting Agreement is hereby confirmed and accepted as

of the date first above written, on behalf of themselves and the other several

Underwriters named in Exhibit A hereto.

Barclays Capital Inc.

Citigroup Global Markets Inc.

SunTrust Robinson Humphrey, Inc.

Wells Fargo Securities, LLC

BB&T Capital Markets, a division of

BB&T Securities, LLC

C.L. King & Associates, Inc.

KeyBanc Capital Markets Inc.

PNC Capital Markets LLC

|  |  |  |
| --- | --- | --- |
| By: | Barclays Capital Inc. | |
| As Representative of the Several Underwriters | | |
| By: | /s/ Robert A. Stowe | |
|  | Name: | Robert A. Stowe |
|  | Title: | Managing Director |
| By: | Citigroup Global Markets Inc. | |
| As Representative of the Several Underwriters | | |
| By: | /s/ Brian D. Bednarski | |
|  | Name: | Brian D. Bednarski |
|  | Title: | Managing Director |

*[Signature Page to Underwriting Agreement]*



By: SunTrust Robinson Humphrey, Inc.

As Representative of the Several Underwriters

|  |  |  |  |
| --- | --- | --- | --- |
| By: |  | /s/ Robert Nordlinger | |
|  |  | Name: | Robert Nordlinger |
|  |  | Title: | Director |
| By: | Wells Fargo Securities, LLC | | |
| As Representative of the Several Underwriters | | | |
| By: |  | /s/ Carolyn Hurley | |
|  |  | Name: | Carolyn Hurley |
|  |  | Title: | Director |

*[Signature Page to Underwriting Agreement]*



**Exhibit A**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Underwriter** |  |  | **Principal Amount** | |  | **Purchase Price** | |  |
|  |  | **of Securities** | |  | **for Securities\*** | |  |
| Barclays Capital Inc. |  | $ | 78,750,000 |  | $ | 77,834,925 |  |  |
| Citigroup Global Markets Inc. | $ | | 78,750,000 | | $ | 77,834,925 | |  |
| SunTrust Robinson Humphrey, Inc. | $ | | 78,750,000 | | $ | 77,834,925 | |  |
| Wells Fargo Securities, LLC | $ | | 78,750,000 | | $ | 77,834,925 | |  |
| BB&T Capital Markets, a division of BB&T Securities, LLC | $ | | 8,750,000 | | $ | 8,648,325 | |  |
| C.L. King & Associates, Inc. | $ | | 8,750,000 | | $ | 8,648,325 | |  |
| KeyBanc Capital Markets Inc. | $ | | 8,750,000 | | $ | 8,648,325 | |  |
| PNC Capital Markets LLC | $ | | 8,750,000 | | $ | 8,648,325 | |  |
| Total |  | $ | 350,000,000 |  | $ | 345,933,000 |  |  |



* Reflecting a purchase price of 98.838% of the principal amount of the Securities. A-1



**Exhibit B**

**Issuer Free Writing Prospectuses Included in the Pricing Disclosure Package**

* Final Pricing Term Sheet related to the Securities attached hereto as Annex A

**Additional Information**

* None

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**Exhibit C**

**Issuer Free Writing Prospectuses Used by the Company**

* Final Pricing Term Sheet related to the Securities attached hereto as Annex A C-1



ANNEX A

**Final Term Sheet**

**Arizona Public Service Company**

**$350,000,000 3.75% Notes due 2046**

**May 3, 2016**

Issuer: Arizona Public Service Company

|  |  |
| --- | --- |
| Expected Ratings: | / / (Moody’s / S&P / Fitch) |
|  | **Note:** A securities rating is not a recommendation to buy, sell or hold securities and may be subject to |
|  | revision or withdrawal at any time. |
| Trade Date: | May 3, 2016 |
| Settlement Date: | May 6, 2016 (T+3) |
| Security: | 3.75% Notes due 2046 |
| Principal Amount: | $350,000,000 |
| Interest Payment Dates: | May 15 and November 15, commencing November 15, 2016 |
| Maturity Date: | May 15, 2046 |
| Interest Rate: | 3.75% |
| Benchmark Treasury: | 3.00% due November 15, 2045 |
| Benchmark Treasury Price / Yield: | 107-07 / 2.646% |
| Spread to Benchmark Treasury: | +112 basis points |
| Yield to Maturity: | 3.766% |
| Public Offering Price: | 99.713% per note |
| Optional Redemption: | Make-whole call at any time prior to November 15, 2045 at Treasury rate plus 20 basis points and, |
|  | thereafter, at par |
| CUSIP/ISIN: | 040555CU6 / US040555CU64 |
|  | A-1 |
|  |  |
| Joint Book-Running Managers: | Barclays Capital Inc. |
|  | Citigroup Global Markets Inc. |
|  | SunTrust Robinson Humphrey, Inc. |
|  | Wells Fargo Securities, LLC |
| Co-Managers: | BB&T Capital Markets, a division of |
|  | BB&T Securities, LLC |
|  | C.L. King & Associates, Inc. |
|  | KeyBanc Capital Markets Inc. |
|  | PNC Capital Markets LLC |



**Arizona Public Service Company has filed a registration statement (including a prospectus, as supplemented) with the Securities and Exchange Commission (“SEC”) for the offering to which this communication relates. Before you invest, you should read the prospectus (as supplemented) in that registration statement and other documents Arizona Public Service Company has filed with the SEC for more complete information about Arizona Public Service Company and this offering. You may get these documents for free by visiting EDGAR on the SEC website at www.sec.gov. Alternatively, Arizona Public Service Company, any underwriter or any dealer participating in the offering will arrange to send you the prospectus if you request it by calling Barclays Capital Inc. toll-free at 1-888-603-5847, Citigroup Global Markets Inc. toll free at 1-800-831-9146, SunTrust Robinson Humphrey, Inc. toll free at 1-800-685-4786 or Wells Fargo Securities, LLC toll free at 1-800-645-3751.**

Any disclaimers or other notices that may appear below are not applicable to this communication and should be disregarded. Such disclaimers were automatically generated as a result of this communication being sent via email or another communication system.

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**Exhibit 4.1**



ARIZONA PUBLIC SERVICE COMPANY

TO

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.

As Trustee under Arizona Public Service Company’s Indenture dated as of January 15, 1998

Nineteenth Supplemental Indenture

Dated as of May 6, 2016

3.75% Notes due 2046



This NINETEENTH SUPPLEMENTAL INDENTURE, dated as of May 6, 2016, is between Arizona Public Service Company, a corporation duly organized and existing under the laws of the State of Arizona (herein called the “Company”), having its principal office at 400 North Fifth Street, Phoenix, Arizona 85004, and The Bank of New York Mellon Trust Company, N.A., successor to JPMorgan Chase Bank, N.A. (formerly known as The Chase Manhattan Bank), a national banking association, as Trustee (herein called the “Trustee”) under the Indenture dated as of January 15, 1998 between the Company and the Trustee (the “Indenture”).

RECITALS OF THE COMPANY

The Company has executed and delivered the Indenture to the Trustee to provide for the issuance from time to time of its unsecured debentures, notes or other evidences of indebtedness (the “Securities”), said Securities to be issued in one or more series as provided in the Indenture.

Section 901(7) of the Indenture provides that, without the consent of any Holders, the Company and the Trustee may enter into one or more indentures supplemental to the Indenture for the purpose of establishing the form or terms of Securities of any series.

Pursuant to the terms of the Indenture, the Company desires to provide for the establishment of a new series of its Securities to be known as its

3.75% Notes due 2046 (herein called the “Notes”), the forms and substance of such Notes and the terms, provisions, and conditions thereof to be set forth as

provided in the Indenture and this Nineteenth Supplemental Indenture.

All things necessary to make this Nineteenth Supplemental Indenture a valid agreement of the Company, and to make the Notes described herein, when executed by the Company and authenticated and delivered by the Trustee, the valid obligations of the Company, have been done.

NOW, THEREFORE, THIS NINETEENTH SUPPLEMENTAL INDENTURE WITNESSETH:

For and in consideration of the premises and the purchase of the Notes by the Holders thereof, and for the purpose of setting forth, as provided in the Indenture, the form and substance of each of the Notes and the terms, provisions, and conditions thereof, it is mutually agreed, for the equal and proportionate benefit of all Holders of the Notes, as applicable, as follows:

**ARTICLE ONE**

GENERAL TERMS AND CONDITIONS OF THE NOTES

SECTION 101. Authentication and Delivery. There shall be and is hereby authorized a series of Securities designated the “3.75% Notes due 2046” initially limited in aggregate principal amount to $350,000,000, which amount shall be as set forth in any Company Order for the authentication and delivery of Notes. The Notes shall mature and the principal shall be due and payable together with all accrued and unpaid interest thereon on May 15, 2046, and the Notes shall be issued in the form of registered Securities without coupons.

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The foregoing principal amount of the Notes may be increased from time to time as permitted by Section 301 of the Indenture. All Notes need not be issued at the same time and such series may be reopened at any time, without notice to, or the consent of, the then existing Holders, for issuance of additional Notes. Any such additional Notes will be equal in rank and have the same respective maturity, payment terms, redemption features, and other terms as the Notes initially issued, except for the issue date, public offering price, payment of interest accruing prior to the issue date, and first payment of interest following the issue date of the additional Notes, but the Company will not issue such additional Notes unless the additional Notes are fungible with the previously issued Notes for U.S. federal income tax purposes or are issued with a separate CUSIP number.

SECTION 102. Global Security. The Notes shall be issued in certificated form, except that the Notes shall be issued initially as a Global Security to and registered in the name of Cede & Co., as nominee of The Depository Trust Company, as Depositary therefor. Any Notes to be issued or transferred to, or to be held by, Cede & Co. (or any successor thereof) for such purpose shall bear the depositary legend in substantially the form set forth at the top of the form of Note in Section 301 hereof (in lieu of that set forth in Section 204 of the Indenture), unless otherwise agreed by the Company, such agreement to be confirmed in writing to the Trustee. Each such Global Security may be exchanged in whole or in part for Notes registered, and any transfer of such Global Security in whole or in part may be registered, in the name(s) of Persons other than such Depositary or a nominee thereof only under the circumstances set forth in clause (2) of the last paragraph of Section 305 of the Indenture, or such other circumstances in addition to or in lieu of those set forth in clause (2) of

the last paragraph of Section 305 of the Indenture as to which the Company shall agree, such agreement to be confirmed in writing to the Trustee. Upon the occurrence of any such event, the Notes will be issued in such names as the Depositary shall instruct the Trustee.

SECTION 103. Place of Payment and Place for Registration of Transfers and Exchange. Principal of, and premium, if any, and interest on, the Notes will be payable, the transfer of Notes will be registrable and the Notes will be exchangeable for Notes bearing identical terms and provisions, at the office or agency of the Company in the Borough of Manhattan, The City and State of New York; provided, however, that payment of interest may be made at the option of the Company by wire transfer to any Holder or by deposit to the account of the Holder of any such Notes if such account is maintained with the Trustee, in each case according to the written instructions given by such Holder on or prior to the applicable record date to the Trustee, which written instructions shall remain in effect until revised by such Holder by an instrument in writing delivered to the Trustee.

SECTION 104. Payment of Interest. The Notes will bear interest at the rate of 3.75% per annum from May 6, 2016 or from the most recent Interest Payment Date (as hereinafter defined) to which interest has been paid or duly provided for until the principal thereof is paid or made available for payment, payable on May 15 and November 15 of each year (each, an “Interest Payment Date”), commencing on November 15, 2016, to the person in whose name such Note or any Predecessor Security is registered, at the close of business on May 1 and November 1, as the case may be, whether or not a Business Day, immediately preceding the Interest Payment Date. Any such interest installment not punctually paid or duly provided for shall forthwith cease to be payable to the Holders on such Regular Record Date, and may be paid



to the Person in whose name such Note (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date to be fixed by the Trustee for the payment of such Defaulted Interest, notice whereof shall be given to the Holders of the Notes not less than 10 days prior to such Special Record Date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Notes may be listed, and upon such notice as may be required by such exchange, all as more fully described in the Indenture.

The amount of interest payable for any period will be computed on the basis of a 360-day year of twelve 30-day months. Interest will accrue from May 6, 2016 or from the most recent Interest Payment Date to which interest has been paid or duly provided for to, but not including, the relevant payment date. In the event that any date on which interest is payable on the Notes is not a Business Day, then payment of interest payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay), in each case with the same force and effect as if made on such date. A “Business Day” shall mean any day except a Saturday, a Sunday or a legal holiday in The City of New York on which banking institutions are authorized or required by law, regulation or executive order to close.

SECTION 105. Redemption of the Notes. The Company may redeem all or any portion of the Notes, at its option, at any time or from time to time, upon notice as provided in the Indenture. The Redemption Price for any of the Notes to be redeemed on any Redemption Date prior to November 15, 2045 will be equal to the greater of the following amounts:

1. 100% of the principal amount of the Notes being redeemed on the Redemption Date; or
2. the sum of the present values of the remaining scheduled payments of principal and interest on the Notes being redeemed on that Redemption Date (not including any portion of any payments of interest accrued to the Redemption Date) discounted to the Redemption Date on a semiannual basis at the Adjusted Treasury Rate plus 20 basis points as determined by a Reference Treasury Dealer appointed by the Company for such purpose;

plus, in each case, accrued and unpaid interest thereon to the Redemption Date. The Redemption Price for any of the Notes to be redeemed on any Redemption Date on or after November 15, 2045 will be equal to 100% of the principal amount of the Notes being redeemed on the Redemption Date plus accrued and unpaid interest thereon to the Redemption Date.

Notwithstanding the foregoing, installments of interest on the Notes that are due and payable on Interest Payment Dates falling on or prior to a Redemption Date will be payable on the Interest Payment Date to the Holders as of the close of business on the relevant record date in accordance with the terms of such Notes and the Indenture. The Redemption Price will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

For purposes of this Section 105, the following terms shall have the following meanings:

“**Adjusted Treasury Rate**” means, with respect to any applicable Redemption Date, the rate per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury



Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such Redemption Date.

“**Comparable Treasury Issue**” means the U.S. Treasury security selected by a Reference Treasury Dealer appointed by the Company for such purpose as having a maturity comparable to the remaining term of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such Notes.

“**Comparable Treasury Price**” means, with respect to any applicable Redemption Date, (A) if the Company obtains three or more Reference Treasury Dealer Quotations, the average of such Reference Treasury Dealer Quotations for such Redemption Date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, (B) if the Company obtains two such Reference Treasury Dealer Quotations, the average of such quotations, or

(C) if only one Reference Treasury Dealer Quotation is received, such quotation.

**“Primary Treasury Dealer”** means a primary U.S. government securities dealer in the United States.

“**Reference Treasury Dealer**” means (A) Barclays Capital Inc., Citigroup Global Markets Inc., a Primary Treasury Dealer selected by SunTrust Robinson Humphrey, Inc. and Wells Fargo Securities, LLC; provided, however, that if any of the foregoing shall cease to be a Primary Treasury Dealer, the Company will substitute therefor another Primary Treasury Dealer; and (B) any other Primary Treasury Dealer(s) selected by the Company.

“**Reference Treasury Dealer Quotations**” means, with respect to each Reference Treasury Dealer and any applicable Redemption Date, the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Company by such Reference Treasury Dealer at 5:00 p.m. (New York City time) on the third Business Day preceding such Redemption Date. The Company shall give the Trustee written notice of the Redemption Price, promptly after the calculation thereof.

The Trustee shall be under no duty to inquire into, may conclusively presume the correctness of, and shall be fully protected in acting upon, the Company’s calculation of any Redemption Price.

No Notes of $2,000 principal amount or less can be redeemed in part.

Notwithstanding Section 1104 of the Indenture, any notice of redemption given pursuant to said Section with respect to the foregoing redemption need not set forth the Redemption Price but only the manner of calculation thereof.

SECTION 106. Defeasance of the Notes. The Notes shall be defeasible pursuant to Section 1302 or 1303 of the Indenture.

SECTION 107. Minimum Denominations. The Notes shall be issuable in denominations of $2,000 and any integral multiple of $1,000 in excess

thereof.



**ARTICLE TWO**

ADDITIONAL COVENANT

SECTION 201. Negative Lien Covenant. (a) So long as any of the Notes are Outstanding, the Company will not issue, assume, guarantee or permit to exist any Debt secured by any mortgage, security interest, pledge or lien (herein referred to as a “Mortgage”) of or upon any Operating Property of the Company, whether owned at the date of this Nineteenth Supplemental Indenture or hereafter acquired, without effectively securing the Notes (together with, if the Company shall so determine, any other indebtedness or obligations of the Company ranking senior to, or equally with, the Notes) equally and ratably with such Debt (but only so long as such Debt is so secured); provided, however, that the foregoing restriction shall not apply to Debt secured by any of the following:

1. Mortgages on any property existing at the time of acquisition thereof (which Mortgages may also extend to subsequent repairs, alterations and improvements to that property);
2. Mortgages on property of a corporation existing at the time such corporation is merged into or consolidated with the Company or at the time of a sale, lease or other disposition of the properties of such corporation or a division thereof as an entirety or substantially as an entirety to the Company;
3. Mortgages on property to secure all or part of the cost of acquiring, constructing, developing or substantially repairing, altering or improving such property or to secure indebtedness incurred to provide funds for any such purpose or for reimbursement of funds previously expended for any such purpose, provided such Mortgages are created or assumed contemporaneously with, or within eighteen (18) months after, such acquisition or completion of construction, development or substantial repair, alteration or improvement;
4. Mortgages in favor of the United States of America or any State thereof, or any department, agency, instrumentality or political subdivision of the United States of America or any State thereof, or for the benefit of holders of securities issued by any such entity (or providers of credit enhancement with respect to those securities), to secure any Debt (including the Company’s obligations with respect to industrial development, pollution control or similar revenue bonds) incurred for the purpose of financing or refinancing all or any part of the purchase price or the cost of constructing, developing or substantially repairing, altering or improving the property of the Company;
5. Mortgages to compensate the Trustee as provided in the Indenture; or
6. any extension, renewal or replacement (or successive extensions, renewals or replacements), in whole or in part, of any Mortgage referred to in the foregoing clauses (1) to (5), inclusive; provided, however, that the principal amount of Debt secured thereby and not otherwise authorized by said clauses (1) to (5), inclusive, shall not exceed the principal amount of Debt, plus any premium or fee payable in connection with any such extension, renewal or replacement, so secured at the time of such extension, renewal or replacement.



1. Notwithstanding the provisions of Section 201(a), the Company may issue, assume or guarantee or permit to exist Debt, secured by Mortgages that would otherwise be subject to the restrictions set forth above in connection with the Company’s sale and lease-back transactions relating to Unit 2 of the Palo Verde Nuclear Generating Station (the “Unit 2 Sale and Lease-Back Transactions”), including but not limited to Mortgages on the leased interests in Unit 2 of the Palo Verde Nuclear Generating Station and related rights if the Company reacquires ownership in any of those interests or acquires any of the equity or owner participants’ interests in the trusts that hold title to such leased interests, whether or not it also directly assumes the Sale Leaseback Obligation Bonds, and Mortgages on the Company’s interests in the trusts that hold title to such leased interests and related rights in the event that the Company acquires any of the equity or owner participants’ interests in such trusts pursuant to a “special transfer” under the Unit 2 Sale and Lease-Back Transactions. In addition, the Company may issue, assume or guarantee or permit to exist Debt that is secured by Mortgages that would otherwise be subject to the restrictions set forth above up to an aggregate principal amount that, together with the principal amount of all other Debt of the Company secured by such Mortgages, does not at the time exceed ten percent (10%) of Tangible Assets.
2. For purposes of this Section 201, the following terms shall have the following meanings:

“Debt” means any outstanding debt of the Company for money borrowed evidenced by notes, debentures, bonds or other securities, or guarantees of any thereof.

“Operating Property” means (i) any interest in real property owned by the Company and (ii) any asset owned by the Company that is depreciable in accordance with generally accepted accounting principles, excluding in any case any interest of the Company as lessee under any lease.

“Sale Leaseback Obligation Bonds” means any bonds issued in connection with the Unit 2 Sale and Lease-Back Transactions and any refinancing or refunding of such obligations.

“Tangible Assets” means the amount shown as total assets on the most recent balance sheet of the Company, less: (i) intangible assets, including, but without limitation, goodwill, trademarks, trade names, patents and unamortized debt discount and expense and (ii) appropriate



adjustments, if any, on account of minority interests; *provided, however,* that if, subsequent to the date of the most recent balance sheet of the Company, the Company acquires any property, whether by acquisition (including by way of capital lease) from a third party, through merger or consolidation, through construction, development or substantial repair, alteration or improvement of property, or by any other means, and such property is or becomes subject to any Mortgage securing Debt, the Company may prepare a pro forma balance sheet to include the value of such property in any calculation of Tangible Assets hereunder. Subject to the foregoing, Tangible Assets shall be determined in accordance with generally accepted accounting principles and practices applicable to the type of business in which the Company is engaged and that are approved by the independent accountants regularly retained by the Company, and may be determined as of a date not more than 60 days prior to the happening of the event for which such determination is being made.

**ARTICLE THREE**

FORM OF NOTES

SECTION 301. Form of Notes. The Notes and the Trustee’s certificate of authentication thereon shall be substantially in the following forms:

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (“DTC”), TO ARIZONA PUBLIC SERVICE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

ARIZONA PUBLIC SERVICE COMPANY

3.75% Note due 2046

No. 1

$350,000,000

CUSIP No. 040555 CU6

Arizona Public Service Company, a corporation duly organized and existing under the laws of the State of Arizona (the “Company”, which term includes any successor Person under the Indenture hereinafter referred to), for value received, hereby promises to pay to Cede & Co., or registered assigns, the principal sum of Three Hundred Fifty Million Dollars ($350,000,000)



on May 15, 2046, and to pay interest thereon and on any overdue interest from May 6, 2016 or from the most recent Interest Payment Date to which interest has been paid or duly provided for, semi-annually in arrears on May 15 and November 15 of each year, commencing November 15, 2016, at the rate of 3.75% per annum, until the principal hereof is paid or made available for payment. The amount of interest payable for any period will be computed on the basis of a 360-day year of twelve 30-day months.

The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, which shall be May 1 or November 1, as the case may be, immediately preceding the Interest Payment Date (whether or not a Business Day). Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Securities of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities of this series may be listed, and upon such notice as may be required by such exchange, all as more fully provided in the Indenture.

Payment of the principal of (and premium, if any) and any interest on this Security will be made at the office or agency of the Company maintained for that purpose through the corporate trust office of the Trustee, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that payment of interest may be made at the option of the Company by wire transfer to any Holder or by deposit to the account of the Holder of any such Securities if such account is maintained with the Trustee, in each case according to the written instructions given by such Holder on or prior to the applicable record date to the Trustee, which written instructions shall remain in effect until revised by such Holder by an instrument in writing delivered to the Trustee.

Reference is hereby made to the further provisions of this Security set forth following the Company’s signature hereto, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to following the Company’s signature hereto by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.



ARIZONA PUBLIC SERVICE COMPANY

By



Attest:



This Security is one of a duly authorized issue of securities of the Company (herein called the “Securities”), issued and to be issued in one or more series under an Indenture, dated as of January 15, 1998 (such instrument as originally executed and delivered and as supplemented or amended from time to time, the “Indenture”), between the Company and The Bank of New York Mellon Trust Company, N.A., successor to JPMorgan Chase Bank, N.A. (formerly known as The Chase Manhattan Bank), as Trustee (the “Trustee,” which term includes any successor trustee under the Indenture), and reference is hereby made to the Indenture for a description of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Securities and of the terms upon which the Securities are, and are to be, authenticated and delivered. This Security is one of the series designated on the face hereof.

The Company may redeem all or any portion of the Securities of this series, at its option, at any time or from time to time, (A) prior to November 15, 2045, at a Redemption Price equal to the greater of (a) 100% of the principal amount of the Securities of this series being redeemed on the Redemption Date or (b) the sum of the present values of the remaining scheduled payments of principal and interest on the Securities of this series being redeemed on that Redemption Date (not including the portion of any payments of interest accrued to the Redemption Date) discounted to the Redemption Date on a semiannual basis at the Adjusted Treasury Rate plus 20 basis points, as determined by a Reference Treasury Dealer appointed by the Company for such purpose; and

1. on or after November 15, 2045, at a Redemption Price equal to 100% of the principal amount of the Securities of this series being redeemed on the Redemption Date; plus, in each case, accrued and unpaid interest thereon to the Redemption Date. Notwithstanding the foregoing, installments of interest on Securities of this series that are due and payable on Interest Payment Dates falling on or prior to a Redemption Date will be payable on the Interest Payment Date to the Holders as of the close of business on the relevant record date in accordance with the terms of the Securities of this series and the Indenture. The Redemption Price will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

If notice has been given as provided in the Indenture and funds for the redemption of any Securities of this series (or any portion thereof) called for redemption shall have been made available on the Redemption Date referred to in such notice, such Securities (or any portion thereof) will cease to bear interest on the date fixed for such redemption specified in such notice



and the only right of the Holders of such Securities will be to receive payment of the Redemption Price.

Notice of any optional redemption of Securities of this series (or any portion thereof) will be given to Holders at their addresses, as shown in the Security Register for such Securities, not more than 60 nor less than 30 days prior to the date fixed for redemption. The notice of redemption will specify, among other items, (i) the Redemption Price or the manner of calculation of the Redemption Price and (ii) the principal amount of the Securities of this series held by such Holder to be redeemed if less than all of such Securities. If less than all of the Securities of this series are to be redeemed at the option of the Company, the Securities to be redeemed will be selected in accordance with the procedures of the Depositary.

As used herein:

“**Adjusted Treasury Rate**” means, with respect to any applicable Redemption Date, the rate per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such Redemption Date.

“**Comparable Treasury Issue**” means the U.S. Treasury security selected by a Reference Treasury Dealer appointed by the Company for such purpose as having a maturity comparable to the remaining term of this Security to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such Security.

“**Comparable Treasury Price**” means, with respect to any applicable Redemption Date, (A) if the Company obtains three or more Reference Treasury Dealer Quotations, the average of such Reference Treasury Dealer Quotations for such Redemption Date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, (B) if the Company obtains two such Reference Treasury Dealer Quotations, the average of such quotations, or

(C) if only one Reference Treasury Dealer Quotation is received, such quotation.

**“Primary Treasury Dealer”** means a primary U.S. government securities dealer in the United States.

“**Reference Treasury Dealer**” means (A) Barclays Capital Inc., Citigroup Global Markets Inc., a Primary Treasury Dealer selected by SunTrust Robinson Humphrey, Inc. and Wells Fargo Securities, LLC; provided, however, that if any of the foregoing shall cease to be a Primary Treasury Dealer, the Company will substitute therefor another Primary Treasury Dealer; and (B) any other Primary Treasury Dealer(s) selected by the Company.

“**Reference Treasury Dealer Quotations**” means, with respect to each Reference Treasury Dealer and any applicable Redemption Date, the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Company by such Reference Treasury Dealer at 5:00 p.m. (New York City time) on the third Business Day preceding such Redemption Date.

The Securities of this series will not be subject to any sinking fund.



In the event of redemption of this Security in part only, a new Security or Securities of this series and of like tenor for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the cancellation hereof.

The Indenture contains provisions for defeasance at any time of the entire indebtedness of this Security and certain restrictive covenants and Events of Default with respect to this Security, in each case upon compliance with certain conditions set forth in the Indenture.

The Indenture contains provisions limiting the Company’s ability to issue, assume, guarantee or permit to exist any Debt secured by any mortgage, security interest, pledge or lien upon any of its Operating Property, subject to the exceptions and qualifications set forth in the Indenture.

If an Event of Default with respect to Securities of this series shall occur and be continuing, the principal of the Securities of this series may be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Company and the Trustee without the consent of such Holders in certain circumstances, or with the consent of the Holders of 66-2/3% in principal amount of the affected Securities at the time Outstanding. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the affected Securities at the time Outstanding, on behalf of the Holders of all such Securities, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

As provided in and subject to the provisions of the Indenture, the Holder of this Security shall not have the right to institute any proceeding with respect to the Indenture or for the appointment of a receiver or trustee or for any other remedy under the Indenture, unless such Holder shall have previously given the Trustee written notice of a continuing Event of Default with respect to the Securities of this series, the Holders of not less than 25% in principal amount of the Securities of this series at the time Outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default as Trustee and offered the Trustee reasonable indemnity, and the Trustee shall not have received from the Holders of a majority in principal amount of Securities of this series at the time Outstanding a direction inconsistent with such request, and shall have failed to institute any such proceeding, for 60 days after receipt of such notice, request and offer of indemnity. The foregoing shall not apply to any suit instituted by the Holder of this Security for the enforcement of any payment of principal hereof or any premium or interest hereon on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay



the principal of and any premium and interest on this Security at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the Security Register, upon surrender of this Security for registration of transfer at the office or agency of the Company in any place where the principal of and any premium and interest on this Security are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his or her attorney duly authorized in writing, and thereupon one or more new Securities of this series and of like tenor, of authorized denominations and for the same aggregate principal amount will be issued to the designated transferee or transferees.

The Securities of this series are issuable only in registered form without coupons in denominations of $2,000 and integral multiples of $1,000 in excess thereof. As provided in the Indenture and subject to certain limitations therein set forth, Securities of this series are exchangeable for a like aggregate principal amount of Securities of this series and of like tenor of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the absolute owner hereof for all purposes, whether or not this Security be overdue, and none of the Company, the Trustee or any such agent shall be affected by notice to the contrary.

All terms used in this Security which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

Form of Trustee’s Certificate of Authentication.

**CERTIFICATE OF AUTHENTICATION**

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

Dated:

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,

*As Trustee*

By

*Authorized Officer*



SECTION 302. General Provisions. The Notes may have notations, legends or endorsements required by law, stock exchange rule or usage. The terms and provisions contained in the Notes shall constitute, and are hereby expressly made, a part of this Nineteenth Supplemental Indenture, and the Company, by its execution and delivery of this Nineteenth Supplemental Indenture, expressly agrees to such terms and provisions and to be bound thereby. However, to the extent any provision of the Notes conflicts with the express provisions of this Nineteenth Supplemental Indenture or the Indenture, the provisions of this Nineteenth Supplemental Indenture or the Indenture, as applicable, shall govern and be controlling.

**ARTICLE FOUR**

ORIGINAL ISSUE OF NOTES

SECTION 401. Issuance of Notes. Subject to Section 101, Notes in the aggregate principal amount of $350,000,000 may, upon execution of this Nineteenth Supplemental Indenture, or from time to time thereafter, be executed by the Company and delivered to the Trustee for authentication, and the Trustee shall thereupon authenticate and deliver said Notes, in accordance with a Company Order delivered to the Trustee by the Company, without any further action by the Company.

**ARTICLE FIVE**

PAYING AGENT AND REGISTRAR

SECTION 501. Appointment of Paying Agent and Registrar. The Bank of New York Mellon Trust Company, N.A. will be the Paying Agent and Security Registrar for the Notes.

**ARTICLE SIX**

SUNDRY PROVISIONS

SECTION 601. Associate Secretary. For all purposes relating to this Nineteenth Supplemental Indenture and the Notes, the term “Assistant Secretary” when used in the Indenture with respect to the Company will include an Associate Secretary of the Company.

SECTION 602. Defined Terms. Except as otherwise expressly provided in this Nineteenth Supplemental Indenture or in the form of the Notes, or otherwise clearly required by



the context hereof or thereof, all terms used herein or in said form of the Notes that are defined in the Indenture shall have the several meanings respectively assigned to them thereby.

SECTION 603. Ratification of Indenture. The Indenture, as heretofore supplemented and amended, and as supplemented by this Nineteenth Supplemental Indenture, is in all respects ratified and confirmed, and this Nineteenth Supplemental Indenture shall be deemed part of the Indenture in the manner and to the extent herein and therein provided.

SECTION 604. About the Trustee. The Trustee hereby accepts the trusts herein declared, provided, created, supplemented or amended and agrees to perform the same upon the terms and conditions herein and in the Indenture, as heretofore supplemented and amended, set forth and upon the following terms and conditions:

The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Nineteenth Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made by the Company solely. Each and every term and condition contained in Article Six of the Indenture shall apply to and form a part of this Nineteenth Supplemental Indenture with the same force and effect as if the same were herein set forth in full with such omissions, variations and insertions, if any, as may be appropriate to make the same conform to the provisions of this Nineteenth Supplemental Indenture.

The Trustee agrees to accept and act upon instructions or directions pursuant to this Nineteenth Supplemental Indenture sent by unsecured e-mail, pdf, facsimile transmission or other similar unsecured electronic methods; provided, however, that (a) the party providing such written instructions, subsequent to such transmission of written instructions, shall provide the originally executed instructions or directions to the Trustee in a timely manner, and

1. such originally executed instructions or directions shall be signed by an authorized representative of the party providing such instructions or directions. If the party elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee’s understanding of such instructions shall be deemed controlling. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee’s reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The party providing electronic instructions agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk or interception and misuse by third parties.

In no event shall the Trustee be responsible or liable for special, indirect, or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action. Delivery of reports, information and documents to the Trustee is for informational purposes only and the Trustee’s receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company’s compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers’ Certificates).

SECTION 605. Counterparts. This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

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IN WITNESS WHEREOF, the parties hereto have caused this Nineteenth Supplemental Indenture to be duly executed as of the day and year first above written.

ARIZONA PUBLIC SERVICE COMPANY

|  |  |
| --- | --- |
| By: | /s/ Lee R. Nickloy |
|  | Lee R. Nickloy |
|  | Vice President and Treasurer |

Attest:

/s/ Shirley A. Baum

Shirley A. Baum



Associate Secretary

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as

Trustee

|  |  |
| --- | --- |
| By: | /s/ Teresa Petta |
| Name: | Teresa Petta |
| Title: | Vice President |

[Signature Page to Nineteenth Supplemental Indenture]



STATE OF ARIZONA COUNTY OF MARICOPA

)

) ss.:

)

On the 6th day of May, 2016, before me personally came Lee R. Nickloy, to me known, who, being by me duly sworn, did depose and say that he is the Vice President and Treasurer of Arizona Public Service Company, one of the corporations described in and which executed the foregoing instrument and that he signed his name thereto by authority of the Board of Directors of said corporation.

/s/ Charisse Jicha

Notary Public



My Commission Expires

December 22, 2017



**ACKNOWLEDGEMENT**

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA COUNTY OF Los Angeles

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On May 4, 2016, before me, Alex Dominguez, Notary Public, personally appeared Teresa Petta, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to within the instrument and acknowledged to me that he/she executed the same in his/her authorized capacity, and that by his/her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

|  |  |
| --- | --- |
| /s/ Alex Dominguez | **(Seal)** |
| Signature |  |
|  |  |



**Exhibit 4.2**

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (“DTC”), TO ARIZONA PUBLIC SERVICE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

ARIZONA PUBLIC SERVICE COMPANY

3.75% Note due 2046

No. 1

$350,000,000

CUSIP No. 040555 CU6

Arizona Public Service Company, a corporation duly organized and existing under the laws of the State of Arizona (the “Company”, which term includes any successor Person under the Indenture hereinafter referred to), for value received, hereby promises to pay to Cede & Co., or registered assigns, the principal sum of Three Hundred Fifty Million Dollars ($350,000,000) on May 15, 2046, and to pay interest thereon and on any overdue interest from May 6, 2016 or from the most recent Interest Payment Date to which interest has been paid or duly provided for, semi-annually in arrears on May 15 and November 15 of each year, commencing November 15, 2016, at the rate of 3.75% per annum, until the principal hereof is paid or made available for payment. The amount of interest payable for any period will be computed on the basis of a 360-day year of twelve 30-day months.

The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, which shall be May 1 or November 1, as the case may be, immediately preceding the Interest Payment Date (whether or not a Business Day). Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Securities of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities of this series may be listed, and upon such notice as may be required by such exchange, all as more fully provided in the Indenture.



Payment of the principal of (and premium, if any) and any interest on this Security will be made at the office or agency of the Company maintained for that purpose through the corporate trust office of the Trustee, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that payment of interest may be made at the option of the Company by wire transfer to any Holder or by deposit to the account of the Holder of any such Securities if such account is maintained with the Trustee, in each case according to the written instructions given by such Holder on or prior to the applicable record date to the Trustee, which written instructions shall remain in effect until revised by such Holder by an instrument in writing delivered to the Trustee.

Reference is hereby made to the further provisions of this Security set forth following the Company’s signature hereto, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to following the Company’s signature hereto by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

ARIZONA PUBLIC SERVICE COMPANY

By /s/ Lee R. Nickloy

Lee R. Nickloy



Vice President and Treasurer

Attest:

/s/ Shirley A. Baum

Shirley A. Baum



Associate Secretary

This Security is one of a duly authorized issue of securities of the Company (herein called the “Securities”), issued and to be issued in one or more series under an Indenture, dated as of January 15, 1998 (such instrument as originally executed and delivered and as supplemented or amended from time to time, the “Indenture”), between the Company and The Bank of New York Mellon Trust Company, N.A., successor to JPMorgan Chase Bank, N.A. (formerly known as The Chase Manhattan Bank), as Trustee (the “Trustee,” which term includes any successor trustee under the Indenture), and reference is hereby made to the Indenture for a



description of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Securities and of the terms upon which the Securities are, and are to be, authenticated and delivered. This Security is one of the series designated on the face hereof.

The Company may redeem all or any portion of the Securities of this series, at its option, at any time or from time to time, (A) prior to November 15, 2045, at a Redemption Price equal to the greater of (a) 100% of the principal amount of the Securities of this series being redeemed on the Redemption Date or (b) the sum of the present values of the remaining scheduled payments of principal and interest on the Securities of this series being redeemed on that Redemption Date (not including the portion of any payments of interest accrued to the Redemption Date) discounted to the Redemption Date on a semiannual basis at the Adjusted Treasury Rate plus 20 basis points, as determined by a Reference Treasury Dealer appointed by the Company for such purpose; and

1. on or after November 15, 2045, at a Redemption Price equal to 100% of the principal amount of the Securities of this series being redeemed on the Redemption Date; plus, in each case, accrued and unpaid interest thereon to the Redemption Date. Notwithstanding the foregoing, installments of interest on Securities of this series that are due and payable on Interest Payment Dates falling on or prior to a Redemption Date will be payable on the Interest Payment Date to the Holders as of the close of business on the relevant record date in accordance with the terms of the Securities of this series and the Indenture. The Redemption Price will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

If notice has been given as provided in the Indenture and funds for the redemption of any Securities of this series (or any portion thereof) called for redemption shall have been made available on the Redemption Date referred to in such notice, such Securities (or any portion thereof) will cease to bear interest on the date fixed for such redemption specified in such notice and the only right of the Holders of such Securities will be to receive payment of the Redemption Price.

Notice of any optional redemption of Securities of this series (or any portion thereof) will be given to Holders at their addresses, as shown in the Security Register for such Securities, not more than 60 nor less than 30 days prior to the date fixed for redemption. The notice of redemption will specify, among other items, (i) the Redemption Price or the manner of calculation of the Redemption Price and (ii) the principal amount of the Securities of this series held by such Holder to be redeemed if less than all of such Securities. If less than all of the Securities of this series are to be redeemed at the option of the Company, the Securities to be redeemed will be selected in accordance with the procedures of the Depositary.

As used herein:

“**Adjusted Treasury Rate**” means, with respect to any applicable Redemption Date, the rate per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such Redemption Date.

“**Comparable Treasury Issue**” means the U.S. Treasury security selected by a Reference Treasury Dealer appointed by the Company for such purpose as having a maturity



comparable to the remaining term of this Security to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such Security.

“**Comparable Treasury Price**” means, with respect to any applicable Redemption Date, (A) if the Company obtains three or more Reference Treasury Dealer Quotations, the average of such Reference Treasury Dealer Quotations for such Redemption Date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, (B) if the Company obtains two such Reference Treasury Dealer Quotations, the average of such quotations, or

(C) if only one Reference Treasury Dealer Quotation is received, such quotation.

“**Primary Treasury Dealer**” means a primary U.S. government securities dealer in the United States.

“**Reference Treasury Dealer**” means (A) Barclays Capital Inc., Citigroup Global Markets Inc., a Primary Treasury Dealer selected by SunTrust Robinson Humphrey, Inc. and Wells Fargo Securities, LLC; provided, however, that if any of the foregoing shall cease to be a Primary Treasury Dealer, the Company will substitute therefor another Primary Treasury Dealer; and (B) any other Primary Treasury Dealer(s) selected by the Company.

“**Reference Treasury Dealer Quotations**” means, with respect to each Reference Treasury Dealer and any applicable Redemption Date, the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Company by such Reference Treasury Dealer at 5:00 p.m. (New York City time) on the third Business Day preceding such Redemption Date.

The Securities of this series will not be subject to any sinking fund.

In the event of redemption of this Security in part only, a new Security or Securities of this series and of like tenor for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the cancellation hereof.

The Indenture contains provisions for defeasance at any time of the entire indebtedness of this Security and certain restrictive covenants and Events of Default with respect to this Security, in each case upon compliance with certain conditions set forth in the Indenture.

The Indenture contains provisions limiting the Company’s ability to issue, assume, guarantee or permit to exist any Debt secured by any mortgage, security interest, pledge or lien upon any of its Operating Property, subject to the exceptions and qualifications set forth in the Indenture.

If an Event of Default with respect to Securities of this series shall occur and be continuing, the principal of the Securities of this series may be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the



Company and the Trustee without the consent of such Holders in certain circumstances, or with the consent of the Holders of 66-2/3% in principal amount of the affected Securities at the time Outstanding. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the affected Securities at the time Outstanding, on behalf of the Holders of all such Securities, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

As provided in and subject to the provisions of the Indenture, the Holder of this Security shall not have the right to institute any proceeding with respect to the Indenture or for the appointment of a receiver or trustee or for any other remedy under the Indenture, unless such Holder shall have previously given the Trustee written notice of a continuing Event of Default with respect to the Securities of this series, the Holders of not less than 25% in principal amount of the Securities of this series at the time Outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default as Trustee and offered the Trustee reasonable indemnity, and the Trustee shall not have received from the Holders of a majority in principal amount of Securities of this series at the time Outstanding a direction inconsistent with such request, and shall have failed to institute any such proceeding, for 60 days after receipt of such notice, request and offer of indemnity. The foregoing shall not apply to any suit instituted by the Holder of this Security for the enforcement of any payment of principal hereof or any premium or interest hereon on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and any premium and interest on this Security at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the Security Register, upon surrender of this Security for registration of transfer at the office or agency of the Company in any place where the principal of and any premium and interest on this Security are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his or her attorney duly authorized in writing, and thereupon one or more new Securities of this series and of like tenor, of authorized denominations and for the same aggregate principal amount will be issued to the designated transferee or transferees.

The Securities of this series are issuable only in registered form without coupons in denominations of $2,000 and integral multiples of $1,000 in excess thereof. As provided in the Indenture and subject to certain limitations therein set forth, Securities of this series are exchangeable for a like aggregate principal amount of Securities of this series and of like tenor of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the



Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the absolute owner hereof for all purposes, whether or not this Security be overdue, and none of the Company, the Trustee or any such agent shall be affected by notice to the contrary.

All terms used in this Security which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

Form of Trustee’s Certificate of Authentication.



**CERTIFICATE OF AUTHENTICATION**

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

Dated: May 6, 2016

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,

*As Trustee*

By /s/ Teresa Petta

*Authorized Officer*



**Exhibit 5.1**

May 6, 2016

Arizona Public Service Company

400 North 5th Street

Phoenix, Arizona 85004

Ladies and Gentlemen:

I have supervised lawyers who have acted as in-house counsel for Arizona Public Service Company, an Arizona corporation (the “Company”), in

connection with the Company’s (a) proposed offering of an indeterminate amount of debt securities, as contemplated by the registration statement on

Form S-3 No. 333-203578-01 filed by the Company with the Securities and Exchange Commission (the “Commission”) under the Securities Act of 1933, as

amended, on April 23, 2015 (the “Registration Statement”); and (b) issuance and sale of $350,000,000 aggregate principal amount of 3.75% Notes due 2046

(the “Notes”) pursuant to the Underwriting Agreement, dated May 3, 2016 (the “Underwriting Agreement”), among the Company and the underwriters

named therein, and the Indenture, dated as of January 15, 1998, as amended and supplemented to the date hereof and as further amended and supplemented by

the Nineteenth Supplemental Indenture thereto, filed by the Company as Exhibit 4.1 to its Form 8-K Report, dated as of May 6, 2016 (the “Indenture”).

I, or lawyers under my supervision, have reviewed the definitive prospectus, dated April 23, 2015, and the prospectus supplement, dated May 3, 2016 (the prospectus and prospectus supplement, and all material incorporated therein by reference being hereinafter referred to collectively as the “Prospectus”), relating to the Notes. I, or lawyers under my supervision, have also reviewed the originals, or copies certified to my satisfaction, of such other documents and records and made such other investigation as I have deemed necessary or appropriate to render the opinions set forth below. I have also relied upon certificates of public officials and relevant public records.

In my review, or the review by lawyers under my supervision, of the Indenture, any supplement thereto and the Notes and in rendering the opinions herein, I have assumed, without investigation: (i) the genuineness of the signatures not witnessed, the authenticity of documents submitted as originals, and the conformity to originals of documents submitted as copies; (ii) the legal competency and capacity of all natural persons executing such documents or otherwise involved in the issuance and sale of the Notes; (iii) that such documents accurately and completely describe and contain the parties’ mutual intent, understanding, and business purposes,



and that there are no oral or written statements, agreements, understandings or negotiations, nor any usage of trade or course of prior dealing among the parties that directly or indirectly modify, define, amend, supplement or vary, or purport to modify, define, amend, supplement or vary, any of the terms of such documents or any of the parties’ rights or obligations thereunder, by waiver or otherwise; (iv) that each entity who has executed or is executing any of such documents (other than the Company) had the power to enter into and perform its obligations under such documents, and that such documents have been duly authorized, executed or authenticated, and delivered by, and are valid, binding upon, and enforceable against, such entities, in accordance with their respective terms; (v) that no party will receive any interest, charges, fees, or other benefits or compensation in the nature of interest in connection with the transactions other than those that the Company has agreed in writing in such documents to pay; and (vi) that no fraud has occurred in connection with such transactions.

Based on the foregoing, and subject to the assumptions, qualifications and limitations expressed herein, it is my opinion that upon the issuance and delivery of the Notes in accordance with the Underwriting Agreement and the Indenture, and receipt by the Company of the consideration set forth in the Prospectus, the Notes will be validly issued and will constitute legal, valid, and binding obligations of the Company, except as the same may be limited by and subject to: (a) bankruptcy, insolvency, fraudulent conveyance and transfer, receivership, conservatorship, reorganization, arrangement, moratorium, or other similar laws relating to or affecting the rights of creditors generally; (b) general principles of equity (whether considered in a proceeding in equity or at law); and (c) concepts of materiality, reasonableness, good faith and fair dealing and the discretion of the court before which any matter may be brought.

The opinions expressed herein are based upon the law and facts in effect on the date hereof, and I assume no obligation to update, revise or supplement this opinion, regardless of whether changes in such facts or laws come to my attention after the delivery hereof.

Consent is hereby given to the use of this opinion as part of the Registration Statement, and to the use of my name wherever it appears in the Registration Statement and the related Prospectus. In giving such consent, I do not thereby concede that I am included in the category of persons whose consent is required under Section 7 of the Securities Act of 1933, as amended or the rules and regulations of the Commission promulgated thereunder.

Very truly yours,

/s/ David P. Falck



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**Exhibit 99.1**

**Item 14. Other Expenses of Issuance and Distribution.**

The expenses, other than underwriting discounts and commissions, to be incurred by Arizona Public Service Company (“APS”) relating to the offering of $350,000,000 principal amount of its 3.75% Notes due 2046, under APS’s Registration Statement on Form S-3 (No. 333-203578-01) and a related prospectus supplement filed with the Securities and Exchange Commission and dated May 3, 2016 are estimated to be as follows:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Securities and Exchange Commission registration fee | $ | 35,245 | |  |
|  | Printing, engraving, and postage expenses | $ | 20,000 | |  |
|  | Legal fees and expenses | $ | 7,500 | |  |
|  | Accounting fees and expenses | $ | 50,000 | |  |
|  | Rating Agency fees | $ | 544,250 | |  |
|  | Transfer Agent and Registrar, Trustee and Depository fees and expenses | $ | 7,500 | |  |
|  | Blue Sky fees and expenses | $ | 1,800 | |  |
|  | Total | $ | 666,295 |  |  |
|  |  |  |  |  |  |

